

GOLD BULLION DEVELOPMENT CORP.

Condensed Interim Consolidated Financial Statements

September 30, 2016

Unaudited

GOLD BULLION DEVELOPMENT CORP.

Condensed Interim Consolidated Financial Statements

September 30, 2016

Unaudited

NOTICE TO READERS

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

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

Signed 'Frank J. Basa'

Frank J. Basa, President

Signed "Thomas P. Devlin"

Thomas P. Devlin, Chief Financial Officer

GOLD BULLION DEVELOPMENT CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at September 30, 2016 unaudited	As at June 30, 2016 audited
Assets		
Current assets		
Cash	\$ 777,834	\$ 1,057,610
Receivables	194,721	158,200
Prepaid expenses	1,000	1,000
Total current assets	973,555	1,216,810
Deposit - long-term (Note 5)	171,800	171,800
Investment in Takara Resources Inc	175,000	-
Investment in Takara Resources Inc. - Warrants	101,910	-
Takara units receivable	400,769	366,607
Property, plant and equipment (Note 7)	35,571	37,445
Total Assets	1,858,605	1,792,662
Liabilities		
Current liabilities		
Trade and other payables and provisions (Note 9)	3,972,266	3,999,072
Secured loans payable (Note 8)	929,617	907,756
Total Current Liabilities	4,901,883	4,906,828
Total Liabilities	4,901,883	4,906,828
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	56,208,056	55,476,399
Reserves (Note 11)	2,989,459	3,237,782
Deficit	(62,240,793)	(61,828,347)
Total Shareholders' Equity (Deficiency)	(3,043,278)	(3,114,166)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 1,858,605	\$ 1,792,662

Nature of operations and going concern (Note 1)
Contingencies (Note 13)
Commitments (Note 14)
Subsequent events (Note 15)

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa" _____, Director

Signed "Roger Thomas" _____, Director

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the three months ended September 30,

	2016	2015
Expenses		
Exploration and evaluation (Note 6)		
Assaying and testing	\$ 10,008	\$ 5,887
Consulting fees	3,635	-
Core analysis	14,260	-
Depreciation	1,873	2,551
Drilling	60,294	-
Equipment Rental	24,140	9,353
Facility expenses	36,907	23,112
Geology, geophysics and surveys	35,180	35,000
Personnel costs	93,965	35,125
Program management and engineering	173,805	170,888
Security	300	300
Taxes, permits and licensing	2,597	2,418
	<u>456,964</u>	<u>284,634</u>
Corporate		
Administrative and general expenses	16,536	5,183
Consulting fees	116,660	83,698
Management fees	60,586	60,500
Professional fees	36,098	50,931
Filing costs and shareholders' information	98,304	36,900
Travel	55,200	8,581
	<u>383,384</u>	<u>245,793</u>
Other items		
Interest and other income	(29)	(65)
Stock-based compensation (Note 12)	87,050	9,375
Gain on disposal of discontinued operations	-	(268,264)
Unrealized gain on Takara units	(311,073)	-
	<u>(224,052)</u>	<u>(258,954)</u>
Net loss for the period	<u>616,296</u>	<u>271,473</u>
Net loss per share - basic and diluted	<u>\$ 0.002</u>	<u>\$ 0.001</u>
Weighted average number of shares outstanding		
basic and diluted	<u>371,478,919</u>	<u>291,573,261</u>

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital	Reserves	Deficit	Total Equity (Deficiency)
Balance June 30, 2015	53,586,835	3,337,947	(60,231,899)	(3,307,117)
Options vested	-	9,375	-	9,375
Options expired	-	(129,000)	129,000	-
Net loss for the three months ended Sept 30, :	-	-	(271,473)	(271,473)
Balance September 30, 2015	53,586,835	3,218,322	(60,374,372)	(3,569,215)
Private placements	1,768,078	1,007,337	-	2,775,415
Exercise of options -cash	40,000	-	-	40,000
Exercise of options - book value	22,700	(22,700)	-	-
Exercise of warrants - cash	146,785	-	-	146,785
Exercise of warrants - book value	24,041	(24,041)	-	-
Share issue costs	(112,040)	(16,786)	-	(128,826)
Options granted and vested	-	562,550	-	562,550
Options expired	-	(1,486,900)	1,486,900	-
Dividend distribution	-	-	(148,358)	(148,358)
Net loss for the nine months ended June 30, :	-	-	(2,792,517)	(2,792,517)
Balance June 30, 2016	\$ 55,476,399	\$ 3,237,782	\$ (61,828,347)	\$ (3,114,166)
Private placements	145,091	89,290	-	234,381
Issued for Debt	71,795	-	-	71,795
Exercise of options -cash	7,500	-	-	7,500
Exercise of options - book value	7,350	(7,350)	-	-
Exercise of warrants - cash	300,758	-	-	300,758
Exercise of warrants - book value	44,570	(44,570)	-	-
Warrants expired	163,626	(163,626)	-	-
Share issue costs	(9,033)	(5,267)	-	(14,300)
Options granted and vested	-	87,050	-	87,050
Options expired	-	(203,850)	203,850	-
Net loss for the three months ended Sept.30	-	-	(616,296)	(616,296)
Balance September 30, 2016	56,208,056	2,989,459	(62,240,793)	(3,043,278)

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended June 30,

2016

2015

	2016	2015
Cash (used in) provided by:		
Operating activities		
Net loss from continuing operations	\$ (616,296)	\$ (2,989,266)
Items not involving cash		
Depreciation	1,873	18,762
Stock-based compensation	87,050	338,475
Unrealized gain on Takara units	(311,073)	
Premium on flow through shares	-	(420,729)
Deferred income tax recovery	-	(10,787)
Part XII.6 penalty and interest (Note 10)	-	23,790
Flow-through indemnification provision (Note 10)	-	52,286
Changes in non-cash working capital items		
Receivables	(36,521)	19,672
Prepaid expenses	-	65,999
Trade and other payables and provisions	66,851	190,528
Net cash flows (used in) operating activities	(808,116)	(2,711,270)
Financing activities		
Issuance of common shares and warrants by private placement	230,181	2,835,551
Share issue costs	(10,100)	(185,228)
Exercise of warrants	300,759	-
Exercise of options	7,500	-
Net cash flows generated from financing activities	528,340	2,650,323
Net cash flows (used in) discontinued operations (Note 5)	-	(56,123)
Change in cash during the year	(279,776)	(117,070)
Cash, beginning of year	1,057,610	152,227
Cash, end of year	\$ 777,834	\$ 35,157
Supplemental cash flow information:		
Interest on secured loans	21,861	-

See accompanying notes to the consolidated financial statements.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Gold Bullion Development Corp. (“Gold Bullion” or the “Company”) is domiciled in Canada and was incorporated on July 17, 1985 under the Company Act of British Columbia. The Company is a publicly-traded company with its shares listed on TSX Venture Exchange (“TSXV”), the Frankfurt Stock Exchange, and the US over-the-counter (“OTC”) market. The principal business of the Company is the acquisition, exploration and development of mineral property interests. The head office of the Company is located at 3028 Quadra Court, Coquitlam, BC, V3B 5X6.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 28, 2016.

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

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

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, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed inappropriate. Such adjustments could be material.

As at September 30, 2016, the Company had not yet achieved profitable operations, has accumulated losses of \$62,240,793 (June 30, 2016 - \$61,828,347) since its inception, has a working capital deficiency of \$4,000,124 (June 30, 2016 – \$3,690,018) and expects to incur further losses in the development of its business.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

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

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

2. Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Presentation

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results may ultimately differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian dollars. Transaction in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are presented in the consolidated statement of loss. The Company does not have any foreign operations.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

3. Significant accounting policies

The accounting policies set out in the Company's audited financial statements for the year ended June 30, 2016 have been applied consistently to these interim condensed consolidated financial statements.

4. Significant Judgements, Estimates and Assumptions

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

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

Income taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Decommissioning and restoration costs

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

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

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

Share-based payments

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

Premium on Flow-through shares

At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded in trade and other payables on the consolidated statements of financial position. When the eligible expenditures are incurred, the Flow-Through Premium is reversed into the statement of loss within other income (expenses) when the eligible expenditures are incurred.

5. Deposit – Long-term

As at September 30, 2016 and June 30, 2016, the Company has a non-interest bearing cash deposit of \$171,800 with the Quebec government as a guarantee for the restoration of the Granada mine site. The Company has estimated that it has no material decommissioning obligations as at September 30, 2016 and 2015.

6. Exploration and Evaluation Projects

The Company has determined that as at September 30, 2016 the following projects have not met the technical feasibility and commercial viability criteria to be capitalized and classified in mining properties. Accordingly, the Company has expensed all exploration and evaluation expenditures in the year. As of September 30, 2016, and 2015, the Company did not hold any assets classified as mining properties.

Granada Property, Quebec, Canada

The Company holds a 100% interest to certain mining leases and claims. The mining leases are subject to a 2% Gross Metal Royalty ("GMR"), ½ of which may be purchased for \$1,000,000 and a 1% Net smelter royalty (NSR) and 23 of the original mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for \$1,000,000.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Projects (cont'd)

Castle Property, Ontario, Canada

The Company previously owned, through its wholly owned subsidiary, Castle, a 100% interest to certain claims. On September 15, 2015, the Company sold its wholly-owned subsidiary, Castle, to Takara Resources Inc. (Takara)

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

On September 30, 2016, the Company entered into a Letter of Intent ("LOI") with Takara Resources Inc. to advance the "Castle Golden Corridor Zone" discovered through surface sampling at Takara's 3,300 hectare Castle Silver Mine Property 75 km southwest of Kirkland Lake.

Under the terms of the LOI, Takara will transfer a 50% interest in 5 contiguous mineral claims on the property covering 91 hectares (the "Castle Golden Corridor Zone") in lieu of \$60,000 in property payments owed to Gold Bullion pursuant to an Assignment Agreement between the two companies dated October 8, 2015, concerning the Beaver and Violet cobalt-silver properties.

Beaver Property, Ontario, Canada

The Company held an option with Jubilee Gold Exploration Ltd. ("Jubilee") to acquire a 100% interest to an area in Coleman Township, Ontario. The property is subject to a 3% net smelter return royalty, and the Company may purchase each 1% of the NSR royalty for \$1.5 million.

On October 8, 2015, the Company, entered into an Assignment Agreement with Takara, granting Takara the right to acquire a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario. Pursuant to the Agreement, Takara will pay the Company an aggregate of \$75,000, consisting of \$15,000 (received) payable within ten days upon execution of the Agreement. The remaining \$60,000 under this agreement was offset against the \$60,000 Gold Bullion owed to Takara as part of the LOI dated September 30, 2016.

GOLD BULLION DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Three months ended September 30, 2016
Unaudited
(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

	September 30, 2016				
	Balance	Additions	Balance		
	June 30,	(Disposals)	Sept. 30,	Accumulated	
	2016	(Write-down)	2016	Amortization	Net
Equipment	13,891	-	13,891	695	13,196
Vehicles	23,555	-	23,555	1,180	22,375
	37,446		37,446	1,875	35,571
	June 30, 2016				
	Balance	Additions	Balance		
	June 30,	(Disposals)	30-Jun	Accumulated	
	2015	(Write-down)	2016	Amortization	Net
Equipment	17,363	-	17,363	3,473	13,891
Vehicles	33,650	-	33,650	10,095	23,555
	51,013		51,013	13,568	37,446

8. Secured Loans Payable

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

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

The second loan is from a company owned by a director of the Company and comprises a \$100,000 demand loan also with a three-year term at an interest rate of 8% calculated monthly and payable annually. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

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

GOLD BULLION DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Three months ended September 30, 2016
Unaudited
(Expressed in Canadian Dollars)

8. Secured Loans Payable (c9nt'd)

The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

On November 11, 2015 and January 8, 2016, the Company entered into a second and third loan agreement with an existing shareholder for a demand loan for proceeds of \$200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The Granada Gold property is registered as security against these loans. As a triggering event has not taken place, no value has been attributed to the derivative relating to the right of the lenders to demand repayment in gold valued at US \$800 per ounce.

9. Trade and Other Payables and Provisions

	September 30, 2016	June 30, 2015
Trade payable	\$ 1,185,336	\$ 1,100,950
Due to related parties	93,480	132,877
Part XII.6 taxes and interest ⁽ⁱ⁾	405,145	405,145
Flow-through indemnification provision ⁽ⁱ⁾	1,081,110	1,152,905
Part XII.6 taxes and interest ⁽ⁱⁱ⁾	119,418	119,418
Flow-through indemnification provision ⁽ⁱⁱ⁾	367,500	367,500
Part XII.6 taxes and interest ⁽ⁱⁱⁱ⁾	122,697	122,697
Flow-through indemnification provision ⁽ⁱⁱⁱ⁾	597,580	597,580
	<u>\$ 3,972,266</u>	<u>\$ 3,999,072</u>

(i) The Company had been reassessed for a renunciation shortfall of \$1,759,590 on unspent flow-through expenditures for fiscal years 2006 to 2008. During the three months ended September 30, 2016, the Company had accrued \$19,293 for Part XII.6 taxes, interest and penalties on the shortfall. As at September 30, 2016, the Company has accrued \$1,152,905 for potential indemnity for shareholders. The Company has reviewed the reassessment and has filed objections on certain of the CRA's claims.

(ii) The Company has estimated potential Part XII.6 taxes and indemnity in relation to unspent flow-through expenditures on flow-through issuance in fiscal year 2012. During the three months ended September 30, 2016, the Company had accrued interest of \$5,686. As at September 30, 2016, the Company has accrued \$119,418 for Part XII.6 taxes, interest and penalties on the shortfall. In addition, the Company has accrued \$367,500 for potential indemnity for shareholders.

GOLD BULLION DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Three months ended September 30, 2016
Unaudited
(Expressed in Canadian Dollars)

9. Trade and Other Payables and Provisions (cont'd)

(iii) The Company has estimated potential Part XII.6 taxes, interest and indemnity in relations to unspent flow-through expenditures on flow-through issuance in fiscal year 2013. The Company has accrued \$122,697 for Part XII.6 taxes and penalties on the shortfall. In addition, the Company has accrued \$597,580 for potential indemnity for shareholders.

10. Share Capital

Authorized

Unlimited number of common shares without par value

Issued

	2016		2015	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	369,411,844	\$55,476,379	308,890,591	\$53,586,835
Private placements	2,502,262	145,091	45,042,743	1,768,058
Exercise of Options -cash	150,000	7,500	800,000	40,000
Exercise of Options - book value	-	7,350	-	22,700
Exercise of warrants - cash	3,007,577	300,758	14,678,510	146,785
Exercise of warrants - book value	-	44,570	-	24,041
Share issue costs	-	(9,013)	-	(112,040)
Warrants expired	-	163,626	-	-
Issued to settle 2008 FT Claims	717,952	71,795		
Balance, end of period	375,789,635	\$ 56,208,056	369,411,844	55,476,379

On September 6, 2014, the Company closed a non-brokered private placement financing by the issuance of 18,091,019 flow-through ("FT") units at a purchase price of \$0.065 per unit, and 6,952,698 non-flow-through units at a purchase price of \$0.05 per unit, for gross proceeds of \$1,523,551.

Each FT unit consists of one FT common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before September 6, 2016, at a purchase price of \$0.10 per share.

Each non-flow-through unit consists of one non-flow-through common share in the capital of the Company and one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before September 6, 2016, at a purchase price of \$0.10 per share.

In connection with the private placement, the Company paid finders' fees consisting of \$64,828 in cash.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

10. Share Capital (cont'd)

In December 2014, the Company closed a non-brokered private placement financing by the issuance of 26,240,000 FT units at a purchase price of \$0.05 per unit for gross proceeds of \$1,312,000. Each unit consists of one FT common share in the capital of the Company and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share in the capital of the Company on or before December 23, 2016 or December 30, 2016, at a purchase price of \$0.10 per share.

In connection with the private placement, the Company paid finders' fees consisting of \$100,400 in cash and the issuance of 2,008,000 non-transferable finder's warrants with each finders warrants being exercisable to acquire one non-flow-through common share in the capital of the Company on or before December 23, 2016 or December 30, 2016, at a purchase price of \$0.10 per share.

On March 8, 2016, the Company closed a private placement offering raising gross proceeds of \$830,000. The Company issued 16,600,000 units at a price of \$0.05 per unit. Each unit is comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.10 per share, for a period of two years,

On March 23, 2016, the Company closed a private placement offering raising gross proceeds of \$920,138. The Company issued 18,402,743 units at a price of \$0.05 per unit. Each unit is comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.10 per share, for a period of two years,

On May 16, 2016, the Company closed a private placement offering raising gross proceeds of \$804,000. The Company issued 8,040,000 FT units at a price of \$0.10 per unit. Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of \$62,800 in cash and the issuance of 628,000 broker warrant, on the same terms as the purchasers warrants. A settlement fee was also paid to the finder in connection with the private placement in the amount of \$21,000.

On June 28, 2016, the Company closed a private placement offering raising gross proceeds of \$200,000. The Company issued 2,000,000 FT units at a price of \$0.10 per unit. Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of \$16,000 in cash and the issuance of 160,000 broker warrant, on the same terms as the purchasers warrants.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

10. Share Capital (cont'd)

On July 6, 2016, the Company closed a private placement offering raising gross proceeds of \$230,181 by way of combined flow-through and non flow-through units.

The Company issued 1,500,000 flow-through ("FT") units at a price of \$0.10 per unit. Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 per share, for a period of two years from closing.

The Company also issued 1,002,262 non flow-through ("NFT") units at a price of \$0.08 per unit. Each NFT unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.13 per share, for a period of two years from closing, subject to the acceptance of the TSXV. Finder's fees were paid in connection with the private placement in the amount of \$10,000 in cash and the issuance of 105,000 broker warrants, on the same terms as the purchaser warrants.

On July 28, 2016 the Company issued 717,952 common shares to settle 2008 Flow through indemnification provision for \$71,795.

11. Reserves - Warrants

The Company records the estimated fair value of warrants issued on the grant date. 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:

	2016	2015
Risk-free interest rate	0.75%-0.50%	1.02%-1.12%
Expected volatility	184%-188%	133%-136%
Expected dividend yield	0.00	0.00
Expected life (years)	2.0	2.0
Estimated fair value at grant date	\$0.015 to \$0.02	\$0.015 to \$0.02

Warrant Transactions

	2016		2015	
	Number of Warrants	Value	Number of Warrants	Value
Balance, beginning of year	78,625,450	\$ 1,622,422	3,928,238	\$ 655,922
Exercised	(3,007,577)	(44,570)	(1,467,851)	(24,041)
Expired	(11,522,780)	(163,626)	-	-
Issued by private placements	1,752,262	85,090	40,022,743	986,051
Issue costs related to warrants	-	(5,267)	-	(16,786)
Issued as compensation	105,000	4,200	788,000	21,276
Balance, end of period	<u>65,952,355</u>	<u>\$ 1,498,249</u>	<u>78,625,450</u>	<u>\$ 1,622,422</u>

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

11. Reserves – Warrants (cont'd)

A summary of the Company's outstanding warrants as at September 30, 2016 is presented below. Each warrant entitles the holder to purchase one common share:

Number of Warrants	Exercise Price	Expiry Date
50,000	0.100	August 19, 2018
7,606,350	0.100	January 31, 2017
500,000	0.100	January 31, 2017
9,570,000	0.100	December 23, 2016
1,440,000	0.100	December 23, 2016
3,550,000	0.100	December 30, 2016
568,000	0.100	December 30, 2016
16,600,000	0.100	March 3, 2018
18,402,743	0.100	March 17, 2018
4,020,000	0.150	May 16, 2018
628,000	0.140	May 16, 2018
1,000,000	0.150	June 28, 2018
160,000	0.150	June 28, 2018
750,000	0.150	July 6, 2018
1,002,262	0.130	July 6, 2018
105,000	0.130	July 6, 2018
<u>65,952,355</u>	<u>0.100</u>	

Reserves - 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.

	2016	2015
Risk-free interest rate	0.75%-0.50	1.25%
Expected volatility	148% to 149%	114% to 151%
Expected dividend yield	0.00	0.00
Expected life (years)	1 to 5 years	1 to 5 years
Estimated fair value at grant date	\$0.01 to \$0.049	\$0.01 to \$0.049

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

11. Reserves - Options (cont'd)

Option Activity

	Number of Options	Value	Number of Options	Value
Balance, beginning of year	19,600,000	\$ 1,615,350	15,300,000	\$2,682,025
Exercised	(150,000)	(7,350)	(800,000)	(22,700)
Expired	(1,350,000)	(203,850)	(3,400,000)	(1,615,900)
Granted	1,050,000	87,050	8,500,000	560,300
Vested	-	-	-	11,625
Balance, end of period	19,150,000	\$ 1,491,200	19,600,000	\$1,615,350

A summary of the Company's outstanding stock options issued to directors, officers, employees and key consultants as at September 30, 2016 is presented below. Each option entitles the holder to purchase one common share:

Number of Options	Options Vested	Exercise Price	Expiry Date
3,350,000	3,350,000	0.130	January 4, 2022
200,000	200,000	0.150	March 9, 2017
750,000	150,000	0.100	March 11, 2018
600,000	600,000	0.100	June 12, 2018
4,000,000	4,000,000	0.050	July 23, 2019
300,000	300,000	0.050	August 5, 2019
400,000	400,000	0.050	May 14, 2020
4,900,000	4,900,000	0.050	February 12, 2021
600,000	600,000	0.100	May 9, 2021
1,400,000	1,400,000	0.105	May 21, 2021
800,000	300,000	0.080	June 23, 2021
800,000	800,000	0.100	June 23, 2018
400,000	400,000	0.100	July 7, 2021
400,000	400,000	0.100	September 8, 2021
250,000	250,000	0.100	September 9, 2021
19,150,000	19,150,000	0.081	

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

12. 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 company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial officer are key management personnel.

The remuneration to key management personnel during the three months ended September 30, 2016 and 2015 is as follows:

	September 30, 2016	June 30, 2015
Key management compensation	\$ 219,586	\$ 806,622
Stock-based compensation	32,400	252,300
	<u>\$251,896</u>	<u>\$1,058,922</u>

- a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the three months ended September 30, 2016, the total amount for such services provided was \$110,000 which \$440,000 was recorded in exploration expenses.
- b) The Company retains the services of two directors and three officers to carry out administrative services. During the three months ended September 30, 2016, the total amount for such services provided was \$109,586 which was recorded in management and consulting fees. As at September 30, 2016 an amount of \$93,480 was included in trade and other payables. The amount is unsecured, non interest-bearing, generally due by 30 days. See note 9.

13. 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. As at September 30, 2016 and to the best knowledge of its management, the Company is, in conformity with the laws and regulations.
- 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:

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

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

13. Contingencies (cont'd)

- b) During the nine months ended September 30, 2016, the Company received \$1,184,000 from flow-through share issuances. According to the tax rules, the Company has until December 31, 2017 to spend this amount on qualified exploration expenditures. As at September 30, 2016, the Company had an unspent amount of approximately \$693,000.
- c) The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment. As at September 30, 2016, in relations to renunciation shortfalls from fiscal years 2006 to 2008, the Company has accrued \$405,145 for Part XII.6 taxes and penalties on the \$1,759,590 shortfall. In addition, \$1,081,110 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. The Company reviewed the reassessment proposed by the CRA, and filed objections on certain of the claims. The CRA denied these objections. In relation to renunciation shortfall from fiscal year 2012, the Company has accrued \$119,418 for Part XII.6 taxes and penalties on the \$765,495 shortfall. In addition, \$367,000 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. In relation to a renunciation shortfall from fiscal year 2014, the Company has accrued \$122,697 for Part XII.6 taxes and penalties on the \$1,064,850 shortfall. In addition, \$597,580 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors.

14. Commitments

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

- i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.
- ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

14. Commitments (cont'd)

- iii) Effective July 1, 2010 and amended January 1, 2012, and March 1, 2015, the Company entered into a consulting agreement with a director and officer of the Company. The fee for consulting services was \$9,500 per month. Either party may terminate this engagement by giving four months' notice to the other, subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of \$228,000. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.
- iv) Effective December 1, 2010 and amended October 1, 2011 and March 1, 2015, the Company entered into an agreement with a director of the Company. The fee for consulting services was \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. The agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant in the amount of \$192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.
- v) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD \$192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.

15. Financial Risk Management

Overview

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

- credit risk;
- liquidity risk;
- market risk, including commodity price risk;
- foreign currency exchange risk;
- interest rate risk; and
- operational risk.

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

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

Risk Management Framework

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

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

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team. There have been no changes in the risks, objectives, policies and procedures as set out in the Company's June 30, 2016 audited financial statements during the three months ended September 30, 2016..

16. Capital Management Disclosures

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

The Company considers its capital to be equity, which is comprised of common shares, reserves and deficit, which as at September 30, 2016 totalled a shareholders' deficiency of \$3,043,278 (June 30, 2016 – \$3,114,116).

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

The Company currently has no significant source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended September 30, 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

GOLD BULLION DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2016

Unaudited

(Expressed in Canadian Dollars)

17. Subsequent Events

On October 28, 2016, the Company closed a private placement offering raising gross proceeds of \$2,405,000. The Company issued 25,315,789 FT units at a price of \$0.095 per unit. Each FT unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.14 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of \$192,400 in cash and the issuance of 1,705,263 broker warrants. Each broker warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.095 per share, for a period two years from closing.