IBERIAN MINERALS CORP. – MANAGEMENT'S DISCUSSION AND ANALYSIS

SIX MONTHS ENDED JUNE 30, 2008

Introduction

This management discussion and analysis ("MD&A") of results, operations and financial condition of Iberian Minerals Corp. ("Iberian" or the "Company"), describes the operating and financial results of the Company for the six months period ended June 30, 2008. This MD&A supplements, but does not form part of, the interim unaudited Q2 2008 consolidated financial statements of the Company, and should be read in conjunction with Iberian's unaudited interim consolidated financial statements and related notes for the six months period ended June 30, 2008, as well as the results of fiscal years 2007 and 2006. The Company prepares and files its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The currency referred to in this document is the Canadian Dollar, all holdings in foreign currencies by Iberian or its subsidiaries have been converted to Canadian Dollars in accordance with foreign currency translation accounting as disclosed in Note 2 (c) of the Q2 2008 unaudited interim consolidated financial statements.

Forward Looking Statements

This MD&A includes certain "forward-looking statements" and "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Assumptions upon which such forward-looking statements are based include that transactions will be completed, that all required third party regulatory and governmental approvals will be obtained. Many of these assumptions are based on factors and events that are not within the control of Iberian and there is no assurance they will prove to be correct. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include changes in market conditions and other risk factors discussed or referred to in this MD&A and other documents filed with the applicable securities regulatory authorities and available at *www.sedar.com*. Although Iberian has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Iberian undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Highlights for the six months ended June 30, 2008

During the six months period ended June 30, 2008 the Company and its subsidiaries accomplished the following:

- Acquired Compania Minera Condestable S.A. effective January 31, 2008. This made the Company a producing Company.

- Condestable raised a US$70 million loan facility to fund the construction at the Minas Aguas Tenidas project.

- MATSA completed a US$210 million project finance facility to fund the construction at the Minas Aguas Tenidas project. The first drawdown was done on June 24, 2008

Overview of the six months ended June 30, 2008

During the first six months of 2008, Iberian continued construction and development of the Aguas Tenidas project, held by Iberian's wholly owned Spanish subsidiary Minas Aguas Tenidas S.A. ("MATSA") and also completed, (i) the acquisition of Compania Minera Condestable S.A. ("CMC" or "Condestable"), an operating copper producing mine, (effective January 31, 2008), (ii) arranged a US$70 million syndicated loan with Société Générale 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 starting August 29, 2008 until fully repaid on February 28, 2011. The loan bears interest at three months LIBOR plus 2.25%. The proceeds of this loan were used to fund construction at the Aguas Tenidas Project (iii) On June 24, 2008, completed a US$210 million Project Finance Facility (the "Facility") for the Company's Aguas Tenidas Project in Spain. The lead lenders are Investec Bank (UK) PLC, BNP Paribas and Société Générale. The Facility comprises of three parts: US$ 170 million as a term facility; US$10 million as a convertible loan; and US$30 million as a cost overrun facility. This Facility is guaranteed by Iberian until the completion date as defined in the Facility. Note 9 (d) of the unaudited interim consolidated financial statements detail the terms and repayment schedule.

Construction at Aguas Tenidas has progressed during the first six months of 2008. Project expenditure for the six months ended June 30, 2008 totalled approximately $114.03 million, with $73.39 million being spent in Q2 2008 and $40.64 million in Q1 2008. The main Santa Eulalia ramp has been completed and the Santa Barbara ramp progressed satisfactorily.

Progress on the plant and tailings facility continued during this period. Civil works, structural steel and mechanical erection are well underway and the tailings facility, power lines and its applicable substation and the fresh water facility is completed. The piping works contract has been awarded and work on this commenced in March 2008 and is progressing rapidly. All mills and flotation cells have been erected as well as their related mechanisms. The concentrate thickening facility is under construction. All site roads are progressing with full completion of the internal road from the backfill plant to the concentrator.

The Company continues to add steadily to its work force. At June 30, 2008, the Company had 113 employees with an additional 875 contractors on site.

Exploration drilling underground continued on the copper stockwork target westwards from the eastern part of the deposit. A total of 2,611 meters were drilled in the second quarter of 2008 for a total of 3,660 meters in the six months ended June 30, 2008. On surface, in the second quarter, 2,038 meters were drilled to the west of the known Aguas Tenidas deposit and the old Aguas Tenidas mine deposit. Total drilled for Q1 and Q2 was 3,590 meters.

Effective January 31, 2008, the Company completed the acquisition of Condestable. The Company's unaudited interim consolidated financial statements include the results of the operations of Condestable for the period February 1, 2008 to June 30, 2008. As a result of this, the Company is no longer a development stage company and is now an operating Company. The Company is entitled to approximately 92% of the undistributed profits of Condestable for the period October 1, 2007 to January 31, 2008.

CMC is a base metals producing company, incorporated under the laws of Peru and its shares are listed for trading on the Lima Stock Exchange. CMC is the owner of the Condestable mine and a lessee of the Raúl mine (collectively, the "Condestable Mine") which is a copper/gold property located approximately 90 km south of Lima, Peru. The Condestable Mine has been in continuous production since 1998. CMC's registered office and head office are in Lima, Perú.

Iberian holds approximately 92% of the issued shares of CMC and has started the process in Peru of trying to acquire the remaining shares through a formal process with the Lima stock exchange. Simultaneously the Company is in the process of delisting the shares of CMC from the Lima stock exchange and taking CMC private.

1.1 Date of MD&A

This MD&A was prepared on August 19, 2008

1.2 Overall Performance

Iberian incurred a net loss of $63,498,919 for the three months ended June 30, 2008, compared to a net loss of $1,572,990 for the corresponding period in 2007.

The results of operations for the second quarter of 2008 include the operations of Condestable for the period April 1, 2008 to June 30, 2008. Condestable's revenue for this period was approximately US$28.9 million, the cost and expenses of the mining operation was approximately $16.1 million and a gross margin of approximately 13.1 million.

The main factors that contributed to the consolidated net loss in the second quarter of 2008 were: i) unrealized loss on derivative financial instruments of $62.9 million; (ii) depreciation and amortization of the mining interest gross up of $12.2 million (see Note 5 and 7 of the Q2 2008 unaudited interim consolidated financial statements); iii) administration costs of $3.2 million; iv) CMC's employee legal profit participation future benefits of 1.09 million and iv) finance charges of $0.6 million. These were partly offset by a foreign exchange gain of $4.0 million and interest income of $0.1 million.

The consolidated statements of income (loss) as presented for the period ended June 30, 2008 are substantially different from the comparative period of 2007, in that these statements now include the operations of Condestable for the three months ended June 30, 2008. A comparison of the results for the quarter ended June 30, 2008 with those of the corresponding period in 2007 is discussed below.

The main items with no comparatives as a result of the consolidation of the Condestable results for the three month period are as follows : (a) revenue of $29.2 million, (b) cost of revenues $16.1 million, (c) depreciation amortization and mining royalty of $12.2 million, (d) employee legal profit participation future benefits of $1.1 million, (e) income tax expenses of $3.8 million (f) future income tax recovery of $3.9 million and (g) unrealized loss on derivative instruments of $62.9 million, of which $19.2 million is from Condestable hedges and the remainder is a result of the recently negotiated MATSA hedges. The details on both the Condestable and MATSA hedges are explained in Note 13 of the unaudited interim consolidated financial statements.

The analysis below relates to comparatives of the operating and corporate expenses for the second quarter of 2008 and 2007:

i. Stock based compensation totalled $192,686, a decrease of $1.1 million over second quarter of 2007. This decrease is due to the timing of the vesting of stock options and their corresponding treatment as an expense for accounting purposes.

ii. Administrative costs totalled $3,204,437 for the second quarter of 2008, compared to $592,680 for the corresponding period in 2007. A breakdown of the administrative costs for the year is set out below in section 1.15 (b). The increase of $2,611,757 is due to the net impact of the following items:

   a) Included in administrative expenses are the administrative costs from Condestable for the period April 1, 2008 to June 30, 2008. These amounts are included in section 1.15 (b). Administrative expenses for Condestable were $856,981, professional and consulting of $443,750 accounting and corporate services $420,876.

   b) In Q2 2008, accounting and corporate services were $427,378 compared to $5,277 in 2007. Head office expenses were $406,951 compared to $53,135 in 2007. This increase of $353,816 is mainly due to the increase in personnel expenses of approximately $150,589 and the setting up of the new Iberian corporate office and its related expenses.

   c) Professional and consulting fees for Q2 2008 of $1,180,137 increased by $893,707 over 2007. Included in this are legal and audit fees of approximately $326,867 (2007 - $188,377) and consulting fees of approximately $344,554 (2007 – $73,175) and $443,750 from Condestable (2007 – N/A). Travel costs for the second quarter of 2008 were up by $73,542 from $56,194 as a result of increased travel arising from increased activity at MATSA. The occupancy cost of $26,338 in Q2 2008 (2007 - $37,521) is as a result of costs remaining relatively the same for the new premises. Director fees for Q2 2008 were $5,000 (2007 - $23,500l). Capital tax incurred in 2008 was $50,949 compared with $100,000 for Q2, 2007. In 2008 there is a possibility that new Ontario provincial legislation may be such that the Company will not be subject to capital tax. The Company is seeking a tax ruling in this matter; however, to prevent penalties in the event that Iberian does not receive a favourable ruling, Iberian has prepaid capital taxes in the amount of $50,949.

iii. The interest on the $25 million, 5 year, convertible subordinated debenture issued to Dundee Resources Limited is payable semi-annually on July 26th and January 26th of each year. The interest accrued for Q2 2008 was $373,973 (2007 – $369,863), the accretion attributable for the same period was $86,339 (2007 – $79,156) for a total interest expense of $460,312 (2007 - $449,019). The actual interest from July 26 2007 to January 26, 2008 was $756,164 (2007 - $756,164) and was repaid by issuing 675,146 common shares (2007 - 463,904 common shares).

iv. There was a foreign exchange gain of $4,022,248 in Q2 2008 compared to a loss of $177,549 in Q2 2007. This gain arose from the translation of the future tax liability which resulted from the purchase of Condestable off set by the Company's increased level of exposure to fluctuations in the value of the Euro and US$ against the Canadian dollar.

v. Interest income decreased to $80,184 in Q2 2008 from $633,655 in 2007 reflecting the lower average level of cash on deposit during 2008 compared with the same period in 2007.

vi. The comprehensive loss for Q2 2008 of $8,186,206 is comprised of the unrealized foreign currency translation gain of $8,300,206 resulting from the translation of the Condestable US$ denominated financial statements using the current rate method and the increase in the unrealized loss on long term investments of $114,000. Under new standards issued by the Canadian Institute of Chartered Accountants, as set out in Note 2 (b) of the Q2 2008 unaudited interim consolidated financial statements and effective from January 1, 2007, all financial assets are to be measured at fair value and this loss is required to be presented outside the net loss of the Company within the category other comprehensive loss. In addition an amount of $62,900,682 was charged to net income as a result of the unrealized loss on derivative financial instruments.

1.3 Selected Annual Information (not applicable to the quarterly MD&A)

1.4 Results of Operations

Financing Activities

There was no equity financing activity in the second quarter of 2008.

As part of the acquisition of CMC, Trafigura had agreed to provide bridge financing until the company secured the loan facility from CMC in the amount of US$70 million. During the six month period ended June 30, 2008, Trafigura had advanced approximately $59.54 million (US$59.97 million) at a rate of Libor plus 1%. This loan was exclusively used for funding the construction at Aguas Tenidas. This loan was repaid in May 2008 from the CMC loan of US$70 million. (See Note 9 to the Q2, 2008 interim consolidated financial statements)

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 Aguas Tenidas while the US$210.0 million facility was being completed. This advance from Trafigura was repaid in early July 2008 after the first drawdown of approximately US$ 45.3 million was made on the US$210 million facility.

Aguas Tenidas Project

Throughout 2008, the Company continued to focus on the development and construction of Aguas Tenidas. Following the receipt of the building license required for the construction of the mine in January 2007, MATSA was subsequently granted the permit to build its ore processing plant in April 2007 and the permit to build its planned tailings facility in June 2007 by the Junta de Andalucia. Both these permits are subject to conditions typical of a European mining permit including the posting of bonds totalling approximately €7.0 million for the process plant permit and €4.7 million for the tailings facility permit.

In February 2008, the mining authority issued a resolution confirming MATSA as the owner of the various mining concessions comprising the Aguas Tenidas project. These resolutions imply the existence of the concessions mentioned therein, their life, and that they fulfil all legal and administrative requirements. According to the Spanish Mining Act, renewal of the mining concessions needs to be applied for no later than three years before their term expires. Since the Aguas Tenidas Deposit Concessions numbered 22 small concessions. MATSA has applied under Article 72 of Mining Law and Article 94 of Mining Law General Regulations to amalgamate the 22 concessions. Such amalgamation will make the operations more efficient, since it will allow MATSA to suspend operations in the areas of the ore body that will not be under exploitation in the next years with no risk of cancellation of rights what will lead the operations to be more effectively administered and organized. MATSA has initiated the process of extending the consolidated licence for a further 30 years.

Development of the underground infrastructure progressed satisfactorily during the second quarter of 2008. Meters advanced totalled approximately 2,930 in the Santa Barbara ramp of which approximately 550 were advanced during the second quarter of 2008. The extension of the Santa Eulalia ramp was completed in 2007 and four new sublevels were connected.

Significant progress on the plant and tailings facility continued during this period. Civil works, structural steel and mechanical erection are well underway and the tailings facility, power lines and its applicable substation and the fresh water facilities are completed. The piping works contract has been awarded and work on this commenced in March 2008 and is progressing rapidly. All mills and flotation cells have been erected as well as their related mechanisms. The concentrate thickening facility is well underway. All site roads are progressing with full completion of the internal road from the backfill plant to the concentrator

MATSA continued to further strengthen its project team during the second quarter of 2008. At the same time Aker Solutions Inc. is responsible for plant design, continued to augment its construction team on site in Spain.

In Q2 2008 approximately 820 meters of geotechnical core drilling were completed to assess rock mechanics in areas of planned underground development and future production areas.

Spending on the Aguas Tenidas project totalled approximately €48.5 million ($73.4 million) for the second quarter of 2008. The above expenditures were allocated to mining interest in the amount of $14.1 million; construction in progress $59.1 million and equipment $0.2 million.

As the project continues to develop through 2008, spending levels will continue to increase in response to the demands of the project. The construction of the Santa Barbara ramp, underground development, the advance of the investigation gallery, and the construction of the surface facilities are all capital intensive activities. The Company has focused on funding sources to meet the budgetary demands of development, but if these sources do not deliver the funding required, or if further funding is required, the development plans for the project could be jeopardized. As explained in Note 9 of the Q2 unaudited interim consolidated financial statements the funding facilities have been completed and as at June 30, 2008 a total of approximately US$ 115.3 million has been funded for the construction at MATSA. This funding is US$ 70 million from the Condestable loan facility and US$ 45.3 from the MATSA loan facility.

In the six months period ended June 30, 2008, there was no material spending associated with the Investigation licenses held by the Company. The Company intends to evaluate these various licenses, but at present no immediate material spending is contemplated.

Compania Minera Condestable S.A. ("CMC")

The Condestable Mine has been in continuous production of copper/gold/silver since 1998.

The following is a chart detailing the production at Condestable for the last 7 years

Production	Unit	2001	2002	2003	2004	2005	2006	2007
Ore treated	MT	639,871	713,633	867 845	1,006,435	1,319,704	1,500,154	1,558,164
Ore treated (daily avg)	MT/D	1,753	1,955	2,378	2,757	3,616	4,110	4,269
Concentrate produced	DMT	33,921	37,306	43,518	48,136	60,912	68,954	76,028
Fine copper produced	FMT	9,101	9,531	11,295	12,590	15,922	18,267	19,204
Fine gold produced	OZ	5,269	7,493	8,263	9,767	11,360	13,501	13,539
Fine Silver produced	OZ	79,152	102,631	124,149	130,683	152,550	153,500	206,403

Legend: DMT -- Dry metric tonnes; MT – Metric tonnes; FMT – Fine metric tonnes; OZ- Troy Ounces

The following are the highlights of CMC for the period February 1, 2008 to June 30, 2008.

- Revenues were approximately $48.0 million of which $29.2 is for the second quarter of 2008.
- Production was:

Production	Unit	5 months	Q2
Concentrate	MT	41,471	25,507
Contained copper	MT	10,275	6,280
Fine gold	oz	7,051	4,080
Fine silver	oz	112,108	71,201

- Unaudited balance sheet information as at June 30, 2008 in approximate US$:
  - Current assets US$74.9 million
  - Total assets US$177.8 million
  - Current liabilities US$187.5 million
  - Derivative instruments liability US$250.0 million

Property Description and Location

The Condestable and Raúl mine deposits are located on the Peruvian coast, in the District of Mala, Province of Cañete, Department of Lima. Access to the mine is 90 km by the highway south from Lima to Mala, the nearest town, and then a dirt road to Raúl mine (5km). The Condestable mine is located at latitude 8 596 0919.091 N and longitude 327 609.545 E. The Raúl mine is located at latitude 8 595 972.91 N and longitude 329 798.8115 E.

The Condestable and the Raúl properties consist of an aggregate of 63 concessions totalling approximately 13,677 hectares and 32,864.37 hectares of tenement petitioned. The tenements are distributed in two groups named Condestable and Raúl.

The copper mineralization at the Condestable and Raúl mines occurs in stratiform sulphide-rich replacement bodies (mantos) and crosscutting sulphide-bearing quartz veins. The mantos consist of disseminated, semi-massive to massive sulphide-iron-oxide.

CMC has a lease and royalty contract, with the owner of the Raúl mine concession, *Contrato de Cesion Minera*, for the extraction of minerals in this mine. This contract is in effect until February 2011, with an option to extend it through February 2014. The company has exercised this option with a back-out right in the event that the mine is not feasible after 2011. This contract establishes a royalty payment according to the following terms:

- A fixed monthly payment of US$30,000.
- If the treated mineral (sulphide and oxide) is more than 70,000 tons per month, an additional monthly payment of US$0.5 per every additional ton over 70,000 tons.
- If the international market price of copper is between US$1.00/lb and US$1.05/lb, an additional monthly payment of US$1,000 per every cent over US$1.00/lb.
- If the international market price of copper is between US$1.05/lb and US$1.10/lb, an additional monthly payment of US$1,500 per every cent over US$1.05/lb.
- If the international market price of copper is over US$1.10/lb, an additional monthly payment of US$2,000 per every cent over US$1.10/lb.

CMC is not the owner of the land where the operations are located. The property is the subject of an agreement with the rural community requiring annual payments for the right to use and profit from the land. The annual payment is US$18,000 while the contract is in effect, and an additional US$54,000 (plus taxes) during the first three years for developing community projects. Additionally, CMC has committed a full time engineer with experience in development and promotion of community projects. This contract allows CMC to build and maintain camps, tunnels, plants, workshops, offices, tailing dams, waste dumps, roads, and any other works to develop and operate mining operations. This contract is in effect for up to 30 years from its signing in 2006.

The property is exposed to environmental liabilities related to the tailings storage area; waste rock storage on surface; and spent ore storage. CMC's environmental permits and authorizations are valid with exception of the Certificate of Non-Existence of Archaeological remains in the area. It should be noted that the mine operation dates back 40 years and according to the data reviewed no archaeological remains have been detected.

The Condestable mine is an active underground mining operation. CMC has an annual exploration program comprising underground development and diamond drilling. The mine operates its own drilling equipment capable of drilling BQ, NQ and TT46 calibre core. The primary purpose of exploration is to increase the mineral resource available for mining. Much of the exploration drilling is conducted from underground, requiring significant underground development to provide adequate drilling stations. For 2008, 8,400 m of lateral development is planned.

1.5 Summary of Quarterly Results

	Second Quarter June 30, 2008	**First Quarter** March 31, 2008	**Fourth Quarter** December 31, 2007	**Third Quarter** September 30, 2007
Revenue (including interest income)	$ 29,153,824	$ 18,811,885	$ 302,800	$ 373,482
Net income (loss)	($ 63,498,919)	($ 66,624,776)	($ 2,007,421)	($ 1,853,143)
Net income (loss) per share basic and fully diluted	($ 0.25)	($ 0.29)	($ 0.01)	($ 0.01)
Total assets	$ 754,989,733	$ 622,491,774	$ 170,059,136	$ 162,334,589
Cash and cash equivalents	$ 55,058,894	$ 24,433,684	$ 9,772,309	$ 35,215,068
Shareholders' equity	$ 60,524,354	$ 121,083,455	$ 111,213,720	$ 111,113,448
	Second Quarter June 30, 2007	**First Quarter** March 31, 2007	**Fourth Quarter** December 31, 2006	**Third Quarter** September 30, 2006
Revenue (including interest income)	$ 633,655	$ 919,336	$ 598,822	$ 566,291
Net income (loss)	($ 1,572,990)	($ 508,293)	($ 932,492)	($ 2,965,940)
Net income (loss) per share basic and fully diluted	($ 0.01)	($ 0.00)	($ 0.00)	($ 0.02)
Total assets	$ 150,673,937	$ 139,005,659	$ 135,206,719	$ 126,648,026
Cash and cash equivalents	$ 34,813,051	$ 51,792,937	$ 61,952,395	$ 51,002,730
Shareholders' equity	$ 109,724,093	$ 107,173,513	$ 105,950,168	$ 100,477,252

As seen above, the result in the first and second quarters of 2008 is significantly different from that of the prior six quarters. The first quarter of 2008 reflects the operating results of Condestable for the two month period from February 1, 2008 to March 31, 2008. (the acquisition of CMC was completed effective January 31, 2008) and the second quarter includes the operating results of Condestable for the three month period ended June 30, 2008.

The following is an explanation of Q2, 2008:

- The revenue for CMC for the three months ended June 30, 2008 was approximately $29.1 million.
- The net increase in fixed assets at MATSA was approximately $73.3 million and the other increase was normal growth in assets in CMC.
- The decrease in shareholder's equity is as a result of the Q2 2008 loss, the main component of which is the unrealized loss on derivative financial instruments. CMC recorded an operating profit of $13.1 million and this was offset by a loss of $62.9 million with respect to the derivative financial instruments, $12.2 million re amortization of the mining interest gross up resulting from the CMC acquisition and net other of $1.4 million.

The following applies only to the four quarters in 2007 and two quarters 2006 represented by the above table. Revenue arising from interest on funds on deposit has declined throughout 2007 as a result of a decrease in cash holdings. The decrease in cash holdings is as a result of the increased activity in the construction of the plant and mining interest in MATSA. Increased revenues reported for the quarters ended September 30, 2006 at $566,291, December 31, 2006 $598,822, March 31, 2007 $919,336, and June 30, 2007 $633,655 were as a result of interest earned on higher cash amounts on deposit following the receipt of funds from the Company's various financings during 2006 and the release of the funds held in escrow in 2007.

In the six quarters set out above for 2007 and 2006, the Company recorded a net loss in each quarter. There have been increased losses by quarter in 2007 resulting mainly from a decrease in interest income, increase in stock option compensation expenses and general and administration expenses. The increased loss during the third quarter of 2006 was due mainly to the write off of the Sangold property.

Total assets have demonstrated a consistent and sustainable growth over the last six quarters with December 31, 2007 total assets at $170,059,136. This reflects the level of activity at the Aguas Tenidas mine site.

1.6 Liquidity

Iberian reported a working capital deficiency of $118.5 million at June 30, 2008 compared with working capital of $9.5 million at December 31, 2007. The main reason for this deficiency is the current portion of the CMC derivative instruments of approximately $105.8 million. The Company had cash and cash equivalents of $55.1 million at June 30, 2008 compared to $9.8 million at December 31, 2007. Of this, approximately $27.2 million is held in banks in Spain, approximately $11.2 million is held in banks in Peru and $16.6 on deposit with a major bank in Canada.

As a result the recent completed loan facilities at MATSA and Condestable a total of approximately US$280 million in loan facilities became available for funding the completion of the Aguas Tenidas project. To June 30, 2008, US$115.3 million was drawn down. The Company's undrawn facilities at June 30, 2008 are: a term facility of US$134.7 million and a cost overrun facility of US$30.0 million

The Company will continue its efforts to raise funds for future developments and operations and to meet its ongoing financial obligations as they arise. There is however, no assurance that the Company will be successful in its efforts to raise additional funds, in which case, the Company may not be able to meet its financial and other obligations. The Q2 interim unaudited consolidated financial statements have been prepared on a going concern basis, as discussed in Note 1 of the June 30, 2008 unaudited interim consolidated financial statements.

Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the consolidated balance sheet.

As of June 30, 2008, the Company's net debt was $262,256,190 and consisted of the following:

Account	Balance June 30, 2008	Balance December 31, 2007
	$	$
Accounts payable and accrued liabilities	84,293,348	30,045,918
Convertible debenture (See Note 10 in Q2 financials)	33,112,110	23,592,048
Current portion of long term debt	31,093,517	1,535,203
Operating loan	12,430,073	-
Asset retirement obligation (See Note 12 in Q2 financials)	5,881,799	2,308,819
Long term debt (See Note 9 in Q2 financials)	95,445,343	1,363,428
Total	262,256,190	58,845,416

The above excludes the liability on the derivative financial instruments. As at June 30, 2008 the current portion of this liability amounted to $105.8 million and the long term portion amounted to $198.9 million, for a total exposure of $304.7 million.

In common with many junior public companies, the Company raises capital for its activities and projects as and when required. In the six month period ended June 30, 2008, there were no equity fundraising activities.

1.7 Capital Resources

At June 30, 2008, the Company had the following capital requirements under existing agreements.

(i) Accounts payable in the normal course of business.

(ii) Convertible debenture (refer to Note 10 of the unaudited interim consolidated financial statements).

(iii) Funds for MATSA to continue the construction phase of the Aguas Tenidas project, the sources of these funds are further discussed above in section 1.6 entitled "Liquidity".

(iv) MATSA's capital commitments totalling approximately €40.6 million ($64.7 million) at June 30, 2008.

(v) The Company is committed to future minimum lease payments as follows:

2008 - $2,910,084; 2009 - $4,637,019; 2010 - $986,565; 2011 - $510,049; 2012 - $417,791: 2013 - $273,288 for a total of $9,734,797. Note 21 to the unaudited interim Q2 consolidated financial statements detail these commitments by country.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

The Company had the following transactions with related parties:

The Company had management agreements with Peter Miller and Norman Brewster for their services as President and CEO, and Executive Chairman and Vice President respectively, whereby each receives annual fees of $240,000 (2007 - $ 240,000). For the three and six months ended June 30, 2008 each received $60,000 and $120,000 respectively (three and six months ended June 30, 2007 - $60,000 and $120,000 respectively). In addition, for the three and six months ended June 30, 2008 consulting fees were paid to another officer, Peter Gleeson, $30,000 and $60,000 respectively (three and six months ended June 30, 2007 - $30,000 and $60,000 respectively). During the three and six months ended June 30, 2008, a total of $48,000 and $96,000 (three and six months ended June 30, 2007 - $48,000 and $96,000 respectively) was expensed as professional and consulting fees and $ $102,000 and $ 204,000 (three and six months ended June 30, 2007 - $117,000 and $234,000) was included in property, plant and equipment. In addition, $4,500 and 9,000 (three and six months ended June 30, 2007 – $4,500 and 9,000) were paid to an arm's length party on behalf of the above directors and the officer for travel related expenses.

The management agreement with Peter Miller is no longer in place as Mr. Miller stepped down as President and CEO, but continues to serve as a director of MATSA. Mr Miller will continue to receive his fees as noted above until January 31, 2009.

For the period ended June 30, 2008 no director fees were paid. The Company has accrued $12,000 and $5,000 for director's fees relating to the first and second quarters of 2008. In connection with the acquisition of Condestable effective January 31, 2008, Thomas Savage Aguilar and Jesus Fernandez Lopez (Trafigura nominees) were elected to the board of directors of Iberian and the following directors resigned: Maurice Stekel, Jose Gomez-Arnau, Michael Newbury and Peter Gleeson.

The Company pays funds to related parties in the course of carrying out the Company's business, in exchange for services rendered to the Company. If the Company were not paying these related parties for these services the Company would still have to pay individuals or entities in order to obtain these services and to carry out the business of the Company. 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 Company and the related parties.

The Company completed the acquisition of CMC effective January 31, 2008.The consideration for the acquisition was satisfied by the Company issuing 65,990,833 shares to Trafigura, which previously held approximately 21% of the issued share capital of Iberian. Trafigura now controls approximately 42%of the issued and outstanding capital of Iberian.

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 a 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. The remaining loan was repaid in July 2008 from the proceeds of the first drawdown of the US$210 million facility. As explained in the first quarter of 2008 financial statements Note 13, the Company started in quarter 1, 2008 the 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 $1.26 million (US$ 1.27million).

1.10 Fourth Quarter (Not applicable)

1.11 Proposed Transactions

The Company completed the acquisition of approximately 92% of the issued and outstanding shares of Compania Minera Condestable with an effective date of January 31, 2008.

Iberian has started the process in Peru of trying to acquire the remaining shares through a formal process with the Lima stock exchange. Simultaneously the Company is in the process of delisting the shares of CMC from the Lima stock exchange and taking CMC private

1.12 Critical Accounting Estimates

The preparation of the interim unaudited Q2 2008 consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

1.13 Changes in Accounting Policies and new Accounting Pronouncements

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.

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company's current recognition policy of expensing transaction costs is consistent with this guidance.

As a result of the acquisition of Condestable, the Company has adopted some new accounting policies. These policies are further described in Note 2 (c) of the unaudited first quarter interim consolidated financial statements These new policies include the following: inventories; property, plant and equipment, mine development costs, determination of copper reserves and resources, revenue recognition, workers' profit sharing and other employee benefits and hedges.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments consisted of cash and cash equivalents, funds held in trust, restricted cash, receivables, payables and accruals and long term debt. Unless otherwise noted, it is management's opinion that the Company is currently not exposed to significant interest or credit risks arising from these financial instruments. Some of the above noted items are denominated in US$, Euros and New Soles. Balances are translated at the period end, based on the Company's policy as set out in Note 2 in the Q 2 2008, unaudited interim consolidated financial statements.

The Company estimates that the fair value of its cash and cash equivalents, funds held in trust, restricted cash, receivables, payables and accruals and long term debt approximate the carrying value of the assets and liabilities.

The long-term investment consists of shares of Richview Resources Inc. which the Company is holding for the long term, as available for sale. The fair value at June 30, 2008 has been written down to $541,500 which is in compliance with the new standards issued by the CICA as set out in Note 2 in the Q 2 2008, unaudited interim consolidated financial statements and effective from January 1, 2007 whereby all financial assets (except "held to maturity" and "loans and receivables") are to be measured at fair value. Regardless of these fluctuations in value the Company considers this to be a long term investment.

The long term debt is mainly that of the MATSA and the loan facility at Condestable. The fair value of these long-term debts is not readily determinable.

1.15 Other MD&A Requirements

Additional disclosure for Venture Issuers

1.15(a) 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	93,972,899	–	215,545,052
Equipment	2,708,411	604,468	–	3,312,879
	143,298,576	114,034,507	–	257,333,083
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

The major increase in fixed assets was due to the acquisition of Condestable and the increased construction of the mine and plant in MATSA. The mining interests in Canada represent the gross up resulting from the purchase price equation with respect to the acquisition of Condestable. Note 5 of the unaudited interim first quarter consolidated financial statements highlights the details of this increase.

1.15(b) Administration and other 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**

The table above includes the administrative expenses pertaining to Condestable for the two month period ended March 31, 2008 and the three month period ended June 30, 2008.

In comparison with the equivalent numbers for Q 2, 2007 the other major increases are in office expense and professional and consulting fees, which is described above in section 1.2 entitled Overall Performance.

Disclosure of Outstanding Share Data

Iberian's common shares are traded on the TSX Venture Exchange under the symbol IZN. On August 19, 2008 there were 255,458,763 issued and outstanding common shares, 14,215,000 stock options outstanding and expiring from August 2008 to July 2012, 16,022,479 warrants outstanding and expiring in August 2009 and a convertible debenture expiring in July 2011. This convertible debenture, if converted, would result in 20,000,000 shares and 10,000,000 warrants being issued. The number of fully diluted shares at May 28, 2008 is 315,696,242.

RISKS AND UNCERTAINTIES

As a result of the acquisition of Condestable, Iberian has progressed from being a development stage company to being an operating company. The business of Iberian is subject to a number of risks and uncertainties commensurate with its status as an operating company, still involved in exploration and development. The reader should carefully consider the following risk factors set forth below as any of these risk elements could have a material adverse effect on the business, operations and future performance of the Company. In addition to the risk factors set forth below, the reader should consider the information disclosed in the interim unaudited Q2 2008, consolidated financial statements and in the other publicly filed documentation regarding the Company which is available at www.sedar.com.

Limited Operating History

The Company has a limited operating history and there can be no assurance of its ability to operate at a profit. While the Company has recently begun to generate revenues following the acquisition of CMC and may in the future generate revenues through the operation, development, sale or possible joint venture of its other properties, there is no assurance that these revenues will materialize, or if they do, that they will be available for exploration or development programs.

Limited Revenue History

The Company has recently started to record revenues from its recently acquired CMC operations. The Company has not commenced commercial production on any other property. There can be no assurance that significant losses will not occur in the near future or that the Company will be or remain profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of other properties in which the Company has an interest are acquired or retained. The amounts and timing of expenditures will depend on revenue generation, the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of mineral properties and other factors, many of which are beyond the Company's control. The future development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development. There can be no assurance that the Company will generate sufficient revenues or maintain profitability.

Permitting Requirements

The Company is required to obtain certain permits for the construction and operation of the Aguas Tenidas project. The first permit to recommence commercial production at the mine was received May 23, 2006 and was press released. This was required in lieu of an initial production permit due to the previous operations carried out on the property by its predecessor in interest. The Company received, in January 2007, the construction licence required in order to build the processing plant, tailings facility and surface infrastructure. In April 2007, the Company received the operating permit for the ore processing plant and in June 2007, the Company received the operating permit for the tailings facility. The Company has now obtained all the required permits to construct the Agues Tenidas mine in Spain.

In 2007, MATSA aggressively pursued obtaining a water permit. This permit was eventually granted on February 14, 2008 for a period of 15 years, 30 l/sec and a max annual volume of 762.500 m^3. This permit is subject to conditions typical of a Spanish water permit.

In July 2007, the relevant authorities authorized the transfer of ownership over the 66 Kv line and substation after a favourable environmental report dated February 2007. MATSA is currently expecting a final authorization to confirm the transfer of ownership of both Calañas power substation and 15 Kv line.

While the Company currently holds the required permits in order to move the Aguas Teñidas project to the next stage, there is no guarantee that these permits, if and when required, will be renewed, or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to develop and operate the Aguas Teñidas mine and the Condestable Mine.

The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Risks and Hazards Relating to Mineral Exploration and Operations

Mineral exploration and operation involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. Operations in which the Company currently has an interest and those in which the Company may have an interest, in the future, will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. These risks and hazards include, but are not limited to, environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and copper recovery, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions, and other acts of God or unfavourable operating conditions and losses. Should any of these risks and hazards affect the Company's mining operations or its exploration activities, it may cause the cost of production to increase to a point where it would no longer be economic to produce mineral resources from the Company's reserves, it may require the Company to write-down the carrying value of one or more mines or a property which is material to it, it may cause delays or a complete stoppage in the production of copper, it may result in damage to or destruction of mineral properties or processing facilities, it may result in personal injury or death or legal liability, all of which may have a material and adverse effect on the financial condition, results of operation, and cash flows of the Company.

Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Risks Relating to Government Regulation

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that the Company will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Environmental Regulation and Liability

The Company’s activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental permitting, including for the approval of closure and reclamation plans, requires the Company to comply with standards, laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. Environmental legislation imposes restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce the funds otherwise available to it and could have a material adverse effect on the Company. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations, particularly if the Company is unable to fully remedy an environmental problem. The potential exposure may be significant and could have a material adverse effect on the Company. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance with changes in government regulations have the potential to reduce the profitability of operations. Future changes to environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company’s properties, the extent of which cannot be predicted. The Company does not maintain environmental liability insurance – see “Risk Factors – Uninsurable Risks”.

Title to Mineral Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the Aguas Teñidas Project, the Condestable Mine and other mineral properties for which it holds concessions, mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify and transfers under foreign law are often complex. The Company does not carry title insurance with respect to the Aguas Teñidas Project, the Condestable Mine or other mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, likely without compensation for its prior expenditures relating to the property.

Political and Economic Instability

The Company's mineral exploration and operation activities may be adversely affected by political instability and legal and economic uncertainty in the countries where the Company has operations. The risks associated with the Company's foreign operations may include: political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist activities, arbitrary changes in laws, regulations, policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights.

The Company presently holds one of its major assets, the Condestable Mine, in central Peru which is a developing country that has experienced political and economic difficulties in the past. Peruvian administrations have intervened in the national economy and social structure, including periodically imposing various controls, the effects of which have been to restrict the ability of foreign companies to freely operate. The Company believes that the current conditions in Peru are relatively stable. The Company presently holds its other major asset, the Aguas Teñidas Project, in Spain, in which the Company does not currently foresee the aforementioned risks as being problematic, and also holds assets in Ontario, which it considers to be extremely low risk with reference to the above stipulated potential risks. However, country risks are out of the control of the Company, and should any of the above mentioned risks occur, the business and operations of the Company could be adversely affected.

Commodity Price Volatility

The price of various commodities which the Company intends to exploit and subsequently market can fluctuate drastically, and is beyond the Company's control. The Company's future profitability and long-term viability will depend, in large part, on the market price of copper which can fluctuate drastically, and is beyond the Company's control. Market prices for copper are volatile and are affected by numerous factors beyond the Company's control, including expectations regarding inflation, global and regional demand, speculative activities, political and economic conditions and production costs in major copper-producing regions. The aggregate effect of these factors on copper prices is impossible for the Company to predict. While the Company would benefit from an increase in the value of copper and zinc, the Company could be adversely affected by a decrease in the value of these metals. An increase in copper and zinc supply from other projects that reach production stage without a concurrent increase in copper and zinc demand will drive the price of these metals down, which would adversely impact the business of Iberian. In the event that copper and zinc prices were to descend below the prices used for the determination of the positive feasibility study on the Aguas Teñidas Project authored by SRK, the economic viability of the project could be materially adversely affected.

Estimated mineral resources may have to be recalculated based on changes in mineral resource prices, further exploration or development activity, or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence reserve or resource estimates.

Market price fluctuations for mineral resources, increased production costs or reduced recovery rates, or other factors can render proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated mineral reserves could require a material write-down in investment in the affected mining property and increased amortization, reclamation and closure charges.

Commodity Price and Forward Contract Risk

As part of the US$210 million Project Finance Facility for Iberian's Aguas Tenidas Project (the "Facility") provided by Investec Bank (UK) PLC, BNP Paribas and Societe Generale, MATSA 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 hedgable copper production and 65% of the hedgable zinc and silver production for a period of time as stated on the table below. As of June 30, 2008 the table below details the hedge position of MATSA.

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

The Peruvian subsidiary of the Company has hedged a substantial portion of its copper production until 2011.

As at June 30, 2008 the following table summarizes the forward contracts in force with regards to the Company's Peruvian operations:

(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	741.5
January 2009 – December 2009	2,400	741.5
January 2010 – December 2010	2,400	741.5
January 2011 – December 2011	2,400	741.5

(iii) Silver -

Period	**FOZ** (Fine ounces)	**Fixed Price** US$/FOZ
Julyl 2008 – December 2008	60,000	12.04
January 2009 – December 2009	100,000	13.85

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 resultant increase/decrease in interest of these loans would amount to approximately $360,000. Note 4 (a) (iii) of the June 30, 2008 unaudited interim financial statements details the interest rate risk.

Currency Fluctuations

Currency fluctuations may affect the Company's operations, financial position and results. The Company's financial results are reported and funds are held in Canadian Dollars, while costs are primarily incurred in U.S. Dollars, Euros and Peruvian Nuevo Soles. The effects on operating cost and cash flows, of the foreign exchange rate and the escalation of the Peruvian Nuevo Sol are significant to the Company's results. The appreciation of the Peruvian Nuevo Sol against the U.S. dollar would increase the cost of operations of the Condestable Mine, which could materially and adversely affect the Company's profitability, results of operation and financial condition. The appreciation of the U.S. Dollar or Euro against the Canadian Dollar could also increase the actual capital and operating costs of the Company and materially adversely affect the results presented in the Company's financial statements. Currency rate fluctuations may also materially adversely affect the Company's future cash flow from operations, its results of operations, financial condition and prospects. Note 4 (a) of the June 30, 2008 unaudited interim financial statements details the risk associated with the monetary assets and liabilities held is currencies other than the Canadian dollar.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

The estimates for mineral resources and mineral reserves are determined in accordance with NI 43-101 and CIM Standards. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of metals from such resources may not be realized. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect in the future on the Company's financial position and results of operations.

Estimated mineral resources may have to be recalculated based on changes in mineral resource prices, further exploration or development activity, or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for mineral resources, increased production costs or reduced recovery rates, or other factors can render proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated mineral reserves could require material write-downs in investment in the affected mining property and increased amortization, reclamation and closure charges.

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in the Company's technical reports for the Aguas Tenidas project and the Condestable Mine details estimates of inferred mineral resources. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Uninsurable Risks

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

Dependence on Key Employees and Skilled Personnel

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key employees and qualified personnel. To a significant extent, the success of the Company is, and will continue to be, dependent on the expertise and experience of these employees. As the Company develops the Aguas Teñidas Project, the need for skilled personnel will also increase. The number of persons skilled in the development and production of mining properties is limited and competition for this workforce is intense. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of one or more of the Company's key employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Dependence on Outside Parties

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Additional Funding Requirements

As a result of the recent completion of the loan facility with a syndicate of banks headed up by Investec and the loan negotiated by the recently acquired Condestable, approximately US$280 million is available for funding of the construction of the MATSA facilities. To June 30, 2008 US$115.3 has been drawn down on the available facilities. In the event that the Company needs additional funding, there is no assurance that the Company will be successful in obtaining additional financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain sufficient debt or equity financing on acceptable terms, or at all.

Competition

Iberian competes with many other mining companies that have substantially greater financial and technical resources for the acquisition of mineral concessions as well as for the recruitment and retention of qualified employees. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Availability of Reasonably Priced Materials and Mining Equipment

The Company requires a variety of materials and mining equipment for its operations. To the extent such materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Failure to Meet Production and Cost Estimates

The technical reports for the Aguas Teñidas Project and the Condestable Mine contain future production and capital cost estimates. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the metal ore varying in the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased stripping costs, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production or cost estimates could have a material adverse impact on the Company's sales, profitability, cash flow and overall financial performance.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Inability to Enforce Legal Rights in Certain Circumstances

In the event a dispute arises in Spain, Peru or in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

Tax Treatment of CMC Hedge Accounting

Fiscal periods remain open to review by the tax authorities in respect of taxes for four years in Peru, preceding the year of review during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, reviews may cover longer periods. Notwithstanding this risk, management believes that it is probable that CMC's tax and customs positions will be sustained in the event of a challenge by the tax authorities. Consequently, management believes that they have made adequate provision for any future outflow of resources and no additional provision is required in respect of these claims or risks.

In July 2007, the Peruvian tax authority requested tax related supporting documentation for the years 2004 and 2005 from CMC regarding its income tax filings. This information was provided to them and CMC has not been further contacted. In the event that the Peruvian tax authorities reassess the deductibility of CMC's hedge losses, CMC will have an opportunity to present a claim before SUNAT (Peruvian tax authority), and in the event SUNAT denies the claim, CMC would appeal to the Tax Court. The settlement of this eventual claim could take approximately 6 years.

Management has estimated the potential risk to be approximately US$78 million, including penalties and interest. Management does not believe this would result in an unfavourable ruling and therefore no provision has been made in CMC's financial statements.

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular Company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Dividends Unlikely

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term.

Potential Dilution

The issue of common shares of the Company upon the exercise of outstanding options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Outlook

On August 1, 2008, the Company issued an aggregate of 857,358 common shares in satisfaction of the July 26, 2008 interest payment of $745,901.64 in accordance with the terms of the convertible debenture as disclosed in Note 10 of the June 30, 2008 unaudited interim consolidated financial statements.

Other Information

Additional information about the Company is available on SEDAR at www.sedar.com