

LIBERTY MINES INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2012**

March 27, 2013

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form ("AIF") and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements include, but are not limited to, statements about drill results, commodity prices and core intersection lengths, in that they constitute estimates, based on certain assumptions of mineralization that may be encountered if a deposit were to be mined. In some cases, forward-looking statements can be identified by the use of words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved or other variations of these words or phrases, or other comparable words or phrases.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- Risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations;
- Results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Corporation's expectations;
- Risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined;
- Mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies;
- Risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- Risks related to commodity price and foreign exchange rate fluctuations;
- The uncertainty of profitability based upon the cyclical nature of the industry in which the Corporation operates;
- Risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities;
- Risks related to environmental regulation and liability;
- Political and regulatory risks associated with mining and exploration; and
- Other risks and uncertainties related to the Corporation's prospects, properties and business strategy.

A discussion of these and other factors that may affect the Corporation's actual results, performance, achievements or financial position is contained in "Risk Factors" and elsewhere in this AIF and other documents incorporated or deemed to be incorporated in this AIF. This list is not exhaustive of the factors

that may affect the forward-looking statements. These and other factors should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Forward-looking statements are made based upon management's beliefs, estimates and opinions on the date the statements are made, which management believes are reasonable, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

CORPORATE STRUCTURE

Liberty Mines Inc. ("Liberty" or the "Corporation") was formed by articles of amalgamation under the *Ontario Business Corporations Act* (the "OBCA") on June 1, 2006 on the amalgamation of three entities including the predecessor to the Corporation formerly known as Liberty Mines Inc. ("Original Liberty"). On May 13, 2009, the Corporation filed articles of amendment to create the class of preferred shares currently issued and outstanding. On September 26, 2011 the Corporation filed articles of amendment to amend the terms of the outstanding Series A Preferred Shares to remove the conversion feature and provide for a retraction feature. Original Liberty was incorporated under the *Business Corporations Act* (Alberta) in 1997 under the name Liberty Mineral Exploration Inc. Original Liberty continued into Ontario in 2004 and changed its name to Liberty Mines Inc. in 2005.

The registered office of the Corporation is located at Gardiner Roberts LLP, Suite 3100, Scotia Plaza, 40 King St. W., Toronto, ON, Canada, M5H 3Y2; and the head office of the Corporation is located at Suite 1210, 5775 Yonge Street, Toronto, Ontario, Canada, M2M 4J1.

The Corporation has two subsidiaries incorporated under the OBCA namely, 2004428 Ontario Inc. and Liberty Cobalt Inc. which common shares are wholly-owned by the Corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Liberty Mines Inc. is a producer of nickel and is focused on the exploration, development and production of nickel, copper, cobalt and platinum group metals from its properties in Ontario, Canada. Liberty has three major assemblies of contiguous mining claims and leases in northern Ontario including:

- A 100% interest in 12,000 ha in the Shaw Dome Nickel Belt located 25 km southeast of Timmins containing two mines and a late stage project: the Redstone Mine (on care and maintenance) and McWatters Mine (on care and maintenance); and the Hart nickel project in the late permitting stage. The 2000 tonne/day Redstone nickel concentrator is located at the Redstone Mine site;
- A 100% interest in 6,400 ha in the Groves nickel copper platinum group metals project 20 km southeast of Gogama; and
- A 100% interest in 6,300 ha in the McAra Lake-Ray cobalt nickel copper project about 120 km south east of Timmins.

Mining Operations

In fiscal 2009, after receiving a significant cash injection described below, the Corporation was able to revive its mining program which had been on care and maintenance since 2008. On August 4, 2009, development of the McWatters Mine re-commenced and on August 28, 2009, the Redstone Mine re-commenced commercial operations. Due to various technical difficulties the Redstone Mine was once again put on care and maintenance in December 2010. On January 1, 2010, the McWatters Mine reached commercial operations.

However, on February 22, 2011, the Corporation announced that it had temporarily suspended its milling operation at the Redstone Mill to address problems that had arisen with respect to the tailings pond. As a result of this shut down, mining operations at the McWatters Mine also ceased. Liberty engaged engineering consultants to assist in resolving the issues with the tailings pond facility and repair and expansion plan was developed over the following six months.

During the fourth quarter of 2011, Liberty commenced the required repair work on the tailings facility necessary to correct deficiencies that had been discovered as part of the Corporation's investigation.

Phase 1 of the repair work on the tailings facility was completed in March of 2012 which in turn allowed Liberty to restart nickel production and processing by the end of the first quarter planned. Both the McWatters Mine and Redstone Mill were ramped up to full production in the second quarter but due to a significant decline in the price of Nickel during 2012, the decision was made to halt production on August 14th, 2012.

Liberty's operations in Timmins are currently on care and maintenance. It was the Corporation's intention to resume operations when nickel prices return to a level that will allow for cash flow positive operations. Subsequent to the halt in production, process optimization test work being performed by Liberty identified chrysotile (more commonly known as asbestos) in the McWatters ore. As at the time of this report, Liberty is continuing to investigate and analyze the impact this may have on its business.

When Liberty is in a position to recommence operations, the Corporation will also undertake a second phase to expand the capacity of the tailings facilities. The expansion is necessary to support the Corporation's production targets. The expanded facility will meet environmental standards and once the project is completed, it will provide a minimum three-year life.

The Corporation's focus during 2013 will be to ensure that its Mines and Mill remain ready to return to production and to assess the implications of the recent finding of asbestos at its operations. Environmental work will continue through 2013 on the plan to construct a new larger tailings facility for the Redstone Mill. It is expected that the Redstone Mine, McWatters Mine and Redstone Mill will remain on care and maintenance throughout 2013.

For further details on the Redstone Mine, the McWatters Mine and the Hart Project, please see the heading "Mineral Projects".

Exploration Activities

Exploration work continued in 2012 with a focus on the deeper regions of the Hart Deposit and Hart East Zone. Reconnaissance drilling was also conducted on another portion of the Hart property in the area known as the 'A6' area. In addition, the Corporation exercised its' options on the "Croxall" properties thereby acquiring a 100% interest in 110 unpatented mining claims which lie to the northwest of the Corporation's Redstone Mine and Mill.

Due to the halt in production in August of 2012, exploration work was curtailed in the second half of the year to preserve available cash.

In 2013 the Corporation intends to undertake further work on the Hart Project in order to complete a feasibility study as well exploration on its other properties if the necessary financial resources are available.

Financing Activities

In 2007 and 2008, the Corporation entered into agreements with Jilin Jien Nickel Industry Co. Limited ("JJNICL") pursuant to which JJNICL provided the sum of US\$15,000,000 (the "Concentrate Advance") in consideration for the Corporation shipping concentrate to JJNICL over time. However as a result of the decision to halt production in 2008, Liberty was unable to fulfill the terms of these arrangements. Since that time, the Corporation has entered into a series of agreements with JJNICL and its wholly-owned Canadian subsidiary, Jien International Investments Ltd. ("JIIL"), to provide the financing necessary to allow the Corporation to progress its business plan.

On May 25, 2009, the Corporation closed a \$30,000,000 equity financing with JJNICL. The financing consisted of a private placement of \$9,430,604 for 85,732,763 common shares at \$0.11 per share and the issuance of 186,994,510 preferred shares (the "Preferred Shares") at \$0.11 per share for a total of \$20,569,396. Part of the proceeds was paid in cash and part of the proceeds was used to redeem previously issued debentures. At the same time, the terms of the Concentrate Advance were amended to extend the due date to May 25, 2011 and to grant JJNICL security in the assets of the Corporation. In addition, it was agreed that JJNICL could elect to convert the Concentrate Advance into common shares of the Corporation at the rate of \$0.11 per share on any amount of the Concentrate Advance not repaid on its due date. As a result of the financing, JJNICL owned 51% of the common shares of Liberty.

From May 2009 to June 30, 2011, JIIL advanced a total of \$26,650,000 to the Corporation by way of a series of promissory notes ("the JJ Notes"). The JJ Notes bore interest at the rate of 8% per annum. As the JJ Notes came due during this period, they were reissued with new due dates and all accrued and unpaid interest was added to the outstanding principal amount.

Funds from the JJ Notes were used for working capital and to complete development of the McWatters Mine and Redstone Mine.

On December 31, 2010, the Corporation entered into a memorandum of understanding ("MOU") with JJNICL and JIIL to amend the provisions surrounding the various advances including the Concentrate Amount and the JJ Notes.

Following receipt of shareholder approval on June 28, 2011, all amounts owed to JJNICL and JIIL were converted into two new facilities. The Concentrate Advance and all accrued and unpaid interest thereon totalling \$19,366,849 USD at the time was converted into a new term loan that provided for interest to accrue at the rate of 10% per annum to December 31, 2012. Interest payments were to start in January of 2013 and the entire amount of the facility would be due on June 30, 2014. JJNICL also agreed to provide 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 redemption of the Preferred Shares (the "JJNICL 2011 Loan"). All rights and obligations under the JJNICL 2011 Loan were subsequently assigned to JIIL.

In addition, JIIL agreed to convert the entire amount owed under the JIIL notes into a new term loan that provided for interest at 10% accrued monthly and was to come due on December 31, 2012. JIIL also agreed to provide up to an additional \$20,000,000 as an operating line of credit (the "JIIL 2011 Loan"). As of the date of this AIF, the entire \$20,000,000 has been drawn down. In addition, in 2012 JIIL advanced a further \$5,000,000 to be repaid by December 31, 2013 subject to certain mandatory pre-payment provisions (the "2012 Advance"). The 2012 Advance is otherwise subject to the same terms and conditions as the as the JIIL 2011 Loan.

In conjunction with a proposed financing in 2012, JIIL advanced the further sum of \$10,000,000 which had been intended to be converted into equity but with the decision to halt production in the summer of 2012, the equity financing was terminated and these amounts were held as promissory notes. In addition, pursuant to a Memorandum of understanding signed in September of 2012, a further \$1,000,000

has been advanced to Liberty. On December 31, 2012 Liberty and JILL agreed that all amounts coming due in 2012 and 2013 would have the due date extended to March 31, 2014. This extension is subject to the approval of the Liberty shareholders to be obtained at the next meeting of shareholders which is expected to be held in June of 2013.

All of the advances made by JJNICL and JILL to Liberty are secured by the following security package:

- (a) a debenture dated May 25, 2009 providing for a fixed and floating charge on all of the Corporation's existing and after-acquired real and personal property;
- (b) a supplemental debenture providing for a fixed and floating charge on all of the Corporation's existing and after-acquired real and personal property;
- (c) a share-pledge of Corporation'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 Corporation and JILL dated June 30, 2011; and
- (e) other security interest entered by the Corporation in favour of JJNICL.

At the time of the restructuring in June of 2011, JJNICL agreed to amend the terms of the Preferred Shares to remove the right of conversion into common shares. Instead, the holder of the Preferred Shares can demand redemption of the Preferred Shares at a price of \$0.11 per share plus all accrued and unpaid dividends (the "JJ Option"). If the Preferred Shares are redeemed prior to June 30, 2013, the Corporation can use the available credit facility under the JJNICL 2011 Loan to pay the redemption price. Prior to the amendment to the Preferred Shares, JJNICL converted 38,098,908 Preferred Shares into common shares increasing its holdings in the Corporation to 60% of outstanding capital. For a description of the terms of the Preferred Shares, please see the heading "Description of Share Capital." The Preferred Shares have also been transferred to JILL.

As of December 31, 2012, the following amounts were owed to JILL

- 1. US\$ \$21,430,602 in respect of the JJNICL 2011 Loan which comes due on June 30, 2014
- 2. CDN\$ \$72,921,158 in respect of all other advances made by JILL to Liberty which come due on March 31, 2014.

All amounts continue to be secured against the assets of Liberty.

Other Property Transactions

The Corporation continues to look to expand its portfolio of claims including adding to the property surrounding the Redstone Mine. The Corporation continues to evaluate and enter into agreements to earn interests in these properties. For a summary of the Corporation's portfolio of exploration properties and the related obligations, please see Note 9 to the Audited Financial Statements of the Corporation for the year ended December 31, 2012.

Aboriginal Consultations

The Corporation is actively involved in maintaining relationships with native communities holding rights to the lands on which the Corporation's assets are located.

On April 15, 2008, the Corporation entered into an Impact Benefit Agreement (the "IBA") with the Mattagami, Matachewan and Wahgoshig First Nations. The IBA covers Liberty's existing and future acquisitions of mining claims and leases within nine Townships. It streamlines the exploration, permitting, development and production of minerals from the properties through direct consultation and input from the First Nations.

DESCRIPTION OF THE BUSINESS

Principal Products

The Corporation's business, currently conducted entirely in Ontario, Canada, is the mining and concentrating of mineralization containing nickel, copper, cobalt and platinum group metals. The nickel in concentrate (containing the stated metals as further credits) is produced at the Redstone Mill. When the Corporation returns to production in 2012, Liberty will sell all of its products to Xstrata Nickel in Sudbury, Ontario.

Operational Statistics:

	2012	2011	2010
<u>Tonnes Mined</u>			
Redstone Mine	-	-	55,545
McWatters Mine	458,909	38,412	151,465
McWatters Open Pit	-	-	111,244
Tonnes Milled	408,000	17,488	316,374
<u>Revenues</u>			
Total Revenue	8,990,248	2,164,227	32,353,292

During 2010, the McWatters Open Pit Mine was constructed and mining operations increased. However, due to issues with the tailings facilities at the Redstone Mill, operations were suspended in February 2011. Mining commenced again in the first quarter of 2012 and the open pit mineralized rock was mined using a sub level cave mining method within the McWatters Mine infrastructure. The McWatters and Redstone Mines are currently on care and maintenance and they are expected to remain in that state throughout 2013.

Principal Properties

The material properties of the Corporation are the Redstone Mine, McWatters Mine, and the Hart Project. Currently the entire operation is under a mode of care and maintenance. During this period Liberty Mines is continuing to develop exploration plans and development plans at the Hart Project. For a description of the principal properties, please see the heading "Mineral Projects" commencing on page 23. The Redstone Mill throughput capacity is 2,000 tonnes per day although the current processing permit is for 1,500 tonnes per day. An application is in the process to increase the throughput to capacity.

Mine Closure and Site Restoration

Liberty estimates the discounted total future mine closure and site reclamation costs (also known as asset retirement obligations) associated with the Redstone and McWatters mining operations to be \$2,314,354 which is \$552,977 higher than at December 31, 2011 under IFRS. A risk free rate of 3.0% and an inflation rate of 3.0% were utilized to determine the fair value of the site restoration obligation recorded in the consolidated balance sheets of \$3,186,915. Management anticipates that such obligations will

substantially be settled at or near the closure of its mining operations estimated to range from 2015 to 2020. See note 13 in the Corporation's 2012 annual audited financial statements.

Environmental Protection

The current and future operations of Liberty, including mining activities and development activities on its properties or areas in which it has an interest, are subject to extensive state, provincial and local laws and regulations governing environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, occupational health, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Corporation's properties. Liberty is also subject to various reclamation-related conditions imposed by law and contained in its mining licenses and permits.

The Corporation has planned and budgeted to apply technically-proven and economically-feasible measures to advance protection of the environment throughout the exploration, development and mining process. Current costs associated with compliance are considered to be normal. The Corporation has established a Safety, Health and Environmental Policy concerning the Corporation's treatment of environmental matters. A copy of the Health, Safety and Environmental Policy is available for review on the Corporation's website at www.libertymines.com under Corporate Governance.

The Corporation has incurred significant costs with respect to bringing its tailing facilities into compliance as outlined under the heading "General Description of the Business – Three Year History – Mining Operations". While the reclamation work was completed during the year, the Corporation was served with five charges by the Ministry of Natural Resources relating to the construction of the original tailing storage facility during 2007 and 2008. Liberty is vigorously defending against these charges and is in the process of assessing the potential implications.

For additional details, please see the Corporation's Management Discussion and Analysis for the Year Ended December 31, 2012 under the heading "Environmental".

Employees

The Corporation has 23 full-time employees as of the date of this AIF. The Corporation also engages independent contractors and consultants from time to time to carry on business. The Corporation may hire additional people as required.

Economic Dependence

The Corporation currently has one customer to purchase the nickel in concentrate processed from the Redstone Mill and its revenue is therefore entirely dependent on this customer. The current contract with Xstrata expires on December 31, 2013, however management has already initiated new discussions to extend or revise the contract beyond its current expiration.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, much of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. As well, the Corporation competes with other companies for the recruitment and retention of qualified employees. Finally, the Corporation competes with other resource companies, many of whom have greater financial resources and/or more advanced properties, in attracting equity and other capital. The ability of the Corporation to acquire properties depends on its ability to continue to develop its present properties and on its ability to

select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Corporation may affect the marketability of base metals and precious metals mined or discovered by the Corporation. Base metal and precious metal prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Corporation. See “Risk Factors”.

Corporate Governance

The Corporation’s board of directors has five committees – an Audit Committee (currently comprised of directors John Pinsent, James Xiang, and Kim Oishi), a Compensation Committee (currently comprised of directors John Pinsent, Wu Shu, and Shu Zhang) a Governance Committee (currently comprised of directors John Pinsent, James Xiang and Chris Stewart), an Environmental Health and Safety Committee (currently comprised of Tao Li, Shu Zhang and Chris Stewart) and a Special Opportunities Committee (currently comprised of directors Wu Shu, Tao Li, Kim Oishi and Chris Stewart). The members of each of these committees do not have any fixed terms for holding their positions and are appointed and replaced from time to time by resolution of the directors. Their appointments are not subject to any specific terms of reference.

The Audit Committee meets with management of the Corporation and the independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting, financial controls and procedures, audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors which auditors are to be appointed. In addition, this Committee reviews and recommends to the Board for approval of the quarterly and annual financial statements and Management’s Discussion and Analysis, and certain other documents required by regulatory authorities. The Audit Committee is mandated to meet, and also to consult with the auditors, in the absence of management.

The Compensation Committee, in consultation with management of the Corporation and external consultants as required, reviews and recommends to the Board for approval of all matters relating to compensation of executives of the Corporation.

The Governance Committee administers and monitors compliance with, and provides guidance relating to any conflicts of interest and ethical standards of the Corporation. Liberty has an insider trading policy which strictly regulates the dealings in the Corporation’s shares by directors, officers, employees and consultants.

The Environmental Health and Safety Committee reviews and reports back to the Board as to whether Liberty Mines has appropriate Environment, Health and Safety management systems and controls and personnel in place with adequate resources to meet its principal duties and responsibilities of mitigating risk.

The Special Opportunities Committee works with the CEO and his team to identify and assess acquisition opportunities and to support financing for acquisitions and expansion.

Corporate policies and charters of the Board and its committees are available on the Corporation’s website at www.libertymines.com under Corporate Governance.

RISK FACTORS

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 Corporation.

Going Concern

The Corporation's consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation 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 Corporation incurred a net loss of \$65,383,419 during the year ended December 31, 2012 and, as of that date; its current liabilities exceeded its current assets by \$25,423,295 and a cumulative deficit of \$70,333,677. As such, the Corporation's ability to continue as a going concern is in significant doubt. The continuing operations of the Corporation 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 to meet the Corporation's liabilities and commitments as they become due and to fund capital projects, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Corporation. On December 31, 2012 the corporation announced that it has reached an agreement to extend the maturity date to March 14, 2014 on two separate loan and restructuring agreements previously signed with Jien International Investments. The Corporation will continue investigating options for addressing this obligation with JIIL. 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 Corporation in particular. In the event that the Corporation 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. Subsequent to December 31, 2012, the Corporation received a further \$1,00,000 in financing through the 2012 JIIL Loan .

Risks Associated with the Tailings Facility

Liberty suspended its operations in February of 2011 to address the deficiencies that had been discovered with the existing tailings facilities at the Redstone Mill. While the Corporation believes that it has successfully addressed the existing problems and is moving to implement a second phase to expand these facilities, there can be no assurances that further problems will not arise. In March of 2012, the Corporation was served with five charges relating to the historic problems with the tailings facility. The Corporation intends to vigorously defend these charges and believes it has fully remediated the problem.

Risks Inherent to Mining Projects at the Development/Production Stage

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 Corporation'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 a mineralization 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 Corporation 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 Corporation not receiving an adequate return on invested capital. Mining operations generally involve a high degree of risk. The Corporation'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 Corporation's activities are directed toward the search, evaluation and development of mineral deposits. Some of the mineral properties in which the Corporation has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for mineralization. Other properties in which the Corporation 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 Corporation 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 Corporation 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 Resource Estimates

The figures for 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 mineralized grade actually recovered may differ from the estimated grades of the resources. Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from estimates for, among 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 estimates.
- The grade of the estimates may vary significantly from time to time and there is no assurance that any particular level of metals may be recovered from the mineralization.
- Declines in the market price of the metals may render the mining of some or all of the estimates uneconomic.

Any of these factors may require the Corporation to reduce its 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 Corporation's profitability. Should the market price of the metals fall, the Corporation could be required to materially write down its investment in mining properties or delay or discontinue production or development of new projects. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The resources and reserves outlined in this AIF have not been adjusted to take into account the outcome of the current investigation being undertaken with respect to the finding of asbestos in the ore at the McWatters Mine. There can be no assurance that the results of this investigation will not have an impact on the parameters used to calculate resources and reserves.

Government Regulation

The exploration, mining and milling activities of the Corporation 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 mining and milling 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 Corporation's exploration, mining and milling 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. The Corporation is still investigating the discovery of asbestos in the ore at the McWatters Mine and its implications under various applicable regulatory regimes including health and safety standards.. 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 Corporation. Government approvals and permits are currently, and may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained; the Corporation 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 Corporation 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 Corporation to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Corporation 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 Corporation will be significantly affected by changes in market price for nickel, cobalt and by changes in the US Canadian dollar exchange rate. The Corporation has not entered into any hedge agreements in respect of metal or foreign exchange at this time. Such contracts could 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 Corporation 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 mineralized bodies or the processing of new or different grades of mineralization, may cause a mining operation to be unprofitable in any particular accounting period.

Land Title

Although title to the Corporation's mineral properties has been reviewed by or on behalf of Liberty and title opinions were delivered to the Corporation, 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 Corporation's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Corporation 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 Corporation may be unable to operate the properties as permitted or to enforce its rights with respect to its properties. The Corporation's mineral properties may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims. There is no guarantee that title to the Corporation's properties or its rights to earn an interest in its properties will not be challenged or impugned. Also, in many countries including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties. The Corporation has entered into an impact benefit agreement in respect of its properties and is taking all appropriate steps to address its obligations to the First Nations groups.

Uninsured Risks

There can be no assurance that insurance will be available at economically feasible premiums. The Corporation's insurance may not provide sufficient coverage for losses related to property, business interruption, or liability. In addition, the Corporation 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 Corporation's cash flow and overall profitability.

Competition

The Corporation competes with other mining companies and individuals for mining claims and leases on exploration properties and the acquisition of exploration and mining assets. The Corporation also competes with other mining companies to attract and retain skilled and experienced executives. The Corporation 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 operations is dependent upon the efforts of certain skilled employees and mine management of the Corporation. The loss of these employees or the inability of the Corporation to attract and retain additional skilled employees, or an inability of the Corporation to maintain good relations with its employees may adversely affect the level of nickel production from the operations.

History of Losses

The Corporation has historically experienced only losses. The Corporation's ability to generate profits in the future will depend mostly on the success of the Corporation's McWatters Mine and other current core properties including the Hart Project, the price of nickel, the Canadian and United States dollar exchange rate, and the ability of the Corporation to control costs. There can be no assurance that the Corporation will reach profitability or will even generate sufficient cash flow to sustain its operations in the future. The Corporation 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 Corporation 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 Corporation's ability to carry out its operations.

MINERAL PROJECTS

This section discloses information regarding the Corporation's principal properties being:

- Redstone Mine;
- McWatters Mine; and
- Hart Nickel Project.

This section also provides information on the Corporation's non-material properties including the following:

- Hart East Zone;
- Groves Nickel Copper Platinum Group Metals Project;
- Croxall (Mustang) Project; and
- McAra Lake Cobalt Project.

Redstone Nickel Mine

The following information is extracted from and is qualified in its entirety by the more detailed disclosure in the technical report titled "Technical Report Redstone Nickel Mine Ontario, Canada" dated January 8, 2010 (the "Redstone Technical Report") by SRK CONSULTING (CANADA) INC. ("SRK"). This report was

prepared in accordance with the requirements of National Instrument 43-101 – Standards of Disclosure for Mineral Projects established by the Canadian Securities Administrators ("NI-43-101"). A complete copy of the Redstone Technical Report is available for inspection upon request from the Corporation's head office, as well as on the SEDAR website at www.Sedar.com and is incorporated by reference in its entirety.

Introduction

The assets of Liberty include a 100 percent interest in the operating Redstone Nickel Mine ("Redstone"), which is located 24 kilometres south east of Timmins, Ontario, Canada. Subsequent to a period of closure due to low nickel prices, Redstone re-commenced production in August 2009 and achieved a maximum production rate of 500 tonnes per day before being returned to care and maintenance in 2010.

Property Description

The Redstone property consists of a total of three patented mining claims held by Liberty Mines Inc. These claims total 1002.1 hectares. The tabulated details of these claims are as follows:

Licence Number.	Description	Area (Ha)	Title	Start Date	Expiry Date
107436	CLM 243	251.3	Liberty Mines Inc	2003-Feb-01	2024-Jan-31
107435	CLM 244	386.2	Liberty Mines Inc	2003-Feb-01	2024-Jan-31
107434	CLM 245	364.6	Liberty Mines Inc	2003-Feb-01	2024-Jan-31
Total:		1,002.1			

Infrastructure on site consists of a nickel processing plant, mechanical maintenance shop, trailer office complex, drill core shed, mine dry, compressor house, main fresh air fan and heater, security gate, tailings pond, electrical power distribution system, diesel fuel storage and pump, water supply, and settling and treatment ponds. The underground mine is accessed by a portal, completed in early 2008, from which the underground access ramp extends down to the 1600 level. (approximately 510 metres below surface)

Historically, prior to 2012, ore from underground stoping at the Redstone Mine was processed at Liberty's Redstone nickel concentrator located on site.

Geology and Mineralization

The Redstone property is located in the Archean age Abitibi Greenstone Belt of the Canadian Shield with local geology comprising of intermediate and felsic tuffs and sulphidic iron formation of the Deloro Assemblage disconformably overlain by komatiites and basalts of the Tisdale Assemblage. Nickel mineralization is locally found at the base of the komatiite unit at Redstone. Exploration and subsequent mining activity has been focussed on this horizon, although economically significant stringer nickeliferous sulphides do occur in the immediate hanging wall of the massive sulphides and structurally-controlled duplications of the massive horizon have been locally identified.

In the massive sulphide mineralization the main nickel sulphide mineral is pentlandite with minor amounts of millerite, violarite, gersdorffite and niccolite. Pyrite and pyrrhotite constitute 5 percent to 50 percent of the total sulphides with chalcopyrite present as an accessory mineral.

Mineral Resources

The October 19, 2009 SRK Mineral Resource Statement for the Redstone Nickel Mine is summarized in Table i. The figures contained in Table i are the figures referenced in SRK's October 19, 2009 Mineral

Resource Statement, are inclusive of Minerals Reserves (table ii) and are not reconciled to production. A table showing the reconciliation of Minerals Reserves to production is presented as Table v.

Table i. Redstone Mine: Mineral Resource Statement*, SRK Consulting, October 19, 2009

Classification	Tonnage	Nickel	Copper	Contained
Measured				
Massives	148	2.43	0.03	3,601
Disseminated	0	0.00	0.00	0
Total	148	2.43	0.03	3,601
Indicated				
Massives	41	1.76	0.04	719
Disseminated	410	1.10	0.01	4,499
Total	451	1.16	0.01	5,219
Total Measured & Indicated				
Massives	189	2.29	0.03	4,321
Disseminated	410	1.10	0.01	4,499
Total	599	1.47	0.02	8,820
Inferred				
Massives	151	3.55	0.09	5,360
Disseminated	586	1.06	0.02	6,215
Total	737	1.57	0.03	11,575

* Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. Reported at 0.51% nickel cut-off. Cut-off grades are based on a nickel price of US\$7.00/lb and on a mill recovery of eighty-seven percent. All figures have been rounded to reflect the accuracy of the estimate. Mineral reserves as stated within this report are a subset of these mineral resources.

The independent mineral resource estimate prepared by SRK is reported in accordance with Canadian Securities Administrators' National Instrument 43-101 and conforms to generally accepted Canadian Institute of Mining ("CIM") "Estimation of Mineral Resources and Mineral Reserves Best Practices" guidelines.

The resource estimate is based on a domainal three dimensional ("3D") geological interpretation of the mineralization that integrated information from a total of seven hundred and eighty diamond drill holes largely drilled on a variety of drill spacings. Drilling both from surface as well as from underground platforms was incorporated. Additional data from underground development sampling was also applied. Drill data was appropriately composited and capped prior to grade estimation.

The Redstone block model was created using Datamine with 3 x 3 x 2 metre blocks. Block grades were estimated using ordinary kriging ("OK") methodology. Resources are classified as Measured, Indicated or Inferred based primarily on elevation, which is directly proportional to data density and geological confidence. Resources have been depleted for mining to date.

The resource model was completed by Mr Glen Cole, P. Geo., Principal Resource Geologist, of SRK Consulting (Canada) Inc., Toronto. By virtue of his background and professional experience, Mr. Cole is an independent "Qualified Person" as defined by National Instrument 43-101.

Mine Plan

- Historical shrinkage stoping methods without backfill, employing non-recoverable rib pillars was not expected to remain viable as the mine developed deeper due to increasing stress at depth;
- The mine has adopted sublevel longhole retreat (15 metre vertical spacing), accessed from the main decline, for the future mining method;
- Underground ramp access with diesel truck haulage is suitable for this deposit down to 1600 level;
- SRK estimates a mine life of more than 2 years (26 months) with an average ore mining production rate of 10,000 tonnes per month based on a 5 day per week work schedule;
- No underground primary crushing is required, as ore will be trucked to the process plant;
- Backfill is not required in the mined stopes as sufficient pillar has been designed to prevent unexpected closure; and
- Based on the actual mine records, mine water inflow is expected to average 100 litres per hour.

Mineral Processing

Redstone ore has been being processed, as available, at the Redstone Mill, which is located less than 500 metres east of the Redstone Mine's underground portal. The Redstone Mill, designed to process up to 2,000 tonnes per day of high MgO Ni-Cu-PGE mineralization, was commissioned in July 2007. The Redstone Mill was on care and maintenance from November 2008 until June 2009 when nickel prices rebounded and has since resumed processing nickel ore from Liberty's Redstone and McWatters mines. The Redstone Mill was again placed on care and maintenance in February 2011 to address issues that arose with respect to the tailings facilities. Mill processing is expected to resume in the coming days pending final approval from the Ontario Ministry of the Environment.

Since operations resumed in August 2009 until the date of the Redstone Technical Report, 30,400 tonnes of ore were processed with recoveries of 95 percent on average head grades of 1.50 percent nickel. For additional details on subsequent mining please see heading "Description of the Business – Operational Statistics".

Future predicted nickel recoveries for Redstone mine ore are based on previous plant performance, future plant upgrades, and metallurgical testing performed on drill core from the Redstone deposit.

Environmental

Liberty has conducted environmental studies and obtained the necessary permits to be able to conduct mining operations at the Redstone Mine.

Laboratory testing and analysis of the rock types at the Redstone Mine show that, on aggregate, these rocks are unlikely to be acid generating.

Liberty has prepared a Spill Prevention and Contingency Plan, an Emergency Response Plan, and has developed and implemented environmental monitoring programs to address its regulatory obligations.

Liberty has prepared a closure plan in compliance with Mine Development and Closure under Part VII of the Mining Act and Ontario Regulation 240/00.

Mineral Reserves

The December 31, 2009 SRK Mineral Reserve Statement for the Redstone Nickel Mine is summarized in Table ii.

Table ii. Redstone Mine Mineral Reserve Statement, SRK Consulting, December 31, 2009

Classification	Zone	Quantity Tonnage	Grade Ni (%)	Contained Metal (tonnes)/lbs	
Proven	Above 1600L	57,100	1.37	780	1,719,000
Proven	Below 1600L	5,800	1.21	70	154,000
Proven	Sub Total	62,900	1.35	850	1,873,000
Probable	Above 1600L	54,200	0.70	379	836,000
Probable	Below 1600L	142,800	1.04	1,483	3,269,000
Probable	Sub Total	197,000	0.95	1,862	4,105,000
Proven/Probable	Total	259,900	1.04	2,712	5,978,000

The independent mineral reserve estimate prepared by SRK is reported in accordance with Canadian Securities Administrator's National Instrument 43-101 and conforms to generally accepted Canadian Institute of Mining ("CIM") "Estimation of Mineral Resources and Mineral Reserves Best Practices" guidelines.

Sublevel long hole mining was determined to be the optimal mining method for both the massive zone in the lower part of the mine and for the disseminated zone located in the central portion of the orebody.

Economics were applied to each stope based on an NSR calculation, appropriate mine operating costs for each mining method, a Ni price of \$7.00 US and an exchange rate of \$1.00 Cdn = \$0.90 US.

The mineral reserve estimate was completed by Mr. Philip Bridson, P. Eng., Sr. Associate Mining Engineer, of SRK Consulting (Canada) Inc. By virtue of his background and professional experience, Mr. Bridson is an independent "Qualified Person" as defined by National Instrument 43-101.

Subsequent to the Mineral Reserves estimated in SRK's December 31, 2009 Mineral Reserve Statement as summarized on Table ii, the Corporation mined 55,545 tonnes of ore from the Redstone Mine in the period from January 1, 2010 to December 31, 2010. Therefore the above referenced mineral resources in Table i and Mineral Reserves in Table ii may be depleted by a corresponding amount as of December 31, 2010. The Redstone Mine remained on care and maintenance status through 2011 and 2012.

Project Economics

The mine plan was incorporated into a financial model to determine the Life of Mine ("LoM") economics at the study nickel price of US\$7.00 per pound.

LoM NSR revenue based on plant feed of 259.9kt at 1.04% Ni is estimated at \$ 29.8 million. LoM costs are estimated at \$18.5 million for operating and \$8.4 million for capital. Undiscounted pre-tax LoM cash flow is estimated at \$2.9 million, yielding an IRR of 116 percent and an NPV of \$2.3 million at an 8 percent discount rate.

The project economics are most sensitive to fluctuations in exchange rate between the Canadian and US dollars.

Project Risks and Opportunities

Uncertainty in the exchange rate between Canada and the United States is the largest economic risk faced by Redstone Mine. Current economics are based on an exchange rate of \$1.00 Cdn = \$0.90 US. The \$US smelter contract is the specific instrument that ties this project to the exchange rate and potentially returns a variable revenue based on the fluctuation in the dollar. In the unlikely event that the Canadian dollar rose over \$1.10 the project economics could be significantly reduced depending on the prevailing nickel price.

The geology model and classified resource estimate reflect current knowledge of the Redstone mineralization continuity and associated grade trends. Currently modelled resources below approximately 510 metres below surface (1600 level) are a combination of inferred and indicated resources. An early opportunity exists to upgrade the resources in the deeper portion of the sulphide deposit by increasing the drilling density as well as by increasing our understanding of the structural framework upon which the Redstone sulphide deposit is based. Such an improved structurally based resource body will not only lead to upgraded resources but also to reduced risk in future mining decisions based on this model.

McWatters Nickel Mine

The following information is extracted from and is qualified in its entirety by the more detailed disclosure in the technical report titled "Technical Report McWatters Nickel Project, Ontario, Canada" by SRK dated December 18, 2009 (the "McWatters Technical Report"), which was prepared in accordance with the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects established by the Canadian Securities Administrators ("NI-43-101"). A complete copy of the McWatters Technical Report is available for inspection upon request from the Corporation's head office, as well as on the SEDAR website at www.Sedar.com and is incorporated by reference in its entirety.

Introduction

Liberty owns a 100% interest in the McWatters Nickel Project ("McWatters"), which is located approximately 25km south east of Timmins, Ontario, Canada. All permitting for the project has been completed and the project has advanced to the underground development stage.

Property Description

The property is within the boundaries of the city of Timmins and is centered at approximately UTM (NAD83 Z17) coordinates 5,350,860 mN and 497,570 mE. The property is in Langmuir Township, within the Porcupine Mining Division, and is accessed from the city of Timmins/South Porcupine by a series of all-weather gravel roads.

The McWatters Property consists of two patented mining claims held by Liberty. These claims total 295.6 hectares, and have been legally surveyed. Liberty owns 100% of the McWatters property with no subsidiary involved.

The McWatters site is large enough to accommodate all the required construction of mining facilities. Completed infrastructure on site consists of a mechanical maintenance shop, trailer office complex mine dry, compressor house, security gate, and settling and treatment ponds. The underground mine is accessed by a portal, completed in early 2008, from which the underground access ramp extends down to the 105m level.

Until the temporary cessation of mining activities in August 2012 due to financial reasons, ore from the McWatters Mine was processed at Liberty's fully owned Redstone nickel concentrator located 9km to the west of the McWatters site. Subsequent to the August 2012 suspension of McWatters mining activities, the presence of chrysotile (commonly known as asbestos) fibres were found in McWatters ore. At time of writing, the Corporation is in the process of investigating this issue, and the full impact of the issue on the feasibility of mining at McWatters.

Geology and Mineralization

The McWatters deposit is hosted by ultramafic rocks that form part of, or intrude, the Tisdale assemblage that flank the Shaw Dome and form part of the Abitibi greenstone belt (AGB). The Abitibi greenstone belt is one of the youngest parts of the Archean Superior Province forming what is considered one of the largest and best-preserved belts of its kind in the world. To date six Ni-Cu-(PGE) deposits have been discovered in the Shaw Dome (Redstone, Hart, McWatters, Langmuir #1, Langmuir #2, W4), and numerous showings have been identified.

The McWatters deposit differs markedly from the rest of the known deposits in the Shaw Dome. The ultramafic body hosting the McWatters deposit is discordant, evidently cutting up through the iron formation that sits immediately on its north flank, as indicated by recent, more detailed magnetic surveys conducted by Liberty. The discordant nature of this ultramafic unit suggests that it is intrusive.

The McWatters mineralized zone can be readily subdivided in two distinct zones: an upper zone of altered dunitic rocks containing disseminated sulphides, and a basal, lower zone consisting of massive sulphides. The upper zone directly overlies the lower zone, which is principally in contact with wedges of andesitic, footwall volcanic rocks. The combined two zones measure approximately 150 meters in strike length by 30 to 40 meters in width extending down to a depth of approximately 160 meters. The sulphide assemblage consists almost exclusively of pyrite and heazlewoodite. Heazlewoodite (Ni₃S₂) is one of the most nickel rich sulphide minerals, and is generally thought to be of hydrothermal origin, most often found in dunites and lherzolites.

Mineral Resources

The July 27, 2009 SRK Mineral Resource Statement for the McWatters Nickel Deposit is summarized in Table iii. The figures referenced in Table iii are the figures estimated in the July 2009 SRK Mineral Resource Statement for the McWatters Mine and as such are inclusive of Mineral Reserves and are not reconciled to production which has occurred since the time of the Mineral Resource estimate. A table which summaries the reconciliation of production to mineral resources and mineral reserves is available as Table v.

Table iii. Mineral Resource Statement, McWatters Nickel Project, Ontario, SRK Consulting July 27, 2009

Classification	Zone	Mining Type	Quantity Tonnage	Grade Ni (%)	Contained Metal (tonnes)	(000'lbs)
Open Pit Mining						
Indicated	Disseminated Zone	Open Pit*	368,400	0.45	1,646	3,629
Underground Mining						
Indicated	Disseminated Zone	SLC / BH**	382,200	0.86	3,287	7,246
	Massive Zone	Cut and	41,900	3.57	1,497	3,297
Indicated	Total	Fill*** Combined	792,500	0.81	6,430	14,172

Mineral resources are not mineral reserves and do not have demonstrated economic viability. Numbers have been rounded to reflect the accuracy of the estimate.

** Open Pit Resources reported within a designed pit at a cut off grade of 0.27% Ni.*

***Sub-level caving (SLC) and longhole stope (BH) resources are reported within designed stopes at a cut off grade of 0.55% Ni.*

**** Cut and fill stope resources are reported within designed stopes at a cut off grade of 0.65% Ni.*

Cut-off grades are based on a nickel price of US\$7.00/lb and on a mill recovery

The independent mineral resource estimate prepared by SRK is reported in accordance with Canadian Securities Administrators' National Instrument 43-101 and conforms to generally accepted Canadian Institute of Mining ("CIM") "Estimation of Mineral Resources and Mineral Reserves Best Practices" guidelines.

Nickel mineralization is broadly confined to a higher grade lower massive zone and to lower grade overlying disseminated zone. The resource estimate is based on a domainal three dimensional (3-D) geological interpretation of the mineralization that integrated information from a total of one hundred and fifty three diamond drill holes largely drilled on twenty-five metre centres. Drill data was appropriately composited and capped prior to grade estimation.

The McWatters block model was created using Datamine with 2.5 x 2.5 x 2.5m blocks. Block grades were estimated using ordinary kriging ("OK") methodology. Resource blocks situated within the primary ranges defined by variography are assigned to the Indicated classification; all other resource blocks within four times the primary variography ranges are assigned an Inferred classification. All resources are assigned to the Indicated classification. Resources have been depleted for mining to date.

The resource model was completed by Mr. Glen Cole, P. Geo., Principal Resource Geologist, of SRK Consulting (Canada) Inc., Toronto. By virtue of his background and professional experience, Mr. Cole is an independent "Qualified Person" as defined by National Instrument 43-101.

Mine Plan

The McWatters nickel deposit is relatively shallow and extends at a 75 degree dip from surface to a depth of 160 meters. It is a mid to low-grade deposit that will benefit from bulk, low cost mining methods. Nickel grades near surface are approximately 0.41% Ni and increase to 1.91% Ni on average at the 150m level.

SRK determined geotechnical domains based on geotechnical mapping and re-logging of all drill holes in the area of the existing underground development. Rock mass characterization indicated that the McWatters ore zone is of fair to poor rock mass quality and that an open stoping method was likely not the best mining method. Even with reduced stope sizes and the use of cemented backfill there would remain a significant risk of ground instability.

SRK's geotechnical evaluation initiated a re-assessment of the initial mining concepts for McWatters, resulting in the final mining methods selection which included elimination of a crown pillar by open pit mining and a sublevel caving method for the body of the deposit immediately below the open pit, taking advantage of the caveability of the rock mass.

The planned open pit for the upper portion of the deposit will extend down to 45m level (a pit depth of 45m). The upper 11m of the designed pit is in wet overburden comprised of organics, silty clays and sand. Overburden slope design is based on November 2009 drill sampling and characterization work.

Waste rock stripping and ore mining will be done on 15m benches using conventional open pit equipment. A total of 245kt of ore will be mined on three benches, with an overall strip ratio of 3.6 to 1, including the overburden. Dewatering plans are based on an October 2009 hydrogeology study.

Based on a program of geotechnical and structural assessment of drillhole data and geotechnical mapping of underground development within the deposit, SRK selected sublevel caving for the main body of the deposit. Along with a very small amount of blasthole stoping, this method is planned to recover 546kt of ore. Four sublevels are planned at a nominal vertical spacing of 25m with draw points spaced at 15m on the sublevels.

Production up holes will be drilled at 76mm diameter and the use of an emulsion explosive is planned. No waste material will be introduced from surface into the cave. The wall cave angle has been estimated using standard industry tables to assess any surface impacts.

For the deeper, higher grade portion of the McWatters deposit (81kt), SRK selected an overhand cut and fill method in 5m cuts. Backfilling will utilize mine development waste pushed tight to the back using an LHD equipped with a "jammer" plate. In certain areas wider than 8m, non-recoverable post pillars have been specified.

A 3-D model was constructed to plan the underground mine and estimate life-of-mine development requirements which total 3,390m for combined ore and waste lateral development as of August 1, 2009 (since reduced by ongoing development). The McWatters mine is accessed by a 5 x 5m ramp. An Alimak fresh air raise, partially completed, is planned from surface to the bottom of the designed mine, with exhaust exiting through the main access ramp.

All underground ore will be mucked by LHDs and hauled to remuck bays located along the main access ramp. Ore from the remuck bays will be loaded by LHD into 26 and 30 tonne trucks and hauled to the surface stockpile next to the mine portal. Surface ore trucks will dump open pit ore on the same pad. Development waste rock not used as backfill will be trucked to surface for permanent storage at the existing waste pad.

Stockpiled ore next to the portal will be rehandled by wheel loader into 33 tonne tri- axle highway trucks for transport 9km to the Redstone mill where primary crushing will take place.

It is planned that mining contractors will perform the following functions at McWatters; open pit drilling and blasting, Alimak raising, and underground production drilling.

SRK prepared a combined open pit and underground production schedule with an average ore production rate of 1,700tpd over a mine life of 2 years. LoM plant feed totals 872kt at an average grade of 0.70% Ni.

28% of the production will come from open pit and 72% from underground

Mineral Processing

McWatters development ore is processed, as available, at the Redstone Mill, which is located 9 km west of the McWatters site.

The plant processed 15,705 wet tonnes of McWatters development ore from late September 2008 through to October 31, 2008 until the plant was put on care and maintenance. An average head grade of 0.51 percent nickel was measured at the mill, and an average nickel recovery of 83 percent was

achieved. Nickel recovery fluctuated between 64 and 95 with head grades ranging from 0.33 to 1.15 percent nickel.

Future predicted nickel recoveries for McWatters mine ore are based on previous plant performance, future plant upgrades, and metallurgical testing performed on drill core from the McWatters deposit.

Environmental

Liberty has conducted environmental studies and obtained the necessary permits to be able to conduct mining operations at the McWatters project site.

Mine dewatering effects are not expected to adversely impact any other water users, surface water features, or sensitive areas. Laboratory testing and analysis of the four main rock types at the McWatters site show that, on aggregate, these rocks are unlikely to be acid generating.

Liberty has prepared a Spill Prevention and Contingency Plan, an Emergency Response Plan, and has developed and implemented environmental monitoring programs to address its regulatory obligations.

Liberty has prepared a closure plan in compliance with Mine Development and Closure under Part VII of the Mining Act and Ontario Regulation 240/00. The McWatters closure plan is now amended to include the planned open pit.

Mineral Reserves

The December 15, 2009 SRK Mineral Reserve Statement for the McWatters Nickel Deposit is summarized in Table iv. As such, the figures contained in Table iv are not reconciled with production that has occurred since the time of the 2009 SRK Mineral Reserve estimate. Mineral Reserves net of mine production are presented in Table v.

Table iv. Mineral Reserve Statement, McWatters Nickel Project, Ontario, SRK Consulting, December 15, 2009

Classification	Zone	Quantity	Grade	Contained Metal	
		Tonnage	Ni (%)	(tonnes)	(lbs)
Probable	Pit	245,000	0.33	810	1,790,000
Probable	SLC/BH	546,000	0.68	3,710	8,180,000
Probable	CF	81,000	1.91	1,540	3,400,000
Probable	Total	872,000	0.70	6,060	13,370,000

The independent mineral reserve estimate prepared by SRK is reported in accordance with Canadian Securities Administrator's National Instrument 43-101 and conforms to generally accepted Canadian Institute of Mining ("CIM") "Estimation of Mineral Resources and Mineral Reserves Best Practices" guidelines.

Cut and fill mining was determined to be the optimal mining method for the higher grade massive zone in the lower part of the mine. Sublevel caving was determined to be the optimal mining method for the disseminated zone located in the central portion of the orebody while the upper portion from surface to the 45m level was best suited for open pit.

Economics were applied to each stope based on an NSR calculation, appropriate mine operating costs for each mining method, a Ni price of \$7.00 US and an exchange rate of \$1.00 Cdn = \$0.90 US.

The mineral reserve estimate was completed by Mr. Philip Bridson, P. Eng., Sr. Associate Mining Engineer, of SRK Consulting (Canada) Inc. By virtue of his background and professional experience, Mr. Bridson is an independent "Qualified Person" as defined by National Instrument 43-101.

Subsequent to the December 15, 2009 SRK Mineral Reserve Statement and during the period from January 1, 2010 to December 31, 2011, the Corporation mined 301,141 tonnes from the McWatters Mine. In the period from January 1, 2012 and August 14, 2012, the Corporation mined 140,203 tonnes from the McWatters Mine. On August 14, 2012, the McWatters Mine was placed on care and maintenance, where it remained for the remainder of 2012.

Project Economics

The combined open pit and underground mine plan was incorporated into a financial model to determine the Life of Mine ("LoM") economics at the study nickel price of US\$7.00 per pound as set out in more detail in the McWatters Technical Report

LoM net NSR revenue based on plant feed of 872kt at 0.70% Ni is estimated at \$ 62 million. LoM costs are estimated at \$45 million for operating and \$3.5 million for capital. Undiscounted pre-tax LoM cash flow is estimated at \$13.2 million, yielding an IRR of 460% and an NPV of \$10.7 million at an 8% discount rate. NPV is improved to 11.54 million when the year 2009 was excluded from the NPV calculation.

The project economics are most sensitive to exchange rate changes between the Canadian and US dollars.

Risks and Opportunities

Uncertainty in the exchange rate between Canada and the United States is the largest economic risk faced by McWatters Project. Current economics are based on an exchange rate of \$1.00 Cdn = \$0.90 US. The \$US smelter contract is the specific instrument that ties this project to the exchange rate and potentially returns a variable revenue based on the fluctuation in the dollar. In the unlikely event that the Canadian dollar rose over \$1.10 the project economics could be significantly reduced depending on the prevailing nickel price.

The planned open pit is subject to an operational risk during the spring thaw period. The expected average water inflow is estimated at 1,000 m³ per AMEC's hydrological report. If that thaw occurs rapidly or an extensive amount of precipitation compounds the inflows during the thaw period then the project may be delayed for a period of days. Opportunity exists to prepare in advance with rented standby pumping capacity as spring 2010 approaches.

SRK economic models have recently identified a significant opportunity to improve cash flow. Optimisation of the open pit – sub level cave interface indicates potential improvements in the range of two to four million pre-tax dollars. The potential cash flow improvement reflects reduction in overburden and waste strip tonnes. The authors recommended that future time and engineering be allocated for completion of this optimisation. This report does not include the optimized potential due to time constraints.

Production and Production/Mineral Reserves Reconciliation

From January 1, 2010 to December 31, 2011 Liberty mined 55,545 tonnes of ore from the Redstone Mine and 301,121 tonnes from the McWatters Mine, resulting in the corresponding mineral resources and mineral reserves contained in 2009 Technical Reports being depleted by corresponding amounts as at December 31, 2011.

The Corporation's 2012 mineral production was sourced solely from the McWatters Mine, totalling 140,203 tonnes grading 0.56% nickel. A table which reconciles all production subsequent from Mineral Resource and Mineral Reserve estimates contained in the Corporation's last previous Technical Reports to the end of 2012 is set forth as Table v.

Table v: Mineral Reserves Net of Mine Production as at December 31, 2012.

Mine	Category	Reserves as of Dec., 31, 2009			2010 and 2011 Production			2012 Production			Net Reserves as of Dec., 31, 2012		
		Tonnes	Grade Ni (%)	Contained Nickel (lbs)	Tonnes	Grade Ni (%)	Contained Nickel (lbs)	Tonnes	Grade Ni (%)	Contained Nickel (lbs)	Tonnes	Grade Ni (%)	Contained Nickel (lbs)
Redstone	Proven + Probable Reserves	259,000	1.05	5,979,000	55,545	0.75	918,418	0			204,355	1.05	4,730,520
McWatters	Probable Reserves	872,000	0.70	13,370,000	301,121	0.62	4,145,711	140,203	0.56	1,737,189	430,676	0.70	6,646,348
Total, All Mines		1,131,900	0.78	19,349,000	356,666	0.64	5,064,129	140,203	0.56	1,737,189	635,031	0.81	11,376,868

Note:

*All reported Mineral Reserves in this tabulation have been completed in accordance with the Standards of Disclosure for Mineral Projects as defined by National Instrument 43-101.

Detailed information concerning the reported Mineral Reserves and the technical parameters used in the estimation of such Mineral Reserves have been published by the Corporation as "Technical Report, Redstone Nickel Mine, Ontario, Canada" and "Technical Report, McWatters Nickel Project, Ontario, Canada" and can be reviewed under the Corporation's profile on the SEDAR website at www.sedar.com

**Mineral Reserves are estimated using the following Cut Off grades: Redstone =0.51% Ni, McWatters Open Pit=0.2% Ni, McWatters UG=0.65% Ni based on Ni prices =\$7.00 per pound, 1US\$=0.90C\$, mill recovery=87%.

***Net Reserves=Mineral Reserves at end of previous reporting period minus Mine Production for the reporting period (tonnes blasted, hauled to surface, but not necessarily processed – this figure can include any surface stockpiles at the end of the reporting period).

Totals may not represent the sum of the parts due to rounding. Mineral Resource and Mineral Reserve figures have been rounded to reflect the accuracy of the estimate.

Hart Nickel Project

The following information is extracted from and is qualified in its entirety by the more detailed disclosure in the technical report titled "Hart Project Preliminary Economic Assessment for Liberty Mines Inc. " by Stantec Consulting Ltd. dated October 2, 2012 (the "Hart Technical Report"), which was prepared in accordance with the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects established by the Canadian Securities Administrators ("NI-43-101"). A complete copy of the Hart Technical Report is available for inspection upon request from the Corporation's head office, as well as on the SEDAR website at www.Sedar.com and is incorporated by reference in its entirety. This report updated a previously completed technical report on the Hart Project, dated January 26, 2010 and

completed by SRK Consulting (Canada) Ltd entitled “Preliminary Economic Assessment for the Hart Project, Ontario, Canada”. Much of the content of the 2010 SRK Technical Report, including the Mineral Resource Estimate for the Hart Deposit, remains unchanged since time of publication and was reproduced in Stantec’s 2012 Technical Report, with the identification that it is unchanged. Updates to the 2010 technical report primarily consist of updated mine planning and project economics.

Introduction

Considerable recent drilling activity has occurred over the Hart Project to delineate significant Kambalda-style nickel sulphide mineralization.

Property Description and Agreements

The Hart Project consists of one Mining Lease granted January 1, 2011 for a term of 21 years, Lease number 108569. This lease was converted from twenty-one contiguous unpatented mining claims which comprised the original Hart optioned property. The lease covers approximately 928 hectares. The Hart Project was acquired from Canadian Arrow Mines (“Canadian Arrow”) by way of an option agreement. Liberty satisfied the option agreement and earned 100 percent ownership on January 18, 2008.

Stantec the Hart Project on July 28, 2011 .

Location, Access and Physiography

The Hart Project is located approximately twenty-six kilometres southeast of the city of Timmins, Ontario. The property is accessed from the city of Timmins by a series of gravel roads. The access roads are used in all seasons, and are winter safe.

The Hart Project deposit is located in an area that is relatively flat with poor drainage. The topography is generally flat with a few local rock outcrops and ranges in elevation from 290 to 330 metres above sea level. This area of northeast Ontario is characterized by climate typical of northern boreal forest areas, with extended periods of sub-zero temperatures in the winter months from November through to March. Moderate temperatures prevail during the summer months with temperatures in the range of ten to thirty degrees Celsius accompanied by moderate precipitation.

The Hart Project surface area is large enough to accommodate all future mining related infrastructures. It is located in close proximity to other Liberty assets including the active Redstone and McWatters Mines

History

Minor trenching was completed by L.N. Hart on surface iron formation exposures in the period 1960 to 1964. Between 1964 and 1969, Norlex Mines Ltd. completed 1,854 metres of drilling in thirteen holes on the property. Eight of the Norlex drill holes intersected the nickel mineralization. Paramaque Mines Ltd. drilled 1,950 metres of core in six diamond drill holes in 1968 and 1969 that intersected the nickel mineralization. McWatters Gold Mines Limited acquired the property from Paramaque in 1969 and completed 2,440 metres of drilling in eight holes.

Starfire Minerals Inc (“Starfire”) drilled a total of six very shallow holes in the immediate area of the surface nickel showing in 2002. Canadian Arrow acquired the property in 2004 and drilled five drill holes, totalling 306 metres. Liberty optioned the property in 2006 and subsequently drilled 104 core boreholes (31,277 metres) in 2007 and 2008.

On January 18, 2008, Liberty met all obligations to Canadian Arrow Mines as set out under the option agreement, so that now Liberty owns 100 percent of the Hart property with no subsidiary involved.

Geology and Mineralization

The Hart Project nickel deposit is hosted by ultramafic rocks that form part of, or intrude, the Tisdale assemblage that flank the Shaw Dome and form part of the Abitibi Greenstone Belt. To date five nickel-copper platinum group metals deposits have been discovered in the Shaw Dome (including the Hart deposit) and numerous showings have been identified. These five deposits occur in komatiitic rocks found within the Deloro assemblage near the base of the Tisdale assemblage.

Five main rock types have been identified from Hart Project diamond drill core and surface mapping: footwall intermediate to felsic volcanics, banded iron formation, ultramafic flows, felsic dikes, and mafic dikes. The Hart deposit sulphide zone can be subdivided in three distinct zones: an upper zone of nickel-enriched banded iron formation, a basal lower zone consisting of massive to semi-massive sulphides and an interstitial zone of disseminated sulphides.

The komatiitic rocks, which host the nickel mineralization are serpentinized and locally altered to talc, chlorite and carbonate. The main sulphide zone that comprises the majority of the mineral resource consists of komatiite-hosted massive to semi-massive sulphides lying conformably on dacitic pyroclastic flows. Typical sulphide concentrations range from sixty to eighty percent pyrrhotite and ten to thirty percent pentlandite. Other sulphide minerals include minor pyrite and chalcopyrite.

Mineral Resource Estimation

The mineral resources presented herein are reported in accordance with the Canadian Securities Administrators' National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines.

The database used for resource estimation includes drilling data collected during three exploration programs conducted during the period 2005 to 2008. The total database comprises 115 boreholes and five surface trenches.

Three 3D wireframes (iron formation, massive sulphide and disseminated sulphide) were constructed from the drilling information and a 0.3 percent nickel threshold to constrain grade estimation. The massive and disseminated sulphide wireframes were sub-divided in to two sub-domains (lower and upper).

Assay intervals in each wireframe were composited to 1.0 metre and extracted for statistical analyses and grade interpolation. After review of probability plots, nickel and copper composites were capped at 4.86 and 0.33 percent, respectively.

Isatis software was used to model traditional experimental variograms from the capped composites for the various mineralization domains for nickel and copper in all three principle directions. A single spherical structure variogram was fitted for each direction coinciding with geological features of the nickel mineralization. A Datamine sub-block routine was used to fill the mineralization wireframes with un-rotated blocks. Parent block size was set at 2.5 by 2.5 by 2.5 metres in the easting, northing and elevation directions respectively. An average specific gravity was assigned to each domain based on 231 pycnometry measurements obtained from the various sulphide mineralization types.

Block grades were estimated using inverse distance squared estimator because it was found to appropriately reflect general grade trends. Block grade estimation was completed in a single pass using the search ellipse ranges defined by variography.

Mineral resources were classified on the basis of variography and the confidence in geological interpretation. An Indicated Mineral Resource classification was assigned to blocks within the primary variography range from sample points. An Inferred Mineral Resource classification was assigned to blocks within twice the primary variography range from informing data.

Mineral resources for the Hart Project deposit have been estimated according to the "CIM Standards on Mineral Resources and Reserves: Definitions and Guidelines" (December, 2005) by Glen Cole, P. Geo an independent Qualified Person as defined by NI43-101. The Mineral Resources for the Hart nickel deposit are reported at a single cut-off of 0.46 percent nickel, that is considered by Liberty management to be achievable by a future underground mine, considering the nature of the nickel mineralization, its geometry and the projected underground extraction scenario. This cut-off is primarily based on current mining experience at the comparable McWatters and Redstone Mines. The Mineral Resource Statement for the Hart nickel project is presented in Table vi.

Table vi. Mineral Resource Statement, Hart Nickel Project Timmins, Ontario, SRK Consulting, January 1, 2010

Sulphide Zone	Classification	Tonnes (000's)	Nickel (%)	Copper (%)	Contained Nickel (lbs 000's)
IF Zone	Indicated	120	0.70	0.06	1,850
	Inferred	12	0.86	0.07	225
Massive Zone					
Lower	Indicated	999	1.56	0.11	34,352
	Inferred	228	1.40	0.09	7,044
Upper	Indicated	353	1.36	0.09	10,588
	Inferred	59	1.12	0.08	1,466
Disseminated Zone					
Lower	Indicated	60	0.63	0.04	838
	Inferred	22	0.52	0.02	255
Upper	Indicated	14	0.50	0.03	152
	Inferred				
Total	Indicated	1,546	1.40	0.10	47,779
	Inferred	322		0.08	8,990

* Reported at 0.46% nickel cut-off. All figures have been rounded to reflect the accuracy of the estimate. Mineral Resources are not Mineral reserves and do not have demonstrated economic viability

Exploration and Drilling

The relevant exploration drilling information considered for resource estimation was collected during drilling programs conducted during the period 2005 to 2009. The total database used in the Mineral Resource estimate includes 104 drill holes completed by the Corporation, 11 drill holes completed by others prior to the Corporation's involvement in the project, and five surface trenches.

Subsequent to the Mineral Resource estimation, the Corporation completed other drilling on the Hart property, the vast majority of which lie outside the Hart mineralized zone and the mineral resource and reserve estimates contained in the Stantec technical report. The Corporation did not complete any drilling in the area of the Hart mineralized zone in 2010. In 2011, a total of 9,302.7metres of drilling in 31 NQ-sized holes were completed on the Hart property, principally in the area east of the Hart mineralized zone. In 2012, a total of 4,579.4metres in 8 NQ-sized drill holes were completed by the Corporation on the HART property, the majority of which explored areas outside the Hart mineralized zone.

As only a few drill holes have been completed within the area of the Hart mineralized zone subsequent to resource estimation completed by the last previous January 26, 2010 SRK Technical Report on the Hart Deposit, that drilling has had no material impact on the resource figures contained in the 2010 technical report, and those resource figures remain unchanged in the updated October 2, 2012 Hart Technical Report.

Sampling Method, Approach and Analyses

Liberty used industry best practices to sample, handle and assay core samples collected on the Hart project. Core samples were collected from half core split mechanically lengthwise. Sampling intervals honour geological boundaries.

Liberty submitted their core samples to the accredited ALS-Chemex laboratory for preparation in Timmins and assaying in the North Vancouver, British Columbia laboratory. Each sample was assayed for nickel and copper by aqua regia digestion and atomic absorption spectrometry and occasionally for gold, platinum and palladium by conventional ICP-AES.

Liberty implemented adequate analytical quality control measures to monitor the reliability of assay results delivered by the primary laboratory. This includes the use of quality control samples and blanks, and check assaying at umpire laboratories.

During 2012, AGAT Laboratories Ltd. of Mississauga completed the Corporation's geochemical analyses for its exploration drill core samples.

Data Verifications

SRK visited the Hart project on January 18, 2008 during active drilling. SRK inspected active and recent drilling sites, and reviewed with Liberty personnel field and drilling procedures. Drill core from five recent boreholes was examined to ascertain the geological setting of the nickel mineralization and to verify logging information.

SRK reviewed the analytical quality control data produced by Liberty and summarized these data on a bias chart to ascertain the reliability of assay data delivered by the primary laboratory.

SRK collected seven core samples replicating the original sampling intervals for independent verification. The verification samples were specifically collected to attest to the existence of nickel and copper mineralization on the Hart property.

In the opinion of SRK, exploration data collected by Liberty generally meet "industry best practices" and are sufficiently reliable for the purpose of resource estimation.

Mineral Processing and Metallurgical Testing

Liberty operates the Redstone Mill located at the Redstone mine and approximately 6 kilometres by road from the Hart project. This 2,000 tonne per day capacity mill has been specifically built to process nickel sulphide ore with a high MgO content.

The mill uses conventional floatation and a laser induced plasma spectrometer online analyzer to measure the magnesium and nickel contents of the ground ore entering the flotation circuit. During the third and fourth quarter of 2009, the mill achieved an average nickel recovery of ninety five percent with a monthly throughput between 4,000 and 10,000 tonnes. Mill feed head grade varied between 0.8 and 2.2 percent nickel

Mine Plan

The Hart Potentially Mineable Tonnage averages 1.29 percent nickel over 1.7 million tonnes that will benefit from a selective low cost mining method. The tabular deposit strikes SSE at an average dip angle of seventy-five degrees to a depth of 570 metres below surface. On surface, the deposit area is characterized by poorly drained overburden ranging from zero to 11 metres thickness.

Open at depth and along strike the known resource has a 220 metre strike length with average thickness of three metres near surface and 11 metres at depth. The deposit averages 3,000 tonnes per vertical metre.

From diamond drill information it appears that the footwall contacts are sharp with massive mineralization against volcanic rock while the hangingwall is gradational with a transition into a low grade disseminated sulphide zone.

This study assumes the rock mass characterization at the nearby Redstone and McWatters Nickel Mines are representative of what maybe experienced at Hart. Rock mass quality at the site is therefore assumed to be poor to fair which suggests a non-entry stoping method be employed to recover the resource.

An owner-operated underground mine (with contractor support) is planned with ramp access (4m x 4m).

Stantec estimates a mine life of 8 years including a 3 year ramp-up period with an average mining rate of 750 tonnes per day in Year 3.

A 3-D model was constructed to plan the underground mine and estimate life-of-mine development requirements. Expectations are that a total of 8,500 metres of lateral development and 560 metres of raise development will be required over the life of mine.

Hart Mine will be accessed by a 4 x 4m ramp, 4m x 3m levels and 3m x 3m drawpoints. Raises for fresh air are planned at 3m x 3m from surface to the bottom of the designed mine, with exhaust exiting through the main access ramp.

Highway haulage trucks will then drive under the bins and load with plant feed for delivery to the Redstone mill 6 kilometres away or short haul 200 meters to surface waste storage.

Mine contractors will perform the following functions at Hart; ramp development, Alimak raise development, production drilling and blasting. Liberty crews will be used to develop all working levels (40m L, 90m L, 190m L, 290m L, 390m L, 490m L and 570m L) as well as perform all mine service, rock handling and paste backfilling functions.

Environmental

Liberty has conducted the necessary environmental studies and obtained the necessary permits to be able to conduct mining operations for Hart. These permits include a Closure Plan, Certificate of Approval – Air, and an Amended Permit to Take Water (along with the McWatters site). An application to allow use of the McWatters containment pond for mine water discharge from the Hart site continues to be under review with the Ontario Ministry of the Environment since being submitted in early 2012. When approved, this permit will ve a Certificate of Approval – Industrial Sewage, and the final permit required to operate the Hart Mine.

The Hart project will benefit from the environmental programs and plans already developed by Liberty at its other mining operations that can be amended to address the Hart project. These plans include “Spill Prevention and Emergency Response”.

Mine dewatering effects need to be studied but Liberty does not expect to adversely impact any other water users, surface water features, or sensitive areas.

Harts main rock types, assumed to be similar to those at the nearby McWatters Mine, are expected to show that, on aggregate, they are unlikely to be acid generating.

Project Risks and Opportunities

Risks

The most significant project risk is the economic viability of the Hart project if the nickel price or exchange rate experience significant and prolonged negative variances from the values used in the economic assessment.

The underground geotechnical conditions at Hart have been assumed to be similar to the neighbouring mines operated by Liberty. There is a risk that future geotechnical assessment based on underground development exposures will lead to less favourable estimates of stope dimensioning and external dilution, resulting in a negative impact on project economics.

Opportunities

Stantec believes that there is a strong potential to increase the Inferred Resources at Hart particularly by drilling the depth extensions of the sulphide zones. It is most likely that additional infill drilling will upgrade the current Inferred mineral resources to an Indicated classification.

The project is most sensitive to the nickel price and any increase in the nickel price will have a positive effect on the project cashflow.

Other Properties

The following technical disclosure for Liberty's non- principal properties has been reviewed and authorized by Liberty's Vice President of Exploration, Heather Miree, B.Sc. (Honours), P.Geo., a qualified person as defined by National Instrument 43-101.

Regional Exploration

In 2011, several exploration targets were selected for follow-up exploration from an airborne geophysical survey completed over Liberty's Shaw Dome property package. These targets were located within favourable stratigraphy on strike and between the Redstone, Hart and McWatters deposits. Three of these regional targets were evaluated in 2011 and 2012 using soil surveying. A combination of both SGH (soil gas hydrocarbon) and MMI (mobile metal ion exchange) soil geochemistry surveys have been conducted over these three exploration targets. Target "A3" was found to have high levels of nickel and copper both with the SGH and MMI soil samples, possibly representing the up-dip or surface expression of the Hart East Deposit. Another target, "A6", located approximately equidistant between the Hart and McWatters deposits has also contained high SGH nickel and copper values and was tested with diamond drilling in early 2012. Of the six drill holes completed in the A6 area in early 2012, hole A6-12-02 returned the 'best' result, with 0.70% Ni over 0.6metres intersected between 149.1 and 149.7m. .

Hart East

In 2011, additional drilling was completed on the Hart East Zone, which as its name implies, lies approximately 300m east of the (main) Hart Deposit. The program consisted of eight drill holes totaling 4,128 metres drilled. Drilling focused on expanding upon an earlier drill hole H-11-11 which intersected 0.82% Ni over a drilled width of 36.0 meters from 335.0 to 371.0 meters including 2.05% Ni over a drilled width of 9.5 meters. The drill hole intercept occurred approximately 300 meters east of the Hart Deposit

at a vertical depth of approximately 350 meters below surface. Subsequent drilling focused on up-dip, down-dip and on strike potential with 25 meter step outs to expand upon the discovery hole intercept. The satellite pod of nickel mineralization, referred to as the "Hart East" is typical of Kambalda styles of nickel mineralization wherein these deposits typically occur in clusters in relatively close proximity to one another. Drill hole H-11-11 intersected mineralization described as disseminated, blebby, fracture filled and settling into net textured to semi massive sulphides.

Drilling in 2011 expanded mineralization for a strike length of 75 meters with up-dip and down-dip continuity of approximately 150 metres. Some of the more significant drill hole intercepts include drill hole H-11-13, drilled approximately 75 metres up-dip of drill hole H-11-11 which intersected 0.83% Ni over a drilled width of 6.5 metres from 279.2 to 285.7 metres. Drill hole H-11-17, collared 25 metres west of drill hole H-11-11 intersected 0.58% Ni over a drilled width of 7.0 metres from 392.0 to 399.0 metres including 1.0% Ni over a drilled width of 2.5 metres from 395.0 to 397.5 metres. Drill hole H-11- 15, collared 25 metres east of H-11-11, intersected 1.49% Ni over a drilled width of 1.50 metres from 353.7 to 355.2 metres. A further step out drill hole, H-11-16, collared 50 metres east of the discovery drill hole intersected 0.33% Ni over a drilled width of 5.0 metres from 287.0 to 292.0 metres.

In 2012, the Corporation completed 2 NQ-sized drill holes on the Hart East zone, totaling 911metres. Of these, drill hole H-12-30 intercepted 1.32 % Ni over 0.9metres between 660.5 and 661.4metres.

Groves Nickel Copper PGM Project

The Groves project is located approximately 75 km south of Timmins Ontario and hosts a a magmatic Nickel-copper (Ni-Cu)zone which was the main focus of early exploration on the property by the Corporation Also, the property is located along the north side of the Ridout Lake Shear Zone, and hosts a historic gold showing,. IAMGOLD's recently acquired Cote Lake Deposit, which host over 5 million ounces gold is located along the south side of the Ridout Lake Shear Zone. Therefore, the Groves property is also of considerable interest in terms of gold potential.

The Corporation completed 1,248metres of diamond drilling in 13 NQ-sized holes on the Groves property in 2011 as well as ground geophysics . The 2011 drill program consisted of a series of short drill holes to validate the historical drilling as well as follow-up on the ground geophysics. The most successful drill hole in this program, drilled into the heart of the Groves Deposit, intersected 2.10% Ni, 2.03% Cu and 0.57 g/t Au over a drilled width of 11.70 meters. Highlights of the 2011 drill results are reported in the table below . The core lengths noted on the table are the intercepted lengths and therefore may not represent true widths of the mineralization.

Groves 2011 Drill Program Results Highlights:

Hole Number	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Pt (gpt)	Pd (gpt)	Au (gpt)
GR-11-01	38.2	41.1	2.90	1.09	1.08	0.42	0.15	0.53
GR-11-02	35.8	37.2	1.40	0.51	0.47	0.13	0.10	0.14
GR-11-02	55.4	55.8	0.40	0.42	0.73	0.02	0.01	0.18
GR-11-03	N.S.V.							
GR-11-04	10.4	10.9	0.50	0.39	0.51	0.11	0.07	0.14
GR-11-05	19.8	35.3	15.50	1.69	1.66	0.11	0.08	0.73
Including	22.3	34.0	11.70	2.10	2.03	0.13	0.10	0.57
Including	24.8	27.5	2.70	3.69	3.48	0.27	0.15	0.82
GR-11-06	N.S.V.							

Drill hole GR-11-11 intersected 1.84% combined copper-nickel (0.84% Ni, 1.0% Cu) over a drilled width of 1.3 meters approximately 25 meters east of the Groves Deposit. Drill holes GR-11-07 to GR-11-10 targeted IP chargeability and resistivity conductors to the west and southwest but did not return any significant values. Follow up exploration work on the Groves property will consist of a program of additional ground geophysics and, contingent on results, diamond drilling.

The Croxall (Mustang) Project:

In 2005, Mustang Minerals Corp. drilled a number of airborne EM targets approximately 4.2 km northwest of the Redstone Deposit. Drill hole MA05-01 intersected 0.62% Ni over an intercept length of 3.34 meters, discovering the “Mustang Showing”. Additional drilling intersected anomalous nickel mineralization approximately 140 meters to the east of this intercept. Further follow up drilling was recommended on strike of the intercept with tighter spaced drilling.

Liberty acquired an interest in the main portion of the “Croxall” property (known as the “Croxall 1” property) via an option agreement dated June 5, 2006. Liberty completed 1360.8metres of diamond drilling in 7 NQ-sized drill holes on the Croxall property in 2007. A 2007 drill hole completed down-dip of the MA05-01 intercept, returned only anomalous nickel mineralization. None of the drill holes completed in 2007 returned nickel content >0.35% in any of the sampled intervals.

Liberty completed 1,931metres of diamond drilling in 10 NQ-sized drill holes on the Croxall property between October and November 2011. Drill hole CL-11-02, collared 25 meters east of the Mustang historic intercept, intersected 1.20% Ni over an intercept length of 2.4 meters within a broader drilled interval of 0.92% Ni over 4.2 meters. Subsequent drilling in the 2011 program focused on expanding upon this intercept with drilling on strike and down dip. To date, a strike length of 50 meters has been established in the area of the Mustang Showing

Drill hole CL-11-03, collared 25 meters west of the 2005 Mustang discovery hole intersected 0.50% Ni over an intercept length of 2.1 meters from 73.5 to 75.6 meters. The intersection of nickeliferous sulphides grading laterally with sulphide facies iron formation is significant as these deposits can grade laterally into more massive Ni-Cu bearing sulphides as supported by the intercept in CL-11-02. Highlights of results from the drilling on the Croxall project are shown in the table below. The core lengths presented in the table are the intersected lengths, and therefore may not represent true width of the mineralized unit.

Croxall Property, Drill Results Highlights:

HOLE NUMBER	FROM (M)	TO (M)	INTERVAL (M)	Ni Grade (%)
MA05.01	61.5	64.04	2.54	0.62
CL-11-01	46.2	47.6	1.4	0.47
	87.6	88.1	0.5	0.90
CL-11-02	47.8	52.0	4.2	0.92
INCL	49.6	52.0	2.4	1.24
CL-11-03	73.5	75.6	2.1	0.50
CL-11-05	83.2	83.9	0.7	0.68
and	111.6	111.9	0.3	1.39
CL-11-07	117.0	117.6	0.6	1.76

In addition to the main portion of the Croxall property, which contains the Mustang showing, the Corporation acquired an interest in other claims groups contiguous with the portion optioned in 2007, via two other separate option agreements, known as the “Croxall 2” and “Croxall 3” Options. The

Corporation exercised its options on all three of these properties in Q4 2012. Collectively these properties are now known as the "Croxall Property". No drilling has been completed by Liberty on the Croxall 2 and 3 portions of the Croxall property, largely due to financial restraints.

Along with its' entire property position in the Shaw Dome, the Corporation completed an airborne geophysical survey in 2008 over the Croxall property. The survey was performed by Geotech using the VTEM method. Several anomalous conductive responses, coincident with favourable geology, have been identified from this survey, representing exploration targets for Kambalda-style nickel mineralization. The Corporation plans to evaluate these anomalies with ground geophysics and diamond drilling in 2013 and 2014, contingent on financing.

McAra Lake Cobalt Project

The McAra Lake Property is located in Larder Lake Mining Division, Ontario, within NTS 41P/06 quadrangle. This site is approximately 100 km north of Sudbury and about 30 km south-southeast of the village of Shining Tree.

The Property consists of 30 contiguous mining claims in Dufferin, North Williams, Leith and Ray Townships, namely:

Township	Claim Numbers	Claim Block Size (ha)
Dufferin	1212544, 1223344, 1223599, 3000744, 3000745, 3009750, 3009751, 3009991	1280
North Williams	1212541, 3015902, 4203118	688
Ray	1249007, 1249008, 1249009, 1249017, 1249018, 3009752, 4202675, 4202677, 4202678, 4210939, 4211409, 4211410, 4211411, 4211412, 4211413	3392
Leith	4211405, 4211406, 4211407, 4211408	944

Mining Claims 1212541, 1212544, 1223344 and 1223599 are subject to a 3% NSR of which 1.5% can be purchased for \$1 million dollars. These claims are also subject to a charge of \$2.50 per tonne of economically processed material.

Claim 1223599 is subject to a 3% NSR of which 1.5% can be purchased for \$1 million dollars. The remaining mining claims stated are subject to a 2% NSR of which 1% can be purchased for \$1 million dollars.

The Corporation intends to explore the McAra property with ground geophysics in 2013 in order to better delineate geological and mineralization trends.

Quality Assurance / Quality Control:

In addition to the Quality Assurance / Quality Control ("QA/QC") procedures in place at each of the independent commercial laboratories used by the Corporation for the geochemical analysis of rock materials for its exploration and advanced exploration programs, a rigorous QA/QC program is employed as part of the Corporation's standard operating procedures. These QA/QC procedures are consistent with the industry standards as well as the standards of the NI 43-101 and the CIM Estimation of Mineral Resources and Mineral Reserves Best Practices Guidelines. The Corporation's QA/QC procedures include the insertion of standards and blanks at an approximate rate of one standard and one blank for

every 20 core samples. Samples of NQ-sized drill core are sawn in half with one half sent to an independent commercial laboratory and the other half retained for future reference. Core samples are routinely analyzed for nickel and copper using sodium peroxide fusion and ICP finish. Any analyses greater than 5,000 ppm are re-analyzed using total acid digestion. AGAT Laboratories of Mississauga, Ontario performed all drill core analyses of the Corporation during 2012.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has not paid any dividends since incorporation. The Corporation does not have a fixed dividend policy. Payment of dividends in the future will depend upon, among other factors, the earnings, capital requirements and financial conditions of the Corporation. The Corporation does not anticipate that any dividends will be paid in the foreseeable future.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares of which 206,477,365 Common Shares are issued and outstanding as fully paid and non-assessable as at March 27, 2013. Each Common Share entitles the holder thereof to receive notice of and vote at each meeting of the holders of Common Shares on the basis of one vote per Common Share. The holders of Common Shares are entitled to receive dividends to the extent declared by the directors of the Corporation, and to participate in the distribution of any assets upon the dissolution or winding-up of the Corporation, subject in each case to the rights attaching to any securities which have priority over the Common Shares.

The Corporation is authorized to issue an unlimited number of Preferred Shares of which 148,895,601 Series "A" Preferred Shares are issued and outstanding as fully paid and non-assessable as at March 27, 2013. The terms of the Series "A" Preferred Shares are as follows.

- a) Redeemable by the Corporation 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 the holder 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; and
- c) Pay an 8.0% cumulative annual dividend to holder accruing on a quarterly basis.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the symbol "LBE". The table below sets forth the high and low trading prices and volumes for the Common Shares traded through the TSX on a monthly basis for the period commencing on January 1, 2012, and ending on December 31, 2012.

Month	High	Low	Volume
January	0.14	0.14	176,000
February	0.15	0.15	180,100
March	0.14	.014	132,900
April	0..12	0.11	67,000
May	0.11	0.11	35,000
June	.0.10	0.08	156,000
July	0.08	0.08	0
August	0.05	0.05	17,800

September	0.05	0.05	0
October	0.04	0.04	4,000
November	0.04	0.04	0
December	0.05	0.04	85,200

The table below outlines all options granted during 2012 pursuant to the Corporation's stock option plan.

Date of Grant	Options Granted	Exercise Price	Expiry Date
August 28, 2012	7,975,000	\$0.06	August 28, 2017
Total	7,975,000	\$0.06	August 28, 2017

DIRECTORS AND OFFICERS

As of March 27, 2013, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercised control or direction over an aggregate of 50,000 Common Shares, representing approximately 0.03% of the total issued and outstanding Common Shares as at such date.

The following table sets forth the name, municipality of residence, office held with the Corporation, date on which each first become a director (if applicable) and principal occupation during the last five years of each of the directors and executive officers of the Corporation as of March 27, 2013. As a result of the Corporation's financial position, the board of directors have limited the authority of all employees of the Corporation so that the only persons who currently have the ability to make decisions other than the board of directors are the Chief Executive Officer and the Chief Financial Officer. As a result, the Corporation is of the view that there are no other executive officers of Liberty as of the date of this AIF.

Name and Residence	Position With Corporation	Principal Occupation for Five Preceding Years	Director/Officer Since	Number of Common Shares Held or Controlled ⁽¹⁾
Christopher Stewart Ontario, Canada (3)(4)(5)	President/ CEO, Director	Chief Executive Officer of the Corporation since May 2011 Manager Shaft Projects – BHP Billiton (Apr 2010 to May 2011) Manager Business Development – DMC Mining (Apr 2009 to March 2010) VP Operations – Lake Shore Gold (March 2008 to March 2009) VP Mining Services – TESC Contracting Ltd. (August 2007 to March 2008) Area Manager – Dynatec Corporation (May 2005 to August 2007)	May 16, 2011	nil
David Birch Ontario, Canada	CFO	Chief Financial Officer of the Corporation since June 2012 Vice President McClelland Premium Imports (July 2011 to June 2012)) Director of Performance Management - AB Inbev (February 2008 to February 2011) Vice President Commercial Finance-Inbev International (August 2007 – Feb 2008)	June 4, 2012	nil
Shu Zhang (21)(52)	Director	President & COO Jien International Investment Ltd, June 2011 to present. Group General Manager/Operations Development for Sino Gold Mining/Eldorado Gold Corp. from Jan 2008 until August 2010, General Manager, White Mountain Gold Mine for Sino Gold Mining from Jan 2007 to Jan 2008, and Group General Manager/HR for Sino Gold Mining from May 2004 to Dec 2006	June 28, 2011	nil
Wu Shu (2)(4) Beijing City, China	Chairman of the Board	President Jilin Haorong Nonferrous Metal Group Co., Ltd. since April 2008. Previously CFO/Director JJNICL from August 2000 to April 2008.	May 8, 2009	nil
John Pinsent, CA, ICD.D Alberta, Canada (1)(2)(3)	Lead Director	Partner, St. Arnaud Pinsent Steman, Accountants, 2004 to present. Senior Manager, Ernst & Young LLP, Chartered Accountants, 1994 – 2004.	January 15, 2007	50,000

Name and Residence	Position With Corporation	Principal Occupation for Five Preceding Years	Director/Officer Since	Number of Common Shares Held or Controlled ⁽¹⁾
James Xiang (1)(3) Ontario, Canada	Director	<work history>CFO – Jien International Investments March 2012 President – China Mineral Resource Limited 2010 to 2012	June 27, 2012	nil
G Tao Li (43)(45) Australia	Director	Engineer or manager with Mount Isa Mines, WMC Resources, Newcrest and Goldfields	Feb. 3, 2010	nil
Kim Oishi (1)(43)(4) B.C., Canada	Director	2005-Present, President & CEO Grand Rock Capital	June 28, 2011	nil

- (1) Audit Committee
- (2) Compensation Committee
- (3) Governance Committee
- (4) Special Opportunities Committee
- (5) Environmental Health and Safety Committee

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation is, as at the date of this AIF, or has been in the last 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any corporation that, while that person was acting in that capacity,

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer

other than John Pinsent who was a director of Liberty at the time that Cease Trade Orders issued by the Alberta, British Columbia, and Ontario Securities Commission on April 9, 2009 with respect to the late filing of the audited financial statements, management's discussion and analysis and annual information form of the Corporation for the year ended December 31, 2008. The Cease Trade Orders was lifted on July 17, 2009.

To the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

or

- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder,

To the knowledge of the Corporation, none of the directors or executive officers of the Corporation have been subject to

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE INFORMATION

The mandate of the Audit Committee of the Board (the “Audit Committee”) is to assist the Board in fulfilling its responsibilities by reviewing the financial information provided to the Corporation’s shareholders and other interested parties, the financial control systems established by management and the audit process. The Audit Committee has a written Charter that sets out its mandate and responsibilities. The Audit Committee Charter is set forth on page 41 of this AIF.

The Audit Committee is currently comprised of three members, two of whom are independent and all of whom are financially literate directors, as those terms are defined in Multilateral Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators:

Mr. John Pinsent, BCom CA, ICD.D is a founding partner in St. Arnaud Pinsent Steman, Chartered Accountants (a general practice chartered accounting firm) following a distinguished ten-year career as an assurance senior manager with Ernst & Young LLP in Edmonton. While at Ernst & Young, Mr. Pinsent acquired significant mining industry experience as the audit senior manager on such clients as Luscar Ltd, the Luscar Coal Income Fund, IMC Global and Echo Bay Mines. He specializes in the provision of accounting, audit, tax and business advisory services to a wide variety of industries but has a particular passion for developmental enterprises. Mr. Pinsent is a highly qualified and experienced person to serve as Chairman of the Audit Committee.

Mr. Kim Oishi is the Founder and President of Grand Rock Capital, a company that invests in high growth companies, and provides consulting services for investor relations, corporate finance, business development, mergers and acquisitions for companies listed on the Toronto Stock Exchange and the TSX Venture Exchange. During his career, he has been involved in raising over \$500 million in debt and equity financings. He is currently a director of China Health Labs & Diagnostics Ltd., a leading diagnostic lab solution provider for the public healthcare industry in China (TSXV: CHO); Liberty Mines Inc., a nickel producer located in Ontario (TSX: LBE); Great Northern Gold Exploration Corporation, a gold exploration company with property in Northern Manitoba (TSXV: GGE); and KCO Capital Inc., a capital pool company (TSXV: KCO.P). Mr. Oishi has also held Board and senior management positions with a number of public and private companies, including President and then a director of Hanfeng Evergreen (TSX: HF) from 2004 - 2008, during its high growth phase.

Mr. James Xiang is the CFO of Jien International Investment Ltd. Prior to that, Mr. Xiang was President of China Mineral Resources Limited which is a private equity investment company in resource industry and

also provides financial advisory services to Chinese companies that are seeking listing, financing and M&A opportunities in North America and Canadian companies that are seeking for financing and marketing in Asia. Prior to that Mr. Xiang has been CFO of TSXV listed companies for many years. Mr. Xiang holds a B.A. from a Chinese University and MBA from York University. Mr. Xiang is a CMA in Ontario and CPA in Delaware. Mr. Kim Oishi has seventeen years of experience in capital market and investor relations for public companies, serving as an officer or director of a number of TSX and TSXV listed companies. Since 2004, he has focused on companies with investors and operations in China.

Reliance on the Exemption in Subsection 3.3(2)

Only three of the seven directors of the Corporation currently qualify as independent directors for the purposes of constituting the Corporation's audit committee. The Corporation has appointed as the third member of the audit committee, DJames Xiang who is the CFO of JIIL, an affiliated entity. The Corporation is relying on the 3.3(2) of 52-110 for Mr. Xiang. Mr. Xiang is not an employee of the Corporation. The Corporation has resolved that Mr. Xiang could exercise the impartial judgment necessary for him to fulfill his responsibilities as a member of the Audit Committee and that such appointment was in the best interests of the Corporation.

Pre-Approval Policies and Procedures

All non-audit services shall be approved or disapproved by the audit committee as a whole.

Audit Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Corporation for professional services rendered to the Corporation during the fiscal years ended December 31, 2012, December 31, 2011 and December 31, 2010, for audit and non-audit related services:

Type of Work	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit fees ⁽¹⁾	95,000	251,010	156,301
Audit-related fees ⁽²⁾	35,000	88,698	92,507
Tax advisory fees ⁽³⁾	15,000	31,221	18,844
All other fees ⁽⁴⁾		0	60,000
Total	145,000	370,929	327,652

Notes

- (1) Aggregate fees billed for the Corporation's annual financial statements and services normally provided by the auditor in connection with the Corporation's statutory and regulatory filings.
- (2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as "Audit fees", including: assistance with aspects of tax accounting, attest services not required by statute or regulation and consultation regarding financial accounting and reporting standards.
- (3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.
- (4) Fees billed for International Financial Reporting Standards (IFRS).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar is Computershare Investor Services Inc.
Suite 600, 530 8th Avenue S.W.
Calgary, AB, T2P 3S8

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date hereof, the Corporation is aware of two outstanding legal actions which have been brought by former employees against the Corporation for wrongful dismissal. The Corporation vigorously denies that it was at fault and is defending itself against both claims. In one of the claims the Corporation has filed a counterclaim against the individual.

In addition, there are currently five outstanding claims against the Corporation brought by creditors in respect of outstanding invoices totalling approximately \$1.4 million. The Corporation is pursuing its available defences in respect of these claims.

In March of 2012 the Corporation was served with five charges under the Lake and Rivers Improvement Act. These charges stem from the tailings facility. The Corporation intends to vigorously defend against these charges.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

JNIL owns 60% of the Common Shares of the Corporation. In addition, JNIL holds 148,895,601 Preferred Shares. The features of the Preferred Shares are described under the heading "Description of Share Capital" on page 39 of this AIF and in note 17(vi) on the Corporation's 2012 audited annual Financial Statements. JNIL is the secured creditor of the Corporation with obligations currently totalling \$115,445,665. The creation of the 2012 term loans must be approved by the shareholders at the annual meeting to be held in , 2013. For more detail on the outstanding loans, please see the heading "General Development of the Business – Three Year History – Financing Activities" on page 3 hereof.

MATERIAL CONTRACTS

The IBA agreement signed with the First Nations on April 15, 2008 described above is considered to be part of the normal course of doing business in northern Ontario, Canada as is the agreement with Xstrata for the purchase of nickel concentrate produced by the Redstone Mill.

Other than contracts entered into in the ordinary course of business, the following sets out the Corporation's material contracts:

1. Agreements governing all outstanding obligations to JNIL including all applicable security documents .

INTERESTS OF EXPERTS

Names of Experts

[Glen Cole, P. Geo, Philip Bridson, P. Eng. and Andrew Mackenzie, P. Eng. of SRK Consulting (Canada) Inc. prepared the "Technical Report Redstone Nickel Mine Ontario Canada" dated January 8, 2010; the "Technical Report McWatters Nickel Project Ontario Canada" dated December 18, 2009; and the "Preliminary Economic Assessment for the Hart Project Ontario, Canada" dated January 26, 2010.

Carlo Cattarello, P. Eng. was the consulting metallurgist for the "Technical Report Redstone Nickel Mine Ontario Canada" dated January 8, 2010; the "Technical Report McWatters Nickel Project Ontario

Canada" dated December 18, 2009; and the "Preliminary Economic Assessment for the Hart Project Ontario, Canada" dated January 26, 2010.

Keith Viles, P. Eng, Klohn Crippen Bergen prepared the engineer designed drawing for the tailing pond facility repair and expansion.

Interests of Experts

SRK Consulting (Canada) Inc and the geologists who have prepared reports on the Corporation's properties do not hold any Common Shares of the Corporation.

Carlo Cattarello, P.Eng. an independent consulting metallurgist holds 500 Common Shares of the Corporation, which is substantially less than one percent of the outstanding Common Shares.

Keith Viles, P. Eng, an engineer employed by Klohn Crippen Bergen who prepared the engineer designed drawing for the tailing pond facility repair and expansion does not hold any Common Shares of the Corporation.

The auditors of the Corporation are BDO Canada LLP who reports they are independent of the Corporation in accordance with the Rules of Professional Conduct of The Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Corporation filed under its continuous disclosure obligations is available on SEDAR (the System for Electronic Document Analysis and Retrieval, which has been established by the Canadian Securities Administrators) at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Information Circular for its most recent annual meeting of shareholders held on June 28, 2011 and additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. A copy of such documents may be obtained, upon request, from the Corporation. The Corporation may require the payment of a reasonable charge from a person or Corporation who is not a holder of securities of the Corporation. For additional copies of this annual information form please contact:

Liberty Mines Inc.
5775 Yonge Street, Suite 1210
Toronto, ON. M2M 4J1.
Tel: (416) 226-4360
Fax: (416) 226-0857
Email: info@libertymines.com

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of LIBERTY MINES INC. (the “Corporation”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee’s primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel;
- review the quarterly and annual financial statements and management’s discussion and analysis of the Corporation’s financial position and operating results and report thereon to the Board for approval of same;
- select and monitor the independence and performance of the Corporation’s external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- provide oversight to related party transactions entered into by the Corporation.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee’s duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part IV of this Charter.

II. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for advisors employed by the Committee; and

- (c) communicate directly with the internal and external auditors.

III. COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission ("OSC"), the TSX Venture Exchange, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.
2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.
3. A majority of the members of the Committee shall not be officers or employees of the Corporation or any of its affiliates.
4. The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present either in person or by telephone shall constitute a quorum.
5. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
6. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
7. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
8. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
9. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

10. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
11. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

IV. RESPONSIBILITIES

A. Financial Accounting and Reporting Process and Internal Controls

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable generally accepted accounting principles ("IFRS") and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
2. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
3. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and interim earnings press releases, and periodically assess the adequacy of these procedures.
4. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim earnings press releases, that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.
5. The Committee shall meet no less frequently than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the

absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.

6. The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.
7. The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
8. The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.
9. The Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
10. The Committee shall provide oversight to related party transactions entered into by the Corporation.

B. Independent Auditors

1. The Committee shall recommend to the Board the external auditors to be nominated, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
3. The Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the external auditors in accordance with the terms of this charter.
4. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
5. The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
7. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within GAAP that were discussed with management, their ramifications, and the external auditors' preferred

treatment and material written communications between the Corporation and the external auditors.

8. The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
10. The Committee shall monitor and assess the relationship between management and the external auditors and monitor and support the independence and objectivity of the external auditors.

C. Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

LIBERTY MINES INC.**Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Corporation shall inform employees on the Corporation's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "Complaints Officer") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

Procedures for Approval of Non-Audit Services

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation's accounting records;
 - (b) financial information systems design and implementation;
 - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (d) actuarial services;
 - (e) internal audit outsourcing services;
 - (f) management functions;
 - (g) human resources;
 - (h) broker or dealer, investment adviser or investment banking services;
 - (i) legal services;
 - (j) expert services unrelated to the audit; and

- (k) any other service that the Canadian Public Accountability Board determines is impermissible.

2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.

The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.