# Liberty Gold Corp.

An exploration stage company

**Condensed Interim Consolidated Financial Statements**
**Nine months ended September 30, 2018**
(Expressed in US Dollars)

**LIBERTY GOLD CORP.**
**Condensed interim consolidated statements of financial position**
**(Expressed in United States Dollars - unaudited)**

| | As at September 30, 2018 | As at December 31, 2017 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| *Current assets* | | |
| Cash and cash equivalents | 2,078,727 | 2,168,203 |
| Short term investments | 96,767 | 98,016 |
| Receivables and prepayments (Note 6) | 226,164 | 216,328 |
| Total current assets | 2,401,658 | 2,482,547 |
| *Non-current assets* | | |
| Other financial assets (Note 7) | 202,361 | 362,023 |
| Deposits | 455,143 | 470,372 |
| Sales taxes receivable (Note 6) | 573,068 | 947,079 |
| Plant and equipment | 237,690 | 238,734 |
| Exploration and evaluation assets (Note 8a) | 23,982,103 | 23,982,103 |
| Investment in associates (Note 9) | 1,600,997 | 1,525,707 |
| Total non-current assets | 27,051,362 | 27,526,018 |
| **Total assets** | 29,453,020 | 30,008,565 |
| **Liabilities and Shareholders' Equity** | | |
| *Current liabilities* | | |
| Accounts payable and accrued liabilities (Note 10) | 922,494 | 972,213 |
| Total current liabilities | 922,494 | 972,213 |
| *Non-current liabilities* | | |
| Deferred tax liabilities (Note 11) | 1,718,707 | 546,287 |
| Other liabilities (Note 10) | 142,920 | 156,383 |
| Total non-current liabilities | 1,861,627 | 702,670 |
| *Shareholders' equity* | | |
| Share capital (Note 12, Note 16) | 173,935,543 | 167,289,230 |
| Contributed surplus (Note 12) | 26,079,080 | 24,075,989 |
| Accumulated other comprehensive loss | (8,937,833) | (7,709,532) |
| Accumulated deficit | (173,035,125) | (164,649,891) |
| Total shareholders' equity | 18,041,665 | 19,005,796 |
| Non controlling interest (Note 13) | 8,627,234 | 9,327,886 |
| **Total liabilities and shareholders' equity** | 29,453,020 | 30,008,565 |

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.
The Company applied IFRS 9 at January 1, 2018 as described in Notes 3 and 4. Comparative information has not been restated.
The board has delegated the authority to approve these condensed interim consolidated financial statements to the audit committee. These condensed interim consolidated financial statements were approved by the audit committee on November 13, 2018.

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

**LIBERTY GOLD CORP.**
**Condensed interim consolidated statements of loss and comprehensive loss**
**(Expressed in United States Dollars - unaudited)**

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Operating expenses | | | | |
| Exploration and evaluation expenditures (Note 8b) | 2,206,710 | 2,687,958 | 5,687,640 | 6,342,430 |
| Wages and benefits | 378,913 | 306,479 | 989,089 | 915,391 |
| Office and general | 273,016 | 235,505 | 862,813 | 816,371 |
| Stock based compensation (Note 12c) | 87,408 | 118,777 | 407,604 | 311,801 |
| Investor relations, promotion and advertising | 90,360 | 155,962 | 269,319 | 498,746 |
| Professional fees | 62,079 | 71,181 | 204,535 | 262,803 |
| Depreciation | 12,620 | 21,740 | 38,133 | 46,943 |
| Listing and filing fees | 35 | 5,047 | 17,843 | 46,945 |
| **Loss from operations** | 3,111,141 | 3,602,649 | 8,476,976 | 9,241,430 |
| Other income (expenses) | | | | |
| Finance income | 27,745 | 15,430 | 50,039 | 57,285 |
| Other income (expense) | 6,328 | (25,354) | 20,328 | (17,883) |
| Net gain (loss) on sale of other financial assets | (22,994) | 51,450 | (22,994) | 123,095 |
| Change in fair value of other financial assets | (2,412) | 20,562 | (33,693) | (227,727) |
| Loss from associates (Note 9) | (15,485) | (36,451) | (102,246) | (145,030) |
| Foreign exchange losses | (123,714) | (31,884) | (329,700) | (79,870) |
| | (130,532) | (6,247) | (418,266) | (290,130) |
| Loss before tax | 3,241,673 | 3,608,896 | 8,895,242 | 9,531,560 |
| Income tax expense (recovery) | 660,786 | 8,768 | 1,172,420 | (95,028) |
| **Loss for the period** | 3,902,459 | 3,617,664 | 10,067,662 | 9,436,532 |
| **Loss attributable to:** | | | | |
| Shareholders | 3,488,268 | 3,505,205 | 9,145,136 | 9,070,461 |
| Non-controlling interests (Note 13) | 414,191 | 112,459 | 922,526 | 366,071 |
| | 3,902,459 | 3,617,664 | 10,067,662 | 9,436,532 |
| **Other comprehensive income (loss)** | | | | |
| Items that may be reclassified subsequently to net income | | | | |
| Exchange gains (losses) on translations | 21,610 | 336,475 | (468,399) | 652,045 |
| Net fair value gain on AFS financial assets | - | 15,440 | - | 109,213 |
| Amounts reclassified into net loss on impairment or sale of AFS financial assets | - | (124,485) | - | (109,466) |
| Other comprehensive income (loss) for the period, net of tax | 21,610 | 227,430 | (468,399) | 651,792 |
| **Total loss and comprehensive loss for the period** | 3,880,849 | 3,390,234 | 10,536,061 | 8,784,740 |
| **Loss attributable to:** | | | | |
| Shareholders | 3,466,658 | 3,277,775 | 9,613,535 | 8,418,669 |
| Non-controlling interests | 414,191 | 112,459 | 922,526 | 366,071 |
| **Total loss and comprehensive loss for the period** | 3,880,849 | 3,390,234 | 10,536,061 | 8,784,740 |
| **Loss per share** | | | | |
| Basic and diluted loss per share | $ 0.02 | $ 0.02 | $ 0.05 | $ 0.06 |
| Weighted average number of Common Shares | | | | |
| Basic and diluted | 177,124,610 | 150,668,501 | 174,659,092 | 150,384,308 |

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.

The Company applied IFRS 9 at January 1, 2018 as described in Notes 3 and 4. Comparative information has not been restated.

**LIBERTY GOLD CORP.**
**Condensed interim consolidated statements of changes in equity**
**(Expressed in United States Dollars - unaudited)**

| | Number of Common Shares | Share capital | Contributed surplus | Accumulated other comprehensive income (loss) | Accumulated deficit | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ | $ |
| Balance as at December 31, 2016 | 150,021,778 | 166,756,042 | 23,318,508 | (8,294,288) | (152,290,074) | 29,490,188 | 9,908,684 | 39,398,872 |
| Share issuances | 271,916 | 88,298 | - | - | - | 88,298 | - | 88,298 |
| Option, RSU and Warrant exercises | 486,865 | 237,357 | (110,506) | - | - | 126,851 | - | 126,851 |
| Stock based compensation | - | - | 528,298 | - | - | 528,298 | - | 528,298 |
| OCI reclassified to the statement of loss on sale or impairment of AFS financial assets | - | - | - | (109,466) | - | (109,466) | - | (109,466) |
| Unrealized gain on long-term AFS investments | - | - | - | 109,213 | - | 109,213 | - | 109,213 |
| Contributions by non-controlling interest | - | - | - | - | - | - | 93,853 | 93,853 |
| Cumulative translation adjustment | - | - | - | 652,045 | - | 652,045 | - | 652,045 |
| Net loss for the period | - | - | - | - | (9,070,461) | (9,070,461) | (366,071) | (9,436,532) |
| Balance as at September 30, 2017 | 150,780,559 | 167,081,697 | 23,736,300 | (7,642,496) | (161,360,535) | 21,814,966 | 9,636,466 | 31,451,432 |
| | | | | | | | | |
| 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 |
| Reclassification of AFS financial assets to the accumulated deficit* | - | - | - | (759,902) | 759,902 | - | - | - |
| Bought deal private placement (Note 12b) | 24,938,426 | 7,059,312 | 1,436,135 | - | - | 8,495,447 | - | 8,495,447 |
| Share issue costs (Note 12b, Note 16) | - | (810,880) | - | - | - | (810,880) | - | (810,880) |
| Other share issuances (Note 12b) | 488,294 | 174,247 | - | - | - | 174,247 | - | 174,247 |
| RSU and Warrant exercises (Note 12c) | 476,063 | 223,634 | (129,094) | - | - | 94,540 | - | 94,540 |
| Stock based compensation (Note 12c) | - | - | 696,050 | - | - | 696,050 | - | 696,050 |
| Contributions by non-controlling interest | - | - | - | - | - | - | 221,874 | 221,874 |
| Cumulative translation adjustment | - | - | - | (468,399) | - | (468,399) | - | (468,399) |
| Net loss for the period | - | - | - | - | (9,145,136) | (9,145,136) | (922,526) | (10,067,662) |
| Balance as at September 30, 2018 | 177,133,342 | 173,935,543 | 26,079,080 | (8,937,833) | (173,035,125) | 18,041,665 | 8,627,234 | 26,668,899 |

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.
*The Company applied IFRS 9 at January 1, 2018 as described in Notes 3 and 4. Comparative information is not restated.

**LIBERTY GOLD CORP.**

**Condensed interim consolidated statements of cash flows**
**(Expressed in United States Dollars - unaudited)**

| | Nine months ended September 30, 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Cash flows from operating activities** | | |
| Loss for the period | (10,067,662) | (9,436,532) |
| Adjusted for: | | |
| Deferred tax expense (recovery) | 1,172,420 | (95,028) |
| Stock based compensation (Note 12c) | 696,050 | 528,298 |
| Share issuance as consideration for mineral properties (Note 8b, Note 12a) | 174,247 | - |
| Other non-cash items on the statement of loss | 143,293 | 292,090 |
| Change in fair value, impairment and gains (losses) on disposal of financial instruments | 56,687 | 104,632 |
| Foreign exchange not related to cash | 24,932 | 272,333 |
| Movements in working capital: | | |
| Accounts receivable and prepayments | (31,131) | 452,813 |
| Accounts payable and other liabilities | 17,202 | 31,409 |
| Net cash outflow due to operating activities | (7,813,962) | (7,849,985) |
| **Cash flows from financing activities** | | |
| Gross proceeds from bought deal private placement (Note 12b) | 8,495,447 | - |
| Contributions from non-controlling interest (Note 13) | 221,874 | 93,853 |
| Cash received from exercise of share based payments and warrants (Note 12c) | 94,540 | 126,851 |
| Share issue costs from bought deal financing (Note 12b, Note 16) | (810,880) | - |
| Net cash inflow from financing activities | 8,000,981 | 220,704 |
| **Cash flows from investing activities** | | |
| Funding to Associates (Note 9) | (220,783) | (89,955) |
| Purchase and proceeds of sale of property and equipment | (41,840) | (27,730) |
| Surety bond collateral | (13,000) | (62,768) |
| Sale of financial instruments | 92,960 | 166,109 |
| Net cash outflow due to investing activities | (182,663) | (14,344) |
| Effect of foreign exchange rates | (93,832) | 323,928 |
| Net increase (decrease) in cash and cash equivalents | (89,476) | (7,319,697) |
| Cash and cash equivalents at beginning of period | 2,168,203 | 12,374,010 |
| Cash and cash equivalents at end of the period | 2,078,727 | 5,054,313 |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 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 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 unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2018 (the "Interim Financial Statements") have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017 ("Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Annual Financial Statements, except for those as a result of the adoption of IFRS 9 – *Financial Instruments* ("IFRS 9") at January 1, 2018 as described below. In addition, certain comparative amounts have been reclassified to conform to the current period's presentation, including the reclassification of amounts from the loss attributed to shareholders to the loss attributable to non-controlling interests as the result of an error corrected at December 31, 2017.

The following are the significant accounting policies that have been amended as a result of IFRS 9 and applied at January 1, 2018. The impact of the adoption is outlined in Note 4 below.

*Financial Instruments*

Financial assets and liabilities are recognized when Liberty Gold becomes a party to the contractual provisions of the instrument.

*i) 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. Cash and cash equivalents are classified as subsequently measured at amortized cost.

*ii) Short Term Investments*

Short term 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. Short term investments are classified as subsequently measured at amortized cost.

*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' and 'Deposits', and are classified respectively as appropriate in current or non-current assets according to their nature.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Trade receivables are recorded net of lifetime expected credit losses.

*iv) Other Financial Assets*

Other financial assets consist of investments in marketable equity securities of publicly traded entities which are classified as subsequently measured at fair value through profit or loss. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the balance sheet date. Changes in fair value are recognized in the statement of profit or loss.

*v) Accounts Payable, Accrued and Other Liabilities*

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

*vi) Expected Credit Losses*

For trade receivables, we apply the simplified approach to determining expected credit losses, which requires expected credit losses to be recognized upon initial recognition of the receivables.

## 4. ADOPTION OF IFRS 9 – FINANCIAL INSTRUMENTS

*Summary of Changes*

Under IFRS 9, on initial recognition, a financial asset or liability is classified at amortized cost or at fair value (either through other comprehensive income (“FVOCI”) or profit or loss (“FVPL”)).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of equity investments that are not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributed to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| Financial assets at FVPL | These assets are subsequently measured at FVPL. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 4. ADOPTION OF IFRS 9 – FINANCIAL INSTRUMENTS (continued)

Under IFRS 9, financial liabilities are classified as measured at amortized cost, unless they are classified as measured at FVPL. At initial recognition, however, an irrevocable election can be made to designate a financial liability as FVPL when doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise, or if the financial liability is managed and its performance is evaluated on a fair value basis.

*Impact of Adoption*

The following table and the accompanying notes below explain the original measurement categories under IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018:

| | **Measurement Category** | |
|---|---|---|
| | **Original (IAS 39)** | **New (IFRS 9)** |
| Financial Assets: | | |
| Cash and cash equivalents | Amortized cost | Amortized cost |
| Short term investments | Amortized cost | Amortized cost |
| Receivables and deposits | Amortized cost | Amortized cost |
| Other financial assets | FVOCI | FVPL |
| Financial Liabilities: | | |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Other liabilities | Amortized cost | Amortized cost |

There has been no change in the carrying value of our financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above, with the exception of the reclassification of accumulated net gains on our other financial assets which are comprised of equity securities. Equity securities were designated as available-for-sale ("AFS") under IAS 39 but have been mandatorily classified as measured at FVPL under IFRS 9.

The impact of the reclassification is outlined in the table below, without the restatement of prior year comparatives. Therefore, the reclassification is not reflected in the balance sheet as at December 31, 2017, but is recognized in the opening accumulated deficit at January 1, 2018:

| | **Accumulated Other Comprehensive Income** | **Accumulated Deficit** |
|---|---|---|
| Closing balance as previously reported at December 31, 2017 | $ (7,709,532) | $ (164,649,891) |
| Adjustment to reclassify equity securities to FVPL | (759,902) | 759,902 |
| **Opening balance at January 1, 2018** | **$ (8,469,434)** | **$ (163,889,989)** |

*Impairment of Financial Assets*

The Company was required to revise its impairment methodology under IFRS 9 for financial assets measured at amortized cost and FVOCI. The identified impairment losses were not significant or material and therefore no loss allowances were recognized at January 1, 2018, or during the nine months ended September 30, 2018.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 6. RECEIVABLES AND PREPAYMENTS

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Sales taxes receivable | $ 18,079 | $ 40,544 |
| Other receivables | 75,811 | 77,923 |
| Prepayments | 132,274 | 97,861 |
| **Total** | **$ 226,164** | **$ 216,328** |

An additional $573,068 in Sales taxes receivable is classified as non-current at September 30, 2018 and is recoverable when production begins, or upon the sale of the licenses held by Orta Truva (December 31, 2017: $947,079).

## 7. 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. Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies 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 September 30, 2018, Liberty Gold holds Level 1 equity securities with a total fair value of $202,361 (December 31, 2017: $362,023).

No amounts have been recognized in other comprehensive income for the nine months ended September 30, 2018 as a result of the adoption of IFRS 9 on January 1, 2018. Accumulated net gains recognized in other comprehensive income as at December 31, 2017 of $759,902 were reclassified to the opening accumulated deficit as outlined in Note 4.

## 8. 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 9). The expenditures relating to the Company’s interest in exploration properties in Nevada and Utah have been aggregated and are described as ‘Portfolio Properties’ in the table below.

a) There were no additions during the nine months ended September 30, 2018, or in the year ended December 31, 2017:

| | At September 30, 2018 |
|---|---|
| **USA** | |
| Kinsley Mountain | $ 575,838 |
| Goldstrike | 8,486,985 |
| Black Pine | 1,010,927 |
| Portfolio Properties | 248,097 |
| **Total USA** | **$ 10,321,847** |
| **Turkey** | |
| TV Tower | $ 13,660,256 |
| **Total Turkey** | **$ 13,660,256** |
| **Total** | **$ 23,982,103** |

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 8. EXPLORATION AND EVALUATION ASSETS (continued)

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

| | Goldstrike | Kinsley Mountain | Black Pine | Portfolio properties | **Total USA** | TV Tower | Other exploration | **Total All** |
|---|---|---|---|---|---|---|---|---|
| December 31, 2016 | $ 5,791,570 | $ 19,210,295 | $ 154,568 | $ 2,182,697 | **$ 27,339,130** | $ 32,652,947 | $ 3,382,130 | **$ 63,374,207** |
| Drilling and assays | 2,974,042 | 210,739 | 235 | - | **3,185,016** | - | - | **3,185,016** |
| Wages and salaries | 789,948 | 35,637 | 105,549 | - | **931,134** | 153,257 | 27,815 | **1,112,206** |
| Other | 1,124,508 | 224,209 | 124,893 | 2,693 | **1,476,303** | 537,775 | 31,133 | **2,045,211** |
| **September 30, 2017** | $ 10,680,068 | $ 19,680,880 | $ 385,245 | $ 2,185,390 | **$ 32,931,583** | $ 33,343,979 | $ 3,441,078 | **$ 69,716,640** |
| | | | | | | | | |
| December 31, 2017 | $ 12,337,490 | $ 19,770,255 | $ 834,147 | $ 2,337,394 | **$ 35,279,286** | $ 33,576,658 | $ 3,409,041 | **$ 72,264,985** |
| Drilling and assays | 2,118,369 | 253,264 | 24,339 | - | **2,395,972** | - | - | **2,395,972** |
| Wages and salaries | 675,600 | 77,646 | 188,301 | 2,366 | **943,913** | 138,697 | 49,889 | **1,132,499** |
| PEA and Resource (Note 8bi) | 340,693 | - | 38,513 | - | **379,206** | - | - | **379,206** |
| Project disposals (Note 8bii) | - | - | - | 144,247 | **144,247** | - | - | **144,247** |
| Other | 815,642 | 243,360 | 218,203 | 38,570 | **1,315,775** | 274,202 | 45,739 | **1,635,716** |
| **September 30, 2018** | $ 16,287,794 | $ 20,344,525 | $ 1,303,503 | $ 2,522,577 | **$ 40,458,399** | $ 33,989,557 | $ 3,504,669 | **$ 77,952,625** |

Wages and salaries include stock based compensation (Note 12c). Other exploration comprises exploration expenditures on mineral interests prior to acquisition.

*i) Goldstrike, USA*

On February 8, 2018, Liberty Gold announced the completion of a maiden independent resource estimate at Goldstrike ("Resource"). During the nine months ended September 30, 2018, the Company continued to advance exploration in order to expand the resource, and released a Preliminary Economic Assessment ("PEA") on July 10, 2018. Costs associated with the resource and PEA are disclosed in the table above.

*ii) Portfolio Properties, USA*

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 $144,247 (C$180,000).

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 9. 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 TMST. Truva Bakır is private, and as such fair values of the Company's investment is not determinable through an active market.

| | **Truva Bakır** |
|---|---|
| At December 31, 2017 | $ 1,525,707 |
| Share of loss | (102,246) |
| Funding | 220,783 |
| Foreign exchange differences | (43,247) |
| **At September 30, 2018** | **$ 1,600,997** |

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

| | **September 30, 2018** | **December 31, 2017** |
|---|---|---|
| Current assets | $ 1,055,709 | $ 317,379 |
| Non-current assets | 3,038,198 | 3,659,544 |
| Current liabilities | (91,414) | (162,654) |
| **Total net assets** | **$ 4,002,493** | **$ 3,814,269** |
| % interest held | 40% | 40% |
| **Company's share of net assets** | **$ 1,600,997** | **$ 1,525,707** |

The summarised financial information for the three and nine months ended September 30, 2018 for Truva Bakır on a 100% basis is as follows:

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Loss | $ (38,712) | $ (91,128) | $ (255,615) | $ (362,575) |
| % interest held | 40% | 40% | 40% | 40% |
| Company's share of loss | **$ (15,485)** | **$ (36,451)** | $ **(102,246)** | $ **(145,030)** |

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **September 30, 2018** | **December 31, 2017** |
|---|---|---|
| Trade payables | $ 559,099 | $ 786,753 |
| Other payables | 17,590 | 24,138 |
| Accrued liabilities | 252,505 | 80,022 |
| Decommissioning liability | 93,300 | 81,300 |
| **Total** | **$ 922,494** | **$ 972,213** |

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. A decommissioning liability of $117,500 is included within non-current other liabilities during the nine-month period ended September 30, 2018, relating to the Company's Kinsley property (December 31, 2017: $117,500).

## 11. DEFERRED TAX LIABILITY

A deferred tax liability of $1,718,707 has been recognised as at September 30, 2018 arising from foreign exchange differences in the tax basis of the TV Tower mineral property held by Orta Truva (December 31, 2017: $546,287).

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

*a) Authorized*

Unlimited Common Shares with no par value.

*b) Issued*

*i)* On January 8, 2018, the Company issued 400,000 Common Shares to Golden Dragon with a fair value of C$0.45 per Common Share, totalling $144,247 (C$180,000) (Note 8bii).

*ii)* 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").

Each unit consists of one Common Share and one half Common Share purchase warrant (each whole Common Share purchase warrant, a "Bought-Deal Warrant"), issued at a price of C$0.42 per Bought-Deal Unit for gross proceeds to the Company of $8,495,447 (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.

The resulting allocation of the warrant fair value to the consideration received was Warrants: $1,436,135 (C$1,770,628) and Common Shares: $7,059,312 (C$8,703,511). Transaction costs of $645,115 have been recognised in equity during the nine months ended September 30, 2018.

*iii)* On July 10, 2018, the Company issued 88,294 Common Shares to Ray Hunter LLC with a total fair value of $30,000 (C$39,291) as consideration for the annual lease of certain claims within the Goldstrike property.

*c) Stock-based compensation*

For the nine months ended September 30, 2018, the Company charged a total of $696,050 of stock-based compensation expense to the statement of loss (Nine months ended September 30, 2017: $528,298) of which $288,446 is attributed to exploration and evaluation expenditures (Nine months ended September 30, 2017: $216,497).

*i) Stock Options*

Options granted under the Liberty Gold Stock Option Plan (2017) are exercisable over period of five years. 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:

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

| | Options | Weighted Average Exercise Price |
|---|---|---|
| | # | C$ |
| Balance, December 31, 2017 | 11,541,250 | 0.60 |
| Options granted | 150,000 | 0.43 |
| Options expired | (65,000) | 2.00 |
| Options forfeit | (355,000) | 0.56 |
| **Balance, September 30, 2018** | **11,271,250** | **0.59** |

At September 30, 2018, 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 | 9,864,250 | 3.06 | 0.50 | 5,871,250 | 0.51 |
| C$1.00 to C$1.99 | 1,357,000 | 0.56 | 1.15 | 1,357,000 | 1.15 |
| C$3.00 to C$3.99 | 50,000 | 2.53 | 3.45 | 50,000 | 3.45 |
| | **11,271,250** | **2.76** | **0.59** | **7,278,250** | **0.65** |

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the Options. We based our expectation of volatility on the volatility of similar publicly-listed companies, when the expected life of Options granted exceeded our trading history.

During the nine months ended September 30, 2018, 150,000 options were granted to a consultant at a fair value of C$0.23 per option determined using Black-Scholes. Significant inputs into the model included a share price of C$0.43 at the grant date, an exercise price of C$0.43, a volatility of 59.32%, a dividend yield of 0%, an expected option life of 5 years and an annual risk-free interest rate of 2.11%. A 4.71% forfeiture rate was applied to the option expense.

*iv) Restricted Share Units*

Restricted Share Units ("RSUs") granted under the Liberty Gold RSU Plan (2017) 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 vested on March 31, 2018 with the remaining half after twelve months. Transactions relating to RSUs are summarised below:

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

| | RSUs |
|---|---|
| | # |
| Balance, December 31, 2017 | 2,259,643 |
| RSUs forfeited or cancelled | (30,000) |
| RSUs exercised | (176,063) |
| **Balance, September 30, 2018** | **2,053,580** |

| Expiry Date | Number of RSUs outstanding | Weighted average remaining contractual life | Number of RSUs exercisable |
|---|---|---|---|
| | # | (in years) | # |
| December 31, 2018 | 149,580 | 0.25 | 149,580 |
| December 31, 2019 | 727,500 | 1.25 | 473,750 |
| December 31, 2020 | 1,176,500 | 2.25 | 532,500 |
| | **2,053,580** | **1.75** | **1,155,830** |

*v) Deferred Share Units*

Deferred Share Units ("DSUs") granted under the Liberty Gold DSU plan (2017) to Directors of the Company, have no expiration date and are redeemable upon termination of service. As at December 31, 2017 and as at September 30, 2018, there were 1,208,000 DSUs outstanding.

*vi) Warrants*

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

| | Number of Warrants | Weighted average exercise price |
|---|---|---|
| | # | C$ |
| Balance, December 31, 2017 | 19,890,000 | 0.70 |
| Warrants issued (Note 12b) | 12,469,213 | 0.65 |
| Warrants expired | (7,572,500) | 0.40 |
| Warrants exercised | (300,000) | 0.40 |
| **Balance, September 30, 2018** | **24,486,713** | **0.77** |

The remaining contractual lives of warrants outstanding as at September 30, 2018 are as follows:

| Weighted average exercise price | Number of warrants outstanding | Weighted average remaining contractual life |
|---|---|---|
| C$ | # | (in years) |
| 0.65 | 12,469,213 | 2.32 |
| 0.90 | 12,017,500 | 0.62 |
| **0.77** | **24,486,713** | **2.94** |

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 13. NON-CONTROLLING INTEREST

The Company holds a 79.1% interest in Kinsley Gold LLC ("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.

Liberty Gold owns a 60% controlling interest of the TV Tower property through a 60% ownership stake in Orta Truva Madencilik Şanayi ve Ticaret A.Ş ("Orta Truva"). The remaining 40% interest is held by TMST.

Summary financial information for KG LLC and Orta Truva is as set out below:

a) Summarised Balance Sheet

| | **KG LLC** | | **Orta Truva** | |
|---|---|---|---|---|
| | **As at September 30, 2018** | **As at December 31, 2017** | **As at September 30, 2018** | **As at December 31, 2017** |
| Current | | | | |
| Assets | $ 68,915 | $ 10,273 | $ 136,733 | $ 430,492 |
| Liabilities | (104,344) | (27,492) | (94,395) | (209,958) |
| Total Current net assets (liabilities) | $ (35,429) | $ (17,219) | $ 42,338 | $ 220,534 |
| Non-Current | | | | |
| Assets | $ 701,134 | $ 688,043 | $ 1,924,568 | $ 2,323,526 |
| Liabilities | (117,500) | (117,500) | (1,718,707) | (546,287) |
| Total Non-Current net assets | $ 583,634 | $ 570,543 | $ 205,861 | $ 1,777,239 |
| **Net Assets** | **$ 548,205** | **$ 553,324** | **$ 248,199** | **$ 1,997,773** |

b) Summarised Statement of Loss

| | **KG LLC** | | **Orta Truva** | |
|---|---|---|---|---|
| | **Three months ended September 30,** | | **Three months ended September 30,** | |
| | **2018** | **2017** | **2018** | **2017** |
| Statement of Loss | $ (123,011) | $ (113,975) | $ (971,204) | $ (221,596) |
| Other comprehensive Loss | - | - | - | - |
| **Loss and other comprehensive Loss** | **$ (123,011)** | **$ (113,975)** | **$ (971,204)** | **$ (221,596)** |

| | **KG LLC** | | **Orta Truva** | |
|---|---|---|---|---|
| | **Nine months ended September 30,** | | **Nine months ended September 30,** | |
| | **2018** | **2017** | **2018** | **2017** |
| Statement of Loss | $ (622,632) | $ (525,206) | $ (1,980,990) | $ (640,756) |
| Other comprehensive Loss | - | - | - | - |
| **Loss and other comprehensive Loss** | **$ (622,632)** | **$ (525,206)** | **$ (1,980,990)** | **$ (640,756)** |

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 13. NON-CONTROLLING INTEREST (continued)

c) Summarised cash flows

| | KG LLC | | Orta Truva | |
|---|---|---|---|---|
| | Nine months ended September 30, 2018 | 2017 | Nine months ended September 30, 2018 | 2017 |
| Net cash flow from: | | | | |
| operating activities | $ (558,872) | $ (326,927) | $ (499,281) | $ (154,473) |
| financing activities | 617,514 | - | 231,416 | 366,470 |
| Net increase (decrease) in cash | $ 58,642 | $ (326,927) | $ (267,865) | $ 211,997 |
| Cash at the beginning of the period | 8,894 | 537,580 | 402,491 | 130,197 |
| **Cash at the end of the period** | **$ 67,536** | **$ 210,653** | **$ 134,626** | **$ 342,194** |

## 14. 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 market rates. Office premises and other operating leases in Canada are paid to Oxygen, pursuant to the “Oxygen Agreement”. 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 nine months ended September 30, 2018 is $82,578 with an additional $67,563 in contingent rental expenditures which consist of operating costs. Total future minimum lease payments, under non-cancellable operating leases as at September 30, 2018 are as follows:

| **Year** | |
|---|---|
| 2018 | $ 74,375 |
| 2019 | 299,348 |
| 2020 | 304,192 |
| 2021 | 222,470 |
| 2022+ | 287,969 |
| | **$ 1,188,354** |

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.

## 15. SEGMENT INFORMATION

The Company’s operations are in one segment, the exploration for gold, copper and other precious and base metals. At September 30, 2018 and December 31, 2017, respectively, Liberty Gold has three geographic locations: 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, and have been disclosed in Notes 8 and 9. The net loss is distributed by geographic segment per the table below:

(Expressed in United States Dollars, unless otherwise noted -unaudited)

## 14. SEGMENT INFORMATION (continued)

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| Canada | $ 638,124 | $ 577,305 | $ 2,066,363 | $ 2,298,959 |
| USA | 2,263,171 | 2,702,420 | 5,938,345 | 6,178,749 |
| Turkey | 1,001,164 | 337,939 | 2,062,954 | 958,824 |
| | **$ 3,902,459** | **$ 3,617,664** | **$ 10,067,662** | **$ 9,436,532** |

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Canada | $ 67,132 | $ 80,724 |
| USA | 144,971 | 128,715 |
| Turkey | 25,587 | 29,295 |
| | $ **237,690** | **$ 238,734** |

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

## 15. 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 associates are described at Note 9.

*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 nine months ended September 30, 2018 total $680,440 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss. As at September 30, 2018, Oxygen holds a refundable deposit of $126,966 on behalf of the Company. Additionally, as at September 30, 2018 the Company held a payable to Oxygen of $72,754, that was settled subsequent to September 30, 2018. See also Note 14 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 to key management for employee services directly or via Oxygen is shown below:

| | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 693,892 | $ 774,551 |
| Share-based payments | 318,168 | 247,819 |
| **Total** | **$ 1,012,060** | **$ 1,022,370** |

## 16. SUBSEQUENT EVENT

Subsequent to September 30, 2018, the Company closed the 2018 Fall Bought-Deal with a syndicate of underwriters (the “Fall Underwriters”) whereby Fall Underwriters purchased, on a bought-deal basis, 28,893,750 units of the Company (“Fall Units”) consisting of one Common Share and one Common Share purchase warrant (each whole Common Share purchase warrant, a “Fall Warrant”), at a price of C$0.40 per Bought-Deal Unit for gross proceeds to the Company of $9,015,393 (C$11,557,500). Each Fall Warrant will entitle the holder to acquire one Common Share at a price of C$0.60 until October 2, 2021. Transaction costs incurred of $165,765 (C$213,843) have been recognised in equity for the nine month period ended September 30, 2018.