
IBERIAN MINERALS CORP.

Consolidated Financial Statements

(Unaudited - prepared by Management)

Six months ended June 30, 2008

(Expressed in Canadian Dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Iberian Minerals Corp. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

“Signed D. Vanin”

President and Chief Executive Officer

“Signed H. McKenzie”

Chief Financial Officer

IBERIAN MINERALS CORP.
Interim Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

	June 30, 2008	December 31, 2007
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 55,058,894	\$ 9,772,309
Restricted cash (Note 6)	20,858,535	–
Trade and other receivables (Note 8(b))	50,268,764	10,444,179
Prepays and deposits	4,818,708	1,867,709
Inventories, net	3,304,492	–
	134,309,393	22,084,197
Restricted cash (Note 6)	2,388,204	1,707,313
Long-term investment	541,500	997,500
Long-term receivables	193,876	–
Property, plant and equipment (Note 7)	607,892,892	143,408,263
Other assets	9,663,868	–
Prepaid acquisition costs	–	1,861,863
	\$ 754,989,733	\$ 170,059,136
Liabilities		
<i>Current Liabilities</i>		
Trade payables and accrued liabilities (Note 8(a))	\$ 84,293,348	\$ 30,045,918
Hedge payable – CMC (Note 8 (c))	31,578,879	–
Current portion of long-term debt (Note 9)	31,093,517	1,535,203
Current portion of derivative instruments (Note 13)	105,795,802	–
	252,761,546	31,581,121
Long-term debt (Note 9)	95,445,343	1,363,428
Convertible debenture (Note 10)	33,112,110	23,592,048
Operating loan (Note 11)	12,430,073	–
Asset retirement obligation (Note 12)	5,881,799	2,308,819
Derivative instruments (Note 13)	198,884,386	–
Future income tax liability	95,950,122	–
	694,465,379	58,845,416
Shareholder's Equity		
Share capital (Note 14)	214,492,487	130,721,277
Equity portion of convertible debenture (Note 10)	2,729,910	1,878,878
Contributed surplus	7,308,707	6,547,321
Warrants (Note 16)	1,715,231	1,715,231
Deficit	(159,630,180)	(29,506,487)
Accumulated other comprehensive loss	(6,091,801)	(142,500)
	60,524,354	111,213,720
	\$ 754,989,733	\$ 170,059,136

See accompanying notes to interim consolidated financial statements.
Nature of operations and going concern (Note 1).

IBERIAN MINERALS CORP.
Interim Consolidated Statements of Income (Loss)
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues				
Sales – copper operations	\$ 29,153,824	\$ –	\$ 47,965,709	\$ –
<i>Costs and expenses of mining operations</i>				
Cost of sales – copper operations	13,003,474	–	20,722,403	–
Depreciation and amortization	2,094,084	–	3,486,365	–
Asset retirement obligation accretion and amortization - CMC	195,954	–	310,667	–
Mining royalty	773,325	–	1,082,665	–
	16,066,837	–	25,602,100	–
	13,086,987	–	22,363,609	–
Expenses (other income)				
Stock option compensation (Note 15)	192,686	1,342,315	241,046	1,520,364
Administrative expenses (Note 19)	3,204,437	592,860	5,090,639	1,064,943
Finance charges	620,532	–	789,784	–
Convertible debenture interest and accretion (Note 10)	461,727	449,019	922,039	898,038
Foreign exchange loss / (gain)	(4,022,248)	(177,549)	5,048,363	150,929
Unrealized loss on derivative financial instruments	62,900,682	–	119,448,908	–
Depreciation and amortization	12,240,367	–	20,400,611	–
Interest income	(80,184)	(633,655)	(322,846)	(1,552,991)
Asset retirement obligation accretion – MATSA	48,893	–	97,785	–
CMC employee legal profit participation future benefits	1,096,386	–	1,604,668	–
	76,663,278	1,572,990	153,320,997	2,081,283
Net loss before the following:	(63,576,291)	(1,572,990)	(130,957,388)	(2,081,283)
Income tax (expense)	(3,782,543)	–	(5,536,110)	–
Future Income tax recovery	3,859,915	–	6,369,805	–
Net loss	\$ (63,498,919)	\$ (1,572,990)	\$ (130,123,693)	\$ (2,081,283)
Basic and diluted loss per share	\$ (0.25)	\$ (0.01)	\$ (0.54)	\$ (0.01)
Weighted average number of shares outstanding – basic and diluted	254,342,614	166,640,967	242,985,363	165,384,582

See accompanying notes to interim consolidated financial statements.

IBERIAN MINERALS CORP. (a development stage company)
Interim Consolidated Statement of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Net (loss) for the period	\$ (63,498,919)	\$ (1,572,990)	\$ (130,123,693)	\$ (2,081,283)
Increase in unrealized loss on long term investment	(114,000)	(85,501)	(456,000)	(228,000)
Unrealized foreign currency translation	8,300,206	—	(5,493,301)	—
	8,186,206	(85,501)	(5,949,301)	(228,000)
Comprehensive (loss) for the period	\$ (55,312,713)	\$ (1,658,491)	\$ (136,072,994)	\$ (2,309,283)

See accompanying notes to interim consolidated financial statements.

IBERIAN MINERALS CORP.
Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Share Capital				
Balance at beginning of period	\$ 214,207,387	\$ 104,052,020	\$ 130,721,277	\$ 102,041,582
Exercise of warrants	–	2,274,117	–	3,139,643
Fair value of exercise of warrants	–	668,254	–	1,057,002
Exercise of stock options	285,100	13,400	285,100	13,400
Acquisition of Compania Minera Condestable S.A.	–	–	82,729,946	–
Convertible debenture interest	–	–	756,164	756,164
Balance at the end of the period	214,492,487	107,007,791	214,492,487	107,007,791
Shares to be issued				
Balance at beginning of period	–	17,365,530	–	17,365,530
Balance at the end of the period	–	17,365,530	–	17,365,530
Equity portion of convertible debentures				
Balance at beginning of period	1,878,878	1,878,878	1,878,878	1,878,878
Issue of convertible debentures	851,032	–	851,032	–
Balance at the end of the period	2,729,910	1,878,878	2,729,910	1,878,878
Contributed surplus				
Balance at beginning of period	6,923,433	2,888,747	6,547,321	2,629,300
Stock option compensation (Note 15)	620,689	1,921,554	996,801	2,174,001
Stock options issued	48,360	–	48,360	–
Stock options exercised	(120,100)	–	(120,100)	–
Expiry of stock options	(163,675)	–	(163,675)	–
Expiry of warrants	–	–	–	7,000
Balance at the end of the period	7,308,707	4,810,301	7,308,707	4,810,301
Warrants				
Balance at beginning of period	1,715,231	775,770	1,715,231	1,171,518
Fair value of warrants exercised	–	(668,254)	–	(1,057,002)
Warrants expired	–	–	–	(7,000)
Balance at the end of the period	1,715,231	107,516	1,715,231	107,516
Special Warrants				
Balance at beginning of period	–	4,428,000	–	4,428,000
Balance at the end of the period	–	4,428,000	–	4,428,000
Deficit				
Balance at beginning of period	(96,131,261)	(24,072,933)	(29,506,487)	(23,564,640)
Loss for the period	(63,498,919)	(1,572,990)	(130,123,693)	(2,081,283)
Balance at the end of the period	(159,630,180)	(25,645,923)	(159,630,180)	(25,645,923)
Accumulated other comprehensive loss				
Balance at beginning of period	(14,278,007)	(142,500)	(142,500)	–
Increase in unrealized loss on long term investment	(114,000)	(85,500)	(456,000)	(228,000)
Change in unrealized foreign currency translation (loss) / gain	8,300,206	–	(5,493,301)	–
Balance at the end of the period	(6,091,801)	(228,000)	(6,091,801)	(228,000)
Total	\$ 60,524,354	\$ 109,724,093	\$ 60,524,354	\$ 109,724,093

See accompanying notes to interim consolidated financial statements.

IBERIAN MINERALS CORP.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Cash provided by (used in)				
Operations				
Net loss for the period	\$ (63,498,919)	\$ (1,572,990)	\$(130,123,693)	\$ (2,081,283)
Items not involving cash:				
Stock option compensation (note 15)	228,962	1,342,315	328,658	1,520,364
Convertible debenture accretion (Note 10)	87,754	79,156	174,094	158,312
Shares issued for convertible debenture interest (Note 14(1))	–	–	756,164	756,164
Asset retirement obligation accretion	244,846	–	408,452	–
Asset retirement obligation	272,463	–	272,463	–
Depreciation and amortization	14,339,046	–	23,895,802	–
Unrealized loss from derivative financial instruments	62,900,682	–	119,448,908	–
Income tax expense	(3,859,915)	–	(6,369,805)	–
	10,714,919	(151,519)	8,791,043	(353,557)
Trade receivables, other receivables and prepayments and deposits	(14,955,432)	(1,655,237)	(22,108,215)	(3,358,688)
Inventory	(921,016)	–	(854,113)	–
Long-term receivables	17,000	–	(1,454)	–
Other assets	(3,457,920)	–	(8,732,825)	–
Hedge payable	31,578,879	–	31,578,879	–
Trade payables and accrued liabilities	23,376,471	9,099,450	34,827,801	12,124,043
Derivative instruments	(384,551)	–	4,075,612	–
	45,968,350	7,292,694	47,576,728	9,118,912
Investing				
Capital expenditures	(76,192,364)	(17,048,814)	(118,282,617)	(21,866,555)
Cash deposits held as security - CMC	(20,858,535)	–	(20,858,535)	–
Cash deposits held as security - MATSA	22,973	–	(680,891)	–
Cash acquired from acquisition of Compania Minera Condestable S.A., net of costs	–	–	(972,746)	–
Capitalized operating expenses	–	(8,539,716)	–	(15,743,040)
	(97,027,926)	(25,588,530)	(140,794,789)	(37,609,595)
Financing				
Funds held in trust	–	(158,691)	–	(477,305)
Shares issued for cash, net of issue costs	–	2,287,517	–	3,153,043
Issue of convertible debenture	10,197,000	–	10,197,000	–
Operating loan advance	31,798,450	–	71,798,450	–
Operating loan repayment	(59,537,050)	–	(59,537,050)	–
Cash received on the exercise of Stock options	165,000	–	165,000	–
Debt aggregate of long and short term	106,298,058	(60,908)	120,649,664	(589,062)
	88,921,458	2,067,918	143,273,064	2,086,676
Net change in cash and cash equivalents	37,861,882	(16,227,918)	50,055,003	(26,404,007)
Cash and cash equivalents, beginning of period	24,433,684	51,792,937	9,772,309	61,952,395
Effect of exchange rate changes on cash held in foreign currencies	(7,236,672)	(751,968)	(4,768,418)	(735,337)
Cash and cash equivalents, end of period	\$ 55,058,894	\$ 34,813,051	\$ 55,058,894	\$ 34,813,051

See accompanying notes to interim consolidated financial statements.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements**

(Expressed in Canadian dollars)

(Unaudited)

Six months ended June 30, 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

Iberian Minerals Corp. (the "Company" or "Iberian") is a company involved in the evaluation, development and mining of base metal deposits in Spain and the mining and production in Peru.

The Company is currently proceeding with Aguas Teñidas copper/zinc project ("Aguas Teñidas") located in the Region of Andalucía, South West Spain. A feasibility study was completed in January 2006, which demonstrated the technical feasibility and economic viability of the project. Aguas Teñidas has sufficient reserves for a 12 year operating life with a production rate of 1.70 million tonnes annually. In November 2007 the Company filed a 43 101 report on the Aguas Teñidas project.

The acquisition of Compania Minera Condestable S.A. ("Condestable" or "CMC") was completed on January 31, 2008 (Note 5). CMC is a Peruvian company incorporated in 1962. Iberian currently holds 91.87 % of the shares of CMC. Condestable's principal business is the mining, processing and sale of copper concentrates. It sells its concentrates to Consorcio Minero S.A. ("Cormin"), a subsidiary of Trafigura Beheer B.V. ("Trafigura") a company which controls approximately 42% of the outstanding shares of Iberian.

The Company has also signed a long term offtake agreement with the Trafigura group for the sale of all its concentrates from Aguas Teñidas. In addition, CMC has signed an off take agreement with Consorcio Minero S.A. ("Cormin") starting from January 01, 2008 for a period of ten years for the production of CMC's concentrate. The Company is listed on Tier 2 of the TSX Venture Exchange.

In addition to the Aguas Teñidas project, the Company, through Minas de Aguas Teñidas SAU ("MATSA"), holds an extensive land position of exploration properties within the Iberian Pyrite Belt.

The recoverability of amounts shown as property, plant and equipment is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the six months ended June 30, 2008, the Company reported a loss of \$130,123,693 and an accumulated deficit of \$159,630,180 at June 30, 2008. In addition to its working capital requirements, the Company must secure sufficient funding to meet its spending obligations with respect to its Aguas Teñidas Project in order to take the mine into production. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, the Company has \$55,058,894 in cash and cash equivalents available for use as at June 30, 2008 to fund its Aguas Teñidas Project, the operation of the Condestable Mine and working capital requirements. The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations and, accordingly, management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Management expects that the Company will be able to secure the necessary financing through a combination of the exercise of existing options and warrants for the purchase of common shares and the issuance of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital, Aguas Teñidas Project requirements and eventually to generate positive cash flows, from MATSA. The Condestable Mine in Peru has a positive cash flow. These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements**

(Expressed in Canadian dollars)

(Unaudited)

Six months ended June 30, 2008

2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES**(a) Basis of presentation**

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

(b) New accounting policies

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook sections in Note 3 to these interim financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in Note 4 to these interim financial statements.

Goodwill

In October 2007, the CICA approved Handbook Sections 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The Company is currently assessing the impact of this new accounting standard on its financial statements.

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for interim and annual financial statements relating to accounting periods commencing on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010, reconciliation from equity under Canadian GAAP to IFRS at the date of transition (January 1, 2010) and reconciliation from profit and loss under Canadian GAAP to IFRS for the prior year comparable quarter and year to date for 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES *(continued)***(c) Significant accounting policies resulting from CMC acquisition*****Basis of consolidation***

These consolidated financial statements include the assets, liabilities, revenues and expenses of the following subsidiaries:

<i>Operating companies</i>	Ownership interest
Minas de Aguas Tenidas SAU ("MATSA")	100%
Compania Minera Condestable S.A. ("CMC" or "Condestable")	approximately 91.87%

Non-operating companies

Iberian Minerals Holdings B.V.	100%
Iberian Minerals Holdings Coöperatief U.A.	100%

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of work in progress and finished goods (copper inventories) is based on cost of production and excludes borrowing costs.

For this purpose, the costs of production include:

- Costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- Depreciation of property, plant and equipment used in the extraction and processing of ore; and
- Related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Certain items of property, plant and equipment were carried in the balance sheet prepared in accordance with local Peru GAAP on the basis of valuation made in 2002. The group has elected to regard these values as deemed cost at the date of the acquisition.

The cost less its residual value of each item of property, plant and equipment is depreciated over its useful life. Depreciation is charged to cost of production during the estimated useful life of the individual asset using the straight line method. Depreciation commences when assets are available for use. Land is not depreciated. The assets useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

The assets are depreciated based on the following estimated useful life:

Buildings and other constructions	Between 7 and 10
Machinery and equipment	5
Vehicles	5
Furniture and fixtures and computer equipment	Between 7 and 10
Various equipments	Between 7 and 10

Borrowing costs are expensed as incurred.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements**

(Expressed in Canadian dollars)

(Unaudited)

Six months ended June 30, 2008

2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES (continued)**(c) Significant accounting policies resulting from CMC acquisition (continued)****Construction in progress**

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Upon completion, the cost of construction is transferred to the appropriate category.

During the construction of the facilities at MATSA third party borrowing costs are capitalized as incurred. When the plant goes into commercial production borrowing costs will be expensed as incurred. Construction in progress is not depreciated.

Mine development costs

Development costs incurred in the areas of interest are recognised as assets on the date on which it is demonstrated that they will generate the expected benefits through a successful future development, and amortized based on proven and probable reserves. Similar costs related to the mining units presently in development affect operating costs and expenses.

A periodic review is carried out in each area of interest to determine whether it is appropriate to continue with the capitalization of the costs incurred. Should it be decided that the area of interest is not economically viable the accumulated costs related to that area are charged to results of the operations.

Determination of reserves and resources

The Company estimates its reserves and mineral resources based on information compiled by internal specialists. Reports to support these estimates are prepared each year.

There are numerous uncertainties inherent in estimating ore reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being revised.

Revenue recognition

The Company is involved in production and sale of concentrate. Concentrate is sold directly to a related party. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue associated with the sale of concentrate is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has passed to the customer. Revenue excludes any applicable sales taxes.

The revenue is subject to adjustment based on inspection of the product by the customer. Revenue is initially recognised on a provisional basis using the Company best estimate of the copper grade. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

Income from services provided to related parties is recognised in income when services are provided.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES *(continued)***(c) Significant accounting policies resulting from CMC acquisition** *(continued)****Workers' profit sharing and other employee benefits***

In accordance to Peruvian Legislation, companies in Peru must provide for workers' profit sharing equivalent to 8 percent of taxable income of each year and capped at maximum 18 months of salary per worker. This amount is charged to the income statement within personnel expenses in cost of sales and administrative expenses and is considered deductible for income tax purposes. The Company has no pension or retirement benefit schemes.

Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in shareholders' equity. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (loss) ("OCI") while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in accumulated other comprehensive income (loss) ("AOCI") are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or early terminated.

In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income. The amounts previously recognized in AOCI are recognized in net income when there is a reduction in the hedged net investment as a result of a dilution or sale of the net investment; or reduction in equity of the foreign operation as a result of dividend distributions.

While the Company's subsidiaries use hedge accounting Iberian has opted not to use hedge accounting in its consolidated results. As a result, the aggregate gains or losses on the mark to market on derivative financial instruments recorded in the consolidated entity will be recognised in net income.

Foreign currency translation

The accounts of the Company's self-sustaining foreign subsidiary, Condestable, are translated using the current rate method using quarter end exchange rates, with revenues and expenses translated at the average exchange rate. Gains and losses arising from these translations are recorded in accumulated other comprehensive income as a foreign currency translation adjustment until they are realized by a reduction in the investment.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

3. CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain adequate levels of funding to support development of MATSA and CMC, and to maintain corporate and administrative functions. The Company includes derivative instruments, long-term debt and equity, consisting of the issued common shares, convertible debentures, stock options, warrants and deficit in the definition of capital. The Company manages its capital structure in a manner that provides sufficient funding for mine development and operational activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and external debt. There can be no assurances that the Company will be able to continue raising equity capital and external debt in this manner.

The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions.

4. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company's subsidiaries use derivative financial instruments such as forward contracts to hedge certain risk exposures. The Company does not use derivatives to engage in any trading or other speculative activities.

(a) Market risk*(i) Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-Canadian dollar forecast operating costs on a case by case basis. Revenue from forecast sales is denominated in US Dollars. The Company's forecast operating costs are in Canadian dollars, CMC is in US dollars and New Soles and the construction and operating costs at MATSA are primarily in Euros. The risk is measured using sensitivity analysis and cash flow forecasting. The Canadian dollar carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets	Liabilities
Euros	\$ 49,939,838	\$ 58,019,842
US dollars	59,732,437	374,044,610
New Soles	554,087	19,071,447

Sensitivity

Based on the financial instruments held at June 30, 2008, had the US Dollar, Euro and New Soles weakened/strengthened by 10% against the Cdn \$ with all other variables held constant, the Company's post-tax loss for the quarter would have been \$34.1 million higher/lower as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments as detailed above.

4. FINANCIAL RISK MANAGEMENT (continued)

(ii) *Price risk*

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales. As explained in Note 13, commodity risk is managed through the use of derivative instruments such as forward contracts to hedge a proportion of its forecasted hedgable production. CMC has hedged a substantial amount of its future hedgable production with forward contracts and MATSA as required under the terms of its loan facilities have hedged between 65 and 70% of its future hedgable production as detailed in Note 13.

Sensitivity

For CMC, Peru

At June 30, 2008, if the spot price of copper, silver and gold had been 10% higher/lower while all other variables were held constant the pre-tax loss for the quarter would increase/decrease by \$52.4 million as a result of the changes in the fair value of the derivative instruments.

For MATSA, Spain

At June 30, 2008, if the spot price of copper, silver and zinc had been 10% higher/lower while all other variables were held constant the pre-tax loss for the quarter would increase/decrease by \$41.4 million as a result of the changes in the fair value of the derivative instruments.

Other price risk

The Company is exposed to equity price risks arising from an equity investment. The equity investment is held for strategic rather than trading purposes. The Company does not actively trade these investments.

(iii) *Interest rate risk*

The Company is exposed to interest rate risk with regard to the operating loan from CMC, Peru, the credit facility at MATSA, Spain and the bridge financing loan from Trafigura (Note 11). The bridge loan bears interest at a rate of Libor plus 1%; the CMC loan with an interest rate of LIBOR plus 2.25% and the MATSA credit facility based on LIBOR plus varying percentages from 1.9% to 3% (Note 9). If LIBOR increased/decrease by 10%, the resulting increase/decrease in interest of these loans would amount to approximately \$360,000.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company's practice is to ensure that sales of products are made to customers with an appropriate credit rating and where necessary credit risk is effectively eliminated or substantially reduced by using bank instruments to secure payment. The carrying amount of financial assets recorded in the financial statements is adjusted for any impairment and represent the Company's maximum exposure to credit risk.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To the extent the Company has liabilities on its cash flow hedge positions; the Company expects to produce sufficient concentrates to deliver into its committed hedge contracts.

As at June 30, 2008 the Company's undrawn facilities relating to MATSA were as follows:

A term facility of US\$134,670,870 and a cost overrun facility of US\$30,000,000.

5. BUSINESS COMBINATION

Effective January 31, 2008 the Company completed the acquisition of 92% of the issued and outstanding shares of Compania Minera Condestable ("CMC" or "Condestable") from Trafigura Beheer B.V. ("Trafigura"), a related party as they are a significant shareholder of the Company.

The closing of this transaction gives the Company ownership of approximately 92% of CMC, the owner and operator of the Condestable Mine and lessee of the Raul Mine (collectively the "Condestable Mine") located south of Lima, Peru. The Condestable mine has been in continuous production since 1998.

The business combination is accounted for as a purchase transaction, with the Company as the acquirer of Condestable. In consideration for the acquisition of Condestable, a total of 65,990,833 of the Company's common shares were issued to Trafigura. The fair value measurement of the consideration given up by the Company was based on the market prices of the Company's common shares over a two day period before and after the announcement of this transaction. Accordingly, the Company's management estimates the fair value of the Company's common shares at \$1.25 per share.

As part of the agreement for this transaction, Trafigura has been granted a 46% net operating profit ("NPI") of CMC for a term of four years commencing January 1, 2011 payable in cash or, at the option of Trafigura and subject to regulatory approval including the approval of the TSX Venture exchange, in common shares. The Company shall have the right until June 30, 2011 to purchase the NPI for US\$60.0 million.

The terms of the agreement for the acquisition of CMC entitles the Company to a proportionate share (approx. 92%) of the after tax profits of CMC starting October 1, 2007.

The cost of the acquisition included a CDN\$1,000,000 payment made to Macquarie Capital Markets Ltd. as a transaction success fee on February 19, 2008.

The acquisition of CMC was accounted for using the purchase method. The results of operations are included in the accounts from the effective date of acquisition.

IBERIAN MINERALS CORP.
Notes to Interim Consolidated Financial Statements
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5. BUSINESS COMBINATION *(continued)*

Details of the acquisition of CMC are as follows:

Purchase Price	
Common shares issued	\$ 82,729,946
Acquisition costs	3,017,009
	85,746,955
Fair value of net assets acquired	
Current assets	23,300,148
Other receivables	192,422
Property and equipment, net	369,577,036
Other assets	931,044
	394,000,650
Less: current liabilities	(72,841,900)
Less: long-term liabilities	(133,816,751)
Less: future tax liabilities	(101,595,044)
	\$ 85,746,955

- (a) Pursuant to the terms of the acquisition Trafigura retains a 46% net profit interest (NPI) commencing January 1, 2011 and ending December 31, 2014. An independent valuation commissioned by the Company (the "43-101 Report") with respect to the acquisition has preliminarily indicated a mine life of 4 years (ending on December 31, 2010) based solely on proven and probable reserves. Accordingly, the Company has not assigned any value to the NPI for the purpose of the preliminary purchase price allocation.
- (b) Additional depreciation and future income tax recovery have been recorded with respect to the fair value increment to the acquired mineral assets and the reversal of the taxable basis differences resulting from the purchase price allocation.
- (c) The Company has not allocated any amount to minority interest as the acquired business is in a net liability position.

6. RESTRICTED CASH

	June 30, 2008	December 31, 2007
Spain (long term)	\$ 2,388,204	\$ 1,707,313
Peru (current)	20,858,535	-
Cash deposits held as security	\$ 23,246,739	\$ 1,707,313

As of June 30, 2008, the cash deposit held as security in Spain in the amount of €1,488,812 (Cdn \$2,388,204) is held as security in relation to a permit for the ore processing plant in Spain. The cash deposit in Peru in the amount of US\$ 20,455,560 (Cdn \$ 20,858,535) is held to pay pending hedge settlements.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*

Six months ended June 30, 2008

7. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2007	Additions 2008	Accumulated Amortization	June 30, 2008
Spain				
Mining interests	\$ 19,018,012	\$ 19,457,140	\$ –	\$ 38,475,152
Construction in progress	121,572,153	93,972,901	–	215,545,054
Equipment	2,708,411	604,468	–	3,312,879
	143,298,576	114,034,509	–	257,333,085
Canada				
Office furniture, fixtures and equipment	109,687	20,991	(8,826)	121,852
Mining interests	–	338,650,146	(20,400,611)	318,249,535
	109,687	338,671,137	(20,409,437)	318,371,387
Peru				
Land	–	3,758	–	3,758
Building and other constructions	–	4,477,218	(257,158)	4,220,060
Machinery and equipment	–	24,455,437	(2,819,620)	21,635,817
Vehicles	–	463,654	(4,952)	458,702
Office furniture, fixtures and equipment	–	366,896	(39,995)	326,901
Asset retirement obligation	–	2,440,663	(231,401)	2,209,262
Construction in progress	–	3,054,833	–	3,054,833
Development costs	–	279,087	–	279,087
	–	35,541,546	(3,353,126)	32,188,420
	\$143,408,263	\$488,247,192	\$(23,762,563)	\$607,892,892

	December 31, 2006	Additions 2007	Accumulated Amortization	December 31, 2007
Spain				
Mining interests	\$ 14,710,808	\$ 4,307,204	\$ –	\$ 19,018,012
Construction in progress	32,304,080	89,268,073	–	121,572,153
Equipment	1,034,510	1,673,901	–	2,708,411
	48,049,398	95,249,178	–	143,298,576
Canada				
Office furniture, fixtures and equipment	–	113,405	(3,718)	109,687
	\$ 48,049,398	\$ 95,362,583	\$ (3,718)	\$143,408,263

IBERIAN MINERALS CORP.
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8. ACCOUNTS PAYABLE AND TRADE AND OTHER RECEIVABLES

(a) Trade payables and accrued liabilities

	June 30, 2008	December 31, 2007
Accounts payable suppliers	\$ 53,757,390	\$ 27,353,213
Deposits received	1,801,553	954,643
Taxes and social security	674,641	430,027
Other	1,065,825	29,042
Total MATSA payables	57,299,409	28,766,925
Accounts payable suppliers	7,096,912	-
Taxes and social security	17,882,747	-
Interest payable	399,722	-
Other	193,000	-
Total CMC payables	25,572,381	-
Debenture interest	641,097	649,315
Accounts payable	324,858	356,853
Accrued liabilities	455,603	272,825
Total Iberian payables	1,421,558	1,278,993
Total trade payables and accrued liabilities	\$ 84,293,348	\$ 30,045,918

(b) Trade and other receivables

	June 30, 2008	December 31, 2007
VAT receivable	\$ 20,077,817	\$ 8,618,980
Deposits with suppliers	1,983,582	1,037,262
Other	-	700,962
Total MATSA receivables	22,061,399	10,357,204
Trade receivables	27,725,746	-
Other	429,767	-
Total CMC receivables	28,155,513	-
GST receivable	44,501	56,416
Interest	7,351	30,559
Total Iberian receivables	51,852	86,975
Total trade and other receivables	\$ 50,268,764	\$ 10,444,179

(c) Hedge payable

As per the agreement between CMC and Natixis, the company has deferred the hedge payable for the months of February to June 2008. Natixis is a third party and hold the hedge forward contracts.

IBERIAN MINERALS CORP.
Notes to Interim Consolidated Financial Statements
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Six months ended June 30, 2008

9. LONG-TERM DEBT

	June 30, 2008	December 31, 2007
Spain		
Payments due arising from general creditors agreement	\$ 10,954	\$ 9,853
Fixed asset loan	720,434	678,116
Project finance loan (d)	35,681,262	—
Loan facility (a) (b) (c)	12,373,303	2,210,662
	48,785,953	2,898,631
Peru		
Finance leases	6,373,907	—
Syndicated Loans	71,379,000	—
	77,752,907	2,898,631
Total long term debt	126,538,860	2,898,631
Amounts payable within twelve months	(31,093,517)	(1,535,203)
	\$ 95,445,343	\$ 1,363,428

The loan facility in MATSA is comprised of loans as follows:

- (a) Loan facility, issued by an unrelated third party, has a three year term, expiring in 2010. The principal outstanding is €1.02 million. Under the terms of the loan facility, the repayment of principal and interest will be as follows: interest in thirteen instalments until September 2008, the first instalment of €3,083 commenced in September 2007; and interest and principal in twenty four instalments until September 2010, the first instalments of the principal and interest of €44,999 to commence October 2008. The effective interest rate is fixed at 5.5% per annum. Interest on the loan facility for the period ended June 30, 2008 was €28,131 (\$43,375).
- (b) The second loan facility, issued by a third party, has a one year term, expiring December 31, 2008, at which time both the principal and interest are due. The effective interest rate is fixed at 5.5% per annum. The interest on this loan for the period ended June 30, 2008 is €10,512 (\$16,209) and the principal outstanding is €382,290.
- (c) The third loan is a VAT facility of €5.95 million, issued by a third party, has a one year term, expiring January 1, 2009. Under the terms of the loan facility, the repayment of principal and interest will be due on December 31, 2008. The effective interest rate is fixed at 5.6% per annum. Interest on the loan facility for the period ended June 30, 2008 was €166,689 (\$257,019).
- (d) On June 24, 2008 the Company completed a US\$210 million Project Finance Facility (the "facility") to fund the MATSA project. The lead lenders were Investec Bank (UK) PLC, BNP Paribas and Societe Generale. As part of this facility, the Company is required to hedge the forecasted future metals production until the facility matures in June 2013. The facility requires MATSA to hedge 70% of the forecast copper production and 65% of the zinc and silver production (see Note 13). This facility comprises of three parts:
 - A term facility in the amount of US\$ 170 million.
 - A convertible loan in the amount of US\$ 10 million.
 - A Cost overrun facility in the amount of US\$ 30 million.

In respect of each of the term advance and convertible advance, the interest margin on LIBOR will be 2.25 percent per annum from the date of the credit agreement to the completion date and 1.9 percent per annum following the completion date as defined in the facility.

In respect of the cost overrun advance the interest margin on LIBOR will be 3.0 percent per annum from the date of the credit agreement to the completion date and 2.5 percent per annum following the completion date, as defined in the facility.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

The repayment terms of the principal of all three portions of the facility are as follows:

Repayment Date	Term Loan Repayment Instalment in US\$	Cost Overrun Loan Repayment Instalment	Convertible Loan Repayment Instalment In US\$
31 December 2009	21,250,000	12.5%	1,250,000
30 June 2010	13,600,000	8.0%	800,000
31 December 2010	15,300,000	9.0%	900,000
30 June 2011	26,350,000	15.5%	1,550,000
31 December 2011	28,900,000	17.0%	1,700,000
30 June 2012	18,700,000	11.0%	1,100,000
31 December 2012	17,000,000	10.0%	1,000,000
30 June 2013	28,900,000	17.0%	1,700,000

The loan facility in Condestable is comprised of loans as follows:

Pursuant to the acquisition of Condestable, the Company and Condestable arranged a US\$ 70 million syndicated loan with Societe Generale as the lead lender. This loan was fully advanced on May 21, 2008. The loan is repayable quarterly in equal amounts of US\$ 6,363,636.36 starting August 29, 2008 until fully repaid on February 28, 2011. The loan bears interest at three months LIBOR plus 2.25%. The interest is payable quarterly with the principal repayment. The proceeds of this loan will be used to fund the construction of the facilities at MATSA. The interest rate for the first quarterly interest period is 5.04% which is calculated on LIBOR at 2.79%. The first payment is due on August 29, 2008 and amounts to US\$980,000.

The finance leases in Condestable are on mining equipment with various third parties. These leases have various maturity dates up to February 2010 and are based on annual interest rates between 6.75% and 8.65%.

10. CONVERTIBLE DEBENTURE

In fiscal 2006, the Company received \$25,000,000 of financing from Dundee Resources Limited. ("Dundee Resources"). The financing is a \$25,000,000 subordinated convertible debenture (the "Debenture") issued at par. The Debenture bears interest at the rate of 6% per annum, payable semi-annually and due on July 26, 2011. The outstanding principal amount of the Debenture will be convertible at Dundee Resources' option at any time, in whole or in part, into units of the Company ("Units (i)") at a conversion price of \$1.25 per Unit (i) (the "Conversion Price"). Each Unit (i) will be comprised of one Common Share and one-half of a warrant ("Warrant"), with each Warrant being exercisable into one common share at an exercise price of \$2.00 for a period of two years after the date of issue of the warrants. At any time, after three years from the closing date of the financing, which is on July 20, 2006, the Company will be entitled to accelerate the conversion of the Debenture by giving 30 days notice, if the common shares have a closing price above \$2.00 for a period of 20 consecutive trading days. Dundee Resources is a private Canadian company and is the resource merchant banking arm of the Toronto Stock Exchange listed Dundee Corporation.

As the unit is considered to be a compound financial instrument, the liability component and the equity components (the conversion right) are presented separately, as determined at July 26, 2006 (date of issue), using the relative fair value of the components. The liability component of \$23,121,122 was determined by discounting the future stream of interest and principal payments at the prevailing market rate at 8% for a comparative liability that does not have an associated equity component. The balance of \$1,878,878 was allocated to the conversion option and is included in Shareholders' Equity in the Consolidated Balance Sheet.

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*

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10. CONVERTIBLE DEBENTURE (continued)

The actual interest from July 26, 2007 to January 26, 2008 was \$756,164 (comparative period - \$756,164) and was repaid by issuing 675,146 common shares (comparative period - 463,904 common shares). The interest accrued from January 1, 2008 to June 30, 2008 was \$747,946 (comparative period - \$743,846). The accretion attributable to the convertible debenture for the six months ended June 30, 2008 was \$172,678 (comparative period - \$158,312) for a total interest expense on the consolidated statements of \$920,624 (comparative period - \$898,038).

As indicated in Note 9 (d), on June 24, 2008, the Company and its subsidiary MATSA completed a US\$210 million Project Finance Facility (the "facility") for the Company's Aguas Tenidas Project in Spain, with the lead lenders being Investec Bank (UK) PLC, BNP Paribas and Societe Generale. US\$10 million of this facility is a convertible loan. In connection with this loan, the Company issued and have outstanding 7,640,353 warrants in the Company ("loan Warrants"), exercisable to acquire common shares of the Company at a price of US\$ 1.30884 per share (the equivalent price in Canadian dollars at the time of the grant was \$1.30) until June 30, 2013. These warrants are exercisable first to reduce the outstanding loan balance. This loan was fully advanced on June 24, 2008. In computing the amount attributable to this, the company assumed that the warrants are merely an instrument for facilitating the conversion of the loan and as such calculated the equity portion attributable to this transaction as if it was a pure convertible loan.

As the loan is considered to be a compound financial instrument, the liability component and the equity components (the conversion right) are presented separately, as determined at June 24, 2008 (date of issue), using the relative fair value of the components. The liability component of \$9,345,968 (US\$ 9,165,410) was determined by discounting the future stream of interest and principal payments at the prevailing market rate at 8% for a comparative liability that does not have an associated equity component. The balance of \$851,032 (US\$ 834,590) was allocated to the conversion option and is included in Shareholders' Equity.

The following is a summary of the above transactions:

	June 30, 2008	December 31, 2007
Convertible Debentures – Dundee Resources Ltd		
Fair value of liability component	\$ 23,121,122	\$ 23,121,122
Add: accretion charges to date	643,605	470,926
	23,764,727	23,592,048
Equity portion of convertible debenture	1,878,878	1,878,878
Convertible Debentures – MATSA		
Fair value of liability component	9,345,968	–
Add: accretion charges to date	1,415	–
	9,347,383	–
Equity portion of convertible debenture	851,032	–
Total Convertible Debentures		
Fair value of liability component	32,467,090	23,121,122
Add: accretion charges to date	645,020	470,926
	33,112,110	23,592,048
Equity portion of convertible debenture	\$ 2,729,910	\$ 1,878,878

IBERIAN MINERALS CORP.**Notes to Interim Consolidated Financial Statements***(Expressed in Canadian dollars)**(Unaudited)*Six months ended June 30, 2008

11. OPERATING LOAN

As part of the acquisition of Condestable, Trafigura had agreed to provide bridge financing until the Company is able to complete the loan at Condestable in the amount of US\$70 million and the MATSA loan from the lead lenders, Investec Bank (UK) PLC, BNP Paribas and Societe Generale in the amount of US\$210 million. During the six months period to June 30, 2008 Trafigura had advanced approximately \$59.54 million (US\$58.97 million) at a rate of Libor plus 1%. This loan was used to fund the construction at MATSA. This loan was repaid in May 2008 from the CMC loan of \$70 million. (Note 9)

In addition, in the three months ended June 30, 2008, Trafigura advanced a further sum of approximately \$12.4 million (US\$12.0 million). This advance was used to fund the construction at MATSA while the US\$ 210.0 million facility was being completed. This advance was repaid in early July 2008 after the first drawdown of approximately US\$ 45.3 million was made on the US\$ 210 million facility (Note 9).

12. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation arises from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the asset retirement obligation:

	June 30, 2008	December 31, 2007
Balance, beginning of year	\$ 2,308,819	\$ –
Recognition of new obligation	3,250,539	2,263,548
Accretion expense	322,441	45,271
Total	\$ 5,881,799	\$ 2,308,819

As at June 30, 2008, management estimates that the total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation of the Company's subsidiaries is approximately \$9,850,620. This is comprised of approximately \$5,700,000 for the MATSA property and \$4,150,620 for the Condestable property. It is expected that this amount will be incurred in approximately equal amounts over years 2009 to 2021 for MATSA and years 2008 to 2013 for the Condestable mine and to 2017 for the Raul mine at CMC. Using the credit adjusted rate of 8%, the asset retirement obligation is \$5,514,087 (MATSA – \$2,263,548 and Condestable - \$3,250,539). As part of the licence to build and operate the mine at MATSA the Junta de Andalucía (local authority) has required MATSA to post bonds to cover restoration costs for the plant and tailing facilities in an amount of approximately €5.7 million.

13. DERIVATIVE INSTRUMENTS

As part of the US\$210 million Project Finance Facility for Iberian's Aguas Tenidas Project (the "Facility") to be provided by Investec Bank (UK) PLC, BNP Paribas and Societe Generale, Iberian is required to hedge the forecasted future metals production until the facility matures in June 2013. The Facility requires Iberian to hedge 70% of the forecast copper production and 65% of the forecast zinc and silver production. In anticipation of the closing of this facility in June 2008, the Company started negotiating some of the copper and zinc contracts with Investec Bank (UK) PLC during quarter 1, 2008. The hedges were completed on June 24, 2008 and the table below shows the details of the copper, zinc and silver hedges.

The Company's recently acquired subsidiary ("CMC") had entered into hedge forward contracts with Natixis Commodity Markets Limited, an unrelated third party. These contracts expire on varying dates through December 31, 2011 (see table below).

Market values have been used to determine the fair value of forward contracts. The fair values have been calculated by discounting the future cash flows of hedge price inclusive of all credit margins.

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13. DERIVATIVE INSTRUMENTS *(continued)*

Balance as of June 30, 2008 of the MATSA derivative instruments were as follows:

	June 30, 2008 (US\$)
Derivative instruments	\$ 48,988,117
Less: non-current portion	46,924,240
Current portion	\$ 2,063,877
	(CAD\$)
Current portion	\$ 2,104,535
Long-term portion	47,848,648
	\$ 49,953,183

Market values have been used to determine the fair value of forward contracts. The fair values have been calculated by discounting the future cash flows of hedge price inclusive of all credit margins.

As of June 30, 2008, the forward contracts in force at MATSA were as follows:

(i) Copper

Period	FMT (Fine metric tons)	Fixed Price US\$/FMT
January 2009 – June 2009	5,150	6,968
July 2009 – December 2009	6,625	6,784
January 2010 – June 2010	5,600	6,581
July 2010 – December 2010	5,600	6,390
January 2011 – June 2011	7,800	6,208
July 2011 – December 2011	7,625	6,208
January 2012 – June 2012	7,775	6,058
July 2012 – December 2012	7,950	6,058
January 2013 – June 2013	7,500	6,058

(ii) Zinc

Period	FMT (Fine metric tons)	Fixed Price US\$/FMT
January 2009 – June 2009	9,175	2,474
July 2009 – December 2009	9,600	2,463
January 2010 – June 2010	10,050	2,433
July 2010 – December 2010	10,050	2,433
January 2011 – June 2011	10,200	2,244
July 2011 – December 2011	10,200	2,244

(iii) Silver

Period	FOZ (Fine ounces)	Fixed Price US\$/FOZ
January 2009 – June 2009	278,646	18.10
July 2009 – December 2009	358,956	18.00
January 2010 – June 2010	313,056	18.10
July 2010 – December 2010	313,056	18.00
January 2011 – June 2011	573,696	18.10
July 2011 – December 2011	573,696	18.00
January 2012 – June 2012	523,368	17.90
July 2012 – December 2012	523,368	17.80
January 2013 – June 2013	556,908	17.80

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13. DERIVATIVE INSTRUMENTS (continued)

Balances as of January 31, 2008 and June 30, 2008 of the CMC derivative instruments are as follows.

	June 30, 2008 (US\$)	January 31, 2008 (US\$)
Derivative instruments	\$ 249,805,830	\$180,758,910
Less: non-current portion	148,117,817	127,453,480
Current portion	\$ 101,688,013	\$ 53,305,430
	(Cdn \$)	(Cdn \$)
Current portion	\$ 103,691,267	\$ 53,422,702
Long-term portion	151,035,738	127,733,878
	\$ 254,727,005	\$181,156,580

Market values have been used to determine the fair value of forward contracts. The fair values have been calculated by discounting the future cash flows of the hedged price inclusive of all credit margins.

As of June 30, 2008 the forward contracts in force at CMC are as follows:

(i) Copper

Period	FMT (Fine metric tons)	Fixed Price US\$/FMT
July 2008 – December 2008	16,050	4,330.04
January 2009 – December 2009	19,900	4,410.00
January 2010 – December 2010	20,525	4,410.00
January 2011 – December 2011	20,625	3,400.00

(ii) Gold

Period	FOZ (Fine ounces)	Fixed Price US\$/FOZ
July 2008 – December 2008	1,400	741.40
January 2009 – December 2009	2,400	741.50
January 2010 – December 2010	2,400	741.50
January 2011 – December 2011	2,400	741.50

(iii) Silver

Period	FOZ (Fine ounces)	Fixed Price US\$/FOZ
July 2008 – December 2008	60,000	12.04
January 2009 – December 2009	110,000	13.85

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14. SHARE CAPITAL

The number of authorized common shares is unlimited

Issued common shares:

	No. of Shares	Amount (\$)
Balance, December 31, 2007	187,635,426	130,721,277
Acquisition of Compania Minera Condestable S.A. (Note 5)	65,990,833	82,729,946
Convertible debenture interest (1)	675,146	756,164
Exercise of options (2)	250,000	285,100
Balance, June 30, 2008	254,551,405	214,492,487

- (1) On January 26, 2008, the Company issued an aggregate of 675,146 common shares in satisfaction of the January 26, 2008 interest payment of \$756,164 in accordance with the terms of the convertible debenture.
- (2) In June 2008 250,000 options were exercised for a total cash consideration of \$165,000. As a result of the exercise of these options \$120,100 was reallocated from contributed surplus to share capital, with an aggregate of \$285,100

15. STOCK OPTIONS

The following table reflects the continuity of stock options for the six months ended June 30, 2008:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2007 and March 31, 2008	13,490,000	1.14
Granted (11)	1,000,000	1.14
Granted (12)	250,000	1.01
Exercised	(250,000)	0.66
Cancelled/Expired	(250,000)	1.37
Balance, June 30, 2008	14,265,000	1.15

The following table reflects the actual stock options issued and outstanding as of June 30, 2008:

Expiry date	Weighted average exercise price (\$)	Weighted average contractua l life (years)	Fair value per option (\$)	Number of options outstanding	Number of options vested	Number of options unvested
August 27, 2008 (a)	0.40	0.16	0.08	200,000	200,000	-
October 10, 2008 (b)	0.60	0.28	0.09	375,000	375,000	-
February 11, 2009 (c)	0.80	0.61	0.61	1,235,000	1,235,000	-
April 14, 2009 (d)	0.86	.86	0.66	100,000	100,000	-
October 12, 2009 (e)	0.50	1.28	0.39	1,600,000	1,600,000	-
February 1, 2011 (f)	0.70	2.58	0.40	370,000	370,000	-
June 27, 2011 (g)	1.20	2.99	0.40	3,855,000	3,855,000	-
September 19, 2009 (h)	1.50	1.22	0.48	300,000	300,000	-
September 19, 2011 (i) (j)	1.50	3.22	0.47	180,000	120,000	60,000
April 6, 2011 (k)	0.70	2.76	0.27	75,000	75,000	-
December 15, 2011 (l)	1.50	3.46	0.87	250,000	166,000	84,000
June 27, 2012 (m)	1.50	3.99	0.99	4,275,000	4,235,000	40,000
June 27, 2012 (n)	1.65	3.99	0.96	100,000	100,000	-
July 18, 2012 (o)	1.66	4.30	1.22	100,000	30,000	70,000
April 16, 2013 (p)	1.14	4.79	0.69	1,000,000	333,333	666,667
June 12, 2013 (q)	1.01	4.95	0.67	250,000	-	250,000
		2.57		14,265,000	13,094,333	1,170,667

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15. STOCK OPTIONS (continued)

Stock options have been expensed as follows:

	Number of active and exercised options value	Cumulative expense from inception to December 31, 2007	Amount expensed in 2008	Remainder to be expensed	Exercise or cancellation of stock options	Total stock option compensation
(a)	200,000	\$ 16,921	\$ –	\$ –	\$ –	\$ 16,921
(b)	375,000	35,144	–	–	–	35,144
(c)	1,235,000	817,020	–	–	(61,200)	755,820
(d)	100,000	65,800	–	–	–	65,800
(e)	1,600,000	660,353	–	–	(38,800)	621,553
(f)	370,000	168,840	–	–	(20,100)	148,740
(g)	3,855,000	1,497,146	96,720	–	(40,300)	1,553,566
(h)	300,000	144,000	–	–	–	144,000
(i)	180,000	74,169	6,374	3,187	–	83,730
(j)	75,000	20,325	–	–	–	20,325
(k)	250,000	175,740	20,878	20,880	–	217,500
(m)	4,275,000	3,776,099	553,544	13,157	(123,375)	4,219,425
(n)	100,000	77,246	18,854	–	–	96,100
(o)	100,000	59,488	40,790	22,097	–	122,377
(p) (11)	1,000,000	–	302,944	391,317	–	694,261
(q) (12)	250,000	–	5,057	162,276	–	167,333
	14,265,000	\$7,588,291	\$1,045,161	\$ 612,914	\$ (283,775)	\$8,962,595

The following table summarizes the expense category that stock option compensation was charged to in the given periods:

	Six months ended June 30	
	2008	2007
Property, plant and equipment	\$ 552,828	\$ 509,537
Stock option compensation	404,721	1,245,088
Advertising, promotion and public relations	18,854	–
Office expenses	68,758	–
Amount expensed	1,045,161	1,754,725
Recovery on cancelled stock options	(163,675)	–
June 30, 2008	\$ 881,486	\$ 1,754,725

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16. WARRANTS

The following table sets out the warrant activity during the six months ended June 30, 2008:

	Number of warrants	Value (\$)
Balance, December 31, 2007 and June 30, 2008	8,382,126	1,715,231
Issued to satisfy the MATSA convertible debt June 27, 2008	7,640,353	N/A
Balance, June 30, 2008	16,022,479	1,715,231

The following table reflects the actual warrants outstanding as of June 30, 2008:

Expiry date	Number of warrants	Exercise price (\$)	Fair value (\$)
August 16, 2009	3,479,525	2.20	798,525
August 16, 2009	3,479,525	2.60	632,112
August 31, 2009	711,538	2.20	158,910
August 31, 2009	711,538	2.60	125,684
	8,382,126		1,715,231
June 30, 2013 (Note 10) (1)	7,640,353	1.30	N/A
	16,022,479		1,715,231

(1) These warrants represent warrant options as described in Note 10 regarding the MATSA convertible loan.

17. RELATED PARTY TRANSACTIONS

The Company has a management agreement with two directors whereby each receives annual fees of \$240,000 (2007 - \$240,000). For the period ended June 30, 2008, each received \$120,000 (2007 - \$120,000). One of these directors did not stand for re-election for the Board of Iberian but remains as a director of its subsidiary MATSA.

In addition, consulting fees of \$60,000 (2007 - \$60,000) was paid to another officer of the Company.

During the six months period ended June 30, 2007, a total of \$30,000 was paid to a company owned by a director. In 2008 this director resigned as a director of the Company as a result of the acquisition of CMC. It is the intention to use this person as a qualified person from time to time in the future. In the six months period ended June 30, 2008 the services of this former director was not required.

During the six months period ended June 30, 2008, a total of \$96,000 (2007 - \$96,000) was expensed as professional and consulting fees and \$204,000 (2007 - \$234,000) was included in property, plant and equipment.

In addition \$9,000 (2007 - \$9,000) was paid to an arms length party on behalf of the above directors for travel related expenses

For the six months period ended June 30, 2008 no directors fees were paid, however, the Company accrued \$17,000 for directors fees for the six months period ended June 30, 2008 (2007 - \$23,500).

Directors and related companies were also reimbursed for out of pocket expenses that occurred in the normal course of business.

The Company completed the acquisition of "Compania Minera Condestable" (CMC) effective January 31, 2008. The consideration for the acquisition was satisfied by the issuance of 65,990,833 common shares of the Company to Trafigura, which previously held approximately 21% of the issued share capital of Iberian. Trafigura now holds approximately 42% of the issued and outstanding common shares of Iberian.

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The Trafigura group provides management, operational, mining and administrative services to CMC. The amount charged for the period February 1, 2008 to June 30, 2008 is of US\$418,159.

As at June 30, 2008, Trafigura has lent the Company bridge loan totalling \$71.8 million (US\$70.97 million) at an interest rate of Libor + 1%. All of these proceeds were used to fund the construction at the facilities at MATSA. Of this amount, \$59.54 million (US\$58.97 million) was repaid on May 23, 2008 from the proceeds of the Condestable loan. As explained in the first quarter of 2008 financial statements Note 13, the Company started negotiation of hedge contracts to satisfy the finalization of the loan facility as explained in Note 9. To June 30, 2008 interest on the bridge loan, interest on the margin of hedges being negotiated and fees associated with these amount to \$1.26 million (US\$1.27 million).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

19. ADMINISTRATIVE EXPENSES

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Accounting and corporate services	\$ 427,378	\$ 5,277	\$ 471,039	\$ 44,373
Head office expenses	406,951	53,135	645,550	68,545
Professional and consulting fees	1,180,137	286,430	2,274,051	520,792
Transfer agent, listing and filing fees	42,234	13,855	77,700	52,415
Administration – CMC	856,981	-	1,151,891	-
Shareholders' information	65,972	16,169	74,890	19,327
Travel	129,736	56,194	217,108	128,934
Advertising, promotion and public relations	8,116	779	48,873	14,766
Occupancy costs	26,388	37,521	52,762	42,291
Directors fees	5,000	23,500	17,000	23,500
Capital tax	50,949	100,000	50,949	150,000
Amortization	4,595	-	8,826	-
	\$ 3,204,437	\$ 592,860	\$ 5,090,639	\$ 1,064,943

20. SEGMENTED INFORMATION

	June 30, 2008			
	Canada	Spain	Peru	Consolidated
Current assets	\$ 16,957,536	\$ 50,639,838	\$ 66,712,019	\$ 134,309,393
Long-term assets	318,912,888	259,721,287	42,046,165	620,680,340
	\$ 335,870,424	\$310,361,125	\$ 108,758,184	\$ 754,989,733
	December 31, 2007			
	Canada	Spain	Peru	Consolidated
Current assets	\$ 6,383,032	\$ 15,701,165	\$ -	\$ 22,084,197
Long-term assets	4,814,952	143,159,987	-	147,974,939
	\$ 11,197,984	\$158,861,152	\$ -	\$ 170,059,136

All sales income is derived from the Peruvian operations.

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21. COMMITMENT

The Company and its subsidiaries have entered into various leases for premises and equipment.

At June 30, 2008 the Company and its subsidiaries were committed to future minimum lease payments as follows:

	Spain	Peru	Canada	Total
2008	\$ 432,778	\$ 2,293,568	\$ 183,738	\$ 2,910,084
2009	531,827	3,640,464	464,727	4,637,019
2010	63,314	439,874	483,377	986,566
2011	5,935	–	504,114	510,049
2012	–	–	417,791	417,791
2013	–	–	273,288	273,288
	\$ 1,033,854	\$ 6,373,906	\$ 2,327,036	\$ 9,734,797

22. SUBSEQUENT EVENT

Effective July 26, 2008, the Company issued an aggregate of 857,358 common shares in satisfaction of the July 26, 2008 interest payment of \$745,901 in accordance with the terms of the convertible debenture as disclosed in Note 10.