

# Extractive Sector Transparency Measures Act Report

Reporting Year

From: 1/1/2016

To: 12/31/2016

Reporting Entity Name

Liberty Gold Corp. (formerly Pilot Gold Inc.)

Reporting Entity ESTMA Identification Number

E474459

Subsidiary Reporting Entities (if necessary)

Pilot Gold Inc. (USA), Pilot Goldstrike Inc., Kinsley Gold LLC, Orta Truva Madencilik Şanayi ve Ticaret A. Ş.

**Attestation: Please check one of the the boxes below and provide the required information**

**Attestation ( by Reporting Entity)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.*

**Attestation (through independent audit)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.*

*The auditor expressed an unmodified opinion, dated 2017-05-23, on the ESTMA report for the entities and period listed above.  
The independent auditor's report can be found at page 7 of this report, located at [www.libertygold.ca/index.php/investors/ESTMA](http://www.libertygold.ca/index.php/investors/ESTMA)*

Director or Officer of Reporting Entity Full Name:

Joanna Bailey

Position Title:

Chief Financial Officer and Corporate Secretary

Date: 2017-05-23

## Extractive Sector Transparency Measures Act - Annual Report

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### Payments by Payee

Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
United States	Federal Government of the United States	\$ -	\$ -	\$ 420,000	\$ -	\$ -	\$ -	\$ -	\$ 420,000	\$420,000 cash was paid to the Bureau of Land Management. Amounts are paid and reported in US dollars.
Turkey	Federal Government of the Republic of Turkey	\$ -	\$ -	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 260,000	\$110,000 cash was paid to the General Directorate of Forestry, \$150,000 cash was paid to the Ministry of Energy and Natural Resources. Reported in US dollars, using the exchange rate prevailing at the date of the payments. The weighted average Turkish Lira to US dollar exchange rate at the date of the payments is 1TL = \$0.343

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### Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
United States	Drum	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Stateline	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Anchor	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Antelope	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Baxter Springs	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000.00	
United States	Easter	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Griffon	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Viper	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
United States	Black Pine	\$ -	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000.00	
United States	Kinsley	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ 80,000.00	
United States	Goldstrike	\$ -	\$ -	\$ 170,000	\$ -	\$ -	\$ -	\$ -	\$ 170,000.00	
United States	Sandy	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00	
Turkey	TV Tower	\$ -	\$ -	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 260,000.00	Reported in US dollars, using the exchange rate prevailing at the date of the payments. The weighted average Turkish Lira to US dollar exchange rate at the date of the payments is 1TL = \$0.343

## **INTRODUCTION**

Liberty Gold Inc. and its subsidiaries (collectively the “Company”) has prepared the following audited consolidated report (“the Report”) of payments made to government entities for the year ended December 31, 2016 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

## **BASIS OF PREPARATION**

The report is presented in US Dollars (USD) and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. The NRCan Technical Reporting Specifications require disclosure of the exchange rate and primary method used for currency conversions.

The following is a summary of significant policies and judgments that the Company has made for the purpose of preparing the report.

### **Significant policies**

#### **Cash payments**

Payments are reported on a cash basis and have been reported in the period in which the payment was made. Where applicable, the weighted average exchange rate for each payment has been disclosed in the notes section of the ESTMA Annual Report.

Payments to the “same payee” that meet or exceed \$100,000 Canadian Dollars in one category of payment are disclosed. Payments are rounded to the nearest \$10,000 USD.

#### **Payee**

For the purposes of the Act, a payee is:

- a. Any government in Canada or in a foreign state;
- b. A body that is established by two or more governments; or
- c. Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state, provincial, local, or municipal levels. Payees may include non-governmental entities if the benefit bestowed would have otherwise been provided by the government. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

Aboriginal and indigenous groups and organizations may also be regarded as a payee under the Act. Currently, the Corporation does not make payments to such groups.

The individual department, agency or other body of the payee that received the payment has been disclosed in the notes section of the ESTMA Annual Report.

## **Reportable Payments**

A reportable payment for ESTMA purposes is one that:

- a. Is made to the same payee;
- b. Is made in relation to the commercial development of oil, gas or minerals; and
- c. Totals, as a single or multiple payments, \$75,500 US dollars (\$100,000 Canadian Dollars translated at the average exchange rate for the year 2016) or more, in the year in one of the following prescribed seven payment categories.

### *Taxes*

This category includes taxes paid by the Company on its income, profits or production in relation to the commercial development of mineral resources. Consumption taxes, personal income taxes and taxes withheld by others on behalf of the Company are excluded as per the Act. For the year ended December 31, 2016, there were no reportable tax payments to a payee.

### *Royalties*

Royalties are payments for the rights to extract resources, typically at a set percentage of revenue. For the year ended December 31, 2016, there were no reportable royalty payments to a payee.

### *Fees*

This category may include rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits or concessions. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

### *Production entitlements*

A payee's share of mineral production under a production sharing agreement or similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2016, there were no reportable production entitlement payments to a payee.

### *Bonuses*

Signing, discovery, production and any other type of bonuses paid to a payee in relation to the commercial development of mineral resources are reported under this category. For the year ended December 31, 2016, there were no reportable bonus payments to a payee.

### *Dividends*

Dividends are dividend payments, other than dividends paid to a payee as an ordinary shareholder of the Company on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders, which are not in lieu of any other reportable payment. For the year ended December 31, 2016, there were no reportable dividend payments to a payee.

### *Infrastructure improvement payments*

This payment category consists of payments for the construction of infrastructure that do not relate primarily to the operational purposes of the Company. For the year ended December 31, 2016, there were no reportable infrastructure improvement payments to a payee.

## **Significant Estimates and Judgements**

The preparation of the Report in accordance with the Act requires the use of judgements, estimates and assumptions.

### **Payments by Project Level**

Payments have been reported at the project level as required by the Act. A “project” means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to payment liabilities.

The Company has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project. The Company has considered geographical location and common infrastructure as two key indicators for making this determination.

### **Commercial Development**

The Act defines ‘commercial development of oil, gas or minerals’ as:

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, licence, lease or any other authorization to carry out any of the activities referred to in paragraph (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals.

Payments made by the Company to payees relating to the commercial development of minerals (“commercial development”) are disclosed in this Report. The Report excludes payments that are not related to the Company’s commercial development activities.

### **Refunds and credits**

Cash refunds received from payees have not been reported. Amounts paid to payees have been reported at the amount paid by the Company, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee.

### **Payments made in situations of joint control**

The Company reports all cash payments that it pays directly to a payee, and includes all amounts paid as an operator as part of a joint arrangement. This is the case even where the Company as the operator has been proportionally and directly reimbursed by its non-operating partners.



May 23, 2017

## **Independent Auditor's Report**

### **To Those Charged with ESTMA Governance at Liberty Gold Corp.**

We have audited the accompanying Extractive Sector Transparency Measures Act – Annual Report of Liberty Gold Corp. which comprise the schedules of payments by payee and payments by project for the year ended December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (the “ESTMA Report”). The ESTMA Report has been prepared by management using the basis of accounting described in the notes, which is in accordance with the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s 376 (the “Act”).

#### **Management's responsibility for the ESTMA Report**

Management is responsible for the preparation of the ESTMA Report in accordance with the basis of accounting described in the notes, and for such internal control as management determines is necessary to enable the preparation of an ESTMA Report that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the ESTMA Report based on our audit. We conducted our audit 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 ESTMA Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the ESTMA Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the ESTMA Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the ESTMA Report 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 ESTMA Report.

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

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PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the Extractive Sector Transparency Measures Act – Annual Report of Liberty Gold Corp. for the year ended December 31, 2016 is prepared, in all material respects, in accordance with the basis of accounting described in the notes.

**Basis of accounting**

Without modifying our opinion, we draw attention to the notes to the ESTMA Report, which describes the basis of accounting. The ESTMA Report is prepared to assist Liberty Gold Corp. to comply with the reporting requirements of the Act. As a result, the ESTMA Report may not be suitable for another purpose.

**signed “PricewaterhouseCoopers LLP”**

**Chartered Professional Accountants**