

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number: 333-150028

**LIBERTY SILVER CORP.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

32-0196442

(IRS Employer Identification Number)

**390 Bay Street, Suite 806  
Toronto, Ontario, Canada, M5H 2Y2**

(Address of principal executive offices)

**509-526-3491**

Registrant's telephone number, including area code

Copies to:

Gary S. Joiner, Esq.

Frascona, Joiner, Goodman and Greenstein, P.C.

4750 Table Mesa Drive,

Boulder, Colorado 80305

Telephone: (303) 494-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting Company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting Company)      Smaller reporting Company

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of February 14, 2017 the Issuer had 21,345,483 shares of common stock issued and outstanding.

## **PART I - FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

The financial statements of Liberty Silver Corp., (“Liberty Silver”, the “Company”, or the “Registrant”) a Nevada corporation, included herein were prepared, without audit, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, these financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended June 30, 2016, and all amendments thereto.

#### **LIBERTY SILVER CORP. (AN EXPLORATION STAGE COMPANY) INTERIM UNAUDITED FINANCIAL STATEMENTS PERIOD ENDED DECEMBER 31, 2016**

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**Liberty Silver Corp.**  
**(An Exploration Stage Company)**  
**Balance Sheets**

As at,	December 31, 2016 \$	June 30, 2016 \$
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	25,468	9,361
Other assets	4,507	17,266
Prepaid expenses	119,525	85,609
<b>Total current assets</b>	<b>149,500</b>	<b>112,236</b>
Property and equipment		
Mining interests <i>(note 3)</i>	1	1
<b>Total property and equipment</b>	<b>1</b>	<b>1</b>
<b>Total assets</b>	<b>149,501</b>	<b>112,237</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	14,810	46,073
Accrued liabilities	198,180	152,152
Interest payable	285,810	209,660
Convertible loan payable <i>(note 4)</i>	1,400,000	1,163,915
<b>Total current liabilities</b>	<b>1,898,800</b>	<b>1,571,800</b>
<b>Total liabilities</b>	<b>1,898,800</b>	<b>1,571,800</b>
Commitments and contingencies <i>(note 6)</i>		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares, \$0.001 par value, 10,000,000 preferred shares authorized; 0 and 0 preferred shares issued and outstanding, respectively	-	-
Common shares, \$0.001 par value, 300,000,000 common shares authorized; 12,354,497 and 12,354,497 common shares issued and outstanding, respectively	12,354	12,354
Additional paid-in-capital	13,838,123	13,838,123
Deficit accumulated during the exploration stage	(15,599,776)	(15,310,040)
<b>Total shareholders' equity</b>	<b>(1,749,299)</b>	<b>(1,459,563)</b>
<b>Total liabilities and shareholders' equity</b>	<b>149,501</b>	<b>112,237</b>

Going concern *(note 1)*  
Subsequent events *(note 7)*

*The accompanying notes are an integral part of these interim unaudited financial statements*

**Liberty Silver Corp.**  
**(An Exploration Stage Company)**  
**Interim Statements of Operations and**  
**Comprehensive Loss**  
**(Unaudited)**

	For the Three Months ended December 31,		For the Six Months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue	-	-	-	-
Operating expenses				
Operation and administration	24,057	126,355	77,308	276,104
Legal and accounting	19,419	(68,379)	30,193	(16,009)
Exploration	73,788	8,773	81,734	18,093
Consulting	25,000	3,000	25,000	6,000
Total operating expenses	142,264	69,749	214,235	284,188
Loss from operations	(142,264)	(69,749)	(214,235)	(284,188)
Other income or gain (expense or loss)				
Gain (loss) on foreign exchange	2,496	15,826	649	42,865
Interest expense	(31,459)	(39,168)	(76,150)	(67,693)
Total other income or gain (expense or loss)	(28,963)	(23,342)	(75,501)	(24,828)
Loss before income tax	(171,227)	(93,091)	(289,736)	(309,016)
Provision for income taxes	-	-	-	-
Net loss and comprehensive loss	(171,227)	(93,091)	(289,736)	(309,016)
Loss per common share – basic and fully diluted	(0.01)	(0.01)	(0.02)	(0.03)
Weighted average common shares – basic and fully diluted	12,354,497	12,354,497	12,354,497	12,354,497

*The accompanying notes are an integral part of these interim unaudited financial statements*

**Liberty Silver Corp.**  
**(An Exploration Stage Company)**  
**Interim Statements of Cash Flows**  
**(Unaudited)**

<b>For the six months ended December 31,</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Net loss and comprehensive loss	<b>(289,736)</b>	(309,016)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	-	33,752
Depreciation expense	-	3,474
Changes in operating assets and liabilities:		
(Increase) decrease in deposit	-	6,212
(Increase) decrease in other assets	<b>12,759</b>	(3,744)
(Increase) decrease in prepaid expenses	<b>(33,916)</b>	6,942
Increase (decrease) in accounts payable	<b>(31,263)</b>	(75,032)
Increase (decrease) in accrued liabilities	<b>46,028</b>	23,998
Increase in interest payable	<b>76,150</b>	67,693
<b>Net cash used in operating activities</b>	<b>(219,978)</b>	(245,721)
<b>Cash flows from financing activities</b>		
Proceeds from convertible loan payable	<b>236,085</b>	100,000
<b>Net cash from financing activities</b>	<b>236,085</b>	100,000
Increase (decrease) in cash and cash equivalents	<b>16,107</b>	(145,721)
Cash and cash equivalents, beginning of period	<b>9,361</b>	152,351
<b>Cash and cash equivalents, end of period</b>	<b>25,468</b>	6,630

*The accompanying notes are an integral part of these interim unaudited financial statements*

**Liberty Silver Corp.**  
**(An Exploration Stage Company)**  
**Notes to Interim Unaudited Financial Statements**  
**For the Six Months Ended December 31, 2016**

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**Note 1 – Basis of Presentation and Going Concern**

The accompanying interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, stockholders' equity or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim unaudited financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, which contains the annual audited financial statements and notes thereto, together with the Management's Discussion and Analysis, for the year ended June 30, 2016. The interim results for the period ended December 31, 2016 are not necessarily indicative of the results for the full fiscal year. The interim unaudited financial statements are presented in USD, which is the functional currency.

These interim unaudited financial statements have been prepared on a going concern basis. The Company has incurred losses since inception resulting in an accumulated deficit of \$15,599,776 and further losses are anticipated in the development of its business. The ability of the Company to emerge from the exploration stage is dependent upon, among other things, obtaining additional financing to continue operations, explore and develop the mineral properties and the discovery, development, and sale of reserves. The Company does not have sufficient working capital needed to meet its current fiscal obligations. In order to continue to meet its fiscal obligations in the current fiscal year and beyond, the Company must seek additional financing. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The accompanying interim unaudited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management considers various financing alternatives including, but not limited to, merger and acquisition activity, raising capital through the equity markets and debt financing. These unaudited interim financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

On January 30, 2015, the Company completed a share consolidation of its common shares on the basis of one (1) new post-consolidation common share for every 15 pre-consolidated common shares. The number of authorized shares was not reduced as a result of this share consolidation. The 185,309,574 common shares of the Company outstanding immediately prior to consolidation were reduced to 12,354,497 common shares, as approved by shareholders at the Company's annual general and special meeting held on December 5, 2014. No fractional shares were issued. Any fractions of a share were rounded up to the next whole common share. A new CUSIP number of 53121P206 replaced the old CUSIP number of 53121P107, to distinguish between the pre- and post-consolidated shares. In conjunction with this share consolidation, corresponding adjustments were made in the number of options and warrants issued and outstanding, and in the exercise prices of such options and warrants. All outstanding common shares and per share amounts contained in the interim unaudited financial statements and related notes have been retroactively adjusted to reflect this share consolidation for all periods presented.

## **Note 2 – Nature of Operations**

Liberty Silver Corp. was incorporated under the laws of the state of Nevada, U.S.A on February 20, 2007 under the name Lincoln Mining Corp. Pursuant to a Certificate of Amendment dated February 11, 2010, the Company changed its name to Liberty Silver Corp. The Company's registered office is located at 1802 N. Carson Street, Suite 212, Carson City Nevada 89701, and its head office is located at 390 Bay Street, Suite 806, Toronto, Ontario, Canada, M5H 2Y2, and its telephone number is 509-526-3491. As of the date of this Form 10-Q, the Company had no subsidiaries.

The Company was incorporated for the purpose of engaging in mineral exploration activities. On March 29, 2010, the Company entered into an Exploration Earn-In Agreement relating to the Trinity Project located in Pershing County, Nevada. The Company is currently engaged in the exploration of the Trinity Project, and has not yet commenced development stage activities, however, the Company intends to engage in efforts to develop the Trinity Project in the future. Subject to securing adequate financing, the plan of operation for the fiscal year ending June 30, 2017 is to conduct additional mineral exploration activities at the Trinity Silver property, which plan will extend into the fiscal year ending June 30, 2018. Subject to the availability of funding, operations at the Trinity Project will consist of (i) an effort to expand the known mineralized material through drilling, (ii) permitting for operation, if deemed economically viable, (iii) metallurgical studies aimed at enhancing the recovery of the silver and by-product lead and zinc, (iv) engineering design related to potential construction of a new mine, and (v) complete feasibility studies relating to possible re-opening of the historic mine. Exploration of the property would be conducted simultaneously with the mine development in order to locate additional mineralized materials.

## **Note 3 - Mineral Property**

The Company acquired its interest in the Trinity Project through an Exploration Earn-In Agreement. On March 29, 2010, the Company entered into the Earn-In Agreement relating to the Trinity Project with AuEx, Inc., a Nevada company beneficially owned by another Nevada company AuEx Ventures, Inc. AuEx, Inc. held an exclusive interest in the Trinity Project by way of a Minerals Lease and Sublease with Newmont Mining USA Limited, a Delaware corporation who owns or leases the various unpatented mining claims and portions of private land comprising the Trinity Project. As part of a restructuring transaction by AuEx Ventures, Inc., another Nevada company Renaissance Exploration Inc. ("Renaissance") was spun out, and on July 1, 2010 AuEx, Inc. assigned all of its interest in the Trinity Project and the Earn-In Agreement to Renaissance, who currently holds a 100% leasehold interest in the Trinity Project. The Minerals Lease and Sublease grants to Newmont, a right of first offer on any transfer of AuEx, Inc.'s interests in the Trinity Project to any non-affiliate of AuEx, Inc., and also gives Newmont a right to either enter into a joint venture agreement covering the Trinity Project and any other real property interests that AuEx, Inc. holds or acquires within the Trinity Project, or receive a royalty on all mineral production from such properties. Currently the rights to the Trinity Project are held 100% by Renaissance, pursuant to an assignment of such rights from AuEx, Inc. The Company entered into the Earn-In Agreement providing the Company with a right to earn a 70% undivided interest in rights of Renaissance in the Trinity Project (the "70% Interest").

Under the Earn-In Agreement, the Company may earn-in the 70% Interest in the Trinity Project during a 6-year period in consideration of (1) a signing payment of \$25,000, which has been made, (2) an expenditure of a cumulative total of \$5,000,000 in exploration and development expenses on the Trinity Project by March 29, 2016, including a minimum of \$500,000 which must be expended within one year from the effective date of the Agreement, and (3) completion of a bankable feasibility study on the Trinity Project on or before the 7<sup>th</sup> anniversary date of the Agreement. Item (1) has been completed by the Company, and the Company has satisfied item (2), and has reported its compliance as of March 29, 2013, which is the end of the third year from the inception of the Earn-in Agreement. Effective January 26, 2017, the Company reached an agreement with Renaissance to amend the Earn-In Agreement so as to extend the deadline for completion of a bankable feasibility study from the 7<sup>th</sup> anniversary date of the Agreement to the 10<sup>th</sup> anniversary date of the Agreement. See *note 7 – Subsequent events* for additional details.

On October 15, 2012, the Company entered into and closed a Purchase Agreement (the "Purchase Agreement") with Primus Resources, L.C. and James A. Freeman (collectively "Seller") to acquire unpatented mining claims, Nevada BLM Serial No. 799907, 799908, 799909, 799910, and 799911 covering approximately 100 acres of property located adjacent to the former Trinity Silver mine on the Company's Trinity Project (the "Hi Ho Properties"). The Hi Ho Properties were previously the only acreage not controlled by the Company or its joint venture partner Renaissance Exploration Inc. in the Trinity Project. Under the terms of the Purchase Agreement, the Company provided cash consideration of \$250,000 and issued 172,222 restricted shares of common stock of the Company to Seller. In addition the Seller was granted a 2% net



smelter royalty on future production from the Hi Ho Properties pursuant to the terms of a Deed with Reservation of Royalty Hi Ho Silver Claims.

The Trinity Project consists of a total of approximately 10,020 acres, including 5,676 acres of fee land and 253 unpatented mining claims.

The Company has completed some financing transactions, and continues to pursue additional financing opportunities in order to obtain the capital needed to fulfill its obligations under the terms of the Earn-In Agreement. There has been no mining of resources to date.

During the interim period ended December 31, 2015, the Company had incurred approximately \$89,460 in exploration related expenditures, which were reported under various line items on the statement of operations and comprehensive loss.

During the interim period ended December 31, 2016, the Company had incurred approximately \$60,150 in exploration related expenditures, which were reported under various line items on the statement of operations and comprehensive loss.

#### **Note 4 – Convertible Loan Payable**

On October 17, 2014, the Company amended and restated its agreement in relation to an existing \$1,210,000 principal amount secured loan facility (the “Original Loan”) made available by BG Capital Group Ltd. (“BGCG”). Under the terms of the revised agreement, BGCG has made available to the Company a committed non-revolving term credit facility in the principal amount of \$1,250,000 (the “New Loan”), which bore interest at a rate of 11% per annum and which was secured by a charge on all of the assets of the Company. The Company repaid the indebtedness to BGCG under the Original Loan by converting the principal amount of the Original Loan, together with all accrued and unpaid interest thereon, being \$1,248,654 (the “Debt”), into 6,659,487 common shares of the Company (“Common Shares”) at a price of \$0.1875 per Common Share, in full satisfaction of the Debt under the Original Loan.

The New Loan consists of up to \$1,250,000 of new credit facilities, of which \$25,000 had been advanced to the Company pursuant to a promissory note, which was superseded by the New Loan and became part of the first advance under the New Loan in the aggregate amount of \$350,000.

The key terms of the New Loan are as follows:

- the principal amount of the New Loan of \$1,250,000 has been fully utilized.
- the outstanding principal amount bears interest at 11% per annum from date of advance and becomes due and payable in its entirety one year following the closing date of the New Loan (the “Maturity Date”). The Company exercised its option to extend the Maturity Date by six months, with interest payable at 15% per annum accruing on the outstanding principal amount during such extension period;
- the New Loan is secured by a charge on all of the assets of the Company; and
- BGCG, at any time up to one business day prior to the Maturity Date, at its sole option, shall be entitled to convert all or any portion of the outstanding principal amount of the New Loan advanced to Liberty (including all deferred interest), together with all accrued interest, into Common Shares, on the basis of \$0.1875 per Common Share. The conversion rights are subject to the Company having sufficient authorized capital available to satisfy the exercise of the conversion rights from time to time. To the extent there is not sufficient authorized capital at any time to permit the full exercise of all conversion rights available to BGCG at such time, the Company shall take all reasonable commercial efforts to hold, as expeditiously as possible, a shareholders’ meeting to approve the necessary increase to the authorized capital in order that the conversion rights available to BGCG may be exercised to its fullest extent.

Effective November 30, 2016, the Company reached an agreement with BGCG to amend the terms of the New Loan. Under the terms of the agreed upon amendments (the “**Amendment**”), the principal amount of the loan of \$1,250,000, as it was under the New Loan, increased to \$1,400,000 (the “**New Principal Amount**”) to include an advance of \$150,000 made

by BGCG to the Company on November 28, 2016. The New Principal Amount and the accrued interest are convertible into common shares of the Company at BGCG's election.

The carrying value of the conversion option equity component of the convertible loan has been determined to be nil and the carrying value of the liability component is \$1,400,000. The effective interest rate on the liability component of the convertible loan was 11% for the period ending October 15, 2015 and 15% per annum during the extended period beginning October 15, 2015.

The lender pursuant to the amended New Loan is BGCG. Immediately following the closing date, BGCG and certain of its related parties owned, directly and indirectly, 8,657,417 Common Shares, which represented approximately 70.1% of the Company's 12,353,972 issued and outstanding Common Shares on the closing date of the New Loan. Other than pursuant to the New Loan, the Company does not have any contractual or other relationship with BGCG.

As at April 15, 2016, the Maturity Date, the Company had not repaid the loan and BGCG had not called the loan nor converted any portion of the outstanding balance into common shares. In accordance with the default provision of the agreement, the loan is repayable on demand and from April 15, 2016, will accrue interest until such time as the loan is repaid or converted into common shares.

As at December 31, 2016, the \$1,400,000 amended New Loan has been fully utilized.

Effective January 20, 2017, BGCG elected to convert the entire indebtedness of the Company into common shares of the Company pursuant to the terms of the amended New Loan. See *note 7 – Subsequent events* for additional details.

## **Note 5 – Capital Stock and Warrants**

### **Authorized**

The total authorized capital is as follows:

- 300,000,000 common shares with a par value of \$0.001 per common share; and
- 10,000,000 preferred shares with a par value of \$0.001 per preferred share

### **Issued and outstanding**

As at December 31, 2016 and June 30, 2016, 12,354,497 common shares were issued and outstanding.

For the above share issuances *see note 4*, the shares were not registered under the Securities Act of 1933 in reliance upon the exemptions from registration contained in Regulation S of the Securities Act of 1933. No underwriters were used, nor were any brokerage commissions paid in connection with the above share issuances.

### **Warrants**

On August 4, 2016, 13,333 warrants expired with an exercise price of CAD \$11.25. As at December 31, 2016, no warrants were outstanding.

### **Stock Options**

On February 17, 2015, the Company granted a total of 1,182,667 stock options to purchase common shares to directors, officers and an employee of the Company, at an exercise price of \$0.1875 per share and for a term of 5 years.

Stock based compensation expense, resulting from the vesting of stock options, for the six months ended December 31, 2016 was \$NIL (December 31, 2015 - \$33,752), which is included in operation and administration expense on the statements of operations and comprehensive loss.

As at December 31, 2016 there were 1,182,667 stock options outstanding, exercisable at a weighted average exercise price of \$0.1875 per share, and expiring on February 17, 2020.

## Note 6 – Commitments and Contingencies

As at December 31, 2016, the Company did not have any lease commitments.

On September 12, 2013, the Company and certain of its current and former officers and directors (the “Liberty Silver Parties”) were named as defendants in a proposed securities class action lawsuit filed against Robert Genovese, certain individuals alleged to have collaborated with Mr. Genovese, and an offshore investment firm allegedly controlled by Mr. Genovese (the “Action,” Case No. 9:13-cv-80923-KLR, Stanaford v. Genovese et al.). The action alleged violations of the United States Securities Exchange Act of 1934 and rules thereunder relating to anomalous trading activity and fluctuations in the Company’s share price from August through October 2012.

On December 8, 2014, without in any way acknowledging any fault or liability, the Company reached a settlement in principle, providing for a payment of \$1 million cash, to be paid by the Company's D&O insurance carriers. On August 17, 2015, with no admission of fault or liability by the Liberty Silver Parties, the Court approved the settlement class and fully and finally dismissed with prejudice all claims against Liberty Silver, Geoffrey Browne, and William Tafuri in the litigation. Although defendants continue to deny plaintiffs' allegations, the Company believed it was in the best interests of its stockholders to focus its attention on its business and put the matter behind it.

The Company had incurred substantial legal fees in prior fiscal years in connection with SEC and OSC cease trade orders issued in October 2012, and until March 31, 2016, those fees were being reported in accounts payable. As the legal fees were incurred, the Company submitted a claim for reimbursement from the insurance underwriter pursuant to the terms of its directors’ and officers’ insurance policy. The insurance underwriter denied coverage of this claim and the Company has since retained legal counsel, on a contingent fee basis, and is challenging the position taken by Liberty International Underwriters Inc., the insurance underwriter, through litigation. In connection with the substantial legal fees incurred by the Company with various law firms, the Company has entered into an assignment agreement (the “Assignment Agreement”) with the various law firms that are owed these fees. Pursuant to the Assignment Agreement, the Company has irrevocably assigned the net proceeds of the Company’s action against the insurance underwriter to each of the law firms that are owed fees in connection with the SEC and OSC cease trade orders. Each of the law firms have agreed, pursuant to the terms of the Assignment Agreement, to fully and finally release the Company from any and all claims, demands of causes of action, in respect of the accounts rendered by the law firms. As a result of entering into the Assignment Agreement with the various law firms that were owed fees in connection with the SEC and OSC cease trade orders, the Company was able to extinguish approximately \$708,000 of liabilities from its balance sheet as at June 30, 2016 and record a corresponding legal fees expense recovery in the statements of operations for the year ended June 30, 2016. Without considering the legal fees expense recovery, the Company incurred approximately \$41,834 in other legal fees related to normal operations during the year ended June 30, 2016.

Additionally, in the normal course of operations, certain other contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, whether the impact of such potential legal actions would have a material adverse effect on the Company's results of operations, liquidity, or its financial position, cannot be determined in advance.

## Note 7 – Subsequent events

### Loan conversion

Effective January 20, 2017 BGCG elected to convert the entire indebtedness under the New Loan Agreement, as amended by the Amendments (the “**Indebtedness**”) into common shares of the Company (“**Shares**”) pursuant to the terms of the New Loan (the “**Loan Conversion**”). The Company approved the Loan Conversion and the issuance thereunder of Shares to BGCG and parties named thereby as assignees of portion of the Indebtedness. Under the terms of the Loan Conversion, the Indebtedness, being US\$1,685,810 is to be converted into 8,990,986 Shares at the deemed price of US\$0.1875 per Share.

The 8,990,986 Shares issuable under the terms of the Loan Conversion were to be issued to BGCG; however, 4,500,000 Shares were distributed directly to third parties at the request of BGCG, and 4,490,986 Shares were issued to BGCG. Prior to the Loan Conversion BGCG directly or indirectly held 8,817,419 of the Shares, representing approximately 71.37% of the total number of issued and outstanding Shares at that time. Following the issuance of Shares in connection with the Loan Conversion, BGCG will hold 13,308,405 Shares representing approximately 62.35% of 21,345,483 Shares that are expected

to be issued and outstanding immediately following the completion of the Loan Conversion.

#### Amendments to Earn-In Agreement

Effective January 26, 2017, the Company reached an agreement with Renaissance to amend the Earn-In Agreement so as to extend the deadline for completion of a bankable feasibility study from the 7<sup>th</sup> anniversary date of the Agreement to the 10<sup>th</sup> anniversary date of the Agreement (“**Amendment Agreement**”).

The Amendment Agreement amends certain terms in the exploration Earn-In Agreement dated March 29, 2010 between AuEx Inc., a predecessor in rights to Renaissance under the Earn-In Agreement, and the Company.

Under the terms of the Earn-In Agreement, upon completion of certain earn-in obligations (the “**Earn-in Obligations**”) the Company will earn a 70% interest in the Trinity Silver Project located in Pershing County, Nevada, more fully described in the Earn-In Agreement. Immediately prior to the date of the Amendment Agreement, the only outstanding Earn-in Obligation of the Company under the Earn-In Agreement was the delivery by the Company of a bankable feasibility study of the Trinity Silver Project to Renaissance by March 29, 2017. The Amendment Agreement amends the Earn-In Agreement so as to extend to March 29, 2020 the period within which the Company must deliver a bankable feasibility study of the Trinity Silver Project to Renaissance.

Additionally, under the terms of the Amendment Agreement, the Company accepted the exclusive option to acquire a 100% interest in the Trinity Silver Project that was offered to the Company by Renaissance in a letter of intent (the “**Letter of Intent**”) dated April 17, 2015. Pursuant to the Amendment Agreement, Renaissance, in consideration of cash payment of US\$96,366 payable no later than June 30, 2017, grants to the Company an exclusive option to acquire a 100% interest in the Trinity Silver Project on certain conditions set out in the Letter of Intent. The option so granted expires not later than September 30, 2017. One of the conditions for the Company’s acquiring a 100% interest in the Trinity Silver Project is restructuring of the Earn-In Agreement by Renaissance and the Company, which immediately prior to the date of the Amendment Agreement was to be concluded by March 29, 2017 (the “**Outside Date**”). The Amendment Agreement extended the Outside Date to September 30, 2017.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

CERTAIN STATEMENTS IN THIS REPORT, INCLUDING STATEMENTS IN THE FOLLOWING DISCUSSION, ARE WHAT ARE KNOWN AS "FORWARD LOOKING STATEMENTS", WHICH ARE BASICALLY STATEMENTS ABOUT THE FUTURE. FOR THAT REASON, THESE STATEMENTS INVOLVE RISK AND UNCERTAINTY SINCE NO ONE CAN ACCURATELY PREDICT THE FUTURE. WORDS SUCH AS "PLANS," "INTENDS," "WILL," "HOPES," "SEEKS," "ANTICIPATES," "EXPECTS" AND THE LIKE OFTEN IDENTIFY SUCH FORWARD LOOKING STATEMENTS, BUT ARE NOT THE ONLY INDICATION THAT A STATEMENT IS A FORWARD LOOKING STATEMENT. SUCH FORWARD LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING OUR PLANS AND OBJECTIVES WITH RESPECT TO THE PRESENT AND FUTURE OPERATIONS OF THE COMPANY, AND STATEMENTS WHICH EXPRESS OR IMPLY THAT SUCH PRESENT AND FUTURE OPERATIONS WILL OR MAY PRODUCE REVENUES, INCOME OR PROFITS. NUMEROUS FACTORS AND FUTURE EVENTS COULD CAUSE THE COMPANY TO CHANGE SUCH PLANS AND OBJECTIVES OR FAIL TO SUCCESSFULLY IMPLEMENT SUCH PLANS OR ACHIEVE SUCH OBJECTIVES, OR CAUSE SUCH PRESENT AND FUTURE OPERATIONS TO FAIL TO PRODUCE REVENUES, INCOME OR PROFITS. THEREFORE, THE READER IS ADVISED THAT THE FOLLOWING DISCUSSION SHOULD BE CONSIDERED IN LIGHT OF THE DISCUSSION OF RISKS AND OTHER FACTORS CONTAINED IN THIS REPORT ON FORM 10-Q AND IN THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. NO STATEMENTS CONTAINED IN THE FOLLOWING DISCUSSION SHOULD BE CONSTRUED AS A GUARANTEE OR ASSURANCE OF FUTURE PERFORMANCE OR FUTURE RESULTS.

### **DESCRIPTION OF BUSINESS**

#### **The Corporation**

Liberty Silver Corp. was incorporated under the laws of the state of Nevada, U.S.A on February 20, 2007 under the name Lincoln Mining Corp. Pursuant to a Certificate of Amendment dated February 11, 2010, the Company changed its name to Liberty Silver Corp. The Company's registered office is located at 1802 N. Carson Street, Suite 212, Carson City Nevada 89701, and its head office is located at 390 Bay Street, Suite 806, Toronto, Ontario, Canada, M5H 2Y2, and our telephone number is 888-749-4916.

#### **Current Operations**

##### **Overview**

The Company was incorporated for the purpose of engaging in mineral exploration activities, and on May 24, 2007, purchased the Zone Lode mining claim located in Elko County, Nevada, for a purchase price of \$10,000. The objective was to conduct mineral exploration activities on the Zone Lode claim to assess whether it contained economic reserves of copper, gold, silver, molybdenum or zinc. The Company was not able to determine whether this property contained reserves that were economically recoverable and as a result, ceased to explore this property. The Company's current business operations are focused on exploring and developing the Trinity Silver property located in Pershing County, Nevada (the "Trinity Project").

The Company acquired its interest in the Trinity Project through an Exploration Earn-In Agreement with AuEx, Inc., a Nevada company (the "Earn-In Agreement"), discussed below. The Earn-In Agreement is subject to the rights and obligations of AuEx, Inc. and its successors and assigns under a Minerals Lease and Sublease between AuEx, Inc. and Newmont Mining USA Limited. As part of a restructuring transaction by AuEx Ventures, Inc., another Nevada company Renaissance Gold Inc. ("Renaissance") was spun out, and on July 1, 2010 AuEx, Inc. assigned all of its interest in the

Trinity Project and the Earn-In Agreement to Renaissance, who currently holds a 100% leasehold interest in the Trinity Project pursuant to the Minerals Lease and Sublease. The Company's rights in the Trinity Project are derived from and based upon the rights of Renaissance through the Minerals Lease and Sublease.

The Trinity Project consists of a total of approximately 10,020 acres, including 5,676 acres of fee land and 253 unpatented mining claims. Under the Earn-In Agreement, the Company may earn-in the 70% Interest in the Trinity Project during a 6-year period in consideration of (1) a signing payment of \$25,000, which has been made, (2) an expenditure of a cumulative total of \$5,000,000 in exploration and development expenses on the Trinity Project by March 29, 2016, including a minimum of \$500,000 which must be expended within one year from the effective date of the Agreement, and (3) completion of a bankable feasibility study on the Trinity Project on or before the 7<sup>th</sup> anniversary date of the Agreement. Item (1) has been completed by the Company, and the Company has satisfied item (2), and has reported its compliance as of March 29, 2013, which is the end of the third year from the inception of the Earn-in Agreement. Effective January 26, 2017, the Company reached an agreement with Renaissance to amend the Earn-In Agreement so as to extend the deadline for completion of a bankable feasibility study from the 7<sup>th</sup> anniversary date of the Agreement to the 10<sup>th</sup> anniversary date of the Agreement.

The Company's business operations are currently focused on efforts to explore the Trinity Project. The Company has not yet commenced development stage activities, however, subject to the availability of adequate funding, the Company intends to engage in efforts to develop the Trinity Project in the future. The Company foresees future operations at the Trinity Project consisting of (i) an effort to expand the known mineralized material through drilling, (ii) permitting for operation, if deemed economically viable, (iii) metallurgical studies aimed at enhancing the recovery of the silver and by-product lead and zinc, and (iv) engineering design related to potential construction of a new mine. Exploration of the property would be conducted simultaneously with the mine development in order to locate additional mineralized materials.

#### Products

The Company's anticipated product will be precious and base metal-bearing concentrates and/or precious metal bullion produced from ores from mineral deposits which it hopes to discover and exploit through exploration and acquisition. The Company anticipates such products will be silver, lead and zinc.

#### Trinity Project Location

The Trinity Project is located along the west flank of the Trinity Range in Pershing County, Nevada, about 25 miles by road northwest of Lovelock, NV, the county seat. The Trinity Project consists of approximately 10,020 acres, which includes 253 unpatented lode mining claims and portions of nine sections of private land. Each claim filed with the BLM has an associated maintenance fee of \$140 per year for each assessment year (which runs from September 1 through August 31). This fee must be paid by midnight on August 31 of each year to maintain the claim's validity for the succeeding assessment year. The fees for the claims comprising the Trinity Project are paid by Renaissance in accordance with the Lease they hold with Newmont. The Company reimburses Renaissance for this expenditure. All of the fees have been paid to the BLM for the current assessment year and all filings are current. There are 253 claims, which based upon current maintenance fees, costs approximately \$35,420 per assessment year to maintain.

#### Infrastructure

The Trinity Project is situated in western Nevada, a locale which is host to many metal mines, mining equipment companies, drilling companies, mining and metallurgical consulting expertise, and experienced mining personnel. Its location is accessible by all-weather road through an area of very sparse population. There is no infrastructure on the property. All buildings have been removed, all wells have been properly abandoned, and there is no equipment on site. The mine site has been totally reclaimed to the satisfaction of the State of Nevada. The need for power and water would be defined by a feasibility study and mine plan both of which are premature at this point in time.

#### Government Regulation and Approval

The following permits will be necessary to put the Trinity Project into production.

Permit/notification

Agency

- Mine registry	Nevada Division of Minerals
- Mine Opening notification	State Inspector of Mines
- Solid Waste Landfill	Nevada Bureau of Waste Management
- Hazardous Waste Management Permit	Nevada Bureau of Waste Management
- General Storm Water Permit	Nevada Bureau of Pollution Control
- Hazardous material Permit	State Fire Marshal
- Fire and Life Safety	State Fire Marshal
- Explosives Permit	Bureau of Alcohol, Tobacco, Firearms
- Notification of Commencement of Operations	Mine Safety and Health Administration
- Radio License	Federal Communications Commission

All of the Company's drilling operations to date have been on private land and, as a result, have not been subject to U.S. Bureau of Land Management jurisdiction. On private land in Nevada, the Company's activities are regulated by The Nevada Division of Environmental Protection and the Nevada Bureau of Mining Regulation and Reclamation ("NBMRR") and no permit is needed as long as the disturbance created is less than five acres. Our total disturbance to date has been less than four acres, much of which has already been reclaimed, and as a result, we have not yet applied for a NBMRR permit. However, as a matter of courtesy, we have provided written correspondence to NBMRR to advise them of our activities.

### Environmental Regulations

Our current exploration activities and any future mining operations (of which we currently have none planned), are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine construction, and protection of endangered and protected species. We have made, and expect to make in the future, significant expenditures to comply with such laws and regulations. Future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have an adverse impact on our financial condition or results of operations. In the event that we make a mineral discovery and decide to proceed to production, the costs and delays associated with compliance with these laws and regulations could stop us from proceeding with a project or the operation or further improvement of a mine or increase the costs of improvement or production.

We anticipate that the following environmental permits will be necessary for our anticipated operations:

- Permit for Reclamation
- Water Pollution Control Permit
- Air Quality Operating Permit
- Industrial Artificial Pond Permit
- Water Rights

The Company anticipates that, subject to the availability of funds or financing, it will begin soliciting bids for the programs necessary to obtain these permits. The cost, timing, and work schedules are not yet available.

### Competition

We compete with other mining and exploration companies in connection with the acquisition of mining claims and leases on silver and other precious metals prospects and in connection with the recruitment and retention of qualified employees. Many of these companies are much larger than we are, have greater financial resources and have been in the mining business much longer than we have. As such, these competitors may be in a better position through size, finances and experience to acquire suitable exploration properties. We may not be able to compete against these companies in acquiring new properties and/or qualified people to work on our current Trinity Project, or any other properties we may acquire in the future.

Given the size of the world market for precious metals such as silver and gold relative to the number of individual producers and consumers, we believe that no single company has sufficient market influence to significantly affect the price or supply of precious metals such as silver and gold in the world market.

## Employees

The Company currently has three employees: Howard Crosby, the President and Chief Executive Officer, Chief Financial Officer, Secretary and Director of the Board; and, two independent directors serving on the Company's board of directors.

## Trinity Project Agreements

The Company acquired its interest in the Trinity Project through an Exploration Earn-In Agreement executed on March 29, 2010 with AuEx, Inc., a Nevada corporation. AuEx, Inc. held an exclusive interest in the Trinity Project by way of a Minerals Lease and Sublease with Newmont Mining USA Limited. Effective as of July 1, 2010, AuEx, Inc., assigned all its rights in the Exploration Earn-In Agreement to another Nevada company, Renaissance Exploration, Inc. The terms of the Minerals Lease and Sublease Agreement and the Exploration Earn-In Agreement are discussed below.

### ***Lease and Sublease Agreement***

Renaissance's rights in the Trinity Project are derived through a Minerals Lease and Sublease dated July 29, 2005 (the "Lease") by and between Newmont Mining USA Limited, a Delaware corporation ("Newmont") and AuEx, Inc., a Nevada corporation.

## Consideration

The Lease was granted to Renaissance for the following consideration:

- a) Renaissance agreed to pay Newmont a claim fee reimbursement of \$10,955 concurrently with the execution of the Lease (this amount was paid);
- b) Renaissance is required to expend a total of \$2,000,000 in ascertaining the existence, location, quantity, quality or commercial value of a deposit of minerals within the Trinity Project on or before the seventh anniversary of the Lease;
- c) Prior to the commencement of any commercial production, Renaissance shall supply Newmont with a feasibility study with respect to the Trinity Project.

In the event the Company did not meet its minimum expenditure obligation in any year, it would have been obligated under the terms of the Earn-In Agreement to pay the amount of any deficiency to Renaissance Exploration, Inc. However, the Company exceeded its minimum expenditure obligation in each of the first three years, and by the end of the third year it had incurred a total of approximately \$5,652,397 in expenses. As a result, the Company will not be obligated to pay any deficiency amounts to Renaissance for any future years.

## Joint Venture / Royalty

The Lease gives Newmont a right to either enter into a joint venture with Renaissance covering the Trinity Project and any other real property interests that Renaissance holds or acquires within the Trinity Project, or receive a royalty on all mineral production from such properties.

*Joint Venture:* The Lease contemplates the following schedule with respect to Newmont's rights to enter into a joint venture with Renaissance:

- a) Before Renaissance spends \$5 million and provides a feasibility study, Newmont can elect at any time to enter into a joint venture in which event Newmont would be required to pay all future joint venture expenses up to 250% of the expenditures made by Renaissance as of the date of Newmont's election to enter into the joint venture.
- b) Upon Renaissance spending \$5 million, but before the feasibility study, Renaissance shall deliver written notice to Newmont containing a summary of the expenditures made by Renaissance on the Trinity Project. Newmont may thereafter elect to enter into a joint venture by notifying Renaissance in writing of such election within 60 days of Newmont's receipt of Renaissance's initial notice. Under the joint venture, Newmont would be required to pay all future joint venture expenses up to 250% of the expenditures made by Renaissance as of the date of Newmont's election to enter into the joint venture.



- c) After Renaissance spending \$5 million, but before the feasibility study, at any time after the expiration of the 60 day period identified in section b above, Newmont can elect to enter into a joint venture in which event Newmont would be required to pay Renaissance 50% of the expenditures made in the Trinity Project up to the date of Newmont's election to participate in a joint venture, and all future joint venture expenses up to 200% of such expenditures.
- d) At any time within 60 days after Renaissance's delivery of feasibility study, Newmont can elect to enter into a joint venture at which time Newmont would be required to pay Renaissance 200% of expenditures made by Renaissance as of the date of Newmont's election to enter into the joint venture. Additionally, Renaissance can elect to have Newmont finance Renaissance's share of the joint venture expenses until the Trinity Project is put into commercial production. Following the commencement of commercial production, Newmont shall be entitled to recover such paid expenses with interest at the London Interbank Offering Rate. If Newmont fails to elect to participate in the Joint Venture within 60 days following the delivery of the feasibility study, Newmont's right to participate in a joint venture shall terminate.

Should Newmont elect to participate in a joint venture with Renaissance, pursuant to the Lease, and its payment terms, Newmont will serve as the manager of the joint venture and own 51% of the joint venture with an option to acquire an additional 14% for additional payments to Renaissance (for a total participating interest of 65%). Pursuant to the Earn-In Agreement, we are entitled to 70% interest in the Trinity Project, subject only to the Newmont interest. Accordingly, if Newmont exercised all of its joint venture options under the Lease, we would own a 35% interest in the Trinity Project.

*Royalty:* In the event Newmont does not elect to participate in a joint venture, then Newmont shall have the right to receive a royalty on all mineral production from the Trinity Project. Pursuant to the Lease, if Newmont elects to not participate in the joint venture, then Renaissance shall pay to Newmont \$1 million and the Lease shall terminate and Newmont shall transfer title to all property comprising the Trinity Project to Renaissance, and thereafter receive a royalty payment of up to 5% of the net smelter returns generated from the properties comprising the Trinity Project.

#### Buyout Option

The Lease provides Renaissance with a buyout option pursuant to which Renaissance holds the right to purchase Newmont's rights in the Trinity Project through the payment of \$1 million to Newmont. In the event Renaissance elects the buyout option, Newmont would transfer title to the Trinity Project to Renaissance through quit claim deed while retaining certain rights in the Trinity Project; such rights may include some form of joint venture or a royalty interest.

#### ***Ownership Interest – Earn-In Agreement***

As noted above, the rights to the Trinity Project are held 100% by Renaissance, pursuant to an assignment of such rights from AuEx, Inc. The Company entered into the Earn-In Agreement providing the Company with a right to earn a 70% undivided interest in rights of Renaissance in the Trinity Project (the "70% Interest"), as set out below. The following is intended to be a summary of the material terms of the Earn-In Agreement, and is subject to, and qualified in its entirety, by the full text of the Earn-In Agreement.

#### Consideration

The exclusive right to acquire the 70% Interest in the Trinity Project was granted to the Company for the following consideration:

- a) The Company agreed to pay \$25,000 upon execution of the Earn-In Agreement (this amount was paid);
- b) In order to obtain the 70% Interest in the Trinity Project, the Company is required to (i) produce a bankable feasibility study by March 29, 2017 and (ii) to expend a minimum of \$5,000,000 in exploration on the Trinity Project as follows: \$500,000 in the first year; \$1,000,000 in the second year; \$1,000,000 in the third year; \$1,000,000 in the fourth year; \$1,000,000 in the fifth year; and \$500,000 in the sixth year. Effective January 26, 2017, the Company reached an agreement with Renaissance to amend the Earn-In Agreement so as to extend by three years the deadline for completion of a bankable feasibility study from March 29, 2017 to March 29, 2020.

Any excess expenditure in any year shall be carried forward and applied to the subsequent year's expenditure requirement, and the Company may accelerate the expenditures at its discretion. If the Company elects not to meet the minimum expenditure obligation during any year but wishes to maintain the Earn-In Agreement in full force and effect, or if it is subsequently determined that the minimum amount was not expended in any given year, the Company shall pay the amount of any deficiency to Renaissance.

#### Work Program

The Company shall be the operator and shall have full control over the content of work programs and annual expenditure amounts during the earn-in period, including having the authority to apply for all necessary permits, licenses and other approvals from the U.S., the State of Nevada or any other governmental or other entity having regulatory authority over any part of the Trinity Project.

#### Joint Venture

Upon the Company having acquired the 70% Interest in the Trinity Project by satisfying the minimum expenditure amounts and producing a bankable feasibility study, the Company and Renaissance shall enter into a formal joint venture agreement, and the Company will be the operator of the joint venture.

At such time as the Company earns the 70% Interest in the Trinity Project, the parties will thereafter participate in expenditures on the Trinity Project in accordance with their respective interests therein, or have their interest diluted in accordance with a straight-line dilution formula, as set forth in the joint venture agreement.

If through dilution the interest of a party is reduced to less than 10%, then that party's participating interest shall automatically be converted to a 3% net smelter returns royalty interest. Should third party claims be acquired with royalties within the area of interest, the 3% royalty described above would be reduced by the amount of such royalty but not below 1%. This reduction does not apply to the royalty described under the heading "Royalty upon Termination of Interest" below.

#### Royalty upon Termination of Interest

If the Company elects to terminate its right to earn an interest in the Trinity Project prior to completing a bankable feasibility study by March 29, 2017, but has expended at least \$3,000,000, the Company shall be entitled to a 4% net smelter returns royalty capped at twice its expenditure on the Trinity Project.

#### Termination

The Company may in its sole discretion terminate the Earn-In Agreement at any time by giving not less than 30 days prior written notice to that effect to Renaissance. Upon expiry of the 30-day notice period, the Earn-In Agreement will be of no further force and effect. Upon such termination, the Company shall have no further obligation to incur expenses on or for the benefit of the Trinity Project and shall have no further obligations or liabilities to Renaissance under the Earn-In Agreement or with respect to the Trinity Project (including without limitation liability for lost profits or consequential damages as a result of an election by the Company to terminate the agreement), other than (a) as set forth below, and (b) to reclaim (in accordance with applicable law) any disturbances of the Trinity Project made by the Company.

At any time the Company may, at its option, terminate its interest in some but less than all of the claims comprising the Trinity Project by written notice to Renaissance, provided that if such notice (or notice of termination of the Earn-In Agreement in its entirety) is received by Renaissance after June 30<sup>th</sup> of any year, the Company shall remain obligated to pay the claim maintenance fees (and make all filings and recordings required in connection therewith) for those claims to which such termination applies for the upcoming assessment year. To the extent the Company terminates its interest in some but less than all of the claims, the Earn-In Agreement shall remain in full force and effect with respect to the remaining claims.

In the event the Company is in default in the observance or performance of any of the Company's covenants, agreements or obligations under the Earn-In Agreement, Renaissance may give written notice of such alleged default specifying the details of same. The Company shall have 30 days following receipt of said notice within which to remedy any such default described therein, or to diligently commence action in good faith to remedy such default. If the Company does not cure or

diligently commence to cure such default by the end of the applicable 30-day period, then Renaissance shall have the right to terminate the Earn-In Agreement by providing 30 days advance written notice to the Company.

### Confidentiality

All data and information coming into possession of Renaissance or the Company by virtue of the Earn-In Agreement with respect to the business or operations of the other party, or the Trinity Project generally, shall be kept confidential and shall not be disclosed to any person not a party thereto without the prior written consent of the other party, except: (a) as required by law, rule, regulation or policy of any stock exchange or securities commission having jurisdiction over a party; (b) as may be required by a party in the prosecution or defense of a lawsuit or other legal or administrative proceedings; (c) as required by a financial institution in connection with a request for financing relating to development or mining activities; or (d) as may be required in connection with a proposed conveyance to a third party of an interest in the Trinity Project or the Earn-In Agreement, provided such third party agrees in writing in a manner enforceable by the other party to abide by all of the applicable confidentiality provisions of the Earn-In Agreement with respect to such data and information.

To the extent either party intends to disclose data or information via press release or other similar format as may be required, the disclosing party shall provide the other party with not less than five business days' notice of the text of the proposed disclosure, and the other party shall have the right to comment on the same.

### ***Deed With Reservation of Royalty Hi Ho Silver Claims.***

On October 15, 2012, the Company entered into and closed a Purchase Agreement (the "Purchase Agreement") with Primus Resources, L.C. and James A. Freeman (collectively "Seller") to acquire unpatented mining claims, Nevada BLM Serial No. 799907, 799908, 799909, 799910, and 799911 covering approximately 100 acres of property located adjacent to the former Trinity Silver mine on the Company's Trinity Project (the "Hi Ho Properties"). The Hi Ho Properties were previously the only acreage not controlled by the Company or its joint venture partner Renaissance Exploration Inc. in the Trinity Project. Under the terms of the Purchase Agreement, the Company provided cash consideration of \$250,000 and issued 172,222 restricted shares of common stock of the Company to Seller. In addition the Seller was granted a 2% net smelter royalty on future production from the Hi Ho Properties pursuant to the terms of a Deed with Reservation of Royalty Hi Ho Silver Claims.

In conjunction with the entry into the Purchase Agreement, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with Seller, pursuant to which the Company agreed to file a registration statement on Form S-1 with the United States Securities and Exchange Commission, within thirty (30) days of the closing, which registers the common stock issued to the Seller pursuant to the Purchase Agreement. Pursuant to the Registration Rights Agreement the Company paid the Seller total consideration consisting of 190,741 of its common shares.

### **Trinity Project Technical Report**

In the process of compiling and synthesizing information on the Trinity Project, on February 15, 2011, the Company completed an independently verified mineralized materials estimate on the Trinity Project (the "Trinity Project Technical Report"); the report was publicly released by the Company on March 2, 2011. The Technical Report for the Trinity mine project was prepared in accordance with the Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101") by Mine Development Associates of Reno, Nevada, and has been reviewed by the Toronto Stock Exchange. The Trinity Project Technical Report may be viewed on the Company's website at [www.libertysilvercorp.com](http://www.libertysilvercorp.com), and also on [www.SEDAR.com](http://www.SEDAR.com), where it has been filed. Mineralized materials defined in the Trinity Project Technical Report are not recognized by the United States Securities and Exchange Commission.

### **Work Completed by Company & Plan of Operation**

As of the date of this Form 10-Q, the Company has completed the following items: (a) a magnetotelluric geophysical survey has been completed; (b) the drill hole database has been digitized; (c) a mineralized material estimate for the original deposit identified in the Earn-In Agreement; in addition, environmental and permitting work has begun, and all of the past geologic data has been compiled.

Past exploration activities consisted of a magnetotelluric survey that was completed in August of 2010, a gravity survey that was completed in March of 2012, an induced polarization survey that was completed in May of 2012 and a drill program that was started in January of 2012 and completed in April of 2012, consisting of 20 reverse circulation holes comprising 22,565 ft of drill hole. The Magnetotelluric Survey was initiated in June of 2010 and completed in August of 2010. The Gravity survey was initiated in February of 2012 completed in March of 2012. The Induced Polarization Survey was initiated in April of 2012 completed in May of 2012. The drill program was started in January of 2012 and completed in April of 2012.

It is estimated that during the fiscal year ending June 30, 2011, the Company incurred approximately \$554,145 in exploration expenses, and that during the fiscal year ending June 30, 2012, the Company incurred approximately \$1,667,497 in exploration expenses, and that during the fiscal year ending June 30, 2013, the Company incurred approximately \$3,299,000 in exploration expenses, and that during the fiscal year ending June 30, 2014, the Company incurred approximately \$460,432 in exploration expenses, and that during the fiscal year ending June 30, 2015, the Company incurred approximately \$398,975 in exploration expenses, and that during the fiscal year ending June 20, 2016, the Company incurred approximately \$128,690 in exploration expenses, and during the interim period ended December 31, 2016, the Company incurred approximately \$60,150 in exploration expenses. These amounts include both direct exploration costs as well as various indirect costs related to exploration and the costs of acquiring mineral properties, which under the terms of the Earn-In Agreement, are included in the calculations for purposes of determining whether the Company has met its minimum annual expenditure commitment.

It is anticipated, subject to the availability of financing, that additional exploration work will be needed, although specific plans for this additional work have not yet been finalized. It is currently anticipated that the additional exploration work to be completed will include additional drilling to upgrade the level of confidence in the mineralization and to expand the mineralized area, as well as drilling to collect metallurgical samples. The estimated budgeted cost for this additional drilling is approximately \$1,500,000, which the Company currently does not have. Metallurgical testing, which is budgeted to cost approximately \$300,000, is expected to be undertaken for the purpose of defining the estimated silver recovery of the mineralized rock. The Company may not be able to complete metallurgical testing with the funds currently available to it. Once adequate funding is secured, engineering design work, budgeted at approximately \$500,000, is expected to be undertaken for the purpose of studying the feasibility of developing a mine, and as soon as design work is completed, permitting will need to start. The budget for permitting work is expected to be approximately \$100,000. No further geophysical work is currently planned.

### **Subsequent Events**

The Company has evaluated subsequent events for the interim period ended December 31, 2016 through the date these interim unaudited financial statements were issued, and concluded that there were no events or transactions occurring during this period that required recognition or disclosure in its interim financial statements other than the following:

#### **Loan conversion**

Effective January 20, 2017 BGCG elected to convert the entire indebtedness under the New Loan Agreement, as amended by the Amendments (the “**Indebtedness**”) into common shares of the Company (“**Shares**”) pursuant to the terms of the New Loan (the “**Loan Conversion**”). The Company approved the Loan Conversion and the issuance thereunder of Shares to BGCG and parties named thereby as assignees of portion of the Indebtedness. Under the terms of the Loan Conversion, the Indebtedness, being US\$1,685,810 is to be converted into 8,990,986 Shares at the deemed price of US\$0.1875 per Share.

The 8,990,986 Shares issuable under the terms of the Loan Conversion were to be issued to BGCG; however, 4,500,000 Shares were distributed directly to third parties at the request of BGCG, and 4,490,986 Shares were issued to BGCG. Prior to the Loan Conversion BGCG directly or indirectly held 8,817,419 of the Shares, representing approximately 71.37% of the total number of issued and outstanding Shares at that time. Following the issuance of Shares in connection with the Loan Conversion, BGCG will hold 13,308,405 Shares representing approximately 62.35% of 21,345,483 Shares that are expected to be issued and outstanding immediately following the completion of the Loan Conversion.

#### **Amendments to Earn-In Agreement**

Effective January 26, 2017, the Company reached an agreement with Renaissance to amend the Earn-In Agreement so as to

extend the deadline for completion of a bankable feasibility study from the 7<sup>th</sup> anniversary date of the Agreement to the 10<sup>th</sup> anniversary date of the Agreement (“**Amendment Agreement**”).

The Amendment Agreement amends certain terms in the exploration Earn-In Agreement dated March 29, 2010 between AuEx Inc., a predecessor in rights to Renaissance under the Earn-In Agreement, and the Company.

Under the terms of the Earn-In Agreement, upon completion of certain earn-in obligations (the “**Earn-in Obligations**”) the Company will earn a 70% interest in the Trinity Silver Project located in Pershing County, Nevada, more fully described in the Earn-In Agreement. Immediately prior to the date of the Amendment Agreement, the only outstanding Earn-in Obligation of the Company under the Earn-In Agreement was the delivery by the Company of a bankable feasibility study of the Trinity Silver Project to Renaissance by March 29, 2017. The Amendment Agreement amends the Earn-In Agreement so as to extend to March 29, 2020 the period within which the Company must deliver a bankable feasibility study of the Trinity Silver Project to Renaissance.

Additionally, under the terms of the Amendment Agreement, the Company accepted the exclusive option to acquire a 100% interest in the Trinity Silver Project that was offered to the Company by Renaissance in a letter of intent (the “**Letter of Intent**”) dated April 17, 2015. Pursuant to the Amendment Agreement, Renaissance, in consideration of cash payment of US\$96,366.24 payable no later than June 30, 2017, grants to the Company an exclusive option to acquire a 100% interest in the Trinity Silver Project on certain conditions set out in the Letter of Intent. The option so granted expires not later than September 30, 2017. One of the conditions for the Company’s acquiring a 100% interest in the Trinity Silver Project is restructuring of the Earn-In Agreement by Renaissance and the Company, which immediately prior to the date of the Amendment Agreement was to be concluded by March 29, 2017(the “**Outside Date**”). The Amendment Agreement extended the Outside Date to September 30, 2017.

## **RESULTS OF OPERATIONS**

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operation and financial condition for the three and six months ended December 31, 2016 as compared to the three and six months ended December 31, 2015. Unless otherwise stated, all figures herein are expressed in U.S. dollars, which is the functional currency of the Company.

### **Results of Operations for the three months ended December 31, 2016 compared to the three months ended December 31, 2015.**

#### Revenue

During the three-month periods ended December 31, 2016 and 2015, the Company generated no revenue.

#### Operating expenses

During the three month period ended December 31, 2016, the Company reported total operating expenses of \$142,264 compared to \$69,749 during the three month period ended December 31, 2015, an increase of \$72,515, or approximately 104%. The net increase in total operating expenses is comprised of: an increase of \$87,798 in the reported amount of legal and accounting expense; an increase of \$65,015 in direct exploration expenses; an increase of \$22,000 in consulting expenses; and, a partially offsetting decrease of \$102,298 in operation and administration expense.

The reported amount of legal and accounting expense increased by a net amount of \$87,798 to an expense of \$19,419 during the period ended December 31, 2016, compared to a legal and accounting expense recovery of \$68,379 reported during the period ended December 31, 2015. The primary reason for the net increase is that during the comparative period, the Company had received reimbursements of previously incurred legal expenses in connection with the Class Complaint against the Company, which has since been dismissed. During the current period, the Company did not receive any reimbursements of legal expenses and only incurred legal expenses that were in the normal course of business.

Exploration expense increased by \$65,015 to an expense of \$73,788 during the period ended December 31, 2016, compared to exploration expense of \$8,773 reported during the period ended December 31, 2015. During the current period, the

Company incurred various expenses in connection with the potential acquisition of new properties to expand its property portfolio, however, no new properties have been acquired during this reporting period.

For financial accounting purposes, the Company reports all direct exploration expenses under the exploration expense line item of the statement of operations. Certain indirect expenses, which are related to the exploration activities, may be reported as operation and administration expense or consulting expense on the statement of operations, as the case may be, or in certain cases, these expenses may also be capitalized to the balance sheet if they relate to costs incurred to acquire mineral properties. During the interim period ended December 31, 2016, the Company incurred a total of \$10,363 of direct and indirect expenses, which related to its exploration activities on the Trinity property, as compared to approximately \$26,804 during the interim period ended December 31, 2015.

Consulting expense increased by \$22,000 to an expense of \$25,000 during the current period ended December 31, 2016 compared to \$3,000 during the comparative period. The Consulting expense incurred during the current and comparative periods related to fees paid to a former employee who provided consulting services to the Company from time-to-time.

Operation and administration expense decreased by \$102,298 to an expense of \$24,057 during the period ended December 31, 2016, compared to an expense of \$126,355 reported during the period ended December 31, 2015. The net decrease was comprised of certain notable fluctuations, which are as follows: salaries and related expenses decreased by \$66,249, primarily due to the decrease in board fees, no further stock based compensation expense as all options outstanding have been fully vested and expensed, and no further salaries payable to employees; rent expense decreased by \$20,422, due to the termination of leases that existed in the prior period for office and warehouse space; insurance expense decreased by \$19,419; public company and related administrative expenses decreased by \$7,419; and, most other individual expenses which comprise the total operation and administration expense also experienced net decreases.

#### Net loss and comprehensive loss

The Company had a net loss and comprehensive loss of \$171,227 for the three months ended December 31, 2016, compared to a net loss and comprehensive loss of \$93,091 for the three months ended December 31, 2015, a change of \$78,136 or approximately 84%. The increase in net loss and comprehensive loss was due to: a net increase in total operating expenses of \$72,515 as described above, and a decrease in the gain from fluctuations in foreign exchange period over period. The changes in these items, which resulted in the increase to net loss and comprehensive loss, were partially offset by a decrease of \$7,709 in interest expense during the current period.

#### **Results of Operations for the six months ended December 31, 2016 compared to the six months ended December 31, 2015.**

##### Revenue

During the six-month periods ended December 31, 2016 and 2015, the Company generated no revenue.

##### Operating expenses

During the six month period ended December 31, 2016, the Company reported total operating expenses of \$214,235 compared to \$284,188 during the six month period ended December 31, 2015, an decrease of \$69,953, or approximately 25%. The net decrease in total operating expenses is comprised of a decrease of \$198,796 in operation and administration expense, which decrease was partially offset by: an increase of \$63,641 in direct exploration expenses; an increase of \$46,202 in the reported amount of legal and accounting expense; and, an increase of \$19,000 in consulting expenses.

Operation and administration expense decreased by \$198,796 to an expense of \$77,308 during the period ended December 31, 2016, compared to an expense of \$276,104 reported during the period ended December 31, 2015. The net decrease was comprised of certain notable fluctuations, which are as follows: salaries and related expenses decreased by \$97,477, primarily due to the decrease in board fees, no further stock based compensation expense as all options outstanding have been fully vested and expensed, and no further salaries payable to employees during the second half of the current period; rent expense decreased by \$41,343, due to the termination of leases that existed in the prior period for office and warehouse space; insurance expense decreased by \$32,582; public company and related administrative expenses decreased by \$16,249;

and, most other individual expenses which comprise the total operation and administration expense also experienced net decreases.

Exploration expense increased by \$63,641 to an expense of \$81,734 during the period ended December 31, 2016, compared to exploration expense of \$18,093 reported during the period ended December 31, 2015. During the current period, the Company incurred various expenses in connection with the potential acquisition of new properties to expand its property portfolio, however, no new properties have been acquired during this reporting period.

For financial accounting purposes, the Company reports all direct exploration expenses under the exploration expense line item of the statement of operations. Certain indirect expenses, which are related to the exploration activities, may be reported as operation and administration expense or consulting expense on the statement of operations, as the case may be, or in certain cases, these expenses may also be capitalized to the balance sheet if they relate to costs incurred to acquire mineral properties. During the interim period ended December 31, 2016, the Company incurred a total of \$60,150 of direct and indirect expenses, which related to its exploration activities on the Trinity property, as compared to approximately \$89,460 during the interim period ended December 31, 2015.

The reported amount of legal and accounting expense increased by a net amount of \$46,202 to an expense of \$30,193 during the period ended December 31, 2016, compared to a legal and accounting expense recovery of \$16,009 reported during the period ended December 31, 2015. The primary reason for the net increase is that during the comparative period, the Company had received reimbursements of previously incurred legal expenses in connection with the Class Complaint against the Company, which has since been dismissed. During the current period, the Company did not receive any reimbursements of legal expenses and only incurred legal expenses that were in the normal course of business.

Consulting expense increased by \$19,000 to an expense of \$25,000 during the current period ended December 31, 2016 compared to \$6,000 during the comparative period. The Consulting expense incurred during the current and comparative periods related to fees paid to a former employee who provided consulting services to the Company from time-to-time.

#### Net loss and comprehensive loss

The Company had a net loss and comprehensive loss of \$289,736 for the six months ended December 31, 2016, compared to a net loss and comprehensive loss of \$309,016 for the six months ended December 31, 2015, a change of \$19,280 or approximately 6%. The decrease in net loss and comprehensive loss was due to: a net decrease in total operating expenses of \$69,953 as described above, which was partially offset by a decrease in the gain from fluctuations in foreign exchange period over period and an increase of \$8,457 in interest expense during the current period.

## **ANALYSIS OF FINANCIAL CONDITION**

### **Liquidity and Capital Resources**

The Company does not have sufficient working capital needed to meet its current fiscal obligations. In order to continue to meet its fiscal obligations in the current fiscal year and beyond the next twelve months, the Company must seek additional financing. Management is considering various financing alternatives including, but not limited to, merger and acquisition activity, raising capital through the equity markets and debt financing.

In order to acquire a 70% interest in the Trinity Project, the Company is required to incur \$5,000,000 in exploration expenditures over a six-year period from March 29, 2010, the date of the Earn-In Agreement, to March 29, 2016. In addition, by the end of March 29, 2020, the Company is required to produce a bankable feasibility study. As of March 29, 2013, the end of the third year following the date of the Earn-In Agreement, the Company had incurred approximately \$5,652,397 in expenditures related to the Trinity Project, and therefore had satisfied the \$5,000,000 exploration expenditure commitment. The Company is seeking financing, as described above, with the objective to raise approximately \$5,000,000 to meet immediate financial obligations; to fund its near-term working capital requirements and fieldwork plans; to secure its interest in the Trinity property; and, subject to favorable commodity prices, continue additional development work on the property. The additional work would consist of engineering and metallurgical testing, confirmation drilling, and an update of the National Instrument 43-101 compliant resource estimate.

The primary source for capital for the Company is the equity markets. Management plans to continue its canvassing efforts of investors and financial institutions to invest capital in the Company through private placement offerings of common shares or units consisting of common shares and warrants. The terms and pricing of any such financing would be determined in the context of the markets and the Company's financial condition. The Company has not entered into an agency agreement or arrangement with any financial institution or investor group to raise capital at this time.

In such an event where the Company is not successful at raising capital through the issuance of capital stock, the Company may consider raising capital by the issuance of debt. However, unless the appropriate features, such as convertible options, are attached to the debt instruments, this form of financing is less desirable until such time as the Company may be in a position to reasonably foresee the generation of cash flow to service and repay debt.

On October 17, 2014, the Company amended and restated its agreement in relation to an existing \$1,210,000 principal amount secured loan facility made available by BG Capital Group Ltd. ("BGCG") on November 14, 2013 ("Original Loan"). Under the terms of the revised agreement, BGCG has made available to the Company a committed non-revolving term credit facility in the principal amount of \$1,250,000 (the "New Loan"), which bore interest at a rate of 11% per annum and which was secured by a charge on all of the assets of the Company. The Company repaid the indebtedness to BGCG under the Original Loan by converting the principal amount of the Original Loan, together with all accrued and unpaid interest thereon, being \$1,248,654 (the "Debt"), into 6,659,487 common shares of the Company ("Common Shares") at a price of \$0.1875 per Common Share, in full satisfaction of the Debt under the Original Loan. Details of the New Loan are provided in Note 4 to the financial statements for the interim period ended December 31, 2016.

As at April 15, 2016, the Maturity Date of the New Loan, the Company has not repaid the loan and BGCG has not called the loan nor converted any portion of the outstanding balance into common shares. In accordance with the default provision of the agreement, the loan is repayable on demand and from April 15, 2016, will accrue interest until such time as the loan is repaid or converted into common shares.

Effective November 30, 2016, the Company reached an agreement with BGCG to amend the terms of the New Loan. Under the terms of the agreed upon amendments (the "Amendment"), the principal amount of the loan of \$1,250,000, as it was under the New Loan, increased to \$1,400,000 (the "New Principal Amount") to include an advance of \$150,000 made by BGCG to the Company on November 28, 2016. The New Principal Amount and the accrued interest are convertible into common shares of the Company at BGCG's election.

Effective January 20, 2017 BGCG elected to convert the entire indebtedness under the New Loan Agreement, as amended by the Amendments (the "**Indebtedness**") into common shares of the Company ("**Shares**") pursuant to the terms of the New Loan (the "**Loan Conversion**"). The Company approved the Loan Conversion and the issuance thereunder of Shares to BGCG and parties named thereby as assignees of portion of the Indebtedness. Under the terms of the Loan Conversion, the Indebtedness, being US\$1,685,810 is to be converted into 8,990,986 Shares at the deemed price of US\$0.1875 per Share.

The 8,990,986 Shares issuable under the terms of the Loan Conversion were to be issued to BGCG; however, 4,500,000 Shares were distributed directly to third parties at the request of BGCG, and 4,490,986 Shares were issued to BGCG. Prior to the Loan Conversion BGCG directly or indirectly held 8,817,419 of the Shares, representing approximately 71.37% of the total number of issued and outstanding Shares at that time. Following the issuance of Shares in connection with the Loan Conversion, BGCG will hold 13,308,405 Shares representing approximately 62.35% of 21,345,483 Shares that are expected to be issued and outstanding immediately following the completion of the Loan Conversion.

Since November 14, 2013, to sustain operations, the Company has been dependent on BGCG as the only available source of capital in the form of debt or equity. There is no assurance that such financing will continue to be available from BGCG.

Further, on an ongoing basis, management will review potential merger or acquisition targets to determine if certain synergies exist for the Company and if the potential target would strengthen the Company's financial position. Management does not currently have any merger or acquisition target identified, and any such discussions are at the very preliminary stages.

In the event that the Company raises some funds, but, due to difficult capital market conditions or other factors, is not successful at raising all funds needed to complete the bankable feasibility study and fund ongoing working capital, management plans to continue operations with the currently reduced overheads and to maintain the Trinity Project under a



care and maintenance program, until such time as the capital markets improve for junior exploration companies. In order to secure the Company's interest in the Trinity Project before March 29, 2017, on April 17, 2015 the Company signed a non-binding letter of intent with Renaissance to allow Liberty to purchase a 100% interest in the Trinity Silver property for \$1,000,000. Renaissance was paid \$50,000 upon execution of the letter of intent, of which \$15,000 was non-refundable. The remaining \$950,000 is to be paid in stages over an eighteen-month period from the closing of an amended agreement. This purchase was contingent upon certain renegotiations with the underlying owner Newmont being achieved. The Company negotiated with Newmont the revision of the existing NSR royalty obligation to Newmont from 5% to a revised NSR royalty obligation of 3.125%. The Company also negotiated the elimination of any joint venture options or back in rights to Newmont whatsoever. In consideration for the reduction in the NSR royalty obligation and the elimination of any joint venture options or back in rights, Liberty agreed to pay \$1,000,000 to Newmont, staged in four payments over eighteen months. Liberty, Renaissance and Newmont have since signed a non-binding letter of intent agreeing to those revised terms of the underlying agreement with an effective date of February 2, 2016, with the amended agreement to be finalized within six months from the effective date of the letter of intent. The Company did not raise the funds that would be required to close the amended agreement within six months from the effective date of the letter of intent; however, the Company continues to seek the funds necessary to complete this or a similar transaction with Renaissance and Newmont.

Effective January 26, 2017, the Company reached an agreement with Renaissance to accept the exclusive option to acquire a 100% interest in the Trinity Silver Project that was offered to the Company by Renaissance in the April 17, 2015 Letter of Intent (the "Amendment Agreement"). Pursuant to the Amendment Agreement, Renaissance, in consideration of cash payment of US\$96,366.24 payable no later than June 30, 2017, grants to the Company an exclusive option to acquire a 100% interest in the Trinity Silver Project on certain conditions set out in the Letter of Intent. The option so granted expires not later than September 30, 2017. One of the conditions for the Company's acquiring a 100% interest in the Trinity Silver Project is restructuring of the Earn-In Agreement by Renaissance and the Company, which immediately prior to the date of the Amendment Agreement was to be concluded by March 29, 2017 (the "Outside Date"). The Amendment Agreement extended the Outside Date to September 30, 2017.

On February 17, 2015, the Company granted a total of 1,182,667 stock options to purchase common shares to directors, officers and an employee of the Company, at an exercise price of \$0.1875 per share and for a term of 5 years.

As at the filing date of this Form 10-Q, there were 1,182,667 stock options outstanding, which may be exercised for gross proceeds of \$221,750, however the exercise price of the stock options exceeds the market price of the Company's shares.

#### ***Current Assets and Total Assets***

As of December 31, 2016, the unaudited balance sheet reflects that the Company had: i) total current assets of \$149,500, compared to total current assets of \$112,236 at June 30, 2016, an increase of \$37,264, or approximately 33%; and ii) total assets of \$149,501, compared to total assets of \$112,237 at June 30, 2016, an increase of \$37,264, or approximately 33%. The increase in current and total assets was primarily due to an increase in cash from the new loan facility and an increase in prepaid expenses, partially offset by a decrease in other assets.

#### ***Total Current Liabilities and Total Liabilities***

As of December 31, 2016, the unaudited balance sheet reflects that the Company had total current liabilities and total liabilities of \$1,898,800, compared to total current liabilities and total liabilities of \$1,571,800 at June 30, 2016, an increase of \$327,000, or approximately 21%. The increase in current and total liabilities was due to: an increase of \$236,085 in convertible loan payable; an increase of \$76,150 in interest payable; and, an increase of \$46,028 in accrued liabilities. The increases in these amounts were partially offset by a decrease of \$31,263 in accounts payable.

#### ***Cash Flow – for the interim periods ended December 31, 2016 and 2015***

During the six months ended December 31, 2016 cash was primarily used to fund working capital and operations. The Company reported a net increase in cash of \$16107 during the six months ended December 31, 2016 compared to a net decrease in cash of \$145,721 during the six months ended December 31, 2015. The following provides additional discussion and analysis of cash flow.

	For the six months ended December 31,	
	2016	2015
	\$	\$
Net cash used in operating activities	<b>(219,978)</b>	(245,721)
Net cash provided by financing activities	<b>236,085</b>	100,000
Net Change in Cash	<b>16,107</b>	(145,721)

During the six months ended December 31, 2016, net cash used in operating activities was \$219,978, compared to net cash used in operating activities of \$245,721 during the six months ended December 31, 2015. The decrease in net cash used in operating activities of \$25,743 is the result of a net loss and comprehensive loss of \$289,736 during the six months ended December 31, 2016, compared to a net loss and comprehensive loss of \$309,016 during the six months ended December 31, 2015, and the effects of net changes in working capital items, which contributed to an increase in cash of \$69,758 during the six months ended December 31, 2016, compared to net changes in working capital items, which contributed to an increase in cash of \$26,069 during the comparative period. The increase to cash resulting from the decrease in net loss and comprehensive loss period-over-period and the net changes in working capital items, which resulted in less cash being used in operations, was partially offset by non-cash items of \$37,226 being reported during the comparative period, compared to no non-cash items during the current period.

During the six months ended December 31, 2016 and 2015, the Company reported no investing activities.

During the six months ended December 31, 2016, the Company reported \$236,085 of cash from financing activities, compared to cash from financing activities of \$100,000 during the comparative period. During the current period, the Company received more funds from the convertible loan facility compared to the previous period.

### **Going Concern**

These interim unaudited financial statement filings have been prepared on the going concern basis, which assumes that adequate sources of financing will be obtained as required and that the Company's assets will be realized and liabilities settled in due course of business. Accordingly, the interim unaudited financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern. The going concern assumption is discussed in the financial statements *Note 1 – Basis of Presentation and Going Concern*.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Disclosure Controls and Procedures**

The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a Company's controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to principal executive and principal financial officers to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, the Company’s sole officer carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation management identified a material weakness in the Company’s internal control over financial reporting related to the fact that the Company has not established adequate financial reporting monitoring procedures to mitigate the risk of management override. Specifically, because there is only a single officer and director with management functions there is lack of segregation of duties. Accordingly, as of December 31, 2016, management concluded that the Company's disclosure controls and procedures were not effective.

Management believes that the material weakness identified above is temporary. The Company does not currently have the resources to fund sufficient staff to ensure a complete segregation of responsibilities within the accounting function. However, the Company is currently seeking to raise additional capital, and once adequate resources become available, the Company intends to hire additional management personnel.

#### **Changes in Internal Control over Financial Reporting**

There was no change in the Company's internal control over financial reporting during the period ended December 31, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

On September 12, 2013, the Company and certain of its current and former officers and directors (the “Liberty Silver Parties”) were named as defendants in a proposed securities class action lawsuit filed against Robert Genovese, certain individuals alleged to have collaborated with Mr. Genovese, and an offshore investment firm allegedly controlled by Mr. Genovese (the “Action,” Case No. 9:13-cv-80923-KLR, Stanaford v. Genovese et al.). The action alleged violations of the United States Securities Exchange Act of 1934 and rules thereunder relating to anomalous trading activity and fluctuations

in the Company's share price from August through October 2012.

On December 8, 2014, without in any way acknowledging any fault or liability, the Company reached a settlement in principle, providing for a payment of \$1 million cash, to be paid by the Company's D&O insurance carriers. On August 17, 2015, with no admission of fault or liability by the Liberty Silver Parties, the Court approved the settlement class and fully and finally dismissed with prejudice all claims against Liberty Silver, Geoffrey Browne, and William Tafuri in the litigation. Although defendants continue to deny plaintiffs' allegations, the Company believed it was in the best interests of its stockholders to focus its attention on its business and put the matter behind it.

The Company is currently a party to litigation, which it initiated against Liberty International Underwriters, Inc., the underwriter of its directors and officers liability insurance. The case is captioned: Liberty Silver Corp. v. Liberty International Underwriters, Court File No. CV-15-529239, filed on May 29, 2015, in the Ontario Superior Court of Justice. In the legal action, the Company is seeking payment of legal fees incurred in connection with SEC and OSC cease trade orders.

Neither the Company nor its property is the subject of any other pending legal proceedings, and no other such proceeding is known to be contemplated by any governmental authority. The Company is not aware of any other legal proceedings in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of our voting securities, or any associate of any such director, officer, affiliate or security holder of the Company, is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

**ITEM 1A. RISK FACTORS.**

Not Applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

As reported in the Company's Current Report on Form 8-K dated January 20, 2017 (the "Current Report"), the Company issued 8,990,986 Shares in connection with a loan conversion by BG Capital Group at a deemed price of US\$0.1875 per Share. The Current Report is incorporated by reference herein.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") requires the operators of mines to include in each periodic report filed with the Securities and Exchange Commission certain specified disclosures regarding the Company's history of mine safety. The Company is currently in the exploration phase and does not operate mines at any of its properties, and as such is not subject to disclosure requirements regarding mine safety that were imposed by the Act.

**ITEM 5. OTHER INFORMATION.**

On October 6, 2016 Mr. Timothy N. Unwin, Mr. Manish Z. Kshatriya and Mr. Eric R. Klein resigned as directors of the Company. At the same time, Mr. Howard Crosby, Mr. John Ryan and Mr. Bruce Reid were appointed as directors of the Company.

**ITEM 6. EXHIBITS.**

(a) The following exhibits are filed herewith:

- 31.1 Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101. SCH XBRL Schema Document.
- 101. INS XBRL Instance Document.
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101. LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 101. DEF XBRL Taxonomy Extension Definition Linkbase Document.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: /s/ Howard Crosby  
Howard Crosby, President and Chief Executive Officer

Date: February 14, 2017

By: /s/ Howard Crosby  
Howard Crosby, Chief Financial Officer and Secretary

Date: February 14, 2017