Liberty Gold Corp.

(formerly known as Pilot Gold Inc.)
An exploration stage company

Consolidated Financial Statements
Year ended December 31, 2017
(Expressed in US Dollars)

March 26, 2018

Independent Auditor's Report

To the Shareholders of Liberty Gold Corp.

We have audited the accompanying consolidated financial statements of Liberty Gold Corp. (formerly known as Pilot Gold Inc.), which comprise the consolidated statements of financial position as at December 31, 2017, December 31, 2016 and January 1, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Liberty Gold Corp. as at December 31, 2017, December 31, 2016 and January 1, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Emphasis of matter
As discussed in Note 4 to the consolidated financial statements, on January 1, 2017, Liberty Gold Corp. changed its accounting policy with respect to International Financial Reporting Standard 6, Exploration for and Evaluation of Mineral Resources. Our opinion is not modified with respect to this matter.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

LIBERTY GOLD CORP.
(formerly known as Pilot Gold Inc.)
Consolidated statements of financial position
(Expressed in United States Dollars)

	As at December 31, 2017	As at December 31, 2016 (restated Note 4)	As at January 1, 2016 (restated Note 4)
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	2,168,203	12,374,010	7,811,674
Short term investments	98,016	94,881	100,743
Receivables and prepayments (Note 7)	216,328	827,589	779,931
Total current assets	2,482,547	13,296,480	8,692,348
Non-current assets			
Other financial assets (Note 8)	362,023	616,688	309,406
Deposits (Note 9)	470,372	325,752	1,408,469
Sales taxes receivable (Note 7)	947,079	938,858	1,128,963
Plant and equipment (Note 10)	238,734	270,245	322,858
Exploration and evaluation assets (Note 11i)	23,982,103	24,019,239	23,115,371
Investment in associates (Note 12)	1,525,707	1,413,687	1,417,300
Total non-current assets	27,526,018	27,584,469	27,702,367
Total assets	30,008,565	40,880,949	36,394,715
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (Note 13)	972,213	897,297	477,128
Total current liabilities	972,213	897,297	477,128
Non-current liabilities			
Deferred tax liabilities (Note 14)	546,287	500,010	-
Other liabilities	156,383	84,770	129,536
Total non-current liabilities	702,670	584,780	129,536
Shareholders' equity			
Share capital (Note 15)	167,289,230	166,756,042	155,186,833
Contributed surplus (Note 15)	24,075,989	23,318,508	20,209,503
Accumulated other comprehensive loss	(7,709,532)	(8,294,288)	(8,849,498)
Accumulated deficit	(164,649,891)	(151,940,625)	(140,778,478)
Total shareholders' equity	19,005,796	29,839,637	25,768,360
Non controlling interest (Note 16)	9,327,886	9,559,235	10,019,691
Total liabilities and shareholders' equity	30,008,565	40,880,949	36,394,715

The notes on pages 5 to 28 are an integral part of these consolidated financial statements.

These financial statements are approved by the board and authorised for issue on March 26, 2018:

"*Donald McInnes*", Director "*Sean Tetzlaff*", Director

LIBERTY GOLD CORP.
(formerly known as Pilot Gold Inc.)
Consolidated statements of loss and comprehensive loss
(Expressed in United States Dollars)

	Year Ended December 31, 2017	2016 (restated Note 4)
	$	$
Operating expenses		
Exploration and evaluation expenditures (Note 11ii)	8,788,389	6,560,702
Wages and benefits	1,214,194	1,793,587
Office and general	1,078,002	1,171,522
Stock based compensation (Note 15c)	650,207	1,012,596
Investor relations, promotion and advertising	540,611	271,411
Professional fees	329,296	445,325
Depreciation (Note 10)	63,020	76,700
Listing and filing fees	47,233	66,322
Loss from operations	12,710,952	11,398,165
Other income (expenses)		
Foreign exchange losses	(338,507)	(537,701)
Change in fair value on impairment or sale of financial instruments	(236,249)	(188,897)
Loss from associates (Note 12)	(122,672)	(101,072)
Other income (expense)	(13,064)	412,787
Finance income	62,742	53,327
Net gain on sale of financial instruments (Note 8)	125,489	242,747
	(522,261)	(118,809)
Loss before tax	13,233,213	11,516,974
Income tax expense (Note 14)	46,277	500,010
Loss for the period	13,279,490	12,016,984
Loss attributable to:		
Shareholders	12,709,266	11,162,147
Non-controlling interests	570,224	854,837
	13,279,490	12,016,984
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income		
Exchange differences on translations	589,870	374,230
Net fair value gain (loss) on financial assets	112,073	259,353
Amounts reclassifed into net loss on impairment or sale of financial assets	(117,187)	(78,373)
Other comprehensive income for the period, net of tax	584,756	555,210
Total loss and comprehensive loss for the period	12,694,734	11,461,774
Loss attributable to:		
Shareholders	12,124,510	10,606,937
Non-controlling interests	570,224	854,837
Total loss and comprehensive loss for the period	12,694,734	11,461,774
Loss per share		
Basic and diluted loss per share	$ 0.08	$ 0.09
Weighted average number of Common Shares Basic and diluted	150,504,319	125,474,133

The notes on pages 5 to 28 are an integral part of these consolidated financial statements.

Subsequent events are disclosed in Note 23.

LIBERTY GOLD CORP.
(formerly known as Pilot Gold Inc.)
Consolidated statements of changes in equity
(Expressed in United States Dollars)

	Number of Common Shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss) (restated Note 4)	Accumulated deficit (restated Note 4)	Total shareholders' equity (restated Note 4)	Non-controlling interest (restated Note 4)	Total equity (restated Note 4)
	#	$	$	$	$	$	$	$
Balance as at January 1, 2016	107,344,284	155,186,833	20,209,503	(8,849,498)	(140,778,478)	25,768,360	10,019,691	35,788,051
Private placement	41,928,000	12,060,794	2,042,661	-	-	14,103,455	-	14,103,455
Share issue costs on private placement	-	(894,883)	-	-	-	(894,883)	-	(894,883)
Share issuances	359,641	191,600	-	-	-	191,600	-	191,600
RSU exercises	389,853	211,698	(145,703)	-	-	65,995	-	65,995
Stock based compensation	-	-	1,212,047	-	-	1,212,047	-	1,212,047
Net impairment of long-term investments recognised in the statement of loss	-	-	-	(78,373)	-	(78,373)	-	(78,373)
Unrealized gain on long-term investments	-	-	-	259,353	-	259,353	-	259,353
Contributions by non-controlling interest	-	-	-	-	-	-	394,381	394,381
Cumulative translation adjustment	-	-	-	374,230	-	374,230	-	374,230
Net loss for the period	-	-	-	-	(11,162,147)	(11,162,147)	(854,837)	(12,016,984)
Balance as at December 31, 2016	150,021,778	166,756,042	23,318,508	(8,294,288)	(151,940,625)	29,839,637	9,559,235	39,398,872
Share issuances (Note 15b)	271,916	88,298	-	-	-	88,298	-	88,298
Option, RSU and Warrant exercises (Note 15)	936,865	444,890	(177,576)	-	-	267,314	-	267,314
Stock based compensation (Note 15c)	-	-	935,057	-	-	935,057	-	935,057
Other comprehensive income reclassified to the statement of loss on sale or impairment (Note 8)	-	-	-	(117,187)	-	(117,187)	-	(117,187)
Unrealized gain on long-term investments	-	-	-	112,073	-	112,073	-	112,073
Contributions by non-controlling interest (Note 16)	-	-	-	-	-	-	338,875	338,875
Cumulative translation adjustment	-	-	-	589,870	-	589,870	-	589,870
Net loss for the period	-	-	-	-	(12,709,266)	(12,709,266)	(570,224)	(13,279,490)
Balance as at December 31, 2017	151,230,559	167,289,230	24,075,989	(7,709,532)	(164,649,891)	19,005,796	9,327,886	28,333,682

The notes on pages 5 to 28 are an integral part of these consolidated financial statements.

LIBERTY GOLD CORP.
(formerly known as Pilot Gold Inc.)
Consolidated statements of cash flows
(Expressed in United States Dollars)

	Year ended December 31, 2017	2016 (restated Note 4)
	$	$
Cash flows from operating activities		
Loss for the period	(13,279,490)	(12,016,984)
Adjusted for:		
Stock based compensation (Note 15c)	935,057	1,212,047
Other non-cash items on the statement of loss	107,722	41,584
Foreign exchange not related to cash	227,237	572,873
Loss from associates (Note 12)	122,672	101,072
Change in fair value, impairment and gains on disposal of financial instruments	110,760	(53,850)
Change in non-current reclamation liability (Note 13)	64,700	
Deferred tax expense (Note 14)	46,277	500,010
Value of shares as consideration for consulting services (Note 15b)	53,298	-
Value of shares as consideration for Goldstrike lease (Note 15b)	35,000	35,000
Amount refunded from Oxygen Deposit (Note 9)	-	116,525
Value of shares received from Logan (Note 11c)	-	(195,914)
Movements in working capital:		
Accounts receivable and prepayments	447,476	68,307
Accounts payable and other liabilities	11,140	408,843
Net cash outflow due to operating activities	(11,118,151)	(9,210,487)
Cash flows from financing activities		
Contributions from non-controlling interest (Note 16)	338,875	394,381
Cash received from exercise of share based payments and warrants (Note 15)	267,314	65,995
Cash received from financing	-	14,103,455
Share issue costs	-	(894,883)
Net cash inflow from financing activities	606,189	13,668,948
Cash flows from investing activities		
Sale of other financial assets (Note 8)	170,014	282,430
Purchase and proceeds of sale of property and equipment (Note 10)	(27,893)	(26,435)
Increase to surety bond collateral (Note 9)	(83,633)	(145,109)
Funding to Associates (Note 12)	(137,654)	(54,830)
Maturity of short term investments	-	7,555
Purchase of reclamation deposits	-	(95,460)
Release of reclamation deposits (Note 9)	-	949,693
Acquisition of mineral property (Note 11b)	-	(854,327)
Acquisition of mineral property license (Note 11a)	-	(150,000)
Recovery of tenure maintenance cost pursuant to Option Agreement (Note 11c)	-	68,924
Net cash outflow due to investing activities	(79,166)	(17,559)
Effect of foreign exchange rates	385,321	121,434
Net increase (decrease) in cash and cash equivalents	(10,205,807)	4,562,336
Cash and cash equivalents at beginning of period	12,374,010	7,811,674
Cash and cash equivalents at end of the period	2,168,203	12,374,010

See Note 21 for supplemental cash flow information

(Expressed in United States Dollars, unless otherwise noted)

1. GENERAL INFORMATION

Liberty Gold Corp. ("Liberty Gold" or the "Company") is incorporated and domiciled in Canada, and its registered office is at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

The Company was incorporated as "7703627 Canada Inc." under the Canada Business Corporations Act ("CBCA") on November 18, 2010. Articles of amendment were filed on November 29, 2010 to change the name of the Corporation to "Pilot Gold Inc." Articles of amendment were subsequently filed on May 9, 2017 to change the name of the Company to Liberty Gold Corp.

Liberty Gold is an exploration stage business engaged in the acquisition and exploration of mineral properties located primarily in the United States of America and Turkey.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The comparative information has been restated as detailed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are set out below.

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets classified as available-for-sale and fair value through profit and loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(b) Basis of consolidation

The financial statements of Liberty Gold consolidate the accounts of Liberty Gold Corp. and its subsidiaries. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the Company has control. Liberty Gold controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The principal subsidiaries of Liberty Gold and their geographic locations at December 31, 2017 were as follows:

Name of subsidiary	Principal activity	Location	Proportion of ownership interest and voting power held
Pilot Gold USA Inc.	Mineral exploration	United States	100%
Kinsley Gold LLC ("KG LLC")	Mineral exploration	United States	79%
Agola Madencilik Limited Şirketi ("Agola")	Mineral exploration	Turkey	100%
Orta Truva Madencilik Şanayi ve Ticaret A.Ş ("Orta Truva")	Mineral exploration	Turkey	60%
Cadillac Mining Corporation ("Cadillac")	Mineral exploration	Canada	100%
Pilot Goldstrike Inc. (formerly Cadillac South Explorations Inc.)	Mineral exploration	United States	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments in associates

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which Liberty Gold has significant influence, but not control. The financial results of Liberty Gold's investments in its associates are included in Liberty Gold's results according to the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates is recognized in net income (loss) during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Transactions and balances between the Company and its associates are not eliminated. Unrealized gains on transactions between Liberty Gold and an associate are eliminated to the extent of Liberty Gold's interest in the associate. Unrealized losses are also eliminated to the extent of the Company's interest in the associate unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

At the end of each reporting period, Liberty Gold assesses whether there is any objective evidence that its investment interests in associates are impaired. If impaired, the carrying value of Liberty Gold's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of loss. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings (loss) in the period the reversal occurs.

(d) Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

(i) *Joint operation*: when the Company has rights to the assets, and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
(ii) *Joint venture*: when the Company has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The Company entered into a joint operation effective July 24, 2017, as a result of Logan Resources Inc. ("Logan") earning a 51% interest in four of the Company's Portfolio Projects, Brik, Viper, Easter and Antelope in accordance with the July 7, 2016, Option Agreement (the "Option Agreement"). The Company recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These interests are governed by contractual arrangements but have not been organized into separate legal vehicles or entities. Details of the joint operation are set out in Note 11c. The Company does not have any joint arrangements that are classified as joint ventures.

(e) Foreign currencies

Items included in the financial statements of each subsidiary and associate in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the statement of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liberty Gold raises its financing and incurs head office expenditures in Canadian dollars ("C$"), giving rise to a Canadian dollar functional currency. In order to enhance comparability with our peers and as a better representation of the principal currency used by the mining and mineral exploration industry, the presentation currency of these consolidated financial statements is in United States dollars. Any assets and liabilities of the Company held in foreign currencies are expressed in United States dollars using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period; in this case, the exchange rates at the dates of the transactions are used. Equity transactions are translated using the exchange rate at the date of the transaction. Exchange differences arising from assets and liabilities held in foreign currencies, are recognised in other comprehensive income (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and deposits in banks that are readily convertible into a known amount of cash, or with an initial maturity of 90 days or less.

(g) Exploration and evaluation assets and expenditures

In order to enhance the relevance to the decision making needs of users and improve comparability with our peers, the Company has voluntarily changed its accounting policy with respect to exploration properties and deferred exploration expenditures, consistent with the guidance provided in IFRS 6 – *Exploration for and Evaluation of Mineral Resources* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* (Note 4).

Effective with the presentation of the March 31, 2017, unaudited condensed interim consolidated financial statements, on a retrospective basis, exploration and evaluation expenditures with the exception of acquisition costs, are charged to profit or loss in the period in which they are incurred. Acquisition costs are capitalized to exploration and evaluation assets and classified as non-current. Costs related to the acquisition of mineral properties are capitalized on a property-by-property basis until such a time as the property is placed in production, sold, abandoned or determined to be impaired. Option payments received on mineral property interests optioned to third parties are credited against previous capitalized acquisition costs for that mineral property interest. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. Once it is probable that future economic benefits will flow to us, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. The following criteria are used to assess the economic recoverability and probability of future economic benefits:

(i) *Viability:* a Proven and/or Probable Mineral Reserve has been established that demonstrates a positive financial return; and
(ii) *Authorizations:* necessary permits, access to critical resources and environmental programs exist or are reasonably obtainable.

Although we have taken steps to verify title to mineral properties in which we have an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee our title. Property title may be subject to unregistered prior agreements or transfers, and may be affected by undetected defects.

(h) Plant and equipment

Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Liberty Gold and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major categories of plant and equipment noted below are depreciated over their estimated useful life using the following annual rates and methods:

Field equipment	20%	Declining balance
Equipment	30%	Declining balance
Computer software	50%	Straight line
Furniture and fixtures	20%	Declining balance
Leasehold improvements		Term of lease

Depreciation expense of assets used in exploration is capitalized to deferred exploration expenditures, or investment in associate as appropriate. Management reviews the estimated useful lives, residual values and depreciation methods of the Company's plant and equipment at the end of each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized, if the recognition criteria are satisfied.

(i) Impairment of long-lived assets

Plant and equipment and exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment is assessed on an asset-by-asset basis. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Provisions and constructive obligations

Provisions, including environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:

(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
(ii) As a result, Liberty Gold has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Where the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Liberty Gold and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

(l) Earnings or loss per share

Earnings or loss per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of Common Shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase Common Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share relative to basic earnings per share and is only recognized when the effect is dilutive.

(m) Financial instruments

Financial assets and liabilities are recognized when Liberty Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Liberty Gold has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, Liberty Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) *Available-for-sale investments:* Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Liberty Gold has classified certain of its long-term financial assets in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and included in other gains and losses.

(iii) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Liberty Gold's loans and receivables are comprised of 'Receivables', 'Deposits' and 'Cash and cash equivalents', and are classified respectively as appropriate in current or non-current assets according to their nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) *Held to maturity:* Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Liberty Gold's management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period loss. Liberty Gold's short term investments are in this category.

(v) *Financial liabilities at amortized cost:* Financial liabilities at amortized cost include account payables and accrued liabilities. Accounts payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(n) Impairment of financial assets

At each reporting date, management of Liberty Gold assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Liberty Gold recognizes an impairment loss, as follows:

(i) *Financial assets carried at amortized cost:* The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) *Available-for-sale financial assets:* A significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

(o) Share-based payments

(i) *Stock Options to purchase Common Shares ("Options"):* An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of Option grants is measured at the date of grant using the Black-Scholes option-pricing model ("Black-Scholes") and the compensation amount, equal to the Option's fair value, is recognized over the period that the employees earn the Options.

The vesting periods of the Options granted range from vesting immediately to vesting over a three-year period. Each tranche is recognised on a straight-line basis over the vesting period.

Liberty Gold recognizes an expense or addition to exploration and evaluation assets for options granted under the Liberty Gold Stock Option Plan (2017) (the "Option Plan"), arising from stock Options granted to employees using the fair value method with a corresponding increase in equity. The amount recognized as an expense or added to exploration and evaluation assets, is adjusted to reflect the number of Options expected to vest.

(ii) *Deferred share units ("DSUs") and restricted share units ("RSUs"):* Measured at fair value on the grant date. Equity settled DSUs and RSUs are recognized in equity. The expense is recognized over the vesting period, with a corresponding charge as an expense or capitalized to exploration and evaluation assets.

Prior to January 1, 2017, the Company's policy was to defer exploration expenditures until such time as the properties are put into commercial production, sold or become impaired. The Company elected to change this accounting policy to expense exploration expenditures as incurred, effective with the presentation of the March 31, 2017 condensed interim consolidated financial statements, on a retrospective basis. The Company will continue to defer acquisition expenditures on mineral properties until such time as the properties are put into commercial production, sold or become impaired.

(Expressed in United States Dollars, unless otherwise noted)

4. CHANGE IN ACCOUNTING POLICY (continued)

The change in accounting policy requires full retrospective application. IAS 1 – Presentation of Financial Statements also requires a third statement of financial position be presented. As at January 1, 2016, December 31, 2016, and December 31, 2017, the following adjustments were recorded to the consolidated statements of financial position:

(i) January 1, 2016	As previously reported $	Effect of change of accounting policy $	As currently reported $
Exploration and evaluation assets	76,647,172	(53,531,801)	23,115,371
Investment in Associates	5,220,727	(3,803,427)	1,417,300
Total non-current assets	**85,037,595**	**(57,335,228)**	**27,702,367**
Deferred tax liabilities	474,823	(474,823)	-
Total non-current liabilities	**604,359**	**(474,823)**	**129,536**
Accumulated other comprehensive loss	(13,938,032)	5,088,534	(8,849,498)
Accumulated deficit	(91,849,189)	(48,929,289)	(140,778,478)
Total shareholders' equity	**69,609,115**	**(43,840,755)**	**25,768,360**
Non-controlling interest	23,039,341	(13,019,650)	10,019,691

(ii) December 31, 2016	As previously reported $	Effect of change of accounting policy $	As currently reported $
Exploration and evaluation assets	83,677,276	(59,658,037)	24,019,239
Investment in Associates	5,421,177	(4,007,490)	1,413,687
Total non-current assets	**91,249,996**	**(63,665,527)**	**27,584,469**
Deferred tax liabilities	1,157,116	(657,106)	500,010
Total non-current liabilities	**1,241,886**	**(657,106)**	**584,780**
Accumulated other comprehensive loss	(13,256,429)	4,962,141	(8,294,288)
Accumulated deficit	(97,426,019)	(54,864,055)	(152,290,074)
Total shareholders' equity	**79,392,102**	**(49,901,914)**	**29,490,188**
Non-controlling interest	23,015,191	(13,455,956)	9,559,235

(iii) December 31, 2017	Under previous accounting policy $	Effect of change of accounting policy $	As currently reported $
Exploration and evaluation assets	92,385,930	(68,403,827)	23,982,103
Investment in Associates	5,856,148	(4,330,441)	1,525,707
Total non-current assets	**100,260,286**	**(72,734,268)**	**27,526,018**
Deferred tax liabilities	1,396,959	(850,672)	546,287
Total non-current liabilities	**1,553,342**	**(850,672)**	**702,670**
Accumulated other comprehensive loss	(12,364,980)	4,655,448	(7,709,532)
Accumulated deficit	(102,005,613)	(63,380,490)	(165,386,103)
Total shareholders' equity	**76,994,626**	**(58,725,042)**	**18,269,584**
Non-controlling interest	23,222,652	(13,894,766)	9,327,886

(Expressed in United States Dollars, unless otherwise noted)

4. CHANGE IN ACCOUNTING POLICY (continued)

For the years ended December 31, 2016, and December 31, 2017, the change in accounting policy had the following impact on the consolidated statement of loss:

(iv) Year ended December 31, 2016	**As previously reported $**	**Effect of change of accounting policy $**	**As currently reported $**
Exploration and evaluation expenditures	332,076	6,228,626	6,560,702
Loss from operations	**5,169,539**	**6,228,626**	**11,398,165**
Other income (Note 11c)	(300,480)	(112,305)	(412,785)
Loss from associates	13,484	87,588	101,072
Deferred tax expense (recovery)	682,293	(182,283)	500,010
Loss attributable to:			
Shareholders	5,576,830	5,585,317	11,162,147
Non-controlling interests	418,530	436,307	854,837
	5,995,360	**6,021,624**	**12,016,984**
Exchange differences on translations	500,623	(126,393)	374,230
Other comprehensive income (loss)	**681,603**	**(126,393)**	**555,210**
Total loss and comprehensive loss attributable to:			
Shareholders	4,895,227	5,711,710	10,606,937
Non-controlling interests	418,530	436,307	854,837
	5,313,757	**6,148,017**	**11,461,774**
Basic and diluted loss per share	0.04	0.05	0.09

(v) Year ended December 31, 2017	**Under previous accounting policy $**	**Effect of change of accounting policy $**	**As currently reported $**
Exploration and evaluation expenditures	65,738	8,722,651	8,788,389
Loss from operations	**3,988,301**	**8,722,651**	**12,710,952**
Loss from associates	83,277	39,395	122,672
Deferred tax expense (recovery)	239,843	(193,566)	46,277
Loss attributable to:			
Shareholders	4,579,595	8,129,671	12,709,266
Non-controlling interests	131,415	438,809	570,224
	4,711,010	**8,568,480**	**13,279,490**
Exchange differences on translations	896,562	(306,692)	589,870
Other comprehensive income (loss)	**891,448**	**(306,692)**	**584,756**
Total loss and comprehensive loss attributable to:			
Shareholders	3,688,145	8,436,365	12,124,510
Non-controlling interests	131,415	438,809	570,224
	3,819,560	8,875,174	**12,694,734**
Basic and diluted loss per share	0.03	0.06	0.08

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) *Functional currency:* The functional currency for the parent entity, and each of its subsidiaries and associates, is the currency of the primary economic environment in which the entity operates. The US and Turkish subsidiaries of the parent entity, have a US dollar functional currency, while the parent entity itself, and its remaining subsidiaries, have a Canadian dollar functional currency.

Determination of functional currency involves certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. The functional currency of Orta Truva was changed from Turkish Lira to US Dollar due to a change in the primary operating environment of the entity at the time controlling interest was acquired by the Company in 2015 (Note 16).

(ii) *Review of asset carrying values and impairment assessment:* In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets assessed for impairment include the value of the Company's investment interests in associates and the carrying value of its exploration and evaluation assets. Indications of impairments for these assets include judgement on whether exploration and exploration rights will continue to be funded and if the projects are commercially viable.

Exploration and evaluation assets and expenditures: The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are probable, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

Investment in associates: Recoverability of the carrying amount of Liberty Gold's interest in associates is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Changes in any of the assumptions used in the impairment assessment could materially affect the result of this analysis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described on the following page. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(i) *Exploration and evaluation assets and expenditures:* In addition to applying judgment to determine whether it is probable that future economic benefits will arise from the Company's exploration and evaluation assets and expenditures, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions.

The publication of a resource pursuant to National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101), is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers its exploration and evaluation expenditures. Any such estimates and assumptions may change as new information becomes available. If information becomes available suggesting the recovery of acquisition costs is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

The Company provides for such differences, where known, based on management's best estimate of the probable outcome of these matters.

6. RECENT ACCOUNTING PRONOUNCEMENTS

New relevant IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standard or interpretation in the annual period for which it is first required.

Financial instruments

In July 2014 the IASB released the final version of IFRS 9, Financial Instruments ("IFRS 9") covering classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 applies to annual periods beginning on or after January 1, 2018, and requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard also introduces a new impairment model, expanded disclosure requirements and changes in presentation for financial instruments.

The Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets, as the majority of its financial assets are currently measured at amortized cost and will continue to be measured on the same basis under IFRS 9. Although the Company's short term investments will no longer be classified as held to maturity, they will continue to be measured at amortized cost under IFRS 9. However, the Company's equity investments currently classified as available-for-sale and measured at fair value through other comprehensive income ("FVOCI") will be classified and measured at fair value through profit or loss under IFRS 9, as the irrevocable option was not exercised.

There will be no impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, which the Company does not currently have.

The new impairment model requires the recognition of impairment provisions based on expected credit losses, rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Company estimates that the impairment provisions will have no material impact on cash and cash equivalents, receivables and deposits.

(Expressed in United States Dollars, unless otherwise noted)

6. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Leases

IFRS 16, Leases ("IFRS 16") was issued January 13, 2016 and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019. Preliminary internal discussions have begun to assess changes under the standard, but the full impact of the pronouncement has yet to be assessed.

7. RECEIVABLES AND PREPAYMENTS

	December 31, 2017	December 31, 2016	January 1, 2016
Sales taxes receivable	$ 40,544	$ 527,580	$ 516,752
Other receivables	77,923	202,641	82,441
Prepayments	97,861	97,368	180,738
	$ 216,328	**$ 827,589**	**$ 779,931**

An additional $947,079 in sales taxes receivable is classified as non-current and is expected to be recoverable when production begins, or upon the sale of Orta Truva licenses (December 31, 2016: $938,858; January 1, 2016: $1,128,963).

8. OTHER FINANCIAL ASSETS

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments and may take the form of common shares or share purchase warrants. For accounting purposes, any share purchase warrants held are derivative financial instruments that are held for sale and any change in fair value is included in income (loss) for the period.

The fair value of share purchase warrants is measured using the Black-Scholes valuation model that uses inputs that are primarily based on market indicators. Common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold, impaired or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period. Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three levels below:

- *Level 1:* Unadjusted quoted prices in active markets for identical assets or liabilities;
- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and;
- *Level 3:* Inputs that are not based on observable market data.

As at December 31, 2017, Liberty Gold holds Level 1 equity securities with a total fair value of $362,023 (December 31, 2016: $616,688; January 1, 2016: $309,406). Certain Level 1 securities were sold during the period ended December 31, 2017, for total proceeds of $170,014. Due to a significant, prolonged decline in the market value of certain Level 1 securities, an impairment loss of $94,364 was recognized during the period, consisting of previously recognized losses in other comprehensive income, in the statement of loss. The total amount remaining in other comprehensive income relating to available for sale financial instruments as at December 31, 2017 is $759,906 (December 31, 2016: $765,016; January 1, 2016: $584,036).

9. DEPOSITS

On August 1, 2012 Liberty Gold entered into a technical and administrative services agreement (the "Oxygen Agreement") with Oxygen Capital Corp. ("Oxygen"), a related party, whereby Oxygen provides management, administrative and accounting services to the Company at cost. As at December 31, 2017 Oxygen holds an advance of $130,425 (December 31, 2016: $121,945; January 1, 2016: $229,729) on behalf of the Company, that on termination of the Oxygen Agreement will be applied against the final three months of services. The amount held by Oxygen is reviewed biannually and adjusted to reflect an estimate of costs over three months. An adjustment to the deposit was not required as a result of the reviews performed during the year ended December 31, 2017 (December 31, 2016: refund of $116,525, January 1, 2016: $nil).

(Expressed in United States Dollars, unless otherwise noted)

9. DEPOSITS (continued)

During the year ended December 31, 2016, the Company established a surety bonding arrangement with a third-party (the "Surety"). As a consequence of the Surety, $384,838 previously held as certificates of deposit with a US bank to back standby letters of credit, and $748,822 held directly by the United States Department of the Interior in order to satisfy bonding requirements were replaced during the period ended December 31, 2016. Accordingly, during the year ended December 31, 2016, the Company recovered $949,693 in bonding. To continue to satisfy the Surety, the Company deposited $83,633 during the year ended December 31, 2017 (December 31, 2016: $145,109) as a collateralized balance in favour of the Surety company. A finance fee is charged monthly on the full balance of the Surety amount. An additional $111,545 is held with the Turkish General Directorate of Mining Affairs (at December 31, 2016: $59,092, January 1, 2016: $140,800), in order to meet bonding requirements on the TV Tower property. A total of $11,281 was refunded during the year ended December 31, 2017 (December 31, 2016: $81,708, January 1, 2016: $nil).

10. PLANT AND EQUIPMENT

Cost:	**Field equipment**	**Equipment**	**Computer software**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Balance as at January 1, 2016	$ 111,838	$ 564,440	$ 269,783	$ 259,314	$ 322,507	$ 1,527,882
Additions	8,500	17,605	-	353	-	26,458
Disposals and write-downs	(2,685)	(9,019)	-	(5,501)	-	(17,205)
Cumulative translation adjustment	1,828	3,260	3,048	4,393	-	12,529
Balance as at December 31, 2016	$ 119,481	$ 576,286	$ 272,831	$ 258,559	$ 322,507	$ 1,549,664
Additions	14,501	10,492	-	3,389	-	28,382
Cumulative translation adjustment	4,246	13,412	7,078	10,209	-	34,945
Balance as at December 31, 2017	$ **138,228**	$ **600,190**	$ **279,909**	$ **272,157**	$ **322,507**	$ **1,612,991**
Depreciation:						
Balance as at January 1, 2016	$ 34,341	$ 399,263	$ 268,271	$ 190,746	$ 312,403	$ 1,205,024
Depreciation charge	16,656	43,261	1,035	13,305	3,292	77,549
Disposals and write-downs	(1,670)	(7,723)	-	(3,440)	-	(12,833)
Cumulative translation adjustment	(65)	3,221	3,048	3,475	-	9,679
Balance as at December 31, 2016	$ 49,262	$ 438,022	$ 272,354	$ 204,086	$ 315,695	$ 1,279,419
Depreciation charge	12,906	35,766	518	11,112	2,724	63,026
Cumulative translation adjustment	4,267	11,666	7,077	8,802	-	31,812
Balance as at December 31, 2017	$ **66,435**	$ **485,454**	$ **279,949**	$ **224,000**	$ **318,419**	$ **1,374,257**
Net Book Value:						
As at January 1, 2016	$ 77,497	$ 165,177	$ 1,512	$ 68,568	$ 10,104	$ 322,858
As at December 31, 2016	$ 70,219	$ 138,264	$ 477	$ 54,473	$ 6,812	$ 270,245
As at December 31, 2017	$ **71,793**	$ **114,736**	$ **(40)**	$ **48,157**	$ **4,088**	$ **238,734**

Equipment consists of automobiles, automotive equipment, and computer hardware.

11. EXPLORATION AND EVALUATION ASSETS

Currently none of the Company's properties have any known body of commercial ore or any established economic deposit; all are in the exploration stage. Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 12).

(Expressed in United States Dollars, unless otherwise noted)

11. EXPLORATION AND EVALUATION ASSETS (continued)

(i) The acquisition expenditures relating to the Company's interest in ten exploration properties in Nevada and Utah have been aggregated and are described as 'Portfolio Properties' in the tables below for the periods ended December 31, 2016 and 2017, respectively:

	At January 1, 2016 Restated (Note 4)	**Additions**	**Recovery from third party earn-in**	**At December 31, 2016** Restated (Note 4)
USA				
Kinsley Mountain	$ 575,838	$ -	$ -	$ 575,838
Goldstrike (Note 11a)	8,336,985	150,000	-	8,486,985
Black Pine (Note 11b)	-	1,010,927	-	1,010,927
Portfolio Properties (Note 11c)	542,292	-	(257,059)	285,233
Total USA	**$ 9,455,115**	**$ 1,160,927**	**$ (257,059)**	**$ 10,358,983**
Turkey				
TV Tower	$ 13,660,256	$ -	$ -	$ 13,660,256
Total Turkey	**$ 13,660,256**	$ -	$ -	**$ 13,660,256**
Total	**$ 23,115,371**	**$ 1,160,927**	**$ (257,059)**	**$ 24,019,239**

	At December 31, 2016 Restated (Note 4)	**Additions**	**De-recognition of Logan ownership interest**	**At December 31, 2017** Restated (Note 4)
USA				
Kinsley Mountain	$ 575,838	$ -	$ -	$ 575,838
Goldstrike (Note 11a)	8,486,985	-	-	8,486,985
Black Pine (Note 11b)	1,010,927		-	1,010,927
Portfolio Properties (Note 11c)	285,233	-	(37,136)	248,097
Total USA	**$ 10,358,983**	**$ -**	**$ (37,136)**	**$ 10,321,847**
Turkey				
TV Tower	$ 13,660,256	$ -	$ -	$ 13,660,256
Total Turkey	**$ 13,660,256**	$ -	$ -	**$ 13,660,256**
Total	**$ 24,019,239**	**$ -**	**$ (37,136)**	**$ 23,982,103**

(a) *Goldstrike, USA*

On January 15, 2016, the Company incurred $150,000 to purchase additional claims related to the Goldstrike project.

(b) *Black Pine, USA*

On June 14, 2016, the Company acquired 100% of the Black Pine (Mineral Gulch) project from Western Pacific Resources Corporation ("Western Pacific") for total consideration of $1,010,927, consisting of $800,000 cash and 300,000 Common Shares with a fair value of C$0.67 each, as well as transaction costs of $54,327. A 0.5% Net Smelter Return royalty was granted to Western Pacific.

(c) *Portfolio Properties, USA*

On July 7, 2016, the Company signed an Option Agreement under which Logan may earn up to an 80% interest in up to four of nine of the Portfolio Properties (the "Optioned Properties"). Logan could earn an initial 51% interest in four of the Optioned Properties (the "Selected Properties") by incurring $1,000,000 in cumulative exploration costs within the first year (the "Option"), and an additional 19% interest in the Selected Properties by incurring an additional $2,000,000 in exploration expenditures within the first 3 years, and issuing 1,000,000 of its shares to the Company on completion of the 70% earn-in requirement (the "Additional Option").

(Expressed in United States Dollars, unless otherwise noted)

11. EXPLORATION AND EVALUATION ASSETS (continued)

Logan may earn an additional 10% (to a total of 80%) interest in any of the Selected Properties by completing a prefeasibility study on that property, prepared in accordance with NI 43-101 (the "Second Additional Option"). Following either their choice not to participate in the Additional Option or the Second Additional Option, or the completion of the Second Additional Option, a joint venture will be formed and Logan and the Company will be responsible for their pro-rata share of expenditures on the Selected Properties.

Total consideration for the Option Agreement of $590,157 (the "Consideration") consisted of the fair value of the Logan shares of $380,886 and the cash reimbursement amount for the annual holding costs of $209,271. The fair value of Logan shares and cash reimbursement were proportionately allocated to the Optioned Properties based on the total expenditures and holding costs incurred at July 31, 2016, respectively. Consideration of $220,835 which was allocated to the previously impaired Optioned Properties, Drum, Sandy and Viper, was recognized in Other Income. Of the remaining Consideration of $369,322, $257,059 was recorded against the carrying amounts of the Optioned Properties' capitalized acquisition expenditures, with the excess of $112,263 also recognized in Other Income.

On July 24, 2017, Logan provided the Company with formal notice that it had met the requirements of and elected to exercise the Option and selected to earn an initial 51% interest in Brik, Viper, Easter and Antelope, and released its interest in the remaining five Optioned Properties (the "Returned Properties"). As a result of the additional earn-in, Logan reimbursed the Company $136,198 relating to holdings costs on the Returned Properties, with an outstanding receivable of $61,888 relating to holding costs on the Selected Properties.

Although Logan obtained a controlling (51%) interest in the Selected Properties, certain significant decisions still require unanimous consent from both parties. Therefore, Logan and the Company have joint control over the Selected Properties which are classified as a joint operation. The Company has derecognized Logan's 51% interest in the carrying amounts of the Selected Properties, resulting in an adjustment of $37,136 during the year ended December 31, 2017.

Drum Termination

On December 20, 2017, the Company entered into an Agreement (the "Termination Agreement") with Golden Dragon Capital LLC ("Golden Dragon") to terminate the January 1, 2013 and subsequently amended Mining Lease and Option to Purchase associated with the Company's Drum property. Pursuant to the Termination Agreement, the Company made a final royalty payment of $75,000 on December 21, 2017 and issued 400,000 Common Shares to Golden Dragon on January 8, 2018 with a fair value of C$0.45 per Common Share, totalling $145,034 (C$180,000).

(ii) Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the consolidated statement of comprehensive loss are as follows:

	Goldstrike	Kinsley Mountain	Black Pine	Portfolio properties	**Total USA**	TV Tower	Other exploration	**Total All**
January 1, 2016	$ 1,348,956	$ 18,521,242	$ -	$ 1,897,418	**$ 21,767,616**	$ 31,764,184	$ 3,384,094	**$ 56,915,894**
Drilling and assays	2,146,886	245,848	-	-	**2,392,734**	-	-	**2,392,734**
Wages and salaries	729,860	58,823	55,637	1,350	**845,670**	298,824	160,566	**1,305,060**
Other	1,565,868	384,541	98,930	62,152	**2,111,491**	579,907	171,510	**2,862,908**
December 31, 2016	$ 5,791,570	$ 19,210,454	$ 154,567	$ 1,960,920	**$ 27,117,511**	$ 32,642,915	$ 3,716,170	**$ 63,476,596**
Drilling and assays	4,088,751	203,790	236,375	-	**4,528,916**	-	-	**4,528,916**
Wages and salaries	1,038,169	47,617	193,083	-	**1,278,869**	206,423	28,512	**1,513,804**
Other	1,419,000	308,394	250,122	3,607	**1,981,123**	727,320	37,226	**2,745,669**
December 31, 2017	**$12,337,490**	**$ 19,770,255**	**$ 834,147**	**$ 1,964,527**	**$ 34,906,419**	**$ 33,576,658**	**$ 3,781,908**	**$ 72,264,985**

Wages and salaries include stock based compensation. Other exploration comprises expenditures on mineral interests prior to obtaining the legal right to explore the area.

(Expressed in United States Dollars, unless otherwise noted)

12. INVESTMENT IN ASSOCIATES

Liberty Gold owns 40% of Halilağa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company that is controlled (60%) by Teck Madencilik Sanayi Ticaret A.Ş. ("TMST").

	Truva Bakır
At January 1, 2016 (Restated Note 4)	$ 1,417,300
Share of loss	(101,072)
Funding by the Company	54,830
Foreign exchange differences	42,629
At December 31, 2016 (Restated Note 4)	$ 1,413,687
Share of loss	(122,672)
Funding by the Company	137,654
Foreign exchange differences	97,038
At December 31, 2017	**$ 1,525,707**

The summarised financial information for Truva Bakır, on a 100% basis is as follows:

	December 31, 2017	December 31, 2016 Restated (Note 4)	January 1, 2016 Restated (Note 4)
Current assets	$ 317,379	$ 384,523	$ 779,515
Non-current assets	3,659,544	3,306,965	2,976,330
Current liabilities	(162,654)	(157,271)	(212,595)
Total net assets	**$ 3,814,269**	**$ 3,534,217**	**$ 3,534,250**
% interest held	40%	40%	40%
Company's share of net assets	**$ 1,525,707**	**$ 1,413,687**	**$ 1,417,300**

	Year ended December 31, 2017	2016 Restated (Note 4)
Loss	$ 306,680	$ 252,680
% interest held	40%	40%
Company's share of loss	$ **122,672**	$ **101,072**

As at December 31, 2017 the Company's cumulative share of Truva Bakir's losses that are unrecognized is $2,203,460. These unrecognized losses are recorded against any future profits that Truva Bakir earns.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016	January 1, 2016
Trade payables	$ 786,753	$ 736,104	$ 266,870
Accrued liabilities	80,022	82,324	144,240
Decommissioning liability - current	81,300	38,000	10,000
Other payables	24,138	40,869	56,018
	$ **972,213**	**$ 897,297**	$ **477,128**

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms.

(Expressed in United States Dollars, unless otherwise noted)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

A non-current decommissioning liability of $117,500 has also been recognized at December 31, 2017 relating to the Kinsley property (December 31, 2016: $52,800). During the year ended December 31, 2017, the decommissioning liabilities relating to the Company's Goldstrike and Kinsley properties were increased by $14,000 and $64,700, respectively. Following the November 2017 drilling program at the Black Pine property, a decommissioning liability of $29,300 was established during the period ended December 31, 2017.

14. INCOME TAXES

The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for 2017 of 26.00% (2016: 26.00%).

	Year ended December 31, 2017	**2016** Restated (Note 4)
Loss before taxes	$ (13,233,213)	$ (11,516,974)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	(3,440,635)	(2,994,413)
Permanent differences	250,735	760,862
Change in deferred income tax rates	5,015,574	-
Benefit not recognized and other	(1,779,397)	2,733,561
Income tax expense	**$ 46,277**	**$ 500,010**

The change in deferred income tax rates is a significant reconciling item for the year ended December 31, 2017, primarily due to a decrease in the combined federal and state statutory tax rates for the USA entities to 21.00% (2016: 35.00%).

A deferred tax liability of $546,287 has been recognised in the period ended December 31, 2017 (December 31, 2016: $500,010; January 1, 2016: $nil) arising from foreign exchange differences in the tax basis of the TV Tower mineral property held by Orta Truva.

The following are temporary differences the net benefits of which have not been recognized:

	December 31, 2017	**December 31, 2016** Restated (Note 4)
Operating losses carried forward	$ 47,965,983	$ 38,399,828
Equipment	528,173	513,337
Mineral properties	22,008,792	18,215,909
Investments and other	2,597,237	2,704,734
Total temporary differences	**$ 73,001,185**	**$ 59,833,808**

The Company has non-capital losses which may be applied to reduce future taxable income. These losses expire between 2017 and 2037:

	Canada	**US**	**Turkey**	**Total**
December 31, 2017	$ 22,034,000	$ 25,107,000	$ 825,000	$ 47,966,000

There are no income taxes owed by Liberty Gold as at December 31, 2017.

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) *Authorized*

Unlimited Common Shares with no par value.

(b) *Issued*

On July 10, 2017 a total of 121,916 Common Shares were issued towards lease payments on the Goldstrike property, with a total fair value of $35,000.

(Expressed in United States Dollars, unless otherwise noted)

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

On August 8, 2017, a total of 150,000 Common Shares were issued pursuant to a consulting service agreement, with a fair value of C$0.45 per Common Share, totalling $53,298.

(c) *Stock-based compensation*

For the year ended December 31, 2017, the Company charged a total of $935,057 of stock-based compensation expense to the statement of loss (2016: $1,212,047) of which $284,850 is attributed to exploration and evaluation expenditures (2016: $199,451).

Liberty Gold Stock Option Plan

The Liberty Gold Stock Option Plan was approved on May 9, 2017. Under the terms of the Option Plan, the Board may, from time to time, grant to employees, officers and directors of, or consultants to the Company, non-assignable options to Options in such numbers and for such terms as may be determined by the Board.

The number of Common Shares which may be issued pursuant to Options previously granted and those granted under the Option Plan will be a maximum of 10% of the issued and outstanding Common Shares at the time of the grant; the number of Common Shares which may be reserved for issuance to any one individual may not exceed 5% of the issued and outstanding Common Shares.

Options granted to date under Option Plan, are exercisable over a period of five years. In accordance with the Option Plan, the exercise price of each Option shall under no circumstances be lower than the closing market price of the Company's stock on the trading day immediately before the date of grant. Options granted to Directors vest immediately, the remaining options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of options is recorded to share capital.

Option transactions and the number of options outstanding are summarized as follows:

	Options	**Weighted Average Exercise Price**
	#	C$
Balance, January 1, 2016	6,925,333	1.55
Options granted	9,101,250	0.51
Options expired	(2,809,999)	171
Options forfeit or cancelled	(1,812,501)	0.78
Options exercised	(13,333)	0.34
Balance, December 31, 2016	11,390,750	0.68
Options granted	2,328,000	0.48
Options expired	(1,398,333)	0.88
Options forfeit or cancelled	(779,167)	0.57
Balance, December 31, 2017	**11,541,250**	**0.60**

At December 31, 2017, Liberty Gold had incentive options issued to directors, officers, employees and key consultants to the Company outstanding as follows:

Range of prices	**Number of Options outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of Options exercisable**	**Weighted average exercise price of Options exercisable**
	#	(in years)	C$	#	C$
C$0.01 to C$0.99	10,049,250	3.87	0.50	4,798,750	0.51
C$1.00 to C$1.99	1,377,000	1.31	1.15	1,269,667	1.15
C$2.00 to C$2.99	65,000	0.12	2.00	65,000	2.00
C$3.00 to C$3.99	50,000	3.28	3.45	50,000	3.45
	11,541,250	**3.54**	**0.60**	**6,183,417**	**0.68**

(Expressed in United States Dollars, unless otherwise noted)

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as the expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the options. For issuances prior to April 2016, we based our expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of our options exceeded our trading history at that time.

The weighted average fair value of options granted during the period determined using Black-Scholes was C$0.26 per option. The weighted average significant inputs into the model included a share price of C$0.48 at the grant date, an exercise price of C$0.48, a volatility of 63%, a dividend yield of 0%, an expected option life of 5 years and an annual risk-free interest rate of 1.55%. A 3.7% forfeiture rate was applied to the option expense.

Restricted Share Units

RSUs granted under the Liberty Gold RSU Plan to employees and service providers of the Company vest in thirds at the end of each year from the date of grant, with the exception of those granted on December 12, 2016, which vest one third immediately, then in thirds at the end of each following year, and those granted on December 18, 2017, one half of which vest in three months and the remaining half in twelve months.

Transactions relating to RSUs are summarised as follows:

	RSUs
	#
Balance, January 1, 2016	406,910
RSUs granted	1,021,250
RSUs forfeited or cancelled	(117,787)
RSUs exercised	(172,520)
Balance, December 31, 2016	1,137,853
RSUs granted	1,323,000
RSUs forfeited or cancelled	(134,345)
RSUs exercised	(66,865)
Balance, December 31, 2017	**2,259,643**

Expiry Date	**Number of RSUs outstanding**	**Weighted average remaining contractual life**	**Number of RSUs exercisable**
	#	(in years)	#
December 31, 2018	164,976	1.00	82,580
December 31, 2019	771,667	2.00	490,418
December 31, 2020	1,323,000	3.00	-
	2,259,643	**2.51**	**572,998**

Deferred Share Units

DSUs granted under the Liberty Gold DSU Plan to Directors of the Company, have no expiration date and are redeemable upon termination of service. Transactions relating to DSUs are summarised below:

	DSUs
	#
Balance, January 1, 2016	255,000
DSUs granted	603,000
Balance, December 31, 2016	**858,000**
DSUs granted	350,000
Balance, December 31, 2017	**1,208,000**

(Expressed in United States Dollars, unless otherwise noted)

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
	#	C$
Balance, January 1, 2016	4,218,157	2.00
Warrants issued	20,964,000	0.69
Warrants expired	(4,218,157)	2.00
Warrants exercised	(204,000)	0.40
Balance, December 31, 2016	20,760,000	0.69
Warrants expired	-	-
Warrants exercised	(870,000)	0.40
Balance, December 31, 2017	**19,890,000**	**0.70**

The remaining contractual lives of warrants outstanding as at December 31, 2017 are as follows:

Weighted average exercise price	Number of warrants outstanding	Weighted average remaining contractual life
C$	#	(in years)
0.40	7,872,500	0.21
0.90	12,017,500	1.37
0.70	**19,890,000**	**1.05**

Subsequent to December 31, 2017, 300,000 warrants with an exercise price of C$0.40 were exercised. The remaining 7,572,500 warrants expired on March 4, 2018.

16. NON-CONTROLLING INTEREST

The Company holds a 79.1% interest in KG LLC, the entity that holds the underlying lease and directly held claims that comprise the Kinsley Mountain property (together, "Kinsley"). The remaining 20.9% interest is held by Intor Resources Corporation ("Intor"). The value of the non-controlling interest in Kinsley has not changed during the period ended December 31, 2017, as no funding was received from the non-controlling interest holder, Intor (2016: $91,249).

Liberty Gold owns a 60% controlling interest of the TV Tower property through a 60% ownership stake in Orta Truva. The remaining 40% interest is held by TMST. The value of the non-controlling interest in Orta Truva has increased by $338,875 (2016: $303,132) during the period ended December 31, 2017 upon receipt of funding from the non-controlling interest holder, TMST.

Summary financial information for KG LLC and Orta Truva is as set out below, and is shown before intercompany eliminations. The loss in Orta Truva relates to exploration and evaluation expenditures, foreign exchange and the deferred tax expense (Note 14). Comparative information has been restated to reflect the change in accounting policy as described in Note 4:

(a) Summarised Balance Sheet

	KG LLC		Orta Truva	
	As at December 31, 2017	As at December 31, 2016 Restated (Note 4)	As at December 31, 2017	As at December 31, 2016 Restated (Note 4)
Current				
Assets	$ 10,273	$ 538,959	$ 430,492	$ 637,121
Liabilities	(27,492)	(13,881)	(209,958)	(104,630)
Total Current net assets (liabilities)	$ (17,219)	$ 525,078	$ 220,534	$ 532,491

(Expressed in United States Dollars, unless otherwise noted)

16. NON-CONTROLLING INTEREST (continued)

	KG LLC		Orta Truva	
	As at December 31, 2017	**As at December 31, 2016** Restated (Note 4)	**As at December 31, 2017**	**As at December 31, 2016** Restated (Note 4)
Non-Current				
Assets	$ 688,043	$ 688,012	$ 2,323,526	$ 2,262,852
Liabilities	(117,500)	(52,800)	(546,287)	(500,010)
Total Non-current net assets (liabilities)	$ (570,543)	$ 635,212	$ 1,777,239	$ 1,762,842
Net Assets	**$ 553,324**	**$ 1,160,290**	**$ 1,997,773**	**$ 2,295,333**

(b) Summarised Statement of Loss

	KG LLC		Orta Truva	
	Year ended December 31, 2017	**2016** Restated (Note 4)	**Year ended December 31, 2017**	**2016** Restated (Note 4)
Statement of Loss	$ 624,410	$ 769,981	$ 1,099,306	$ 1,734,777
Other comprehensive Loss	-	-	-	-
Loss and other comprehensive Loss	**$ 624,410**	**$ 769,981**	**$ 1,099,306**	**$ 1,734,777**

(c) Summarised cash flows

	KG LLC		Orta Truva	
	Year ended December 31, 2017	**2016** Restated (Note 4)	**Year ended December 31, 2017**	**2016** Restated (Note 4)
Net cash flow from:				$
operating activities	$ (528,686)	$ (782,097)	$ (560,950)	(1,781,030)
financing activities	-	435,764	833,243	803,131
investing activities	-	636,499		
Net increase (decrease) in cash	$ (528,686)	$ 290,166	$ 272,293	$ (977,899)
Cash at the beginning of the period	537,580	247,414	130,197	1,108,096
Cash at the end of the period	**$ 8,894**	**$ 537,580**	**$ 402,490**	**$ 130,197**

17. CAPITAL DISCLOSURES

Liberty Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Liberty Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

18. FINANCIAL RISK MANAGEMENT

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided on the following page.

18. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liberty Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short term investments with high credit quality banking institutions in Canada, the USA and Turkey. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash and cash equivalents. The Company may from time to time have to issue additional Common Shares to ensure there is sufficient capital to meet long term objectives. The Company's financial liabilities of accounts payable and accrued liabilities are payable within a 90 day period and are expected to be funded from the cash held.

Interest Rate Risk

We are subject to interest rate risk with respect to our investments in cash and short term investments. Our current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned.

Market Risk

The significant market risk to which the Company is exposed is foreign exchange risk.

Foreign Exchange Risk

The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures, including the cash calls from the Company's 40% partner at Orta Truva and 60% partner at Truva Bakır, are incurred in United States dollars. The fluctuation of the Canadian dollar and the Turkish Lira in relation to the United States dollar will consequently have an impact upon the financial results of the Company.

Further, although only a portion of the Company's expenditures, primarily general and administrative costs are incurred in Canadian dollars, the Company records its assets located in Vancouver in Canadian dollars. As the operating results and financial position of the Company are reported in United States dollars in Liberty Gold's consolidated financial statements, there may also be an impact to the reported value of the Company's assets, liabilities and shareholders' equity as a result of the fluctuation of the CAD in relation to the United States dollar. A 1% increase or decrease in the exchange rate of the US dollar against the Canadian dollar would result in a $14,963 increase or decrease respectively (2016: $46,013), in the Company's cash and short term investment balance. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

Fair Value Estimation

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value due to their short term nature.

19. COMMITMENTS

Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at the market rate. Office premises and other operating leases in Canada are paid to Oxygen, pursuant to the Oxygen Agreement.

(Expressed in United States Dollars, unless otherwise noted)

19. COMMITMENTS (continued)

Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, are included in the table below.

The aggregate lease expenditure related to Liberty Gold's office premises charged to the statement of loss for the year ended December 31, 2017 is $105,165 (2016: $178,132) with an additional $89,429 in contingent rental expenditures which consist of operating costs (2016: $55,169).

Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2017 are as follows:

Year	
2018	$ 214,460
2019	202,952
2020	204,788
2021	210,475
2022+	295,813
	$ 1,128,488

The Company is also responsible for its share of property taxes and operating costs on office premises leases in Canada, Turkey and the United States.

20. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. Consistent with December 31, 2016, Liberty Gold has three geographic locations at December 31, 2017: Canada, the United States and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration and evaluation assets held by the Company and its associates, which have been disclosed in Notes 11 and 12, respectively.

The net loss is distributed by geographic segment per the table below:

	Year ended December 31, 2017	**2016**
Canada	$ 3,272,269	$ 3,875,340
USA	8,551,823	6,165,328
Turkey	1,455,398	1,976,316
	$ 13,279,490	**$ 12,016,984**

Plant and equipment are distributed by geographic segment per the table below:

	As at December 31, 2017	**As at December 31, 2016**	**As at January 1, 2016**
Canada	$ 80,724	$ 98,024	$ 108,603
USA	128,715	139,121	166,500
Turkey	29,295	33,100	47,755
	$ 238,734	**$ 270,245**	**$ 322,858**

The Company is in the exploration stage and accordingly, has no reportable segment revenues.

(Expressed in United States Dollars, unless otherwise noted)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing transactions:

	Year ended December 30, 2017	Year ended December 30, 2016
Issuance of common shares in partial consideration for mineral property (Note 11b)	$ -	$ (191,600)
Non-cash recovery on mineral properties (Note 11c)	-	380,886
	$ -	**$ 189,286**

22. RELATED PARTY TRANSACTIONS

In addition to the following, the Company's related parties include its subsidiaries, and associates over which it exercises significant influence. Transactions with the Company's associate are described in Note 12.

Oxygen Capital Corp

Oxygen is a private company owned by three directors of the Company. Oxygen provides access to administrative and finance personnel, office rental, the use of assets including Information Technology infrastructure and other administrative functions on an as-needed basis that would not necessarily otherwise be available to Liberty Gold at this stage of the Company's development. Oxygen does not charge a fee to the Company, allocating all expenses at cost.

Related party transactions during the year ended December 31, 2017 total $550,109 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss (2016: $581,975). As at December 31, 2017, Oxygen holds a refundable deposit of $130,425 on behalf of the Company (Note 9). Additionally, as at December 31, 2017 the Company held a payable to Oxygen of $121,104, that was settled subsequent to December 31, 2017 (December 31, 2016: $120,340; January 1, 2016: $107,319). See also Note 19 for details on commitments related to lease arrangements.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the VP Exploration, the Chief Financial Officer & Corporate Secretary, and the Turkish Country Manager. The aggregate total compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

	Year ended December 30, 2017	Year ended December 30, 2016
Salaries and other short-term employee benefits	$ 1,041,479	$ 1,092,687
Share-based payments	555,002	1,064,587
Total	**$ 1,596,481**	**$ 2,157,274**

23. SUBSEQUENT EVENTS

Bought-Deal Private Placement

On January 26, 2018 the Company completed a bought deal Private placement financing (the "Bought-Deal") with a syndicate of underwriters (the "Underwriters") whereby the Underwriters purchased, on a bought-deal basis, 24,938,426 units of the Company ("Bought-Deal Unit") consisting of one Common Share and one half Common Share purchase warrant (each whole Common Share purchase warrant, a "Bought-Deal Warrant"), at a price of C$0.42 per Bought-Deal Unit for gross proceeds to the Company of $8,436,919 (C$10,474,139). Each Bought-Deal Warrant will entitle the holder to acquire one Common Share at a price of C$0.65 until January 25, 2021.

The Bought-Deal Units were valued using the residual method whereby the fair value of the warrant was determined to be C$0.142 using the Black-Scholes valuation method and the following inputs: Share price at issue C$0.44, exercise price C$0.65, risk free rate 1.95%, annualized volatility 64% and a 3 year expected life. Volatility was determined using the Company's share price volatility over the 3 years prior to issuance.

23. SUBSEQUENT EVENTS (continued)

The resulting allocation of the warrant fair value to the consideration received was Warrants: $1,426,241 (C$1,770,628) and Common Shares: $7,010,678 (C$8,703,511). Transaction costs of $596,837 have been recognised in equity subsequent to December 31, 2017.