Management’s Discussion and Analysis

For the Period Ended March 31, 2013

This Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Liberty Mines Inc. (“Liberty” or the “Company”) was prepared to enable a reader to assess material changes in the financial condition and results of operations of the Company for the three month’s ended March 31, 2013, in comparison to the corresponding prior-year period. This MD&A is prepared as at May 9, 2013, and is intended to supplement and complement the unaudited consolidated financial statements of the Company for the three months ended March 31, 2013, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements for the period ended March 31, 2013 have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. This MD&A should also be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2012 and accompanying notes and most recent Annual Information Form (“AIF”) on file with the Canadian provincial securities regulatory authorities. This MD&A contains certain forward-looking statements based on management’s current expectations (please see “Forward-Looking Information” below). All references to dollars herein are in Canadian dollars unless otherwise specified.

Overview

Liberty Mines Incorporated (T: LBE) is focused on the exploration, development and production of nickel and related base metals from its assets in Ontario, Canada. The Company trades on the TSX under the symbol LBE. Liberty Mines Inc. owns the only nickel mill and concentrator in the Shaw Dome, a prospective nickel belt region near Timmins, Ontario. Liberty has a 100% interest in three major assemblies of contiguous mining claims and leases in northern Ontario, including over 12,000 ha in the Shaw Dome Nickel Belt, 25km southeast of Timmins; 6,400 ha in the Groves nickel-copper-platinum group metals, 20km southeast of Gogama; and 1,200 ha in the McAra Lake cobalt-nickel-copper project about 120 km southeast of Timmins.

The Company’s core projects within the Shaw Dome properties include the Redstone nickel mine in Eldorado Township, the McWatters nickel mine located in Langmuir Township, approximately 9.5km east of the Redstone mine; and the Hart nickel project located approximately 7km east of the Redstone nickel mine.

During Q1 2013, Liberty Mines maintained the temporary suspension of production in both the Redstone and McWatters mines until the price of nickel recovers. The organization also continued to protect its assets in Q1 under a care and maintenance mode while still investigating opportunities for an improved low cost production.

Over the longer term, Liberty intends an aggressive exploration program on its current properties in the Timmins area to increase its resource base for the Redstone Mill, subject to funds being available. The Company is focused on growth opportunities and is looking to expand its portfolio beyond the Timmins area. The Company has a current workforce of approximately 15 employees.

While these plans are being pursued, Liberty recognized that it had an immediate need for additional cash to fund its current payables as well as the costs of maintaining its assets while on care and maintenance. Liberty management approached Jien International Investment Ltd. (“JIIL”), Liberty’s largest shareholder, and the holder of in excess of $120 million of indebtedness, for additional financial support. JIIL has agreed to provide additional financing support to allow Liberty to continue as a going concern by making available an additional $5 million dollars, subject to certain conditions. This term sheet agreement has been approved by the Board of Directors. To date, $1,600,000 has been advanced, however there remains a continued review of the Company’s condition and the Company continues to discuss the terms related to the balance of the payment.

2013 Q1 Highlights

During Q1, 2013 there was no commercial production at either of the Company mines. All revenue generated was derived from the settlement of precious metals shipped in 2012 to Xstrata’s smelter in Sudbury.

Capital Expenditures totaled $0.2 million for upgrades to the tailings facilities, with an additional $0.1 million of expenditures for exploration.

Cash, cash equivalents and Accounts Receivable totaled $0.42 million at March 31, 2013 ($0.4 million of cash).

Liberty eliminated the 2012 bonus provisions and restructured the management team to operate cost effectively during this downturn period. As of April 30th, 2013 the organization has reduced the senior management team from six down to three executive officers.

Liberty extended two separate loan agreements from December 31, 2012 to March 31, 2014. Approximately $75.3MM is now considered a current liability in the financial statements.

Liberty received payment of $0.9 million in cash from a previous outstanding with-holding tax assessment

As at March 31, 2013, Liberty had cash and cash equivalents on hand of $418,935 for its operating requirements. Given its holdings of cash and cash equivalents, and the continued financial support of JJNICL and JIIL, management believes that the Company will have sufficient cash resources available to cover its short and medium term cash requirements.

In 2013 Q1, Liberty completed line cutting and ground geophysical surveying on both the Groves Project, located in Groves Township and the McAra Project located in Dufferin Township, in northeastern Ontario. This work was required to maintain the claim packages. Future exploration activities will be determined after the current results are assessed.

On January 23, 2013 Liberty Mines announced that it had identified the presence of chrysotile in its ore body at the McWatters Mine. As chrysotile, a form of asbestos, is a designated substance under Ontario Health and Safety Regulation, the Company is investigating these matters further and is taking all required measures. The Company expects to conduct additional testing and further independent analysis to determine the impact on the economic feasibility of restarting mine operations at the McWatters Mine having regard to this information.

Summary of Consolidated Financial Results

Three Months Ended March 31,	2013	2012	2011
Revenue	$ 29,372	$ 19,240	$ 2,119,015
Site operational costs	797,404	3,348,203	3,363,344
Operating Margins before Non Cash Costs	(768,032)	(3,328,963)	(1,244,329)
Amortization, depletion, & accretion of operating assets	2,089,858	1,466,519	1,819,230
Operating (loss) gain	$ (2,857,890)	$ (4,795,482)	$ (3,063,559)
Corporate administrative expenses	67,135	994,458	1,032,838
Interest and bank charges	15,140	14,402	62,004
Interest on long-term debt	2,528,069	2,224,056	952,259
Dividends on preferred shares	322,200	326,673	405,752
Interest/Other Income	(89,460)	(674)	(603)
(Gain) Loss on sale of equipment		-	(61,918)
Foreign exchange (gain) loss	454,989	(364,490)	(324,271)
Loss before income taxes	$ (6,155,963)	$ (7,989,907)	$ (5,129,620)
Loss for the period	$ (6,155,963)	$ (7,989,907)	$ (5,129,620)
Loss per share – basic and diluted	$ (0.03)	$ (0.04)	$ (0.03)

Net loss for the period ending March 31, 2013 was $6,155,963, down for the period from a net loss of $7,989,907, for the period ended March 31, 2012. Operating margin before non-cash costs were up $2,560,931 for the period ended March 31, 2013 to an operating margin loss of $768,032 compared to an operating margin loss of $3,328,963 for the period ended March 31, 2012. As of March 31, 2013 the Company nickel production is suspended and all operations and facilities are in care and maintenance mode enabling the Company to protect its assets and re-start production once the price of nickel recovers.

Revenue

For the period ended March 31, 2013, the Company has not shipped any pounds of nickel to the Xstrata smelter in Sudbury. Gross revenue was limited to precious metals in the sum of $29,372 for the period ended March 31, 2013 compared to $19,240 for the period ended March 31, 2012. The average price of Nickel during Q1 2013 was $7.74 Cdn$. In comparison to Q1 2012, an average price of $8.92 Cdn$ per pound for nickel was realized.

Operating Costs

Site operating costs excluding mine depletion, amortization and accretion of operating assets, were $797,404 during Q1 2013 compared to $3,348,203 for Q1 2012. The increased operational costs in 2012 were a direct result of Liberty returning to full production in Q1, 2012. Preparation and expenditures occurred at McWatters, Redstone Mill and the Administration employee hiring all drove expenses higher during the prior period of Q1, 2012.

Depletion, amortization and accretion of operating assets for the period ended March 31, 2013 totaled $2,089,858 compared to $1,466,519 for the period ended March 31, 2012. The Company recognizes depletion of development expenditures on a unit-of-production basis over the expected life of the operating mines. The increase of $623,339 compared to Q1 2012 is a result of a larger amortization charge in 2013 due to the completion of the tailings facility.

Corporate Administration (excluding stock based compensation)

Corporate administration expenditures for the period ended March 31, 2013 totaled $32,948 compared to $951,539 for the period ended March 31, 2012. The decrease of $918,591 in expenditures is a result the reduction in management employees, elimination of the 2012 management bonus and a reversal of a tax provision from prior years.

Stock Based Compensation Expense

During the period ended March 31, 2013, the Company granted nil, (March 31, 2012 – nil) stock options. During the period ended March 31, 2013, the Company recognized an expense of $48,502 compared to $50,834 in 2012, related to costs of gradual vesting and was credited to share based compensation reserve.

Finance Costs

Total finance costs for the period ended March 31, 2013 was $2,865,409 ($2,565,131 at March 31, 2012). Included in the total finance costs for the period ended March 31, 2013 was interest expense on JJNICL and JIIL debt of $2,528,069 (2012 - $2,204,056).

Dividends on Preferred Shares

Dividends accrued for the period ended March 31, 2013 decreased by $4,473 to $322,200 (2012 – $326,673). The preferred shares pay an 8.8% cumulative annual dividend to Jilin Jien Nickel Industry Company Ltd. The dividends accrue on a quarterly basis. These costs have been included in the total finance costs on the consolidated financial statements for the period ended March 31, 2013 and December 31, 2012.

Foreign Exchange Gains and Losses

During Q1 2013, foreign exchange losses by the Company were $454,989 compared to a foreign exchange gain of ($364,490) in the same periods of 2012. These losses were primarily the result of exchange rate fluctuations applied to debt obligations, which are denominated in US Dollars.

Consolidated Financial Position

Total Assets

Consolidated total assets decreased by $3,436,902 to $52,409,142 at March 31, 2013 from $55,846,044 at December 31, 2012. The decrease is related to the quarterly amortization charge of $2,063,773 on Plant, Property & Equipment and the reduction in Accounts Receivables $1,227,291.

Total Liabilities

Consolidated total liabilities increased by $2,670,559 to $128,850,280 at March 31, 2013 from $126,179,721 at December 31, 2012. The increase in liabilities is primarily due to the increase in the interest bearing loans of $0.6 million and $2.0 million of accrued interest. A detailed explanation is available on Note 12 of the March 31, 2013 financial statements.

Cash and Cash Equivalents

Cash and cash equivalents decreased by $202,282 to $404,740 at March 31, 2013 from $607,022 at December 31, 2012.

Accounts Receivable

Accounts receivable decreased by $1,227,291 to $14,195 at March 31, 2013 from $1,241,486 at December 31, 2012. The decrease in accounts receivable at March 31, 2013 is a result of a repayment of Federal with-holding tax $911,000 and the receipt of payment from X-Strata for 2012 nickel concentrate of $326,000.

Inventories

Inventories on hand remained consistent to March 31, 2013 $477,542 from December 31, 2012 $477,593. Inventories are comprised of materials and supplies used in the mining and milling processes.

Other Current Assets

Other current assets consist of prepaid expenses and miscellaneous deposits. In addition, a deposit with the Canadian financial institution supports a $69,000 credit card facility. Miscellaneous prepaid expenses decreased by $63,188 to $269,928 at March 31, 2013 from $333,116 at December 31, 2012. The decline is attributed to the monthly property and liability insurance premium expense.

Property Plant and Equipment

Property plant and equipment decreased by $2,063,615 to $36,817,466 at March 31, 2013 from $38,881,081 at December 31, 2012. The Q1 2013 decrease is related to the postponement of expenditure during the care and maintenance mode and the ongoing quarterly amortization charge for the three months ended March 31, 2013.

Mineral Properties

Mineral properties values remained at $nil, as at March 31, 2013, $nil (December 31, 2012). During 2012, management conducted a review assessing the recoverability of the carrying value of the McWatters and Redstone mines. 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 $28,909,261 against both properties to reduce their value to $nil as at December 31, 2012.

Exploration and Evaluation

Exploration and evaluation accumulated expenditures increased by $119,525 to $11,098,356 at March 31, 2013 compared with $10,978,831 at December 31, 2012. The increase is a result of line cutting and geophysical surveying exploration activity of the McAra and Groves projects during Q1, 2013.

Reclamation Deposits and Restricted Cash

Reclamation deposits and restricted cash remained consistent at $3,186,915 at March 31, 2013 and December 31, 2012. This increase in 2012 was a result of a new closure plan being filed for the Hart mine and for the Redstone mine in the first quarter of 2012. At March 31, 2013 the reclamation deposits are comprised of a deposit with a government agency in the Province of Ontario for the Redstone mine, the Hart mine, the Redstone mill and the McWatters mine. Reclamation deposits are subject to reassessment based upon changes to the underlying mine reclamation and site restoration obligation as a result of updated environmental plans and changes in environmental laws and regulations.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased by $1,118,412 to $5,547,521 at March 31, 2013 from $6,665,933 at December 31, 2012. The decrease is a direct result of reduced activity during care and maintenance, ongoing vendor payments in Q1 and elimination of management bonus and tax accruals during Q1 2013.

Interest Bearing Loans and Borrowings

Interest bearing loans and borrowings, are itemized in the table below, increased $3,762,886 to $119,801,672 at March 31, 2013 from $116,038,786 at December 31, 2012. The increase is driven by the short term financing provided by JIIL in the format of promissory notes. The notes have an annual interest of 10% on the principal balances. On March 31, 2013, all amounts owed to Jilin Jien Nickel Industry Company other than the US$ term loan were converted into one facility which comes due on March 31, 2014. The US$ term loan facility comes due on June 30, 2014.

		March 31, 2013	December 31, 2012
Current			
Current portion of obligations under leases		$ 299,415	$ 424,282
Current portion of equipment financing		27,842	28,393
Dividends payable	i	5,047,588	4,725,388
Preferred Shares	iv	16,378,516	16,378,516
Notes Payable and Term Loan - JIIL	iii	75,346,595	-
Total		$ 97,099,957	$ 21,556,579
Non-current			
Obligations under leases		$ 67,909	$ 94,113
Equipment financing		29,906	36,333
Term Loan - JIIL	ii, iii	22,603,900	94,351,761
Total		$ 22,701,714	$ 94,482,207

Capital Lease Obligations Including Current Portion

Capital lease obligations (including current portion) decreased by $151,071 to $367,324 at March 31, 2013 from $518,395 at December 31, 2012.

Preferred Shares Dividend

The preferred share dividend liability increased by $322,200 to $5,047,588 at March 31, 2013 from $4,725,388 at December 31, 2012. The preferred shares pay an 8% cumulative dividend to the holder of the preferred shares. The dividends are accrued on a quarterly basis. The increase is due to the continued accrual of the dividends offset by the forfeiture of the dividends related to the conversion of the preferred shares at June 30, 2011. Further detail can be obtained in Note 14 of the 2012 financial statements.

Preferred Shares Liability

Preferred shares liability remained unchanged at $16,378,516 during the period ended March 31, 2013. The preferred shares are subject to redemption on demand by JJNICL and have therefore been classified as a current liability. While the Preferred Shares are treated for accounting purposes as a current liability, they may not be redeemed and no dividends may be paid until such time as the Corporation has positive working capital and positive shareholder equity

Term Loan - JIIL

The total term loan liability increased by $3,598,735 to $97,950,496 at March 31, 2013 from $94,351,761 at December 31, 2012. The increase is driven by two main factors, the addition of $599,674 short term financing provided by JIIL during the Q1, 2013 and the increase of interest earned on all promissory notes outstanding. The notes have varying maturity and bear an annual interest of 10% on the principal balances.

Provisions

Site restoration obligations remained consistent at $3,501,087 at March 31, 2013 and December 31, 2012. These estimates are reviewed on an annual basis or more frequently if required by regulatory authorities. A risk adjusted discount rate of 3.0% was utilized to determine the present value of the mine closure and site restoration obligation recorded in the consolidated balance sheets.

Share Capital

Capital stock remained unchanged at $78,320,593 at March 31, 2013 from December 31, 2012.

Summary of Consolidated Quarterly Results

($ thousands, except per share data)

	2013	2012				2011			
Quarter	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 29	$ (270)	$ 3,869	$ 5,372	$ 19	$ 3	$ 159	$ (117)	$ 2,119
Net Loss	$ 6,156	$ 37,612	$ 8,461	$ 10,320	$ 7,990	$ 8,973	$ 8,309	$ 4,352	$ 5,130
Loss per Share	$ 0.03	$ 0.18	$ 0.04	$ 0.05	$ 0.04	$ 0.04	$ 0.04	$ 0.03	$ 0.03

Consolidated First Quarter Financial Results Compared to the Prior Quarter

Revenue

Revenue realized was $29,372 for the three months ended March 31, 2013 compared to a loss of ($270,267) for the three months ended December 31, 2012 which represents a $299,639 increase over the prior quarter. In Q1 2013 all revenue received was related to precious metals from 2012 shipments to X-Strata in Sudbury.

Operating Costs

Mine, mill, and site administration operating expenses excluding depletion, amortization, and accretion of operating asset were $787,549 for the three months ended March 31, 2013 compared to $685,866 for the three months ended December 31, 2012 which represents a $101,683 increase over the prior quarter. The increase in operating costs was the result of increased property taxes and continued care & maintenance, specifically additional natural gas and electricity booked in Q1, 2013.

Amortization, depletion, and accretion of operating assets for the three months ended March 31, 2013 were $2,104,173 compared to $2,802,207 for the three months ended December 31, 2012.

Net Loss

Net loss for the quarter ended March 31, 2013 was $6,155,962 compared to a net loss of $37,611,871 the previous quarter ended December 31, 2012. The decrease in net loss, first quarter of 2013 over the fourth quarter of 2012 is a result of the impairment charge of $28,909,261 related to the asset value of Net Present Value of the Redstone and McWatters mineral properties recognized in Q4 of 2012.

Funds used by operations before changes in non-cash working capital for the three months ended March 31, 2013 decreased ($2,515,162) to $172,118 compared to $2,687,280 for the three months ended December 31, 2012.

Cash Flow and Liquidity

Funds generated by operations before changes in non-cash working capital for the period ended March 31, 2013 increased by $3,608,804 to ($682,099) compared to ($4,290,703) for the corresponding period of Q1 2012. The increase in funds generated by operations was a result of the significant cost reduction at the McWatters & Redstone site driven by care and maintenance activities. Cash generated by the change in working capital for the period ended March 31, 2013 increased by $642,108 to $172,118 compared to ($469,990) to the corresponding period of the prior year. (Q1 2012) The increase in cash generated from operations is a result of a decrease in accounts receivable and prepaid expenses.

At March 31, 2013 the Company's net working capital deficiency was $101,341,072 compared to $25,423,295 at December 31, 2012. The increase is due to the restructuring of the JIIL term loan to have an amended maturity date of March 31, 2014. The net working capital deficiency is also impacted by the accounting rules for the reporting of the JIIL option to redeem the $16,378,516 value in preferred shares for cash as Liberty cannot redeem shares or pay the dividends until it has positive working capital and positive shareholder equity.

During the period ended March 31, 2013, JIIL, as described in the executive section of the MD&A, provided Liberty with $599,674 under the existing facility, in further advances. The principal will bear interest at 10%. The interest is capitalized monthly on the unpaid balance and will be payable in full with interest in March 31,2014. Certain interest accruals are subject to shareholder ratification at the next annual meeting.

The Company will continue to rely on various forms of external funding, including advances from JIIL, during fiscal 2013 until operations resume and sufficient cash flow from operations can be realized.

Mine Operations

Redstone Mine

Mining operations continued in care and maintenance mode during Q1 2013. Pumping continued at the Redstone Mine in order to maintain the water level at the bottom of the mine. Due to the discovery of chrysotile in the mine, only limited access has been permitted to facilitate water level checks and pump maintenance.

McWatters Mine

Production was restarted at the McWatters Mine in the first quarter of 2012 and continued until Aug 14, 2012 when the mine was placed into care and maintenance. The McWatters Mine continues in a care and maintenance status at the end of Q1 2013. Due to the discovery of chrysotile in the mine, only limited access has been permitted to facilitate water level checks and minor maintenance work.

Mill Operations

The Redstone nickel concentrator went through extensive refurbishment in Q1 2012 prior to being restarted. Refurbishment of the mill included, upgrades and repairs including adding a new regrind line from #1 and #2 balls mills to #3 ball mill which increased the throughput of the grinding circuit, upgrading conveyor motors in the crusher house, a full refurbishment of the Larox press, the installation of a new tailings line, safety guards and barriers installed on all conveyors, and the addition of a trial talc circuit to remove talc prior to floating the nickel. Mill operations were halted on August 14, 2012 due to the mine and mill being placed on care and maintenance as a result of low nickel prices. The Mill is expected to be in care and maintenance status for the balance of 2013.

There has been no Mill production during the three months ending March 31, 2013.

Redstone Tailing Storage Facility(TSF)
Construction of the TSF continued at the beginning of 2012 with the dam repairs to the 308 elevation being completed on March 31, 2012. In total, 392,000 tonnes of 24”rock, 46,000 tonnes of gravel, and 18,000 tonnes of sand were hauled to site, with the majority placed on the dam. Construction of the TSF to the 310 meter elevation was completed in June 2012. In total 400,000 tonnes of 24” minus rock, and 50,000 tonnes of gravel and sand was placed during this phase of the construction.

Resources and Reserves
A Technical Report was filed by the Corporation concerning the mineral resources at the Corporation’s Redstone Mine entitled “Technical Report, Redstone Nickel Mine, Ontario, Canada”, dated January 8, 2010. Mineral resources and reserves contained within the report were estimated using a minimum nickel cut-off grade of 0.51%, nickel price of US$7.00 per lb., an exchange rate of 1 C$ = 0.90 US$, and mill recovery at 87%. Mineral resources contained in the report were estimated as of October 19, 2009 while mineral reserves were estimated as of December 31, 2009. There has been limited mine production since the time of those estimates, specifically 55,545 tonnes grading 0.75% Ni in 2010.

A Technical Report was filed by the Corporation concerning the mineral resources and reserves contained at the Corporation’s McWatters Mine entitled “Technical Report, McWatters Nickel Project, Ontario, Canada”, dated December 18, 2009. Mineral resources and reserves for the McWatters Mine were estimated in this report using a nickel price of US$7.00 per lb., an exchange rate of 1 C$ = 0.90 US$, a minimum nickel cut-off grade of 0.27% Ni for resources accessible via open pit, 0.65% Ni for mining via underground cut and fill methods, and 0.55% Ni for all other planned underground mining methods, and mill recovery at 87%. Mineral resources contained in the report were estimated as of October 19, 2009 while mineral reserves were estimated as of December 31, 2009. There has been significant mine production since the time of those estimates, specifically 318,254 tonnes grading 0.67% Ni in 2010, 38,412 tonnes grading 0.45% Ni in 2011, and 140,203 tonnes grading 0.56% Ni to September 30, 2012.

A Preliminary Economic Assessment (scoping study) concerning the Hart Project was filed by the Corporation entitled “Preliminary Economic Assessment for the Hart Project, Ontario, Canada” October 2, 2012. This study principally updated the mine plan for the Hart Deposit based on resource estimates completed as at Dec. 31, 2009 and contained in the technical report “Preliminary Economic Assessment for the Hart Project, Ontario, Canada” dated Feb. 26, 2010, The resource estimate contained in the Feb 26, 2009 report was based on a nickel price of US$7.00/lbs., an exchange rate of 1$Can=0.90$US, and a minimum nickel grade of 0.46%.

The Mineral Resources of the Corporation as reported in the Technical Reports described above which are exclusive of Mineral Reserves are summarized in the following table:

Liberty Mines Inc. Mineral Resources

Property	Category	Resource Estimates		
		Tonnes	**Grade Ni (%)**	**Contained Nickel (lbs.)**
Hart	Indicated Resources	1,546,000	1.40	47,779,000
Total Indicated Resources =		**1,546,000**	**1.40**	**47,779,000**
Hart	Inferred Resources	322,000	1.27	8,990,000
Redstone	Inferred Resources	737,000	1.57	25,519,000
Total Inferred Resources =		**1,059,000**	**1.48**	**34,509,000**

Notes:
All Mineral Resource Estimates have been made and are reported in accordance with the CIM "Estimation of Mineral Resources & Mineral Reserves Best Practices Guidelines" and the Canadian Securities Administrator's National Instrument 43-101.
The Resource Estimates noted herein have been estimated at varying minimum Nickel grade cut offs, between 0.46% and 0.65% - refer to filed technical reports at www.Sedar.com for a full description of estimation parameters.
Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
The Mineral Resources referenced in the figures above are exclusive of Mineral Reserves.
Figures have been rounded to reflect the accuracy of each estimate and may not match sums due to rounding.
Mineral Resources for the Hart Project were estimated as of December 31, 2009.
Mineral Resources for the McWatters Mine were estimated with data as of October 19, 2009.
Mineral Resources for the Redstone Mine were estimated as of October 19, 2009.

The Mineral Reserves of the Corporation as reported in the Technical Reports described above as well as summary of mine production subsequent to those estimates and net Reserves are summarized in the following table.

Liberty Mines Inc. Reserves Net of Mine Production, as at March 31, 2013 *

Property	Category	Reserve Estimates			Mine Production Jan 1, 2010 to December 31, 2012			Net Reserves as at March 31, 2013		
		Tonnes	Grade Ni (%)	Contained Nickel (lbs.)	Tonnes	Grade Ni (%)	Contained Nickel (lbs.)	Tonnes	Grade Ni (%)	Contained Nickel (lbs.)
McWatters	Probable	872,000	0.70	13,370,000	441,324	0.60	5,882,900	430,676	0.70	6,646,348
Redstone	Proven & Probable	259,900	1.05	5,979,000	55,545	0.75	918,418	204,355	1.05	4,730,520
Total		**1,131,900**	**0.78**	**19,349,000**	**496,869**	**0.62**	**6,801,318**	**635,031**	**0.81**	**11,376,868**

Notes:
All Mineral Reserve Estimates have been made and are reported in accordance with the CIM "Estimation of Mineral Resources & Mineral Reserves Best Practices Guidelines" and the Canadian Securities Administrator's National Instrument 43-101.
The Resource and Reserve Estimates noted herein have been estimated at varying minimum Nickel grade cut offs, between 0.46% and 0.65% - refer to filed technical reports at www.Sedar.com for a full description of estimation parameters.
Figures have been rounded to reflect the accuracy of each estimate and may not match sums due to rounding.
Original Mineral Reserves for the McWatters Mine were estimated as of September 18, 2009.
Original Mineral Reserves for the Redstone Mine were estimated as of December 31, 2009.

Drilling, Assaying, and Quality Assurance/Quality Control

All of the Corporation's exploration programs are subject to Quality Assurance / Quality Control ("QA/QC") programs which conform to industry standard best practices and are in compliance with NI 43-101.

Drilling on the Corporation's properties during 2012 was conducted by Bradley Bros. Drilling Ltd. of Rouyn-Noranda, Quebec. All analyses of drill core samples were completed by AGAT Laboratories, an ISO registered laboratory with internal QA/QC procedures. Liberty utilizes, as part of its QA/QC program, the insertion of standard reference materials and blank samples representing approximately 5% of its submitted sample population. Drill core is sampled according to standardized technical procedures which include sawing drill core in half with one half of the drill core retained while the other half is sampled for nickel analysis via ICP-OES using a sodium peroxide fusion.

Qualified Persons

The Corporation's exploration programs and the reporting of results thereof have been supervised by Ms. Heather Miree, P. Geo., Vice President Exploration, and a Qualified Person under NI 43-101.

Exploration

Hart Project

The Corporation previously announced drill results concerning the Hart Project on May 14, 2012. This release included results for drilling on the Hart project including the interception of 0.60%Ni over 3.5m in drill hole H-12-31A which is situated in a down-plunge direction of the Hart Deposit, as well as the interception of 1.02% Ni over 1.7m in drill hole H-11-30 which was situated in the Hart East area, a recently discovered nickel mineralized area, lying approximately 350m east of the Hart Deposit.

Drilling commenced on the A6 Area in April 2012 with a total of 6 drill holes completed to their intended depths as well as 3 drill holes which were abandoned prior to reaching target depth due to excessive deviation. The A6 Area was identified as a drill target based on a coincident airborne VTEM anomaly and soil geochemical anomaly. All drilling results on the Hart property completed since the last previous press release on May 14, 2012 were announced by the Corporation on October 18, 2012, including those in the Hart Deposit and A6 Area. As announced in the October 18, 2012 release, best results in the A6 Area were the interception of 0.70% Ni over 0.60m in hole A6-12-02.

Drilling resumed on the Hart Deposit in late May 2012 after a brief temporary shut-down taken as a precautionary measure during extreme fire hazard conditions in the Timmins area from mid to late May. Three drill holes tested for potential nickel mineralization west of the Hart Deposit, at an interpreted geophysical response within the preferred stratigraphy to the west of the cross-cutting gabbro dyke which currently marks the western edge of the Hart Deposit. The area west of this gabbro dyke had seen to this time only limited, near surface drilling to that time. Highlights of results in this area were in H-12-33 which intersected 1.18% Ni over 0.97 m.

Drill testing within and down plunge of the Hart Deposit was also completed prior to mid-August. As announced in the Corporation's press release of October 18, 2012, highlights of YTD 2012 Hart Deposit drilling included the interception of 3.41% Ni over 1.96m in hole H-12-35 located in the central portion of the Hart Deposit, and the interception of 1.19% Ni over 3.97m including 1.57% Ni over 1.55m and 1.62% Ni over 1.02m in hole H-12-36 which is located at depth within the Hart Deposit. From January 1 to September 30, 2012, a total of 6,047m in fifteen NQ-sized drill holes were completed on the Hart property (including the A6 Area).

Liberty announced in August 2012 that diamond drilling would be suspended until further notice due to a downturn in market conditions. Exploration drilling remains in suspension at the end of this reporting period. Since the time that drilling activities were suspended, Liberty personnel have updated computer systems and digital databases, reviewed and reassessment geophysical data for the property, generated exploration targets, and prepared exploration plans pending restart of field activities.

Redstone Mine Property

Surface exploration drilling re-commenced on the Redstone property in late May 2012. The last previous surface drilling at the Redstone site was in 2010. Thus far in 2012, the Redstone exploration drilling program focuses on exploration of the lower portions of the Redstone Deposit via deep drill holes from surface. In the period from May to September 30, 2012, a total of 1,544m of diamond drilling in three drill holes was completed on the Redstone property, with one hole abandoned prior to reaching target depth due to excessive deviation. Highlights from hole RS12-01A are the interception of 1.29% Ni over 1.20m located near the western margin of the Redstone Deposit.

Similar to the exploration drilling on the Hart Project, drilling at Redstone was temporarily suspended in early August 2012 and remains suspended as at May 9, 2013.

Other Properties

In June 2012, the Corporation commenced line cutting, magnetometer and VLF-EM surveying on its' Ray Project, located approximately 120km southeast of Timmins in the Elk Lake area. This work was focused on further delineating the geophysical response near a historically known nickel-copper-cobalt showing located on the property. The surveying was completed in July 2012.

In a press release in November, 2012, the Corporation announced it had exercised its options to acquire a 100% ownership interest in three contiguous properties encompassing 110 unpatented mining claim units located to the northwest of Liberty's Redstone Mine, known as the Croxall 1, 2, and 3 options. The Croxall property hosts a previously discovered nickel showing, the "Mustang Showing", where 1.20% Ni over 2.4 metres was intercepted in drill hole CL-11-02. Numerous untested geophysical targets are present on the Croxall property and along with similar work on other of the Corporations properties exploration plans have been formulated to assess these targets once financing is available.

Key Economic Trends

Nickel

The cash settlement price of nickel on the London Metal Exchange ("LME") averaged US$7.62 per pound for the three months ended March 31, 2013; a decrease of 1.6% compared to the average of US$7.75 per pound during the three months ended December 31, 2012. The long term forecast for Nickel is optimistic however the short term price remains volatile for the foreseeable future.

Cobalt

Cobalt averaged approximately US$11.60 per pound during the three months ended March 31, 2013, down 1.6% from $11.79 from the three months ended December 31, 2012.

Copper

The cash settlement price of copper on the LME averaged US$3.49 per pound for the three months ended March 31, 2013, down 1.5% compared to US$3.54 per pound for the three months ended December 31, 2012.

Foreign exchange

The Company reports its financial results in Canadian dollars, which is also its functional currency. While most of the Company's operating costs are in Canadian dollars, revenues from sales of nickel concentrate are in US dollars. The average conversion of $1 USD converted to $0.9914 CDN for the three months ended March 31, 2013 compared to $1 USD converted to $0.9913 CDN for the three months ended December 31, 2012.

Commodity Price Summary

	Average 2009	Average 2010	Average 2011	Average 2012	As at March 31, 2013
Nickel (US$)	$6.63	$9.89	$10.36	$8.02	$7.62
Copper (US$)	$2.34	$3.42	$4.00	$3.64	$3.49
Cobalt (US$)	$18.00	$17.77	$16.19	$12.99	$11.60
US$:CDN$	$1.14198	$1.0299	$0.9893	$0.9994	$1.016

Health and Safety
Liberty Mines Inc. believes that "Zero Harm" to our people is achieved by creating a culture wherein the Health and Safety of our workers is a core value that inspires a strong personal commitment from each of our employees.

During Q1, 2013, the Company incurred 0 – First Aid, 0 – Medical Aids, 0 – Lost Time incidents.

On March 31st 2013, the Company was successful in achieving 807 Medical Free Days and 891 Lost Time Free Days.

All operations at the McWatters and Redstone sites are currently in care and maintenance mode following the Company's decision to suspend operations due to low spot prices for nickel. On January 23rd 2013, Liberty Mines announced that it had identified the presence of asbestos, more specifically chrysotile, in its ore body at its McWatters Mine. Further testing confirmed the presence of the chrysotile at the both the McWatters and Redstone site. As chrysotile, a form of asbestos, is a designated substance under Ontario Health and Safety Regulation, the Company is investigating these matters further and is taking all required measures. The Company has retained the services of a qualified consulting firm to support the Company in the remediation plan.

Upon confirmation of the asbestos, all site buildings were deemed "restricted access" and an asbestos abatement company was contracted to clean the work areas that required immediate occupancy. During this period, employees remained off-site to limit any potential worker exposure. It should be noted that the Company has been in close consultation with the local office of the Ministry of Labour since the identification of chrysotile.

On January 30th 2013, the Ministry of Labour issued orders to the Company for the submission of a control plan to clean the Redstone Mill; and for the implementation of a control program at the McWatters Mine should operations resume. Liberty Mines, with the support of a qualified consulting firm, has completed a control plan for the remediation of the Redstone Mill along with its relevant processing equipment and has submitted this to the Ministry of Labour. Work is ongoing with respect to dealing with the asbestos issues at site.

During Q1, 2013, the Company's focus was to develop required documentation with regards to the identified asbestos and finalizing its emergency preparedness and response plan. The Company continues to concentrate on reducing known risks and enabling its employees to identify, to evaluate, to mitigate and where possible to eliminate potential risks.

Liberty Mines Inc. believes that "Zero Harm" to our people is achieved by creating a culture wherein the Health and Safety of our workers is a core value that inspires a strong personal commitment from each of our employees.

Environment

Redstone
During the first quarter 2013, the Redstone effluent discharge to East Creek continued to be shut down. With no effluent discharging to the receiving environment, both water quality and acute lethality samples were not collected during this period.

The Company continues to progress with the amendment to the Redstone Mill Closure Plan with the Ministry of Northern Development, Mines. Hydrological and ecological field work of the Redstone River was completed to support an increase in the permitted water taking volume listed in the site Permit to Take Water. The increase is to ensure an adequate water supply is provided for current and future production requirements. The Company is targeting a Q2, 2013 completion of the study.

The Company's request for a reduction in the sampling frequency of the Redstone receivers in November 2012 remains unanswered by the Ministry of the Environment. The Company has commenced work on amending the financial assurance of its Redstone Mine Closure Plan. The amendment is required to address commitments covered in previous submissions that are no longer relevant to the current operations. The Company remains on course to have the tailings storage facility's emergency spillway design approved under the Lakes and Rivers Improvement Act in Q2, 2013.

There were no spills or effluent exceedances which required Regulatory notification during the Q1, 2013.

On January 23rd 2013, Liberty Mines announced that it had identified the presence of asbestos, more specifically chrysotile, in its ore body at its McWatters Mine. Further testing confirmed the presence of the chrysotile at the Redstone site. The Company has retained the services of a qualified consulting firm to support the Company in the remediation plan. Liberty Mines continues to investigate the potential impact of the asbestos on the receiving environments.

McWatters

During Q1, 2013, the McWatters Mine discharge effluent to the Forks River complied with the site Certificate of Approval (CofA), Provincial (MISA) and Federal (MMER) effluent parameter limits. Additionally, samples taken from the McWatters effluent discharge which were tested for Acute Lethality Toxicity (rainbow trout and daphnia magna) complied with effluent quality requirements.

The Company continues to wait for final approval from the Ministry of the Environment regarding the amendment to the site industrial sewage Certificate of Approval that was submitted in December 2011. The amendment is to increase the permitted effluent discharge volume and to install equipment to improve effluent quality. The Company anticipates completing the amendment during the Q2, 2013.

There were no spills or effluent exceedances which required Regulatory notification during Q1, 2013.

On January 23rd 2013, Liberty Mines announced that it had identified the presence of asbestos, more specifically chrysotile, in its ore body at its McWatters Mine. The Company has retained the services of a qualified consulting firm to support the Company in the remediation plan. Liberty Mines continues to investigate the potential impact of the asbestos on the receiving environments.

Hart

On January 23rd 2013, Liberty Mines announced that it had identified the presence of asbestos, more specifically chrysotile, in its ore body at its McWatters Mine. The Company has retained the services of a qualified consulting firm to support the Company in the remediation plan. Liberty Mines is also reviewing conditions at the Hart project and expects to provide additional updates as material information becomes available.

First Nations

On April 15, 2008, the Company signed an Impact Benefit Agreement ("IBA") with the Mattagami, Matachewan and Wahgoshig First Nations ("MMW"). The IBA encompasses all of the Company's extensive mining claims and leases in the Shaw Dome Nickel Belt which includes the Redstone and McWatters Mines and the advanced Hart nickel project. The IBA is in effect for the life of any mining project developed on the properties. It includes provisions for job training, employment, scholarships, business relationships and financial participation in community development projects. It also streamlines the exploration of the properties and the permitting of economic deposits through direct consultation and input from the MMW.

During the first quarter of 2013, applications for exploration activities were submitted to the Ministry of Northern Development and Mines and circulated to relevant First Nations to ensure compliance with the recent amendment to Ontario's Mining Act. The Company is committed to engaging all appropriate First Nations to obtain support for existing and future exploration activities.

Capital Requirements and Capitalization

At March 31, 2013 the Company had obligations within one year to make $75,346,595 (December 31, 2012 - $nil) of repayments on long-term debt, $299,415 (December 31, 2012 - $518,395) of minimum capital lease payments, $27,842 (December 31, 2012 $28,393) of equipment financing, and fulfill $116,695 (December 31, 2012 - $101,808) of payments under operating leases.

Liberty Mines has restructured its Canadian denominated debt with JIIL as announced on December 31, 2012. The terms of the debt have remained unchanged with interest accruing at 10% per annum. The maturity date of the Canadian denominated term loan was extended on to March 31, 2014.

Contractual Obligations

The following table presents the Company's future payment obligations:

			Payments Due		
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	In excess of 5 Years
Capital Lease Obligations	$ 367,324	$ 299,415	$ 67,909		
Equipment Financing	$ 57,748	$ 27,842	$ 29,906		
Notes Payable & Term Loan	$ 97,950,496	$ 75,346,595	$ 22,603,900		
Preferred Share Liability	$ 16,378,516	$ 16,378,516			
Dividends - Preferred Shares	$ 5,047,588	$ 5,047,588			
Total	$119,801,672	$ 97,099,957	$ 22,701,714	$ -	$ -

The Company is committed to minimum operating lease payments under vehicle, equipment and property leases which expire at various dates through 2014 and 2015. Minimum rental commitments due under these capital leases over the next five years are disclosed in Note 19 of the Financial Statements as at December 31, 2012.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As of March 31, 2013, 206,477,365 common shares of the Company were outstanding compared to 206,477,365 as of December 31, 2012. As of March 31, 2013, 148,895,601 preferred shares of the Company were outstanding compared to 148,895,601 as of December 31, 2012. As at May 9, 2013 there were 206,477,365 common shares outstanding. Certain employees, officers, directors and consultants of the Company have been granted options to purchase common shares under the Company's incentive stock option plan. At March 31, 2013, 14,636,668 (December 31, 2012 –15,639,999) exercisable options were outstanding.

Litigation

The Company is currently involved in a number of legal disputes. 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.

Legal proceedings have been filed against the Company in relation to the construction of the original tailings storage facility during 2007 and 2008. Given the Company has been proactive and moved ahead with identifying and repairing the existing tailings storage facility, it is management's position that the Company will vigorously defend against these charges.

Lien proceedings have been filed against the Company in relation to the delay of accounts payable, since August 14th and the transition to Care & Maintenance.

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at the fair value amount, which is the amount of consideration established and agreed to by the related parties.

Face value of the term note as at March 31, 2013 totaled $75,346,595 (December 31, 2011 $73,042,564) were provided to Liberty Mines from JIIL. The portion of the increase relates to a $599,674 loan under the existing facility. The full facility bears interest of 10% and is due on March 31, 2014.

Face value of the US term note in Canadian dollars as at March 31, 2013 totaled $22,603,900 (December 31, 2012 $22,381,517) were provided to Liberty Mines from JIIL all of which bear interest of 10% and are due on June 30, 2014.

Accrued dividend liability of $5,047,588 (December 31, 2012 - $4,725,388) for the Series "A" preferred shares due at March 31, 2013 to JJNICL.

Off-Balance Sheet Arrangements

The Company had the following off-balance sheet arrangements in place at March 31, 2013.

The company has entered into an office lease agreement and is committed to the minimum operating lease payments detailed in the table below.

	Less than one year	One to five years	Over five years	Total
March 31, 2013	$116,695	$58,347	$-	$175,042

Non-IFRS Performance Measures

The cost per tonne and funds generated from (used in) operations before changes in non-cash working capital are included in this MD&A because these statistics are key performance measures that management uses to monitor performance of the Company. Management uses these statistics to assess how well the Company is performing compared to plan and to assess the overall effectiveness and efficiency of mining operations. Management believes that the inclusion of these statistics in the MD&A helps an investor to assess the Company's performance. These performance measures do not have a meaning within IFRS and therefore amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Critical Accounting Estimates

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. These estimates require significant judgment on the part of management and are considered critical in that they are important to the Company's financial condition and results. The following represents the estimates that management considers most critical to the application of the Company's significant accounting policies. Actual results may differ by material amounts from these estimates.

Declaration of Commercial Production

Determining the timing of the commencement of commercial production at the Company's mines involves judgment by management after consideration of a number of factors including: the status of physical project completion; the level of sustained mining and nickel processing activity; the achievement of a commercial level of production and sales; and the length of the testing and commissioning period. Determination of the timing of the commencement of commercial production has a significant impact on the Company's consolidated financial statements, since it determines when the Company begins to recognize revenues and nickel inventory, and ceases to capitalize pre-production operating costs and commences amortization of mine-related assets.

Mineral Properties

Mineral reserves and resources are estimated to determine future recoverable mine production based on assessment of geological, engineering, and metallurgical analyses; estimates of future production costs; capital costs; mine closure and site restoration costs as well as metal prices and foreign exchange rates. The costs of mineral properties are capitalized and depleted on a unit-of-production basis based on the related proven and probable mineral reserves.

Exploration Evaluations

Exploration and evaluation expenditures associated with non-producing properties reflect actual costs incurred less accumulated write-downs. The realization of the Company's investments in these exploration and evaluation projects is dependent upon various factors, including the discovery of economically recoverable reserves of minerals, the ability to obtain necessary financing to complete development plans and upon future profitable operations, or alternatively upon the disposal of interests on an advantageous basis. The Company's management reviews the carrying values of its exploration and evaluation expenditures on a quarterly basis, which periodically results in an adjustment to reflect the realizable value of the projects.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The recoverable amount is determined based on value in use and/or fair value less cost to sell calculations. The calculation of the fair value less cost to sell requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

Deferred Income Taxes

The Company uses the asset and liability method of tax allocation for accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to be recovered or settled.

Site Restoration Obligations

The Company records the fair value of any future site restoration costs as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs. The obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and the discount rate to be used.

Risks and Uncertainties

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 following outlines the principal risks facing the Company.

Going concern

The 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. The Company incurred a net loss of $6,155,962 during the period ended March 31, 2013 and, as of that date, had negative working capital of $101,341,072 (December 31, 2012 – $25,423,295, and a cumulative deficit of $160,709,814 (December 31, 2012 - $154,553,851). As such, the Company's ability to continue as a going concern is in significant doubt. The Company's mine was placed on care and maintenance on August 14, 2012.

The Company has no revenues and, at this time, it is substantially reliant on the support of JIIL, as it has been unable to acquire funding in the markets to date although it continues to pursue various alternatives. There is no assurance that JIIL will continue to financially support the Company. JIIL has agreed to provide additional financing support to allow Liberty to continue as a going concern by making available an additional $5 million dollars between the date hereof and the end of the year, subject to certain conditions. $1,600,000 of this $5,000,000 has been advanced to date.

At present, Liberty Mines doesn't have sufficient resources to repay the debt falling due on March 31, 2014 and are dependent on JIIL not calling the loan while negotiations around restructuring are ongoing.

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.

Risks Inherent to Mining Projects at the Development and Production Stages

Mining projects in the development or early production stages have no significant operating history upon which to base estimates of future cash flows. It is possible that actual costs and economic returns may differ materially from the Company's estimates. Therefore, there can be no assurance that estimates of future production and cash costs will be achieved. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated.

Nature of Exploration, Development and Mining

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few of the properties explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, such as particular attributes of the deposit, including size, grade and proximity to infrastructure. In addition, metal prices are highly cyclical and government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection are subject to change and uncertainty. The combination of these factors may result in the Company not receiving an adequate return on invested capital. Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the exploration, development and production of ore. These include unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions will be taken to minimize risk, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The Company's activities are directed toward the search, evaluation and development of mineral deposits. Some of the mineral properties in which the Company has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for ore. Other properties in which the Company has an interest are subject to preliminary stages of exploration and development programs only. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore. Within the mining industry there is aggressive competition for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Uncertainty of Reserve and Resource Estimates

The figures for reserves and resources presented herein are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- Mineralization or formations could be different from those predicted by drilling, sampling and similar examinations.
- Increases in operating mining costs and processing costs could adversely affect reserves.
- The recoverability of the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of metals or may be recovered from the ore.
- Declines in the market price of the metals and the Canadian US Dollar exchange rate may render the mining of some or all of the reserve uneconomic.

Any of these factors may require the Company to reduce its reserve estimates or increase its costs. Short-term factors such as the need for the additional development of a deposit or the processing of new different grades may impair the Company’s profitability. Should the market price of the metals fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or development of new projects.

Government Regulation

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reductions in levels of production at producing properties or could require abandonment or delays in development of new mining properties.

Permits and Licenses

The exploitation and development of mineral properties may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the properties. The Corporation may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Production of mineral properties may involve the use of dangerous and hazardous substances. While all steps will be taken to prevent discharges of pollutants into the ground water or otherwise into the environment, the Corporation may become subject to liability for hazards that cannot be insured against. The Corporation is still investigating the implications of the discovery of asbestos in the ore at the McWatters Mine.

Commodity Prices and Foreign Exchange

The profitability of the Company will be significantly affected by changes in market price for nickel, copper, cobalt and by changes in the US Canadian dollar exchange rate. The Company has not entered into any hedge agreements in respect of metal or currency at this time. Such contracts would mitigate gains and losses in situations when the price changed. The level of interest rates, the rate of inflation, world supply and demand of base metals and precious metals and stability of exchange rates can all cause significant fluctuations in base metal and precious metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of base metals and precious metals has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending upon the price of base metals and precious metals, cash flow from mining operations may not be sufficient to cover operating costs. Any figures for reserves presented by the Company will be estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the price of base metals and precious metals may render reserves uneconomical. Moreover, short term operating factors relating to the reserves, such as the need for orderly development of the ore bodies or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

Land Title

Although title to the Company's mineral properties has been reviewed by or on behalf of Liberty Mines and title opinions were delivered to the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

Uninsured Risks

There can be no assurance that insurance will be available at economically feasible premiums. The Company's insurance may not provide sufficient coverage for losses related to property, business interruption, or liability. In addition, the Company does not have insurance for certain environmental losses and other risks; as such coverage cannot be purchased at a commercially reasonable cost. The lack of, or insufficiency of insurance coverage could adversely affect the Company's cash flow and overall profitability.

Competition

The Company competes with other mining companies and individuals for mining claims and leases on exploration properties and the acquisition of exploration and mining assets. The Company also competes with other mining companies to attract and retain skilled and experienced executives. The Company cannot ensure that it will be able to continue to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced executives.

Reliance on Skilled Employees

The success of the mining and milling operations is dependent upon the efforts of certain skilled employees and management of the Company. The loss of these employees or the inability of the Company to attract and retain additional skilled employees, or an inability of the Company to maintain good relations with its employees may adversely affect the level of nickel production from the operations.

History of Losses

The Company has historically experienced only losses. The Company's ability to generate profits in the future will depend mostly on the success of the Company's mine and mill operations, the price of nickel, the Canadian and United States dollar exchange rate, and the ability of the Company to control costs. There can be no assurance that the Company will reach profitability or will even generate sufficient cash flow to sustain its operations in the future. The Company may need additional financing from time to time. There is no assurance sources of financing will be available at any such time.

Shortage of Supplies

The Company is dependent on various supplies and equipment to carry out mining operations. The shortage of such supplies, equipment and parts could have a material adverse effect on the Company's ability to carry out its operations.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under Canadian securities laws is recorded, processed, summarized and reported as and when required and that it is accumulated and communicated to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

The Company's management, with the participation of its CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal controls over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS The Company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. provide reasonable assurance regarding prevention or timely detections of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management has assessed the design and operating effectiveness of internal control over financial reporting as at March 31, 2013. The following material weaknesses were noted:

1. Due to the size of the Company, there are insufficient accounting personnel to enable effective segregation of duties over financial reporting. This includes a lack of segregation of duties related to journal entry processing and financial statement preparation and review.
2. Due to the size and activities of the Company, the Company's finance staff does not have sufficient technical accounting knowledge to address all complex and non-routine accounting transactions.

Changes in Internal Control over Financial Reporting

There were no material changes in the Company's policies and procedures and other processes that comprise its Internal Control over Financial Reporting that may have materially affected, or could be reasonably likely to materially affect, the Company's Internal Control over Financial Reporting.

Subsequent Events after Reporting Date

No subsequent events to report.

Limitations on Effectiveness of Disclosure Controls and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, do not expect that the Company's disclosure controls and procedures and Internal Control over Financial Reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Forward-Looking Information

Certain statements within this document constitute “forward-looking statements”. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements are based on the opinions and estimates of management at the date of this report, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to, the inherent risks involved in the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, forecast levels of production and milling of ore, metallurgical recovery rates, metal prices, currency exchange rates, cash operating margins, cash operating cost per pound of metal sold, costs per ton of ore produced, expenditures on property, buildings and equipment, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions, political and economic conditions, the Company’s ability to attract and retain key personnel and other risks and uncertainties described under the heading “Risks and Uncertainties” and elsewhere in this report, in the Company’s Annual information Form for the year ended December 31, 2012 and in other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. The Company believes that the expectations reflected in these forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company’s behalf, except as required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

Additional Information

Additional information related to the Company is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com, including a copy of the latest Annual Information Form of the Company.