Liberty Mining Inc.

IFRS Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2011

(Unaudited)

Liberty Mining Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2011
(Unaudited)

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF LIBERTY MINING INC

NOTICE TO READER

The accompanying unaudited interim preliminary consolidated financial statements of Liberty Mines Inc. for the three and six months ended June 30, 2011 and 2010 have been prepared by management. These unaudited interim consolidated financial statements have not been reviewed by the Company's external auditors.

August 5, 2011

Chris Stewart

President & Chief Executive Officer

Bill Woods CMA.

Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Current Assets				
Cash and cash equivalents		$ **764,614**	$ -	$ -
Trade and other receivables	11	**130,245**	6,589,225	2,364,290
Inventories	6	**1,266,663**	618,989	570,294
Other financial assets	12	**1,638,685**	2,174,034	2,015,849
Total Current Assets		**3,800,207**	9,382,248	4,950,433
Non-Current Assets				
Exploration and evaluation assets	8	**6,104,323**	5,640,292	5,426,633
Mineral properties	9	**16,877,052**	17,146,664	19,147,287
Property, plant, & equipment	7	**29,184,472**	31,611,174	34,421,179
Total Non-Current Assets		**52,165,847**	54,398,130	58,995,099
Total Assets		$ **55,966,054**	$ 63,780,378	$ 63,945,532
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities		**1,623,556**	7,718,359	5,649,830
Interest bearing notes and borrowings	**13**	**563,702**	1,522,400	2,361,643
Total Current Liabilities		**2,187,258**	9,240,759	8,011,473
Non-Current Liabilities				
Interest bearing notes and borrowings	13	**58,787,167**	49,838,502	34,509,129
Provisions	14	**1,368,768**	1,347,652	1,198,012
Total Non-Current Liabilities		**60,155,935**	51,186,154	35,707,141
Total Liabilities		**62,343,193**	60,426,913	43,718,614
Shareholders' Equity				
Share capital	15	**86,471,351**	86,466,351	86,445,481
Contributed surplus		**13,394,934**	13,208,474	12,919,026
Retained earnings		**(106,243,424)**	(96,321,360)	(79,137,589)
Total Shareholders' Equity		**(6,377,139)**	3,353,465	20,226,918
Total Liabilities & Shareholders' Equity		$ **55,966,054**	$ 63,780,378	$ 63,945,532
Common Shares				
Authorized		**Unlimited**	Unlimited	Unlimited
Issued and outstanding		**206,477,365**	168,328,457	167,208,458

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	3 months to June 30, 2011	3 months to June 30, 2010	6 months to June 30, 2011	6 months to June 30, 2010
Revenue		$ (117,067)	$ 6,936,327	$ 2,001,947	$ 14,553,576
Cost of sales		2,787,300	9,172,380	8,410,653	18,031,242
Gross loss		(2,904,367)	(2,236,053)	(6,408,706)	(3,477,666)
General and administration		831,409	550,530	1,831,061	1,171,839
(Gain)/Loss on foreign exchange		(75,883)	933,794	(400,154)	424,486
Other income		(5,441)	-	(5,441)	-
(Gain)/Loss on sale of property, plant and equipment		2,461	-	(59,458)	(93,023)
Other expenses		140,476	69,860	173,663	123,735
Operating loss		(3,797,389)	(3,790,237)	(7,948,377)	(5,104,703)
Finance income		(1,073)	(494)	(1,675)	(908)
Finance cost		555,347	1,182,101	1,975,362	2,290,411
Loss before income tax		(4,351,663)	(4,971,844)	(9,922,064)	(7,394,206)
Income tax benefit/(expense)		-	-	-	-
Loss for the year		$ (4,351,663)	$ (4,971,844)	$ (9,922,064)	$ (7,394,206)
Weighted Average common shares outstanding		168,752,017	168,150,860	168,541,434	167,996,568
Loss per ordinary share basic and diluted		$ (0.03)	$ (0.03)	$ (0.06)	$ (0.04)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital	Contributed Surplus	Deficit	Total
Balance at January 1, 2011		**$ 86,466,351**	**$ 13,208,474**	**$ (96,321,360)**	**$ 3,353,465**
Loss for the year		-	-	(9,922,064)	(9,922,064)
Issuance of shares for exploration and evaluation		5,000	-	-	5,000
Issuance of options		-	186,460	-	186,460
Balance at June 30, 2011 (unaudited)		**$ 86,471,351**	**$ 13,394,934**	**$ (106,243,424)**	**$ (6,377,139)**
Balance at January 1, 2010		$ 85,535,482	$ 12,919,026	$ (79,137,589)	$ 19,316,919
Loss for the year		-	-	(7,394,206)	(7,394,206)
Issued share capital	15	909,999	-	-	909,999
Issued share capital for exploration properties		1,025	-	-	1,025
Issuance of options	16	-	126,916	-	126,916
Options exercised		14,970	(1,470)	-	13,500
Balance at June 30, 2010 (unaudited)		$ 86,461,476	$ 13,044,472	$ (86,531,795)	$ 12,974,153

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Notes	6 months to June 30, 2011	6 months to June 30, 2010
Cash flows from operating activities			
Loss before income tax		$ **(9,922,064)**	$ (7,394,206)
Adjusted for:			
Amortization and depletion of operating assets		**2,947,985**	4,931,053
Accretion of site restoration obligation		**21,117**	33,384
Unrealized foreign exchange (gain)/loss		**(559,851)**	255,438
Gain on sale of property, plant and equipment		**(59,458)**	(93,023)
Share based payments		**186,460**	126,915
Accrued interest on short term investments		**1,885,591**	2,157,384
Changes in non-cash working capital		**(302,897)**	931,234
Net cash flows from operating activities		**(5,803,117)**	948,179
Cash flows from investing activities			
Proceeds from options		**-**	13,500
Acquisition of property, plant, and equipment		**(537,705)**	(1,604,410)
Investment in exploration and evaluation assets		**(459,031)**	(3,331,043)
Increase in construction and equipment deposits		**(170,000)**	(41,244)
Decrease/(Increase) in reclamation deposits, restricted cash		**724,750**	(114,509)
Proceeds from sale of property, plant and equipment		**377,290**	100,000
Net cash used in investing activities		**(64,696)**	(4,977,706)
Cash flows from financing activities			
Proceeds from short term debt		**8,000,000**	5,061,801
Repayment of bank indebtedness		**(661,279)**	
Repayment of capital lease obilgations		**(406,926)**	(1,032,274)
Repayment of equipment financing		**(299,368)**	-
Net cash from financing activities		**6,632,427**	4,029,527
Net increase in cash during the year		**764,614**	-
Cash, beginning of the period		**-**	-
Cash, end of the period		$ **764,614**	$ -

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

1. CORPORATE INFORMATION

Liberty Mines Inc. (the "Company") is a producer of nickel, copper, cobalt and platinum group metals from its properties located in Timmins, Ontario, Canada, and is also involved in the exploration for and development of mineral resources. The corporate head office is located at 5775 Yonge Street, Suite 1210, Toronto, Ontario, M2M4J1.

On July 1, 2007, the Company removed its pre-production classification by declaring commercial production of nickel concentrate at the Redstone mine and during the same month completed commissioning of the Redstone mill. During the fourth quarter of 2008, in the wake of a downturn in commodities prices and the general economic slow-down, a care and maintenance program was implemented at the Company's Redstone mine and mill. On May 25, 2009, the Company closed a $30,000,000 equity financing with Jilin Jien Nickel Industry Co., Ltd. ("JJNICL") (note 13).

On December 31, 2010, the Company signed a Memorandum of Understanding (the "MOU") with JJNICL and its related parties, proposing a restructuring of debt and preferred shares (note 13). The MOU was approved June 28, 2011 at the AGM. This approval resulted in the conversion of 38,098,908 preference shares being converted to common shares at the conversion ratio of 1:1. As a result of this restructuring, JJNICL owns 60% of the common shares of the Company.

In Q1 2011, the Company placed its operations on care and maintenance. A detailed production plan is currently being prepared to analyze the accessibility and viability of the stopes above the 1600 level at the Redstone Mine. The Redstone Mine continues to be dewatered in anticipation of returning to production later this year. An exploration plan is in progress to identify the mineralization below 1600 level at the Redstone Mine.

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial statements of Liberty Mining Inc and all its subsidiaries (the "Company") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). These are the Company's IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 First-time Adoption of International Financial Report Standards has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2010.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21. This note includes reconciliations of equity and loss for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

These condensed consolidated interim financial statements were authorized for use by board of directors on August 5, 2011.

b) Basis of measurement

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

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

c) Going concern

These condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company incurred a net loss of $9,922,064 during the six month period ended June 30, 2011 and, as of that date, had working capital of $1,612,949 (2010 – $141,489) and a cumulative deficit of $106,243,424 (2010 - $86,531,795). As such, the Company's ability to continue as a going concern is in significant doubt. The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company'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 Company. The procurement of additional financing through debt or equity markets is dependent on a robust nickel market and investor confidence in nickel equities in general and in the Company in particular. In the event that the Company is unable to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classifications used. Subsequent to June 30, 2011, the Company received a further $3,400,000 in financing through the MOU with JJNICL and its related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by all entities.

i) Basis of consolidation

Business combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010 (the "transition date"), the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects, on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRSs, the Company elected to restate only those business combinations that occurred on or after January 1, 2010 (the "transition date").

Subsidiaries

Subsidiaries are wholly owned entities controlled by Liberty Mines Inc. ("the Parent"). The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent. The condensed consolidated interim financial statements include the accounts of Liberty Mines Inc. and its two wholly owned Canadian subsidiaries, Liberty Cobalt Inc., and 2004428 Ontario Inc.

Transactions eliminated on consolidation

Intra-company balances, transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

ii) Commencement of production

The Company assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The company considers various relevant criteria to assess when the production phases is considered to commence and all related amounts are classified from 'Mines under construction' to 'Producing mines' and 'Property, plant and equipment'. Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in salable form (within specification)
- Ability to sustain ongoing production of metal
- Ability to sustain ongoing production of profitability

When a mine development / construction project moves into the production stage, the capitalization of certain mine development / construction costs ceases. Costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements, underground mine development or mineable reserve development are assessed to determine whether capitalization is appropriate. It is also at this point that depreciation / amortization commences.

iii) Exploration and evaluation expenditure

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. These include such costs as materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the income statement in the period the new information becomes available.

The Company reviews its mineral properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying value of the mineral properties may not be recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge, that change in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write-down.

The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the year of abandonment or sale.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, development costs capitalized as 'mines under construction.'

iv) Mines under construction

Upon transfer of 'exploration and evaluation costs' into 'mines under construction', all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within 'mines under construction.' Mines under construction are disclosed as a component of mineral properties. As the asset is not available for use, it is not depreciated. Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase. On completion of development, any capitalized exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as 'producing mines'.

v) Mineral properties

Mineral properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Company in relation to areas of interest in which mining of mineral resource has commenced. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditures are carried forward as part of the cost of that mineral property only when substantial future economic benefits are established, otherwise such expenditures are classified as part of the cost of production and expensed.

Mineral properties acquired are recognized at fair value at the acquisition date. Acquisition costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Mineral properties will be amortized on a units-of-production ("UOP") basis over estimated recoverable tons. The UOP method results in an expense proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of measured resources).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of the expenditure not yet amortized exceed its estimated recoverable amount in any year, the excess is written off to the income statement.

vi) Impairment

The Company conducts annual internal assessments of the values of capitalized exploration and evaluation expenditure. Values of mineral properties, including mines under construction, and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. The assessment of value in use often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount to its recoverable amount (i.e., the higher of fair value less cost to sell and value in use). Impairment losses related to continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses have been recognized in the past which have not been reversed. These impairments have been applied against assets of exploration and evaluation, mineral properties, and property, plant and equipment.

vii) Income taxes

The Company is subject to income taxes in Ontario. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Deferred income taxes

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

viii) Inventory

Supplies inventory

Materials and supplies expected to be used in production are valued at the lower of average cost and net realizable value. Cost includes the purchase price of materials and supplies, transportation costs and other costs to bring the inventories to their present location.

Stock-piled and work-in-process inventory

Net realizable value tests are performed at least annually and represent the estimated future sale price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bright the product to sales.

Stock-piled ore and work-in-process inventory are valued at the lower of average production cost and net realizable value. Finished goods inventory, which consists of nickel concentrate available for sale, is valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses, depreciation of operating property plant and equipment and depletion of mineral property costs. Stockpiles tonnages are verified by periodic surveys. The nickel contained within the stockpile and work-in-process is based on assays data, and the estimated recovery percentages based on the expected processing methods.

Underground in process inventory

Advanced drilling and broken ore inventories are valued at the lower of average drilling & blasting cost and net realizable value. Drilling and broken ore inventory is valued at the lower of average production cost and net realizable value. Production costs include the cost of supplies and contract services.

ix) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This occurs when product is physically delivered into the customer's yard. Revenue is measured at the fair value of the consideration received or receivable.

Nickel concentrate

Contract terms for the company of nickel, copper, cobalt and some precious metals in nickel concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. Recognition of sales revenue for these commodities is based on the most recently determined estimates of metal in concentrate (based on initial assay results) and the average monthly price for the month of shipment, with a subsequent adjustment made upon final determination.

The terms of metal in concentrate sales contract with the customer contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on the average prices in the third month following the month the metal in concentrate is treated. Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlements can be between three and six months.

x) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Site restoration costs

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The company assesses site restoration provisions annually. Significant estimates and assumptions are made in determining the provision for site restoration as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of restoration activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (3% (2010:3%)), and changes in discount rate (3% (2010:3%)). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value the future restoration cost required. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the restoration liability and restoration asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the restoration liability and therefore any deduction from the restoration asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the restoration liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36 Impairment of Assets. If, for mature mines, the revised mine asset net of restoration provisions exceed the recoverable value, that portion of the increase in charged directly to expense. For closed sites, changes to estimated costs are recognized immediately in profit or loss. Also, restoration obligations that arose as a result of the production phase of a mine are expensed as incurred.

xi) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company.

Assets in the course of construction are capitalized in the capital construction in progress category. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When a part or parts of an item of property, plant and equipment have different useful lives, and have a value of more than 10% of the purchase price, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Any repair costs that exceeds 10% of the purchase price and provides a useful life into the future that is different from the asset as a whole will be capitalized and amortized over its useful life. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization

Mill and tailing facility	straight line over 10 years
Buildings	straight line over 10 years
Mining machinery and equipment (new)	straight line over 7 years
Mining machinery and equipment (used)	straight line over 4 years
Other machinery and equipment (new)	straight line over 4 years
Other machinery and equipment (used)	straight line over 3 years
Furniture and fixtures	straight line over 5 Years
Computer equipment	straight line over 3 Years
Vehicles	straight line over 4 Years

Machinery and equipment under construction will not be amortized until construction is completed. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

xii) Leased assets

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

xiii) Finance income and finance costs

Finance income comprises of interest income on funds invested (cash and short-term investments). Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises of impairment losses recognized on financial assets, interest payable and unwinding of the site restoration discount.

xiv) Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

xv) Flow-through shares

The Company will from time to time, issue flow-through ordinary shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. The difference between the value of the tax losses surrendered and the premium received is a tax expense.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

xvi) Share-based payment transactions

The Company measures the cost of equity-settled transactions with directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

xvii) Loss per Share

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. For the period ended June 30, 2011 7,724,999 options (2010 – 5,224,999) and 148,895,602 convertible preferred shares (2010 – 186,994,510) were excluded from loss per share as their effect was anti-dilutive.

xviii) Foreign currency transactions

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars as follows. Monetary assets and liabilities held in foreign currencies are initially translated at the exchange rate in effect at the time of the transaction and subsequently translated at the exchange rate in effect at the end of each reporting period or upon realization of the asset or liability. Revenue and expense transactions are translated at the exchange rate in effect at the time of the transaction. Exchange gains or losses from such translation practices are reflected in the consolidated statements of operations.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

xix) Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held to maturity investments (“HTM”), or available for sale financial assets (“AFS”), as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provisions for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company classifies its cash and cash equivalents, restricted cash, reclamation deposits, accounts receivable and construction and equipment deposits as loans and receivables.

xx) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

Other financial liabilities

The Company’s other financial liabilities include accounts payable and accrued liabilities and interest bearing loans and borrowings, provisions and preferred share dividend liability. Subsequent to initial recognition these other financial liabilities are measured at amortized cost using the effective interest method.

xxi) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In the future, actual results may differ from these estimates.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Information about judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

a) Reserves

The Company amortizes its mineral rights, mine development costs, and capitalized site restoration costs using the UOP method and estimates of proven and probable reserves. Management reviews these estimates on a regular basis and adjusts them to reflect current mining plans. The rate at which we record depletion also depends on the estimates of reserves. If the estimates of proven and probable reserves decline, the rate at which depletion is recorded increases. Such a decline in reserves may result from geological conditions, coal quality, effects of governmental, environmental and tax regulations, and assumptions about future prices and future operating costs.

b) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

c) Site restoration liabilities

The Company's site restoration liabilities primarily consist of estimated costs related to reclaiming surface land and support facilities at its mines in accordance with laws as defined by each mining permit.

The Company estimates the fair value of its site restoration liabilities for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of future costs for third-party to perform the required work. Cost estimates are escalated for inflation, and then discounted at the risk-free rate, which approximated 3% at June 30, 2011. Total estimated undiscounted future costs related to the site restoration liabilities totaled approximately $1,604,000 at June 30, 2011, with costs expected to be paid from 2013 to 2016. The Company records a capital asset retirement cost associated with the initial recorded liability. The capital asset retirement cost is amortized based on the UOP method over the estimated recoverable, proven and probable reserves at the related mine, and the site restoration liability is accreted to the projected settlement date. Changes in estimates could occur in the near term due to revisions of mine plans, changes in estimated costs, and changes in timing of the performance of reclamation activities.

d) Impairment

Assets, specifically mines under construction and mineral properties, are or will be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

e) Income taxes

The Company is subject to income taxes in Canada. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Company has recognized deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same

subsidiary against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

f) Inventories

Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot coal prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained coal tons based on assay data, and the estimated recovery percentage based on the expected processing method.

Stockpile tonnages are verified by quarterly surveys.

g) Unit Of Production method of depreciation

The Company applies the unit of production method for amortization of its mine assets over the expected life of the mine. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves, resources and the production capacity of the plants to be amortized under this method. Factors that are considered in determining reserves, resources and production capacity are the Company's history of converting resources to reserves and the relevant timeframes, the complexity of nickel, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets.

5. SEASONALITY OF OPERATIONS

Liberty Mining Inc. operates in a year round continuous operation. The periods of November to March are generally more expensive to operate as the company is required to heat the underground mine air which can be significant depending on the air temperatures during this period.

March through April is the anticipated designated spring break-up for the Ministry of Transportation of each year. Liberty Mines Inc. transports their concentrate on public roads and is subject to the annual road bans. Past history has restricted the trucking limits to half loads. Under the current contract with our customer, they are responsible for the transportation to their facility thereby reducing the company's exposure.

6. INVENTORIES

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

	June 30, 2011	December 31, 2010	January 1, 2010
Cost			
Nickel ore	$ 369,578	$ 107,333	$ 105,525
Nickle concentrate	189,094	133,967	62,370
Underground drilled and broken inventory	386,646	-	-
Materials and supplies	321,345	377,689	402,399
	$ 1,266,663	$ 618,989	$ 570,294

There were no write downs recognized during the period ending June 30, 2011 or period ending June 30, 2010. During the period ending June 30, 2011 $1,065,007 (June 30, 2010 - $3,705,155) of inventory was recognized in expenses.

7. PROPERTY, PLANT AND EQUIPMENT

	Mill & Tailing Facility	Buildings & Infastructure	Machinery & Equipment	Machinery & Equipment Under Capital Lease	Office Furniture & Equipment	Computer Software & Equipment	Redstone Headframe	**Total**
Cost								
Balance at January 1, 2010	$ 32,728,219	$ 10,580,545	$ 7,983,791	$ 4,633,311	$ 197,064	$ 397,854	$ 8,457,447	$ 64,978,231
Additions	2,522	24,242	2,151,324	962,540	12,010	7,200	-	3,159,838
Transfers			2,671,708	(2,671,708)				-
Disposals	-	-	(700,977)	-	-	-	-	(700,977)
Construction in progress	-	197,881	-	-	-	-		197,881
Balance at December 31, 2010	$ 32,730,741	$ 10,802,668	$ 12,105,846	$ 2,924,143	$ 209,074	$ 405,054	$ 8,457,447	$ 67,634,973
Balance at January 1, 2011	$ 32,730,741	$ 10,802,668	$ 12,105,846	$ 2,924,143	$ 209,074	$ 405,054	$ 8,457,447	$ 67,634,973
Additions	420,052	-	123,196	-	-	18,132	-	561,380
Disposals	-	-	(399,998)	-	(7,491)	(27,198)	-	(434,687)
Construction in progress		8,124		-	-	-	-	8,124
Balance at June 30, 2011	$ 33,150,793	$ 10,810,792	$ 11,829,044	$ 2,924,143	$ 201,583	$ 395,988	$ 8,457,447	$ 67,769,790
Amortization and impairment losses								
Balance at January 1, 2010	$ 6,965,094	$ 2,082,801	$ 4,380,741	$ 1,111,769	$ 67,340	$ 268,689	$ -	$ 14,876,434
Amortization for the year	2,742,454	998,321	1,573,539	620,257	22,864	50,579	-	6,008,014
Accumulated impairment	5,304,945	520,265	491,524	747,984	24,410	31,607	8,457,447	15,578,182
Disposals	-	-	(438,831)	-	-	-	-	(438,831)
Balance at December 31, 2010	$ 15,012,493	$ 3,601,387	$ 6,006,973	$ 2,480,010	$ 114,614	$ 350,875	$ 8,457,447	$ 36,023,799
Balance at January 1, 2011	$ 9,707,548	$ 3,081,122	$ 5,515,449	$ 1,732,026	$ 90,204	$ 319,268	$ -	$ 20,445,617
Amortization for the year	1,374,598	402,457	848,205		33,334	19,779	-	2,678,373
Accumulated impairment	5,304,945	520,265	1,105,946	131,734	23,416	29,846	8,457,447	15,573,599
Disposals	-	-	(85,894)	-	(4,295)	(22,082)	-	(112,271)
Balance at June 30, 2011	$ 16,387,091	$ 4,003,844	$ 7,383,706	$ 1,863,760	$ 142,659	$ 346,811	$ 8,457,447	$ 38,585,318
Carrying amounts								
At January 1, 2010	$ 20,458,180	$ 7,977,479	$ 3,009,090	$ 2,773,558	$ 105,314	$ 97,558	$ -	$ 34,421,179
At December 31, 2010	$ 17,718,248	$ 7,201,281	$ 6,098,873	$ 444,133	$ 94,460	$ 54,179	$ -	$ 31,611,174
At June 30, 2011	$ 16,763,702	$ 6,806,948	$ 4,445,338	$ 1,060,383	$ 58,924	$ 49,177	$ -	$ 29,184,472

During the period ended June 30, 2011, the Company removed from its accounting records assets with a total cost of $434,687 of which $69,400 was fully amortized and no longer in use, creating a $69,400 gain on disposal. Amortization on the other asset was $112,271. Proceeds of $377,290 were received creating a loss of $9,942. The classes of assets affected included machinery and equipment and the Redstone Head-frame.

Capital additions for the six months ended June 30, 2011 include the replacement of ten computers, one used light vehicle, oil fired heater, a spillway and a mine rescue dryer.

Construction in progress includes the construction of an access road.

8. EXPLORATION AND EVALUATION ASSETS

	Ray Township	McAra	Shaw Dome / Groves	Hart	West Redstone	Whitney / Cody	Total
Balance as at January 1, 2010	$105,670	$ 857,702	$ 1,476,153	$ 2,642,663	$ 331,383	$ 13,062	$ 5,426,633
Exploration costs		97,601	13,667	131,227	3,809	2,125	248,429
Acquisition of property		-	6,025	-	64,875	-	70,900
Impairment	(105,670)						(105,670)
Balance as at December 31, 2010	$ -	$ 955,303	$ 1,495,845	$ 2,773,890	$ 400,067	$ 15,187	$ 5,640,292
Exploration costs		-	50,220	323,771	5,040	-	379,031
Acquisition of property		-	75,000	-	10,000	-	85,000
Balance as at June 30, 2011	$ -	$ 955,303	$ 1,621,065	$ 3,097,661	$ 415,107	$ 15,187	$ 6,104,323

Exploration and evaluation expenditures immediately capitalized amounted to $464,031 (June 30, 2010: $239,869).

<u>McAra Lake</u>

The McAra Lake Property is located in Dufferin Township, south of Shining Tree, Ontario. The property is subject to a 2% NSR with one claim being subject to a 3% NSR.

<u>The Shaw Dome / Groves</u>

The Shaw Dome / Groves nickel properties consist of various claims south of Timmins, Ontario. The properties are subject to a 3% NSR of which half (1.5%) can be purchased at any time by the Company with a payment of $1 million.

<u>West Redstone</u>

The Company entered into an option agreement during 2006 on the West Redstone claims located in Ontario through which the Company may earn a 100% interest in the claims for a cost of 100,000 shares of the Company valued at $60,000 (based on the quoted market value at the date of issue), plus $1,257 in expenses and a cash payment of $25,000. In addition, the following payments and share issuances are required:

- pay $30,000 on or before June 5, 2007 (paid);
- pay $36,000 and issue 50,000 shares of the Company on or before June 5, 2008 (paid and shares issued valued at $33,000 based on the quoted market value at the date of issue);
- pay $47,000 on or before June 5, 2009 (paid);
- pay $60,000 and issue 25,000 shares of the Company on or before June 5, 2010 (paid); and
- pay $70,000 and issue 50,000 shares of the Company on or before June 5, 2011 (paid).

The Company is also subject to an annual work commitment of $100,000 per year for five years, beginning in June 2006. The agreement is subject to a 3% NSR in favour of the vendors of which half of the NSR (1.5%) may be purchased by Liberty upon payment of $1,500,000 for each block of claims.

The Company acquired an additional two claims in 2008 for an initial cash payment of $10,000 and 5,000 shares of the Company valued at $3,280 (based on the quoted market value at the date of issue). The agreement is subject to a 2% NSR, of which half or 1% can be purchased for $750,000. In addition, the following payments and share issuances are required:

- pay $5,000 and issue 5,000 shares of the Company on or before March 18, 2009 (paid and issued during the quarter ended March 31, 2009);
- pay $5,000 and issue 5,000 shares of the Company on or before March 18, 2010; (paid and issued during the quarter ended March 31, 2010);
- pay $10,000 on or before March 18, 2011 (paid during the quarter ended March 31, 2011).

<u>Hart</u>

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

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

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

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

The agreement is subject to a 2% NSR in favour of the vendors of which half of the NSR (1.0%) may be purchased by Liberty upon payment of $1,000,000.

<u>Whitney / Cody</u>

The Whitney/Cody Properties consist of various claims in the area of Timmins, Ontario. The properties are subject to a 3% NSR.

9. MINERAL PROPERTIES

	Mines under construction	Producing mines		Total
		Redstone	McWatters	
Cost				
Balance as at January 1, 2010	$ -	$ 33,980,570	$ 16,563,556	$ 50,544,126
Additions	-	769,146	2,616,825	3,385,971
Balance as at December 31, 2010	$ -	$ 34,749,716	$ 19,180,381	$ 53,930,097
Additions	-	-	-	-
Balance as at June 30, 2011	$ -	$ 34,749,716	$ 19,180,381	$ 53,930,097
Depletion and impairment losses				
Balance as at January 1, 2010	$ -	$ 29,325,749	$ 2,071,090	$ 31,396,839
Charge for the year	-	1,232,205	4,154,389	5,386,594
Provision for impairment	-	-	-	-
Disposals	-	-	-	-
Balance as at December 31, 2010	$ -	$ 30,557,954	$ 6,225,479	$ 36,783,433
Charge for the year	-	-	269,612	269,612
Balance as at June 30, 2011	$ -	$ 30,557,954	$ 6,495,091	$ 37,053,045
Carrying amounts				
At January 1, 2010	$ -	$ 4,654,821	$ 14,492,466	$ 19,147,287
At December 31, 2010	$ -	$ 4,191,762	$ 12,954,902	$ 17,146,664
At June 30, 2011	$ -	$ 4,191,762	$ 12,685,290	$ 16,877,052

'Mines under construction' are not amortized until construction is completed. This is signified by the formal commissioning of the mine for production.

Please refer to note 3 for the details on impairment testing of mineral properties.

Redstone:

The Redstone Nickel Project is located in Eldorado Township, Ontario. The property is subject to a 2% net smelter return ("NSR") to a maximum of $336,000 (charged to expense in prior years). Vale Inco has been granted the first right of refusal on any concentrates produced from this project from January 1, 2012 to December 31, 2014. In 2005, the Company received permission from the Ministry of Northern Development and Mines to reactivate the mine. On July 1, 2007, commercial production was declared and the Company began depleting costs incurred prior to commercial production. During the fourth quarter of 2008, in the wake of a downturn in commodities prices and the general economic slow-down, a care and maintenance program was implemented at the Company's Redstone mine and mill (note 1). Commercial production recommenced in the fourth quarter of 2009. The Company continues to incur deferred exploration and development expenditures on this property associated with mine development and exploration drilling.

McWatters:

The Company holds a 100% interest in certain mining claims in Northern Ontario. This group of properties contains the McWatters project. On January 1, 2010, commercial production was declared on the McWatters project. The properties are subject to a 3% NSR, which can be reduced to a 1.5% NSR through a $1 million payment by the Company at any time.

10. SEGMENTED REPORTING

For management purposes, the Company is organized into one operating segment which is geographically located in Timmins, Ontario. The segment consists of mineral exploration, development, and operating mines in the nature of the business activities.

Liberty has only one customer, accounting for total revenue.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is an embedded derivative with a fair value of $nil as at June 30, 2011 (December 31, 2010 - $659,815, January 1, 2010 - $137,597). The derivative arises in relation to the terms of the Company's nickel concentrate sales contract, through which the settlement price of nickel sales is determined using average nickel price in the third month following delivery. The fair value has been determined using the quoted forward market price at the balance sheet date. Gains and losses associated with this derivative are recognized in revenue.

12. OTHER FINANCIAL ASSETS

	June 30, 2011	December 31, 2010	January 1, 2010
Reclamation Deposits			
Reclamation deposits - Redstone Mine	$ 79,870	$ 79,870	$ 79,563
Reclamation deposits - McWatters Open Pit	114,128	114,128	-
Restricted cash	899,992	1,624,742	1,622,788
	$ 1,093,990	$ 1,818,740	$ 1,702,351
Prepaid expenses	374,695	355,294	244,251
Construction & equipment deposits	170,000	-	69,247
Total	$ 1,638,685	$ 2,174,034	$ 2,015,849

The restricted cash is held on deposit with a major Canadian financial institution. This deposit supports various letters of credit totalling $869,777 (December 31, 2010 - $869,777, January 1, 2010 - $869,777) granted in favour of the Ministry of Northern Development and Mines for the approved closure plans on the Redstone mill and the McWatters mine. In addition to the letters of credit, the deposit supports the Company's credit card limit (note 13).

The Company's reclamation deposit is held directly by the Ministry of Northern Development and Mines in relation to the Redstone mine site closure plan and the closure plan of the McWatters open pit.

13. INTEREST BEARING NOTES AND BORROWINGS

	Note	June 30, 2011	Decemeber 31, 2010	January 1, 2010
Current				
Bank Indebtedness	i	$ -	$ 661,279	$ 678,318
Current portion of obligations under leases	ii	563,702	762,057	1,683,325
Current portion of equipment financing	iii	-	99,064	-
Total		$ 563,702	$ 1,522,400	$ 2,361,643
Non-current				
Obligations under leases	ii	$ 208,349	$ 385,121	$ 547,847
Equipment financing	iii	-	200,304	-
Term Loan - JJ	iv	21,433,328	21,140,456	18,690,446
Term Loan - JIIL	v	28,917,732	19,884,863	7,043,078
Preferred share	vi	8,227,758	8,227,758	8,227,758
Total		$ 58,787,167	$ 49,838,502	$ 34,509,129

Presentation note:

On June 30, 2011, following the receipt of applicable shareholder approval at the AGM on June 28, 2011, the Company completed restructuring of its debt as initially disclosed in January of 2011 (the "Restructuring'). As a result of the Restructuring, the Company classed the JJ/JIIL Term Loans and the preferred share liabilities as non-current liabilities in Q2 as the maturity dates did not fall due within the next twelve months after 30 June, 2011. The corresponding comparative liability balances were also classed as non-current liabilities so as to show accurate comparatives for December 31, 2010 and January 1, 2010.

i) Bank indebtedness

As at June 30, 2011, bank indebtedness was nil. The main operating account has a maximum overdraft limit of $nil as at June 30, 2011 (December 31, 2010 - $661,279, January 1, 2010 - $678,318). On April 28, 2011, the Company withdrew the security provided to the bank to secure the bank overdraft facility which resulted in the overdraft facility being removed as a possible source of finance to the Company.

ii) Capital lease obligation

The Company has financed the purchase of certain machinery, equipment and trailers through capital leases. The leases mature at various dates through July 2014 and bear interest at rates ranging from 0.19% to 7.25%. Interest related to lease obligations expensed during the six month period ended June 30, 2011 was $32,283 (period ended June 30, 2010 - $62,818).

iii) Equipment financing

Equipment financing refers to certain equipment that was purchased in 2010 that is financed with CAT Finance. During Q2, the Company sold some of its CAT equipment and used the proceeds to fully repay the amount outstanding on the equipment financing that was in place during Q1 2011.

iv) Long term debt

On May 8, 2008, the Company announced the completion of a $15,000,000 USD credit facility with JJNICL. The credit facility allowed for funds to be advanced in tranches as a prepayment for nickel concentrate to be shipped to JJNICL, with original repayment terms of each tranche being repayable within one year of the advance. The advances bore interest at 9.71% and

were repayable in cash or nickel concentrate. The credit facility was secured by charges on certain mining leases associated with the Redstone mine and mill, and the McWatters mine. In addition, the agreement required the Company to ship a minimum of 20 tonnes of nickel concentrate to JJNICL per day, commencing from June 1, 2008

In connection with the JJNICL equity financing in 2009 (note 13(vi)), the terms of the credit facility were amended as follows: all amounts outstanding under the credit facility were to be repaid in cash or nickel concentrate by May 25, 2011 and, to the extent any amounts remained outstanding under the credit facility after May 25, 2011, JJNICL would have the option to convert such amounts into common shares at $0.11 per share.

v) Notes payable

Up to and including June 30, 2011, the Company received financial support from JJNICL. JJNICL has loaned these funds to the Company through its wholly-owned subsidiary, Jien International Investment Ltd. (“JIIL”), a Company incorporated in Canada. The principal advanced bears interest at 10% per annum on the unpaid balance and is capitalized monthly. The Company may, at its option, prepay at any time all or a portion of the principal amount outstanding or any interest owing without notice or penalty.

Promissory Note Date	Lender	Amount	Due Date	
June 28, 2011	JIIL	$ 28,917,732	December 31, 2012	

Subsequent to the period ending June 30, 2011, JIIL advanced the Company $3,400,000 during the period under the terms outlined in the Restructuring (note 20).

vi) Preferred shares

On May 25, 2009, the Company 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 at $0.11 per share for a total of $20,569,396, less the fair value of the preferred share dividend liability of $8,227,758 and expenses. As a result of the financing, JJNICL owns 51% of the common shares of Liberty, which represents a change in control of the Company. If all of the preferred shares were converted, JJNICL would own 76.8% of the common shares of the Company.

The preferred shares shall:

i. Be redeemable by the Company at any time at a price equal to $0.11 per share plus accrued and unpaid dividends. The amount may be paid in cash or nickel concentrate;
ii. Have voting rights on an as-converted basis to common shares;
iii. Be convertible by JJNICL into common shares at any time without expiry at no additional cost and at a 1:1 conversion ratio. The conversion ratio is to be maintained pursuant to customary anti-dilution adjustments such as a common share reorganization due to a consolidation or split of the common shares; a rights offering of common shares; or a capital reorganization through a merger or amalgamation with another company; and
iv. Pay an 10% cumulative annual dividend to JJNICL with interest of 10% accruing on the dividends once they become due. The dividend accrues on a quarterly basis.

The dividend feature of the preference shares creates a contractual right to deliver cash prior to declaration and therefore the present value of this dividend stream has been classified as a liability. The value has been determined using the Dividend Growth Model, using the following assumptions: dividend growth rate of 0% and required rate of return of 20.0% based on the estimated market rate of comparable risk debt assurances.

As part of this financing, JJNICL directly paid the negotiated balance due on certain notes. The balance of the financing was funded to the Company. Of the $30,000,000 equity financing, approximately $15,200,000 was used to pay long-term debt and approximately $14,800,000 was contributed to working capital to pay accounts payable, capital lease obligations and other

obligations. A gain on the extinguishment of the notes was realized for $3,383,347 and a further gain on settlement of accounts payable was realized of $1,092,534.

On June 28, 2011, at the AGM, the shareholders approved the Restructuring. As part of the Restructuring, JJNICL converted 38,098,908 Preferred Shares into an equivalent number of Common Shares and the terms of the Preferred Shares have been amended as follows:

i. The Preferred Shares are no longer convertible.

ii. Holders of Preferred Shares can cause the Corporation to redeem the remaining Preferred Shares, in whole or in part, such redemption. If a redemption of the Preferred Shares occurs before June 30, 2013, the redemption price can be funded by a draw down by the Corporation under the JJ Term Loan (defined below), and after the expiry of the 24 month period, by cash.

14. PROVISIONS

The site restoration obligations relate to reclamation and closure costs for the Redstone mine, the Redstone mill and the McWatters mine. The site restoration obligation is calculated as the net present value of estimated future cash flows associated with closing costs, which are estimated to be approximately $296,000 (December 31, 2010 - $296,000, January 1, 2010 $296,000) for the Redstone mine, $740,000 (December 31, 2010 - $740,000, January 1, 2010 $740,000) for the Redstone mill and $568,000 (December 31, 2010 - $568,000, January 1, 2010 $568,000) for the McWatters mine. The obligation is discounted using a risk-free rate of 3.0% (2010 – 3.0%). The settlement of the obligation for the Redstone mine is estimated to be 2015 (2009 – 2015), for the Redstone mill is estimated to be 2015 (December 31, 2010 - 2015, January 1, 2010 - 2015), and for the McWatters mine is estimated to be 2012 (December 31, 2010 - 2012, January 1, 2010 - 2012).

		Site restoration costs
At January 1, 2010	$	1,198,012
Arising during year		110,388
Unwinding of discount		39,252
At December 31, 2010	$	1,347,652
Arising during period		-
Unwinding of discount		21,116
At June 30, 2011	$	1,368,768

15. SHARE CAPITAL

a) Ordinary shares

An unlimited number of common shares are authorized.

As of June 30, 2011, the Company has issued and had been fully paid 206,477,365 (December 31, 2010: 168,328,457, January 1, 2010: 167,208,458) shares.

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

b) Movement in share capital

Details	Note	Preferred Shares	Common Shares	Issue Price		$000's
January 1, 2010		186,994,510	167,208,458		$	85,535,482
Issuance of shares			999,999	$0.91		909,999
Issuance of shares for acquisition of exploration and evaluation			30,000	$0.20		5,900
Issuance of shares exercise of options			90,000	$0.17		14,970
Add other movements in equity, if any						-
Less other movements in equity such as transaction costs, if any						-
December 31, 2010		186,994,510	168,328,457		$	86,466,351
January 1, 2011		186,994,510	168,328,457		$	86,466,351
Issuance of shares			50,000	$0.10		5,000
Issuance of shares for acquisition of exploration and evaluation						
Issuance of shares exercise of options						
Conversion of preference shares to common shares		(38,098,908)	38,098,908	$0.11		-
Add other movements in equity, if any						-
Less other movements in equity such as transaction costs, if any						-
Balance as at June 30, 2011		148,895,602	206,477,365		$	86,471,351

On January 21, 2010, the Company issued 999,999 common shares for the settlement of the shares to be issued at December 31, 2009. On April 15, 2008, the Company announced that it had signed an Impact Benefit Agreement with the Mattagami, Matachewan and Wahagoshig First Nations covering the Company's properties in the Shaw Dome Nickel Belt. The agreement included provisions for job training, employment, scholarships, business relationships and financial participation in community development projects. It also streamlined exploration and permitting of economic deposits through direct consultation and input from the First Nation members. On signing the agreement, the Company was required to issue 999,999 common shares which were valued at $909,999 based on the closing market price of the Company's common shares on April 15, 2008, being the date the agreement was signed. The $909,999 was included in general and administrative expenses in the statement of operations and deficit for the year ended December 31, 2008.

On March 23, 2010, the Company issued 5,000 common shares under the terms of a claim acquisition agreement described in Note 8. These shares were valued at the market value of the shares on the transaction date.

On July 2, 2010, the Company issued 25,000 common shares under the terms of a claim acquisition agreement described in Note 8. These shares were valued at the market value of the shares on the transaction date.

The options granted in connection with this agreement were valued at $74,099, $14,461 of which has been expensed during the year ended December 31, 2010.

On March 10, 2010, six consultants exercised a total of 90,000 options at $0.15 per share.

On June 22, 2011, the Company issued 50,000 common shares under the terms of a claim acquisition agreement described in Note 8. These shares were valued at the market value of the shares on the transaction date ($0.10).

On June 30, 2011, 38,098,908 preference shares were converted to common shares at the conversion ratio of 1:1. This conversion increased Jien's common share ownership of Liberty from 51% to 60%. Jien has agreed not to convert any further Preferred Shares in the Company.

c) Nature and purpose of equity

The reserves recorded in equity on the Company's balance sheet include 'Share Capital, 'Contributed Surplus' and 'Deficit'.

'Share Capital' is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

'Contributed Surplus' is used to record the issuance of options and share warrants.

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

16. SHARE-BASED PAYMENTS

a) Option plan details

The Company has an incentive option plan for certain employees, officers, directors and consultants. The purpose of the plan is to attract, retain and motivate those employees, officers, directors and other individuals or entities integral to the Company's success. Options issued under the plan vest over periods not exceeding three years and all options must be exercised over specified periods not to exceed five years from the date granted. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. At June 30, 2011, 12,922,738 common shares remained reserved for issuance under the plan. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of the options is fixed by the Board of Directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The continuity of the Company's outstanding and exercisable options for the period ended June 30, 2010 and 2011 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2010	4,194,999	$ 0.87
Granted	2,220,000	0.20
Expired	(700,000)	0.31
Exercised	(90,000)	0.15
Forfeited	-	-
Cancelled	(540,000)	0.20
Outstanding at December 31, 2010	5,084,999	0.73
Granted	3,820,000	0.11
Exercised	-	-
Expired	-	-
Forfeited	-	-
Cancelled	1,180,000	1.36
Outstanding at June 30, 2011	7,724,999	0.33
Exercisable at June 30, 2011	4,058,338	0.51

The following table summarizes information about the options outstanding and exercisable at June 30, 2011:

	Options Outstanding				Options Exercisable		
Exercise Price Ranges at June 30, 2011	Number Outstanding	Remaining Life (years)	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price	
$0.10 - $0.20	6,470,000	4.41	$	0.14	2,953,339	$	0.16
$0.21 - $0.30	300,000	3.94	$	0.23	150,000	$	0.24
$0.31 - $0.60	200,000	2.12	$	0.47	200,000	$	0.47
$0.61 - $1.00	99,999	1.79	$	0.90	99,999	$	0.90
$1.01 - $2.30	250,000	1.51	$	1.40	250,000	$	1.40
$2.31 - $2.60	405,000	0.57	$	2.50	405,000	$	2.50
June 30, 2011	7,724,999	4.01	$	0.33	4,058,338	$	0.51

There were 3,820,000 options granted for the period ended June 30, 2011. The share-based payments expense for the period ended June 30, 2011 was $186,460 (June 30, 2010 - $126,916). Of this amount, $12,797 was allocated to site operational expenses (June 30, 2010 - $3,180).

The fair value of common share options granted during the period ended June 30, 2011 and the year ended December 31, 2010 were estimated using the Black-Scholes option pricing model, with the following assumptions:

	2011	2010	
Risk-free interest rate	1.59 – 2.33%	2.03 – 2.76%	
Expected life	5 years	5 years	
Expected volatility in the market price of the shares	88 – 116%	113 - 117%	
Expected dividend yield	0%	0%	

b) Fair value of options issued during the period

There were 3,820,000 options granted during the six month period ended June 30, 2011 compared to 1,650,000 options granted for the six month period ended June 30, 2010 with a weighted average $0.19 per option.

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

The model inputs for options granted during the six month period ended June 30, 2011 included the expected price volatility, which is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the period as part of employee benefit expense were $186,459 (June 30, 2010: $126,915).

17. RELATED PARTY TRANSACTIONS

The ultimate parent

Liberty Mining Inc. Is 60% owned by Jilin Jien Nickel Industry Co. Ltd.

Related party entities

The following is a listing of the Company's related party entities:

NAME	COUNTRY OF INCORPORATION
Jilin Jien Nickel Industry Co., Ltd.	China
Jien International Investment Ltd.	Canada

A number of these entities transacted with the Company during the period. The following is a listing of the transactions between the Company and the above related parent entities:

Jien International Investments Ltd. are 100% owned by Jilin Jien Nickel Industry Co., Ltd.

Related party transactions are described in detailed in note 13 (iv) through (vii). Subsequent related transactions are described in detail in note 20.

18. COST OF SALES

Six Months ended June 30	$	2011	$	2010
Site Operating costs		5,428,755		13,063,625
Amortization		2,678,373		2,919,550
Depletion		269,612		2,028,218
Accretion		21,116		16,669
Site Stock Based Compensation		12,797		3,180
Totals	$	8,410,653	$	18,031,242

19. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

The Company has not recognized deferred tax assets in relation to prior year losses as it does not believe that there will be sufficient taxable income in future periods to utilize these losses.

20. EVENTS AFTER THE REPORTING DATE

Subsequent events not disclosed elsewhere in these consolidated financial statements include:

In connection with the credit facility, the Company has received a total of $3,400,000 subsequent to June 30, 2011 through a bridge loan with JIIL. The principal advanced bears interest at 10% on the unpaid balance and will be payable in full with interest.

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, the company prepared its financial statement in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

In preparing the Company's opening IFRS balance sheet, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with previous Canadian GAAP. The IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS are as follows:

Optional exemptions:

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2, Share-based payment, to equity instruments that were granted and that vest before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 to all outstanding equity instruments that are unvested prior to the date of transition to IFRS.

Business combinations

The Company has elected not to retrospectively apply IFRS 3, Business combinations, to any business combinations that may not have occurred prior to its transition date and such business combinations have not been restated.

Changes in existing decommissioning, restoration and similar liabilities

The company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result the Company has re-measured the provisions as at January 1, 2010 under IAS 37 Provisions, contingent liabilities and contingent assets, and has estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

Mandatory exceptions:

Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements in IAS 39, Financial instruments: recognition and measurement, prospectively from the transition date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the transition date in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

Reconciliation of the Company's equity and profit / (loss) as previously reported under Canadian GAAP to IFRS

Equity	**December 31, 2010**	**June 30, 2010**	**January 1, 2010**
As reported under Canadian GAAP	**$ (96,301,802)**	**$ (86,509,559)**	**$ (79,112,679)**
Adjustments:			
Site restoration liability	(19,558)	(22,236)	(24,910)
As reported under IFRS	**$ (96,321,360)**	**$ (86,531,795)**	**$ (79,137,589)**

Profit / (Loss)	**June 30, 2010**	**December 31, 2010**
As reported under Canadian GAAP	**$ (7,396,880)**	**$ (17,189,123)**
Adjustments:		
Site restoration liability	2,674	5,352
As reported under IFRS	**$ (7,394,206)**	**$ (17,183,771)**

Restatement of equity from Canadian GAAP to IFRS

Consistent with IFRS, site restoration liabilities have been previously measured based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition. However, adjustments to the discount rate are not reflected in the provisions or the related assets under Canadian GAAP unless it caused an upward revision in the future costs estimates. The Group has elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Group

has re-measured the restoration liability as at 1 January 2010 under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depletion and amortization under IFRS. This resulted in adjustments to mineral properties, property, plant and equipment, site restoration obligations and retained earnings. The impact on the opening balance sheet was an increase in the deficit of $33,853. Primarily as a result of lower accretion under IFRS due to the lower discount rate used, the accretion expense reduced by $15,509 during 2010.

In addition, under Canadian GAAP, the unwinding of the discount was included with depletion and amortization expense, and has now been reclassified to finance costs as required under IFRS.