Liberty Mines Inc.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

These condensed consolidated interim financial statements have been prepared by the management and approved by the Audit Committee and the Board of Directors of the Company. These unaudited financial statements have not been reviewed by the auditors of the Company.

Liberty Mines Inc.
CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2013

Liberty Mines Inc.

CONSOLIDATED BALANCE SHEET

For the three months ended March 31, 2013

	Notes	March 31, 2013	December 31, 2012
Assets			
Current Assets			
Cash and cash equivalents	3	$ **404,740**	$ 607,022
Trade and other receivables	9	**14,195**	1,241,486
Inventories	4	**477,542**	477,593
Other current assets	10	**409,928**	473,116
Total Current Assets		**1,306,405**	2,799,217
Non-Current Assets			
Exploration and evaluation properties	6	**11,098,356**	10,978,831
Mineral properties	7	**-**	-
Reclamation deposits and restricted cash	11	**3,186,915**	3,186,915
Property, plant, and equipment	5	**36,817,466**	38,881,081
Total Non-Current Assets		**51,102,737**	53,046,827
Total Assets		$ **52,409,142**	$ 55,846,044
Liabilities and Capital Deficit			
Current Liabilities			
Accounts payable and accrued liabilities		$ **5,547,521**	$ 6,665,933
Dividends payable	12	**5,047,588**	4,725,388
Interest bearing notes and borrowings	12	**92,052,368**	16,831,191
Total Current Liabilities		**102,647,477**	28,222,512
Non-Current Liabilities			
Interest bearing notes and borrowings	12	**22,701,716**	94,482,207
Provisions	13	**3,501,087**	3,475,002
Total Non-Current Liabilities		**26,202,803**	97,957,209
Total Liabilities		**128,850,280**	126,179,721
Capital Deficit			
Share capital	15	**78,320,593**	78,320,593
Contributed Surplus	1, 12	**4,425,686**	4,425,686
Share Based Payment Reserve	16	**1,522,397**	1,473,895
Cumulative loss		**(160,709,814)**	(154,553,851)
Total Capital Deficit		**(76,441,138)**	(70,333,677)
Total Liabilities and Capital Deficit		$ **52,409,142**	$ 55,846,044
Common Shares			
Authorized		**Unlimited**	Unlimited
Issued and outstanding		**206,477,365**	206,477,365

The accompanying notes form an integral part of these consolidated financial statements.

Wu Shu	John Pinsent, FCA, ICD.D
Chairman of the Board	Chairman of the Audit Committee

Liberty Mines Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the three months ended March 31, 2013

	Notes	March 31, 2013	March 31, 2012
Revenue		**$ 29,372**	$ 19,240
Cost of sales	19	**2,887,262**	4,814,722
Gross loss		**(2,857,890)**	(4,795,482)
Corporate general and administration	20	**67,135**	994,458
Impairment of inventory		**-**	-
Impairment of mineral properties		**-**	-
Impairment of exploration and evaluation properties		**-**	-
Other income and expenses:			
Loss/(Gain) on sale of property, plant and equipment	5	**-**	-
(Gain)/Loss on foreign exchange		**454,989**	(364,490)
Finance cost	12	**2,865,409**	2,565,131
Other income		**(89,460)**	(674)
Loss before income tax		**(6,155,963)**	(7,989,907)
Income tax benefit/(expense)		**-**	-
Loss and comprehensive loss for the year		**(6,155,963)**	(7,989,907)
Weighted Average common shares outstanding	18	**206,477,365**	206,477,365
Loss per ordinary share basic and diluted	18	**$ (0.03)**	$ (0.04)

The accompanying notes form an integral part of these consolidated financial statements.

Liberty Mines Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2013

	Notes	Share Capital	Contributed Surplus	Share Based Payment Reserve	Cumulative Loss	Total
Balance at January 1, 2012		78,320,593	3,902,301	2,041,788	(91,063,626)	(6,798,944)
Loss for the period		-	-	-	(7,989,907)	(7,989,907)
Fair value of shareholders loans	12	-	390,912	-	-	390,912
Issuance of options expense	16	-	-	50,834	-	50,834
Cancelled/expired options	16	-	-	(893,195)	893,195	-
Balance at March 31, 2012		$ 78,320,593	$ 4,293,213	$ 1,199,427	$ (98,160,338)	$(14,347,105)
Balance at January 1, 2013		$ 78,320,593	$ 4,425,686	$ 1,473,895	$ (154,553,851)	$ (70,333,677)
Loss for the period		-	-	-	(6,155,963)	(6,155,963)
Fair value discount of shareholder loans received	12	-	-	-	-	-
Issuance of options expense	16	-	-	48,502	-	48,502
Cancelled/expired options	16	-	-	-	-	-
Balance at March 31, 2013		$ 78,320,593	$ 4,425,686	$ 1,522,397	$ (160,709,814)	$ (76,441,138)

The accompanying notes form an integral part of these consolidated financial statements.

Liberty Mines Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2013

	Notes	**March 31, 2013**	March 31, 2012
Cash flows used in operating activities			
Loss before income tax		**$ (6,155,963)**	$ (7,989,907)
Adjusted for:			
Amortization and depletion of operating assets	19	**2,063,773**	1,448,727
Accretion of site restoration obligation	19	**26,085**	17,792
Unrealized foreign exchange loss/(gain)		**470,095**	(382,280)
Loss/(Gain) on sale of property, plant and equipment	5	**-**	-
Stock based compensation	16	**48,502**	50,834
Finance costs		**2,865,409**	2,565,131
Changes in non-cash working capital:			
Accounts receivable		**1,227,291**	(973,379)
Inventories		**51**	(40,014)
Prepaid expenses		**63,188**	(192,992)
Accounts payable and accrued liabilities		**(1,118,412)**	736,395
Net cash flows used in operating activities		**(509,981)**	(4,760,693)
Cash flows from investing activities			
Acquisition of property, plant, and equipment	5	**(158)**	(4,269,509)
Investment in exploration and evaluation assets	6	**(119,525)**	(219,911)
Decrease/(Increase) in construction and equipment deposits	10	**-**	(88,156)
(Increase)/Decrease in reclamation deposits, restricted cash	11	**-**	(921,574)
Proceeds from sale of property, plant and equipment	5	**-**	-
Net cash used in investing activities		**(119,683)**	(5,499,150)
Cash flows from financing activities			
Net proceeds from interest bearing notes	1,12	**599,674**	9,600,000
Payment of Interest		**(15,140)**	-
Repayment of capital lease obligations	12	**(150,174)**	(93,225)
Repayment of equipment financing	12	**(6,978)**	(4,600)
Net cash from financing activities		**427,382**	9,502,175
Net (decrease) increase in cash during the period		**(202,282)**	(757,668)
Cash, beginning of the period		**607,022**	1,304,268
Cash, end of the period		**$ 404,740**	$ 546,000

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Liberty Mines Inc. (the "Company") is focused on the exploration, development and production of nickel, copper, cobalt and platinum group metals from its properties located in Timmins, Ontario, Canada, and is also involved in the exploration for and development of mineral resources. The corporate head office is located at 5775 Yonge Street, Suite 1210, Toronto, Ontario, M2M 4J1. As at March 31, 2013, Jien International Investments Limited ("JIIL") is the parent of the Company, with an approximate 60% equity holding and is a wholly-owned subsidiary of Jilin Jien Nickel Industry Co., Ltd. ("JJNICL"), the ultimate controlling party of Liberty Mines Inc.

During the quarter ended March 31, 2013, JJNICL issued loans of $599,674 to the Company (January 11th, 2013) through its wholly-owned subsidiary JIIL.

The Company commenced production in Timmins from the McWatters Mine in Q1 2012. On August 14, 2012, the Company moved to care and maintenance mode due to nickel prices falling to a price which made remaining in operation uneconomical. The Company remains on care and maintenance as of March 31, 2013.

The business of mining and exploring for minerals involves a high degree of risk and uncertainty; there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties and property, plant and equipment are dependent on the Company's ability to obtain the necessary financing to bring its post-development properties into profitable production by completing development or disposing of the properties at a profit. In addition, the recoverability of amounts shown for exploration properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral claims. Changes in future conditions could require material write-downs of the carrying values of mineral properties and deferred exploration and development expenditures and property, plant and equipment.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of Liberty Mines Inc. and all its subsidiaries (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for use by board of directors on May 9, 2013.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

c) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company incurred a net loss of $6,155,963 during the quarter ended March 31, 2013 and, as of that date, its current liabilities exceeded its current assets by $101,341,072 and it had a cumulative deficit of $160,709,814. As such, the Company's ability to continue as a going concern is in significant doubt. The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained through external financing and/or continued support from JJNICL and JIIL, subject to certain conditions to meet the Company's liabilities and commitments as they become due and to fund capital projects, although there is a risk that such financing will not be available on a timely basis or on terms acceptable to the Company. The procurement of additional financing through debt or equity markets is dependent on a robust nickel market and investor confidence in nickel equities in general and in the Company in particular. In the event that the Company is unable to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of Liberty for the year ended December 31, 2012. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012.

4. INVENTORIES

The major components of the Company's inventory accounts are as follows:

	March 31, 2013	December 31, 2012
Stockpile and Work-in-Progress		
Supplies Inventory	477,542	477,593
Total	$ 477,542	$ 477,593

5. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	Mill & Tailings Facility	Buildings & Infastructure	Machinery & Equipment	Machinery & Equipment Under Capital Lease	Office Furniture & Equipment	Computer Software & Equipment	Total
Cost							
Balance at January 1, 2012	$37,466,312	$10,922,370	$14,115,236	$1,169,011	$194,877	$505,081	$64,372,887
Additions	$11,901,541	$139,885	$621,628	$651,528	$-	$237,736	$13,552,318
Disposals		-$447,239					-$447,239
Construction in progress	-$4,289,422	-$108,570	-$137,338	-	-	-$147,116	-$4,682,446
Balance at December 31, 2012	$45,078,431	$10,506,446	$14,599,526	$1,820,539	$194,877	$595,701	$72,795,520
Balance at January 1, 2013	$45,078,431	$10,506,446	$14,599,526	$1,820,539	$194,877	$595,701	$72,795,520
Additions	$2,007		-$1,850				$157
Disposals							$0
Construction in progress	-$6,121						-$6,121
Balance at March 31, 2013	$45,074,317	$10,506,446	$14,597,676	$1,820,539	$194,877	$595,701	$72,789,556
Amortization							
Balance at January 1, 2012	$13,520,554	$4,001,889	$8,599,631	$373,483	$131,954	$289,070	$26,916,581
Amortization for the period	$4,175,519	$856,266	$1,602,144	$292,269	$40,249	$76,255	$7,042,702
Disposals	-	-$44,844	-	-	-	-	-$44,844
Balance at December 31, 2012	$17,696,073	$4,813,311	$10,201,775	$665,752	$172,203	$365,325	$33,914,439
Balance at January 1, 2013	$17,696,073	$4,813,311	$10,201,775	$665,752	$172,203	$365,325	$33,914,439
Amortization for the period	$1,330,084	$215,235	$398,575	$87,492	$3,049	$23,217	$2,057,652
Disposals							$0
Balance at March 31, 2013	$19,026,157	$5,028,546	$10,600,350	$753,244	$175,252	$388,542	$35,972,091
Carrying amounts							
At December 31, 2011	$23,945,758	$6,920,481	$5,515,605	$795,528	$62,923	$216,011	$37,456,306
At December 31, 2012	$27,382,358	$5,693,135	$4,397,751	$1,154,787	$22,674	$230,376	$38,881,081
At March 31, 2013	$26,048,160	$5,477,900	$3,997,326	$1,067,295	$19,625	$207,159	$36,817,465

During the period ended March 31, 2013, the Company continued care & maintenance and deferred all major capital investments. Only capital expenditures required to maintain our assets will be approved over the next several periods.

Capital additions for the period ended March 31, 2013 were some miscellaneous small items for the tailings storage facility expansion.

Construction In progress for the period ended March 31, 2013 was $413,545, (December 31, 2012: $450,089) and includes the construction of an access road and some miscellaneous lower value items.

The Company had $1,392,950 of its Property, Plant and Equipment under lien as at March 31, 2013.

6. EXPLORATION AND EVALUATION PROPERTIES

	McAra	Shaw Dome	Groves	Hart	Croxall	Total
Balance as at January 1, 2012	$ 1,118,000	$ 972,676	$ 1,340,916	$ 5,725,237	$ 626,536	$ 9,783,365
Exploration costs		$ 1,980		$ 704,296	$ 99,610	$ 805,886
Acquisition of property	$ 1,152	$ -		$ -	$ 6,751	$ 7,903
Additions				$ 381,677		$ 381,677
Balance as at December 31, 2012	$ 1,119,152	$ 974,656	$ 1,340,916	$ 6,811,210	$ 732,897	$ 10,978,831
Exploration costs	$ 25,646		$ 87,500	$ 315	$ 6,063	$ 119,525
Acquisition of property						$ -
Additions						$ -
Balance as at March 31, 2013	$ 1,144,798	$ 974,656	$ 1,428,416	$ 6,811,525	$ 738,960	$ 11,098,356

McAra

The McAra Lake Property is located in Dufferin Township, south of Shining Tree, Ontario. The property is subject to a 2% Net Smelter Return royalty ("NSR") with one claim within the property being subject to a 3% NSR. The Corporation completed line cutting and ground geophysical surveying on the property in Q1 2013.

Shaw Dome and Groves

The Shaw Dome nickel property consist of various unpatented mining claims south of Timmins, Ontario and situated to the northeast of the Corporation's Hart, Redstone, and McWatters properties within the Shaw Dome geological formation. The Corporation is assessing its future exploration activities on this property.

Groves

The Groves property is located approximately 110km south of Timmins, and 95km southwest of the Corporation's Redstone Mill, within Groves, Brunswick and Togo Townships. The property is host to a Nickel-copper-platinum-palladium and gold ("PGE") occurrence, as well as a historic gold showing. During Q1 2013, an exploration program consisting of line-cutting, ground magnetometer, and electromagnetic surveying was completed on the property.

Hart

The Hart Nickel Property was acquired during 2006 for an initial payment of $100,000 plus 100,000 shares of the Company valued at $77,000 (based on the quoted market value at the date of issue). The Company earned a 100% interest in the 11-unit group of contiguous mining claims by paying on the first and second anniversaries:

- an additional $100,000;
- shares of the Company valued at $100,000; and
- 100,000 warrants with a 1 year term with an exercise price based upon the 10 day trading price of the Company's shares at the date of grant.

In 2007 the Company paid $100,000, issued 31,544 shares of the Company valued at $100,000 (based on the quoted market value at the date of issue) and issued 100,000 warrants with a one year term and with an exercise price of $3.17 per share.

On April 25, 2008, the Company made a $200,000 cash payment and issued 100,000 warrants with a one year term and an exercise price of $0.85 per share to complete the acquisition of the Hart claims. In lieu of issuing $100,000 in shares, an additional $100,000 cash payment was made. All of the warrants expired unexercised.

In Q4 2011, the Corporation purchased 50% of the total NSR (ie. 1% NSR) for $1,000,000. Thus, potential future production royalty due on the Hart property totals 1% NSR.

In Q3 2012, the Corporation published an updated Prefeasibility Study on the Hart Deposit which can be reviewed on www.Sedar.com.

Croxall

In Q4 2012, The Company exercised three separate option agreements, which related to the unpatented mining claims which comprise the Croxall property (formerly referred to as the “West Redstone” property). Thus, as of Q4 2012, the Corporation holds a 100% interest in the 110 unpatented mining claims which comprise this property, subject to underlying royalties on future mineral production. The property is located contiguous with, and immediately to the northwest of the Corporation’s Redstone Mine and Mill property. Portions of the property are subject to a either a 3% NSR, where 50% may be purchased for $1,500,000 or subject to a 2% NSR where 50% may be purchased for $1,000,000.

7. MINERAL PROPERTIES

	Producing mines		Total
	Redstone	McWatters	
Cost			
Balance as at January 1, 2011	$ 34,749,716	$ 19,175,030	$ 53,924,746
Additions	955,506	-	955,506
Balance as at December 31, 2011	$ 35,705,222	$ 19,175,030	$ 54,880,252
Additions	918,904	-	918,904
Impairment	(17,562,975)	(11,346,286)	(28,909,261)
Balance as at December 31, 2012	$ 19,061,151	$ 7,828,744	$ 26,889,895
Depletion			
Balance as at January 1, 2011	$ 19,061,151	$ 4,676,252	$ 23,737,403
Charge for the year	-	293,504	293,504
Balance as at December 31, 2011	$ 19,061,151	$ 4,969,756	$ 24,030,907
Charge for the year	-	2,858,988	2,858,988
Balance as at December 31, 2012	$ 19,061,151	$ 7,828,744	$ 26,889,895
Carrying amounts			
At January 1, 2011	$ 15,688,565	$ 14,498,778	$ 30,187,343
At December 31, 2011	$ 16,644,071	$ 14,205,274	$ 30,849,345
At December 31, 2012	$ -	$ -	$ -
At March 31, 2013	$ -	$ -	$ -

Redstone:

The Redstone Nickel Project is located in Eldorado Township, Ontario. The property is subject to a 2% NSR to a maximum of $336,000 (charged to cost of sales in prior years). Vale has been granted the first right of refusal on any concentrates produced from this project from January 1, 2012 to December 31, 2014. In 2005, the Company received permission from the Ministry of Northern Development and Mines to reactivate the mine. On July 1, 2007, commercial production was declared and the Company began depleting costs incurred prior to commercial production. During the fourth quarter of 2008, in the wake of a downturn in commodities prices and a general economic slow-down, a care and maintenance program was implemented at the Company's Redstone mine and mill (note 1). Commercial production recommenced in the fourth quarter of 2009. The Company continues to incur deferred exploration and development expenditures on this property associated with mine development and exploration drilling. There was no depletion charge at Redstone for 2012 or Q1 of 2013 as it remained on care and maintenance for the entire period.

During 2012, management conducted a review assessing the recoverability of the carrying value of the Redstone mine. In assessing the recoverability several economic factors were assessed including current and future commodity pricing. As a result of these assessments the Company recorded an asset impairment charge of $17,562,975 against the Redstone Mine.

McWatters:

The Company holds a 100% interest in certain mining claims in Northern Ontario. This group of properties contains the McWatters project. On January 1, 2010, commercial production was declared on the McWatters project. The properties are subject to a 3% NSR, which can be reduced to a 1.5% NSR through a $1 million payment by the Company at any time. Commercial production ceased in third quarter of 2012 as a result of declining nickel prices. There was no depletion charge in Q4 of 2012 or Q1 of 2013 as the McWatters mine remained on care and maintenance for the entire period.

During 2012, management conducted a review assessing the recoverability of the carrying value of the McWatters mine. In assessing the recoverability several economic factors were assessed including current and future commodity pricing. As a result of these assessments the Company recorded an asset impairment charge of $11,346,286 against the McWatters mine.

8. SEGMENTAL REPORTING

For management purposes, the Company is organized into two segments. The segments consist of (1) development and operating mines in the nature of the business activities (the "Operating Segment") and (2) mineral exploration (the "Exploration Segment"). The Company has elected to present its developed mines and related mining and processing infrastructure as one reporting segment with its significant exploration and evaluation assets as individual reporting segments. As such, amounts disclosed in the consolidated financial statements also represent segment amounts in accordance with the application of this policy.

All items on the consolidated statement of comprehensive income related to the operating segment in the year ended 2012.

All assets and liabilities on the consolidated balance sheet relate to the operating segment with the exception of the non-current assets value for the 'exploration and evaluation properties' of $11,098,356 which relates to the exploration segment.

Liberty has only one customer (December 31, 2012: one customer), accounting for its total revenue.

9. TRADE AND OTHER RECEIVABLES

Trade receivables have declined with the Company moving to a care and maintenance mode in Q3 of 2012. As of March 31, 2013 the prior period derivative asset has a fair value of $0 (derivative liability December 31, 2012 - $88,919). The derivative arises in relation to the terms of the Company's nickel concentrate sales contract, through which the settlement price of nickel sales is determined using average nickel price in the third month following delivery. The fair value has been determined using the market price at the balance sheet date. Gains and losses associated with this derivative are recognized in revenue.

Included in other receivables as at March 31, 2012 is approximately $14,000 HST refund receivable. On December 31, 2012: 920,000 due from JJNICL in relation to a refund of withholding taxes paid to the Canada Revenue Agency in connection with the term loan from JJNICL. All amounts owing from JJNICL have now been received as of March 31, 2013.

10. OTHER CURRENT ASSETS

	March 31, 2013		December 31, 2012	
Prepaid expenses	$	269,928	$	333,116
Construction & equipment deposits		140,000		140,000
Total	$	409,928	$	473,116

The Company's other current assets comprise prepaid expenses and construction deposits. These balances fluctuate monthly due to timing and the progression of projects being carried out by the Company.

11. RECLAMATION DEPOSITS AND RESTRICTED CASH

Reclamation Deposits		March 31, 2013		December 31, 2012
Reclamation deposits – Redstone Mine	$	1,864,695	$	1,864,695
Reclamation deposits – Redstone Mill	$	535,161	$	535,161
Reclamation deposits – McWatters Open Pit	$	115,043	$	115,043
Reclamation deposits – McWatters Mine	$	334,616	$	334,616
Reclamation deposits – Hart Mine	$	337,400	$	337,400
	$	3,186,915	$	3,186,915

In 2012, Liberty Mines added to the reclamation deposit for the Redstone Mine and made a new reclamation deposit for the Hart Project after the approval of the closure plans which were submitted to the Ministry of Northern Development.

12. INTEREST BEARING NOTES AND BORROWINGS

Finance costs in the statement of comprehensive loss are attributable to the interest bearing notes, preferred shares, finance leases and borrowings detailed in the table above.

			March 31, 2013		December 31, 2012		December 31, 2011
Current							
Current portion of obligations under leases		$	**299,415**	$	**424,282**	$	429,552
Current portion of equipment financing			**27,842**		**28,393**		18,541
Dividends payable	i		**5,047,588**		**4,725,388**		3,413,910
Preferred Shares	iv		**16,378,516**		**16,378,516**		16,378,516
Notes Payable and Term Loan - JIIL	iii		**75,346,595**		**-**		44,887,317
Total		$	**97,099,957**	$	**21,556,579**	$	65,127,836
Non-current							
Obligations under leases		$	**67,909**	$	**94,113**	$	180,197
Equipment financing			**29,906**		**36,333**		30,166
Term Loan - JIIL	ii, iii		**22,603,900**		**94,351,761**		19,262,921
Total		$	**22,701,714**	$	**94,482,207**	$	19,473,284

i) Dividends payable

Liberty accrues an 8% cumulative annual dividend to JIIL with interest of 8% accruing on the dividends once they become due. The dividend accrues on a quarterly basis. Dividends payable is $5,047,588 as at March 31, 2013 (December 31, 2012 - $4,725,388)

ii) USD Term loan - JIIL

As part of the Restructuring effective June 30, 2011, the previous JJNICL term loan was extinguished and replaced with a term loan equal to the outstanding principal and interest of the original JJNICL term loan, with the following terms: interest at 10% accrued monthly; the full amount of principal and interest accrued to December 31, 2012 is due 36 months after issuance of the term loan; interest earned after December 31, 2012 is to be paid monthly; and extends a second loan facility of $21,757,000 USD available until June 30, 2013 under the same terms described in the term loan contract, to be drawn down for the sole purpose of funding the JJ Option (defined below). Security over the replacement term loans includes:

a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
b) a supplemental debenture in favour of JJNICL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
c) a share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc.;
d) a demand debenture of $200,000,000 USD or a lesser amount and interest of 25% or a lesser on default of the payment entered between the Company and JIIL dated June 30, 2011; and
e) other security interest entered by the Company in favour of JJNICL.

Included in the replacement term loan agreement is a clause allowing the holder of the preferred shares to cause the Company to redeem the remaining preferred shares, in whole or in part (the "JJ Option") until June 30, 2013. If the JJ Option is exercised prior to June 30, 2013, the redemption price can be funded by a draw down by the Company under the JJNICL term loan.

The Restructuring resulted in a difference of $1,576,953 in 2011 in relation to the JJNICL term loan, representing the excess of the carrying value of the original JJNICL term loan over the fair value of the replacement JJNICL term loan. This difference was applied to contributed surplus as the Restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and is therefore capital in nature. The fair value of the JJNICL term loan was determined using an estimated market rate of interest of 13%. On December 31, 2011 the JJNICL Term Loan was re-assigned to JIIL.

Liberty Mines had $22,603,900 CAD in US denominated debt as at March 31, 2013. This debt has a maturity date of June 30, 2014 and is therefore classified as a non-current liability as part of the 'Term Loan – JIIL' in the table above.

iii) CDN Term loans - JIIL

Prior to the Restructuring in June 2011, JIIL had advanced the Company unsecured promissory notes with an annual interest rate of 8% with maturity dates of 90 days. As at June 30, 2011, the amount borrowed in connection with the notes payable, including accrued interest, totalled $28,917,732.

As part of the Restructuring effective June 30, 2011, all previous JIIL Notes payable were extinguished and replaced with a term loan equal to the outstanding principal and interest of the notes payable, with the following terms: interest at 10% accrued monthly; the full amount of principal and interest accrued due 18 months after issuance of the term loan; and a maximum credit facility of $20,000,000 above the principal amount upon issuance. This credit facility was fully drawn upon as at December 31, 2012. Security over the replacement term loans includes:

a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
b) a supplemental debenture in favour of JIIL providing for a fixed and floating charge on all of the Company's existing and after-acquired real and personal property;
c) a share-pledge of Company's shares in Liberty Cobalt Inc. and 2004428 Ontario Inc.;
d) a demand debenture of $200,000,000 USD or a lesser amount and interest of 25% or a lesser on default of the payment entered between the Company and JIIL dated June 30, 2011; and

e) other security interest entered by the Company in favour of JIIL.

The Company may, at its option, prepay at any time all or a portion of the principal amount outstanding or any interest owing without notice or penalty.

The Restructuring resulted in a difference of $1,235,164 in 2011 in relation to the JIIL term loan, representing the excess of the carrying value of the JIIL note payable over the fair value of the JIIL term loan. This difference was applied to contributed surplus as the Restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and is therefore capital in nature. The fair value of the JIIL term loan was determined using an estimated market rate of interest of 13%.

Under a new term loan agreement dated February 29, 2012, JIIL advanced $5,000,000 to the Company under the same terms as the previous JIIL loan agreements.

Under another term loan agreement dated July 2, 2012, JIIL advanced $10,000,000 to the Company due December 31, 2012 under the same terms as the previous JIIL loan agreements. In addition, under this loan agreement, JIIL extended an additional facility for $5,000,000 out of which $1,000,000 has been drawn on as at December 31, 2012.

On December 31, 2012, JIIL extended the maturity date to March 31, 2014 for the loan agreement dated June 30, 2011 for Canadian denominated debt and all subsequent Canadian dollar denominated borrowings during 2012. Consequently, the entire JIIL CAD term loan of $75,346,595 was classified as a current liability as at March 31, 2013.

<u>iv) Preferred shares</u>

Upon the Restructuring effective June 30, 2011, all Original Preferred Shares were cancelled and replaced with preferred shares under the following terms:

a) Redeemable by the Company at any time at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate;
b) Redeemable by JJNICL at any time at a price equal to $0.11 per share plus accrued and unpaid dividends, defined above as the JJ Option. The amount may be paid in cash or nickel concentrate; and
c) Pay an 8.0% cumulative annual dividend to JJNICL, accruing on a quarterly basis.

In connection with the Restructuring, JJNICL has provided the Company with access to a debt facility sufficient to fund the exercise of the JJ Option (Note 12 iv).

The preferred share dividend created a contractual right to deliver cash and therefore the fair value of this dividend stream was classified as a liability upon recognition. The fair value upon recognition of $10,133,653 was determined using the Dividend Growth Model, using the following assumptions: dividend growth rate of 0% and required rate of return of 13% based on the estimated market rate of comparable risk debt assurances on the date of recognition. The fair value of this portion of the preferred shares represents a difference of $3,582,247 over the fair value of the preferred share dividend of the Original Preferred Shares. As the carrying value of the equity portion of the Original Preferred shares was determined by applying the residual of the carrying value from the fair value of the preferred share dividend, which is consistent with the treatment of the replacement preferred shares, an opposite difference of $3,582,247 arises with respect to this residual amount of the preferred shares. These offsetting differences were applied to contributed surplus as the Restructuring was determined to be a transaction with a shareholder in its capacity as a shareholder and is therefore capital in nature.

13. PROVISIONS

i) Site restoration obligation

The site restoration obligation relates to reclamation and closure costs for the Redstone mine, the Redstone mill, the McWatters mine and the Hart project. The settlement dates of the obligations for the Redstone mine and mill is estimated to be 2020 (March 31, 2013: 2020) and for the McWatters mine is estimated to be 2015 (March 31, 2013: 2015).

	Site Restoration Costs
At January 1, 2012	$ 2,372,253
Arising during year	1,014,427
Accretion of discount	88,322
At December 31, 2012	$ 3,475,002
Arising during period	-
Accretion of discount	26,085
At March 31, 2013	$ 3,501,087

ii) Legal provisions

The Company is currently involved in a number of legal disputes. The Company has made no provision within accrued liabilities (December 31, 2011: $325,000) based on management's best estimate of Liberty's liability having taken legal advice. The prior year provision was adjusted for settlements and revisions during the year. Uncertainties relate to whether claims will be settled out of court or if not whether Liberty is successful in defending any action. Because of the nature of the disputes, management has not disclosed further information on the basis that they believe that this would be prejudicial to the Company's position in defending the cases brought against it.

14. CONTINGENT LIABILITIES

The Company has been informed that two former employees have started legal proceedings against the Company for unfair dismissal. The Company vigorously denies that it was at fault and is intending to defend itself against any such actions.

15. SHARE CAPITAL

a) Ordinary shares

An unlimited number of common and preferred shares are authorized to issue in series.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All common shares are ranked equally with regard to the Company's residual assets.

b) Movement in share capital

Details	Preferred Shares	Common Shares		Amount
January 1, 2011	186,994,509	168,328,457	$	86,466,351
Issuance of common shares	-	50,000		5,000
Conversion of preference shares to common shares	(38,098,908)	38,098,908		-
Extinguishment of Original Preferred Shares	(148,895,601)	-		(8,150,758)
December 31, 2011	-	206,477,365	$	78,320,593
Issuance of shares	-	-		-
December 31, 2012	-	206,477,365	$	78,320,593

Nature and purpose of equity

The reserves recorded in equity on the Company's balance sheet include 'Share Based Compensation Reserve' and 'Cumulative Loss'.

'Stock Based Compensation Reserve' is used to record the issuance of options.

'Contributed Surplus' is used to record the capital contributions from shareholders.

'Cumulative Loss' is used to record the Company's change in deficit from year to year.

16. SHARE BASED PAYMENT

a) Option plan details

The Company has an incentive option plan for certain employees, officers, directors and consultants. The purpose of the plan is to attract, retain and motivate those employees, officers, directors and other individuals or entities integral to the Company's success. Options issued under the plan vest over periods not exceeding three years and all options must be exercised over specified periods not to exceed five years from the date granted. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten per cent of the total number of common shares outstanding immediately prior to such an issuance. At March 31, 2013, 6,011,069 (December 31, 2012: 5,077,738) common shares remained reserved for issuance under the plan. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five per cent of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of the options is fixed by the Board of Directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The continuity of the Company's outstanding and exercisable options for the quarter ended March 31, 2013 and the year ended December 31, 2012 is as follows:

Liberty Mines Share Options	Number of Options		Weighted Average Exercise Price
Outstanding at December 31, 2011	8,069,999	$	0.33
Exercisable at December 31, 2011	5,193,336	$	0.43
Granted	7,975,000	$	0.06
Expired	(405,000)	$	2.50
Outstanding at December 31, 2012	15,639,999	$	0.13
Exercisable at December 31, 2012	9,635,009	$	0.17
Expired	(250,000)	$	1.40
Cancelled	(753,331)	$	0.60
Outstanding at March 31, 2013	**14,636,668**	**$**	**0.11**
Exercisable at March 31, 2013	**9,485,009**	**$**	**0.14**

The following table summarizes information about the options outstanding and exercisable at March 31, 2013:

Exercise Price Ranges at March 31, 2013	Options Outstanding			Options Exercisable		
	Numbers Outstanding	Remaining Life Life	Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercisable Price
$0.06 - $0.08	7,441,668	4.39	$0.06	2,658,342	$	0.06
$0.09 - $0.11	2,405,000	3.23	$0.10	2,300,000	$	0.10
$0.12 - $0.17	1,540,001	3.19	$0.12	1,276,668	$	0.12
$0.18 - $0.19	1,570,000	2.21	$0.19	1,570,000	$	0.19
$0.20 - $0.90	1,679,999	1.30	$0.28	1,679,999	$	0.28
March 31, 2013	14,636,668	3.48	$0.11	9,485,009	$	0.14

In February 2013, 250,000 options outstanding in the range $1.40 expired unexercised.

b) Fair value of options issued during the period

There were $nil options granted in the period ended March 31, 2013. (year-ended December 31, 2012: 7,975,000) (period ended March 31, 2012: nil. The stock-based compensation expense for the period ended March 31, 2013 was $48,502 (period ended March 31, 2012: $50,834), relating to amortization of expense related to stock options issued in prior periods. Of this amount, $14,315 was allocated to site operational expenses (period ended March 31, 2013: $7,915) with the balance allocated to general and administrative expense.

The option reserve value of $1,522,397 is included in equity as the Stock Based Compensation reserve. This represents the fair value of share options outstanding as at March 31, 2013.

The fair value of stock options granted during the period ended March 31, 2013 and the year ended December 31, 2012 were estimated using the Black-Scholes option pricing model.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the quarter ended March 31, 2013 included the expected price volatility, which is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

17. RELATED PARTY TRANSACTIONS

As at March 31, 2013, JJNICL, through its wholly-owned subsidiary JIIL, is the Company's majority shareholder. Transactions with these entities are detailed in Note 12.

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. For the periods presented, key management personnel compensation comprised the following:

		March 31, 2013		March 31, 2012
Employee Benefits and director fees	$	319,100	$	476,590
Share based payments				
	$	352,100	$	476,590

18. LOSS PER SHARE

Basic losses per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Loss per Share March 31,		2013		2012
Loss attributed to ordinary shareholders	$	(6,155,963)	$	(7,989,907)
Weighted average number of common shares		206,477,365		206,477,365
Basic Diluted loss per share	$	(0.03)	$	(0.04)
Number of Commons Shares Outstanding		206,477,365		206,477,365

The basic and diluted losses per share are the same as dilutive instruments are anti-dilutive in the periods presented.

19. COST OF SALES

Period Ending March 31,		2013		2012
Site Operating Costs	$	783,089	$	3,340,288
Amortization		2,063,773		1,448,727
Accretion		26,085		17,792
Stock Based Compensation		14,315		7,915
Total Cost of Sales	$	2,887,262	$	4,814,722

20. CORPORATE GENERAL ADMINISTRATION

Corporate general administration overheads totals are detailed below.

Period Ending March 31,		**2013**		**2012**
Compensation	$	(17,312.42)	$	333,649
Consultants		73,326		292,074
Legal Fees and Settlements		31,870		91,607
Penalties		(196,506)		-
Insurance		61,492		63,181
Stock Based Compensaton		34,187		42,919
Royalties		856		
Board / AGM		27,750		43,023
General Office Expense		36,371		76,764
Relocation		-		21,755
Travel		15,101		29,486
Total	$	67,135	$	994,458

21. CAPITAL MANAGEMENT

The Company monitors its common shares, preferred shares, stock options and debt facilities with shareholders as capital. The Company's objective when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future developments and production of the business.

The Company is not exposed to any externally imposed capital requirements.

22. COMMITMENT AND CONTINGENCIES

The Company has entered into an office lease agreement and is committed to the following minimum operating lease

	Less than 1 Year	One to Five Years	Over Five years	Total
March 31, 2013	$116,695	$58,347	$0	$175,042

The Company recorded $160,470 (March 31, 2012) as an operating lease commitment during 2012.

23. CAPITAL LEASE PAYOUT SCHEDULE

The schedule below is the capital lease commitments for its capital equipment under various finance leases. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The leases have varying completion dates and range in interest rates from 6% to 14%. Interest related to lease obligations expensed during the period ended March 31, 2013 was $9,969 (March 31, 2012 - $7,903).

(i) Minimum lease payments

For the period ending	**March 31, 2013**	December 31, 2012
	$327,257	$446,010
Later than 1 year, but no later 5 years	$97,814	$103,515
	$425,072	$549,525
Less: future finance charges	-$21,499	-$31,130
Present value of minimun lease payments	$403,573	$518,395

(ii) Present value of minimum lease payments

For the period ending	**March 31, 2013**	December 31, 2012
No later than 1 year	$380,565	$424,822
Later than 1 year, but no later than 5 years	$23,008	$94,113
	$403,573	$518,935

24. EVENTS AFTER THE REPORTING DATE

Subsequent events not disclosed elsewhere in these consolidated financial statements include