

## **IBERIAN MINERALS CORP. – MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **QUARTER ENDED JUNE 30, 2006**

#### **Introduction**

This management discussion and analysis (“MD&A”) of results, operations and financial condition of Iberian Minerals Corp. (“Iberian” or the “Company”, and formerly PGM Ventures Corporation) describes the operating and financial results of the Company for the quarter ended June 30<sup>th</sup>, 2006. The MD&A supplements, but does not form part of the unaudited consolidated financial statements of the Company, and should be read in conjunction with Iberian’s unaudited consolidated financial statements and related notes for the quarter ended June 30<sup>th</sup>, 2006, as well as the results of fiscal years 2005 and 2004. The Company prepares and files its 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(k) of the annual audited consolidated financial statements.

#### **Overview of the Second Quarter**

Iberian Minerals Corp. was approved as the new name of the Company at the Annual General Meeting (“AGM”) of the shareholders of the Company, held in Toronto on June 27<sup>th</sup>, 2006.

This name more closely reflects the Company’s business, and its focus on the wholly owned Aguas Tenidas project as the core asset of the Company. At the AGM the shareholders also elected to the Board three new directors, Mr. Murray John, Mr. Maurice Stekel, and Mr. Jose Arnau. Mr. John brings to the Company his extensive experience in the mining and finance industry, encompassing the identification, exploitation and financing of numerous mining ventures. Mr. Stekel has had a distinguished career in the financial community as a founding senior partner in a full service accounting firm, and lengthy experience in the public company realm in the capacity of both Board and Audit Committee member. The Company will benefit from Mr. Arnau’s stature and accomplishment in the Spanish mining community, specifically his experience in the purchasing and marketing of metal concentrates. The Company is pleased to have these individuals join the Board of Directors, and looks forward to the input and contributions these gentlemen will offer the Company and its shareholders through their mining industry and financial expertise.

In the 2<sup>nd</sup> quarter of 2006, the Company focused its efforts on securing the equity financing required to bring Aguas Tenidas into production, and on developing various on site elements of the project in order to facilitate future production.

The Company announced aggregate gross funding of \$70 million dollars in three transactions in the second quarter, and closed \$40 million within the quarter. The first of these consisted of a private placement of 10,000,000 units, with each unit consisting one common share and three subscription receipts for aggregate gross proceeds of \$30,000,000 led by MGI Securities Inc., Orion Securities Inc. and Canaccord Adams. The Company received \$7.5 million of these funds immediately, the balance of these

funds are being held in escrow pending the receipt by Iberian, from the applicable Spanish authorities, the permits for (i) Reinicio de la Explotacion en Mina de Aguas Tenidas (Re-start of the Exploitation at Aguas Tenidas Mine) and (ii) Ampliacion de la actividad en Mina de Aguas Tenidas con la Construccion de una Planta de Tratamiento de Mineral y un Deposito de Esteriles (Expansion of the activity at Aguas Tenidas Mine with a Construction of an Ore Treatment Plant and Tailings Deposit) prior to November 15<sup>th</sup>, 2006, as more particularly set out in the press release of May 16<sup>th</sup>, 2006. The second placement consisted of a \$ 25 million principal amount convertible debenture with Dundee Resources Limited. This convertible debenture placement is subject to a number of conditions, as specified in the press release of May 23<sup>rd</sup>, 2006. The closure of the financing was announced July 26, 2006. Additionally the Company raised \$15 million in a private placement with two placees, Investec Bank (UK) Limited for \$10 million and Trafigura Beheer BV, for \$5 million. In addition to these funding transactions, Investec Bank in the 2<sup>nd</sup> quarter, agreed to increase the proposed financing facility for the Aguas Tenidas project to US \$100 million from the previously announced level of US \$65 million. This financing facility has not yet been finalized, it is still subject to final negotiations and definitive agreements.

The project was advanced in the 2<sup>nd</sup> quarter on both a permit basis and a project development basis, as highlighted in section 1.4 under Project Summaries. The completion of the private placements and the increase in the proposed bank financing facility during the second quarter will allow construction to begin in the third quarter on receipt of the final permit authorization - "Expansion of the Activity at the Aguas Tenidas mine with the Construction of an Ore Treatment Plant and Tailings Deposit" has been received.

Currently the Company holds the mining interests set out below:

<b>Mineral project</b>	<b>Location</b>	<b>Principal metals</b>	<b>Iberian interest</b>	<b>Project information</b>
Aguas Tenidas	Huelva Province, Spain	Copper, zinc, lead & silver	100%	Known VMS deposit in Spain's Northern Pyrite Belt
Various Investigation Licenses	Huelva Province, Spain	VMS	100%	VMS exploration licenses in Spain's Pyrite Belt
Sangold	Keith Township, Ontario	Gold	Option to earn 80%	Gold Exploration Project
Nixon-Bartleman	Keifer Township, Ontario	Gold	100%	Gold Exploration Project, no further work intended

### **Additional Information**

Additional information relating to the Corporation is available on the Internet at the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **1.1 Date of MD&A**

This MD&A was prepared on August 28<sup>th</sup>, 2006.

## **1.2 Overall Performance**

Iberian Minerals Corp. incurred a net loss of \$1,865,409 for the three month ended June 30, 2006 compared to a net loss of \$1,628,168 for the corresponding period in 2005. The net loss for the six months ended June 30, 2006 amounted to \$3,309,850 compared to a net loss of \$620,049 for the corresponding period of 2005.

The June 30<sup>th</sup> 2005 comparative financial statements originally reported net income of \$9,249,105 for the three months ended June 30<sup>th</sup>, 2005 and a net income of \$10,257,224 for the six months ended June 30<sup>th</sup> 2005. The Company has adjusted these results for the three months and the six months ended June 30<sup>th</sup>, 2005 and it is these adjusted results that are included in the comparative figures for 2005. These adjustments were made during the annual audit of fiscal 2005. The reported net income of \$ 9,249,105 for the six months ended June 30<sup>th</sup>, 2005 per the June 2005 financial statements has been adjusted to a net loss of \$1,628,168. The reported net income of \$10,257,224 for the six months to June 30<sup>th</sup>, 2005 per the June 2005 financial statements has been adjusted to a net loss of \$620,049. The reasons for these amendments are set out below.

Firstly the Company recognized a gain on deposition of minority interest of \$10,008,513 in its second quarter and six months Statements of Operations and Deficit at the time the Company increased its shareholding from 70% to 100% in its Spanish subsidiary (MATSA). At year end, as part of year end audit adjustments, the auditors reversed this gain and accounted for it on the balance sheet as a negative goodwill on the acquisition of MATSA.

Secondly in the June 30<sup>th</sup>, 2005 financial statements the non – controlling interest share of gain was incorrectly accounted for as additional net income instead of a reduction to net income. This correction has resulted in negative adjustments of \$872,954 to the three months and to the six months results. Additionally there is a miscellaneous adjustment of \$4,194 increasing the gain on the sale of the Simberi property in both the three months and six months results.

### **Review of results for three months to June 2006**

Administrative and other costs totaled \$706,889 for the quarter compared to \$387,817 for the corresponding period in 2005. A breakdown of Administrative and other costs for the three months is set out in section 1.15. Accounting and corporate services at \$26,273 was relatively unchanged from the 2005 level of \$25,906. Office expenses increased by \$11,640 to \$26,575. Professional and consulting fees at \$350,416 increased by \$120,797 due to increased external professional fees attributable to the increased level of funding activity during the second quarter. Additionally there was a significant increase in the level of audit fees as a result of the consolidation of MATSA in 2005. Transfer agent, listing and filing fees increased from \$31,694 to \$98,193 as a result of the increased level of listing and filing fees in the quarter due in large part to the listing fees payable to the TSX Venture Exchange in connection with the Company's financings undertaken in the period. Shareholder information increased by \$159,479

during the second quarter due to both the increased number of shareholders and the requisite documentation issued to shareholders in conjunction with the AGM and the proxy solicitation.

Travel costs increased from \$9,356 to \$19,181. These increases in 2006 Administrative and other costs were partially offset by advertising promotions and public relations, which declined from \$46,836 in 2005 to \$26,772 in the second quarter of 2006. Additionally there were no corresponding charges in 2006 for occupancy costs, interest and directors fees all of which totaled \$33,755 in the second quarter of 2005.

Stock based compensation amounted to \$1,125,378 an increase of \$709,661 over 2005. This increase is due to the timing of the vesting of stock options and their corresponding treatment as expense for accounting.

There was a foreign exchange loss of \$59,956 compared to a gain of \$130 in 2005. This loss arises from the companies increased level of exposure to fluctuations in the value of the Euro against the Canadian Dollar.

Interest income increased from \$13,019 to \$26,814 reflecting the increased level of cash on deposit during the quarter.

This resulted in a net loss of \$1,865,409 for the three months ended June 30, 2006 compared to a net loss of \$1,628,168 for the corresponding period in 2005.

#### **Review of six months results to June 2006**

Administrative and other costs totaled \$1,194,263 for the six months compared to \$847,422 for the corresponding period in 2005. A breakdown of Administrative and other costs for these periods is set out in section 1.15. Accounting and other services costs increased from \$40,743 to \$77,379 reflecting the increased level of accounting services particularly in the first quarter now being required by the company. Office expenses increased by \$54,540 to \$82,365 due to both the inclusion of administration expenses on mining interests previously written off and insurance costs. Professional and consultancy fees increased from \$439,511 to \$486,851 which increase is attributable to increased costs during the second quarter. Transfer agent, listing and filing fees increased by \$107,768 reflecting increases in transactional volumes and increased levels of listing and filing fees. Shareholders information increased by \$121,870, which arose in the second quarter 2006 due to the AGM and the proxy solicitation process. Travel costs increased by \$3,844 to \$67,196 while advertising, promotions and public relations remained relatively unchanged at \$79,400. Occupancy costs declined by \$15,255 to \$4,500. Flow through interest penalties increased by \$21,029 to \$46,766, which was a first quarter expense.

Stock option based compensation amounted to \$1,980,420 an increase of \$1,111,174 most of which arose in the second quarter due to the timing of the vesting of stock options. There was a foreign exchange loss of \$167,540 during the six months compared to an exchange gain of \$22,311 in the corresponding period of 2005. The foreign exchange loss arises from the Company's increased level of exposure to fluctuations in the value of the euro against the Canadian Dollar.

Interest income increased by \$19,354 to \$32,373 reflecting the increased level of cash on deposit during the second quarter of 2006.

During the first six months of 2005 there was a net gain of \$1,265,145 arising from the sale of the Simberi mining property which partially explains the increased level of loss in the first six months of 2006 compared to the corresponding period of 2005.

The above resulted in a net loss of \$3,309,850 for the six months ended June 30,2006 compared to a net loss of \$620,049 for the corresponding period of 2005.

### 1.3 Selected Annual Information

Not applicable to quarterly MD&A.

### 1.4 Results of Operations

#### 2006 Financing Activities

Date	Amount Raised	Stated Use of Proceeds	Actual Use of Proceeds
May 2006	\$30,000,000 Units consisting of one common share and three subscription receipts	-begin construction work in Spain -general working capital	25% of proceeds released to Company and used as stated, 75% of proceeds held in escrow pursuant to press release of May 16 <sup>th</sup> , 2006
June 2006	\$15,000,000	-begin construction work in Spain -general working capital	On deposit pending construction commencing

#### 2006 Project Summaries

##### 1 - Aguas Tenidas (MATSA)

On June 30<sup>th</sup>, 2006 the Company announced, by way of press release, that the Company had been advised that the permit for the process plant and tailing construction was approved by the interdepartmental environmental committee at Huelva. At that point the Company stressed that the Company had still not received the written permit, and as of June 30<sup>th</sup>, 2006 the Company is still awaiting receipt of the written permit. The Company did receive the permit for the "Recommendation of Exploitation" at Aguas Tenidas and announce the receipt on May 23<sup>rd</sup>, 2006. This permit allows the Company to, amongst other activities, extend the main ramp, extend the exploration decline, and undertake additional drilling in order to further define the resource, and develop the surface infrastructure required to re-open the mine.

In the second quarter of 2006 Aguas Tenidas was the focus of the Company, with 99.9% of all of the project spending done by the Company being concentrated on the Aguas Tenidas project. In this time the Company completed the explosives magazine on the property, completed the rehabilitation of the ventilation shaft system, and completed the rehabilitation of the emergency escape way system.

The Company announced in the second quarter the intention to, in the next phase of drilling, target two areas of the project. The shallower eastern most extensions of the deposit will be target with a modest (3-5 hole) surface drill program to test and define the boundaries. It has been determined by the Company that the western end of the main deposit, based on the findings of the 2005 program (summarized in press release of May 29<sup>th</sup>, 2006), is better targeted by an underground drill campaign. It is the intent of the Company to formulate a drill program with two initiatives, the first is to infill drill the existing drilling on the Aguas Tenidas main deposit, with the aim of adding to the quantity and quality of the known reserves. Secondly the Company intends to target the copper stockwork mineralization system which underlies the massive sulphides and merits further attention. At present the Company is formulating this program, and anticipates the commencement of this initiative in the 4<sup>th</sup> quarter of 2006.

A study of the costs and benefits of sinking a new decline shaft at Aguas Tenidas was commissioned in the 2<sup>nd</sup> quarter, with an anticipated delivery of the end of the 3<sup>rd</sup> quarter. If this study demonstrates that a 2<sup>nd</sup> decline shaft has economic benefit to the mine, then the mining plan as currently proposed by SRK Consulting will be altered. In commissioning this study the Company hopes to determine if the higher-grade areas of the deposit located in the deeper western area can be optimally accessed, which would improve the mine economics, in addition improved mining flexibility would result.

The Company purchased, at a cost of \$770,000, the surface right to 140 hectares of land in order to facilitate the construction of the tailings disposal installation and the proposed ore processing facilities. The Company optioned an additional 51.6 hectares of surface rights for a down payment of approximately \$25,000. The 140 hectares is considered, by the Company and SRK Consulting (UK) Ltd. of Cardiff, UK, sufficient for the requirements of the tailings disposal and ore processing facilities, pursuant to the feasibility study. The cost to purchase the surface rights is a one time cost, the Company now has a land position adequate to the projected requirements of the Aguas Tenidas project. Should the Company elect to purchase the option 51.6 hectares the balance of the purchase price is approximately \$225,000. The Company has optioned the right to purchase these surface rights in order to allow for a safety margin regarding the design and construction of the required facilities, and avoid any potential land availability issues in the future.

As a subsequent event, the Company's wholly owned subsidiary, MATSA, announced that they had awarded to Metso Minerals Industries of Pennsylvania USA a €10.3 million contract to (approx. \$14.8 million) to supply the thirteen mills required by the two treatment circuits in the 1,600,000tpy mineral processing plant designed by Aker Kvaerner Engineering Services Ltd, pursuant to the feasibility study. The delivery times for these mills is expected to be between 42 and 54 weeks (May-July 2007), which should allow the processing plant to be completed by the first quarter of 2008.

## 2 - Various Investigation licenses Spain

The Company intends to pursue a modest drill program on some of the high priority targets within the investigation licenses, included in the planned targets is the La Majada prospect, adjacent to the now closed Rio Tinto Mine. Presently the Company is formulating their plan of action regarding this drill program. There were no expenses incurred in the second quarter of 2006 in conjunction with these licenses.

### 3 - Sangold Project

In the second quarter of 2006, the Company commenced the preparation of a 43-101 report summarizing the results of the drill program carried out on the project at the end of 2005 in order to better understand the potential of the project, and to file with the Ministry of Natural Resources in Ontario in order to qualify the spending on the property against the requirement of the claims. The net spending for the 2<sup>nd</sup> quarter on this project was incidental, and offset by the return to the Company of the \$20,000 drill deposit paid to the drill contractor at the outset of the 2005 drill program.

### 4 – Nixon-Bartleman Project

In 2005 the Company wrote off the value of this project and determined that no further work will be carried out on this project. There was no work done, and no funds expended, on this project in the 2<sup>nd</sup> quarter of 2006. The Company will be filing summaries of the work carried out and the money spent on the project in the near future with the Ministry of Natural Resources of Ontario in order to meet the spending requirements of the claim and continue the claims. It is the belief of the Company that the work which was done by the Company should satisfy these requirements.

### **Risks and Uncertainties**

Iberian is a junior exploration and development company, and accordingly, is subject to a number of risks and uncertainties, any of which could have a material effect on its business, operations or future performance, including but not limited to: permitting risks, reliance on capital markets in order to meet its funding requirements both to continue as a going concern as well as to raise the significant amounts of capital required to develop the Aguas Tenidas project, commodity price and capital market volatility, possible challenges to the title to its properties, exploration and exploitation risks, country risk, uninsurable risks, environmental risks, changes in the legal or political environment in which it operates, currency fluctuations and dilution. A summary of these risks and uncertainties has been included beginning on page 13 of this document and the reader is encouraged to read this section carefully.

### **1.5 Summary of Quarterly Results**

	<b>Second Quarter</b> June 30, 2006	<b>First Quarter</b> March 31, 2006	<b>Fourth Quarter</b> December 31, 2005	<b>Third Quarter</b> September 30, 2005
Revenue (including Interest Income)	\$26,814	\$5,559	\$12,552	\$11,058
Net income (loss)	(\$1,865,409)	(\$1,444,441)	(\$4,517,925)	(\$4,153,532)
Net income (loss) per share (basic)	(\$0.02)	(\$0.02)	(\$0.07)	(\$0.07)
Net income (loss) per share (diluted)	(\$0.02)	(\$0.02)	(\$0.07)	(\$0.05)

	<b>Second Quarter</b> June 30, 2005	<b>First Quarter</b> March 31, 2005	<b>Fourth Quarter</b> December 31, 2004	<b>Third Quarter</b> September 30, 2004
Revenue (including Interest Income)	\$13,019	\$0	\$2,687	\$0
Net income (loss)	(\$1,628,168)	\$1,008,119	(1,067,701)	(914,896)
Net income (loss) per share (basic)	(\$0.03)	\$0.02	(\$0.04)	(\$0.03)
Net income (loss) per share (diluted)	(\$0.03)	\$0.02	(\$0.04)	(\$0.03)

Revenue arising from deposit interest remained steady quarter over quarter from the quarter ended March 31, 2005 to the quarter ended December 31, 2005. Revenue for the quarter ended March 31<sup>st</sup>, 2006 has fallen due to the lower levels of cash holdings during the quarter. Revenue for the quarter ended June 30<sup>th</sup> 2006 at \$26,814 is as a result of higher cash levels following the receipt of funds from private placements during the quarter.

Over the last eight quarters set out above the Company records a net loss in each quarter with the exception of the quarter ended March 31<sup>st</sup>, 2005 when Simberi Gold Corporation sold 75% of its 50% interest in the Simberi mining joint venture. With Simberi being consolidated into Iberian Minerals Corp. at that time the gain on the sale of \$1.2 million was included in the consolidated financial statements resulting in a net income of \$1,008,119.

There have been increased net losses in 2005 for the third and fourth quarters. The loss in the third quarter is due primarily to the write down of mining interests with approximately \$3 million relating to Venezuelan. The loss in the fourth quarter of 2005 is due mainly to additional write offs of mining interests together with a loss of arising from the sale of the Thierry Mine.

## **1.6 Liquidity**

Iberian Minerals Corp. reported a working capital of \$43,371,851 at June 30, 2006 compared with a working capital deficiency of \$654,960 at December 31, 2005. The company had cash and cash equivalents of \$22,302,240 at the end of the second quarter compared to \$762,081 at December 31, 2005. The improvement in the cash and working capital position of the company is as a result of the success the company has had in raising finance particularly during the second quarter of 2006.

The Company is continuing its efforts to raise funds for future developments and operations and to meet its ongoing obligations as they arise. There is however, no assurance that the Company will be successful in its efforts, in which case, the Company may not be able to meet its obligations. The consolidated financial statements have been prepared on a going concern basis as discussed in Note 1 of the June 30, 2006 audited 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 on the consolidated balance sheet.

As of June 30<sup>th</sup>, 2006, the Company's net debt was \$3,827,343 and consists of the following:

<b>Account</b>	<b>Balance</b>
Accounts payable and accrued liabilities	\$2,012,679
Promissory notes	\$0
Due to Simberi Gold Corporation	\$393,800
Current portion of long term debt	\$602,970
Long-term debt	\$817,894
<b>Total</b>	<b>\$3,827,343</b>

In common with many junior public companies, the Company raises capital for its activities and projects as and when required.

During the second quarter of 2006 Iberian Minerals Corp. raised capital from equity financings of \$19,957,261 net of issuing costs including commissions paid to Agents. This does not include escrowed proceeds of \$22,500,000. Additionally \$1,387,595 was raised from the exercise of options and warrants. The financings which comprised this amount are noted below.

On May 16, 2006 the Company reported that it had closed the financing announced on April 28<sup>th</sup>, 2006 on the sale of the \$30 million private placement equity financing. Initial gross proceeds amounted to \$7,500,000. The remaining balance of the gross proceeds, being \$22,500,000, is being held in escrow and will be released upon receipt by Iberian Minerals subsidiary in Spain of two permits from the applicable Spanish authorities. The Company further announced on May 23, 2006 that it has accepted a \$25 million offer of financing from Dundee Resources Limited. The financing will be a private placement of a \$25 million amount subordinated convertible debenture issued at par and convertible at \$1.20 per share. The issue of the convertible debenture is subject to a number of conditions including completion of a \$15 million equity financing by the company, the completion of due diligence, execution of definitive documentation and receipts of required consents and approvals. The company reported on July 26<sup>th</sup>, 2006 that it had completed the private placement with Dundee Resources Limited. Under the terms of the transaction Iberian issues to Dundee Resources a \$25 million 5 year convertible subordinated debenture. The debenture bears interest at a rate of 6% per annum, payable on June 26<sup>th</sup> and January 26<sup>th</sup> each year. Provided Iberian receives approval from the TSX Venture Exchange the interest payable up to and including January 26<sup>th</sup> 2008 shall be paid in common shares. On June 26<sup>th</sup> the Company reported that it had completed a \$15 million private placement, with two placees, Investec Bank (UK) Limited, Iberians project debt provider, for \$10 million and Trafigura Beheer B.V, Iberians offtake provider and concentrate marketer, for \$5 million.

The January 2006 SRK feasibility study estimates the required capital cost to bring the Aguas Tenidas project into commercial production will be US \$168 million. The Company will finance the project through a combination of equity and debt. On June 1<sup>st</sup> the Company reported that Investec Bank (UK) Limited agreed to increase the financing

for Aguas Tenidas to US\$100 million. This financing facility is subject to final negotiation and definitive agreements. The Company has also an agreement with Trafigura Beheer which will provide the Company with a financing package of up to \$20 million by way of a combination of equity, subordinated debt and capital cost overrun guarantees.

Following the successful equity funding during the second quarter and the increase in the financing facility with Investec Bank the project financing arrangements for the Aguas Tenidas project are now progressing satisfactorily with construction scheduled to begin once the final permit "Expansion of the activity at Aguas Tenidas mine with the construction of an ore treatment plant and tailings deposit" is received. As part of the construction process the Company's Spanish subsidiary MATSA has awarded a €10.3 million (approx. \$14.8 million CAD) order to Metso Minerals Industries of Pennsylvania USA for new grinding mills.

### **1.7 Capital Resources**

At June 30<sup>th</sup>, 2006 the Company had the following capital requirements under existing arrangements.

- a) Accounts payable in the normal course of business; and
- b) The Company's wholly owned subsidiary MATSA, though it has not made commitments for the construction phase of the project, plans to do so during fiscal 2006 and will require funds for this accordingly. The sources of these funds will include those defined above.
- c) Subsequent to June 30<sup>th</sup> the company's wholly owned subsidiary MATSA has awarded a €10.3 million order to Metso Minerals Industries for new grinding mills.

### **1.8 Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements

### **1.9 Transactions With Related Parties**

The Company has the following transactions with related parties;

The Company has management agreements with Peter Miller and Norman Brewster for their services as President and CEO, and Chairman and Vice President respectively whereby each receives annual fees of CDN \$240,000. Total consulting fees paid for the six months ended June 30, 2006 to the directors and as disclosed in the financial statements were \$220,500 (2005 - \$237,500) and was paid to the following parties: Peter Miller \$81,000, Norman Brewster \$127,500 and Peter Gleeson \$12,000. Of the \$220,500, \$193,000 was paid during the three months ended June 30, 2006 and as follows: Peter Miller \$85,000 (2005 - (-\$2,500), Norman Brewster \$100,000 (2005 - \$37,500) and Peter Gleeson \$8,000 (2005 - \$30,000).

Additionally, as disclosed in the financial statements, the Company also paid to directors and a company controlled by a director for the six months ended June 30, 2006, a total of \$219,500 (2005 - \$147,500) in consulting fees for services provided to the MATSA and Sangold projects. These amounts have been capitalized to mining interests and property, plant and equipment. The \$219,500 was paid as follows: Peter Miller \$94,000, Norman Brewster \$47,500, Peter Gleeson \$48,000 and Porphyry (company controlled by a director) \$30,000. Of the \$219,500, \$112,000 was paid during the three months

ended June 30, 2006 and as follows: Peter Miller \$40,000 (2005 - \$47,500), Norman Brewster \$25,000 (\$47,500), Peter Gleeson \$32,000 (2005 - \$nil) and Porphyry \$15,000 (2005 - \$nil).

During the second quarter of 2006 the Company paid to Billiken Management Services Inc., a private company that is controlled by the spouses of Norman Brewster and Peter Miller, a total of \$19,913 (2005 - \$22,399) for the six months ended June 30, 2006 for costs incurred in conjunction with the management of the Company's exploration programs, pursuant to a management agreement. Of the \$19,913, \$8,632 (2005 - \$11,381) pertains to the three months ended June 30, 2006. Additionally, the Company also paid rent to Billiken in the amount of \$4,500 (2005 - nil) for the six months ended June 30, 2006 and \$nil (2005 - \$nil) for the three months ended June 30, 2006. Consulting fees of \$14,000 (2005 - \$6,000) were also paid for the six months ended June 30, 2006 and of this balance \$8,000 (2005 - \$2,000) pertained to the three months ended June 30, 2006.

The Company also paid legal fees of \$390,407 (2005 - \$49,701) for the six months ended June 30, 2006 to McMillan Binch Mendelsohn LLP, a firm in which Carmen Diges is a partner. Ms. Diges acts as the corporate secretary of the Company. Of this \$390,407, \$166,483 (2005 - \$22,945) pertains to activities for the three months ended June 30, 2006. The increase in legal fees between 2006 and 2005 is reflective of the increase activity and complexity of the Company's business transactions and the various financing transactions undertaken during the period

Officers and Directors of the Company are reimbursed for out of pocket expenses incurred on behalf of the Company.

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 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 related parties.

In the second quarter of 2006 the Company carried out no private placement transactions in which parties related to Iberian participated.

#### **1.10 Fourth Quarter - Not Applicable**

#### **1.11 Proposed Transactions**

The Company presently has no planned or proposed business or asset acquisitions or dispositions.

#### **1.12 Critical Accounting Estimates**

Iberian did not rely on any critical accounting estimates in the most recent quarter.

### 1.13 Changes in Accounting Policies Including Initial Adoption

In light of the receipt by the Company of the positive Feasibility Study in respect of Aguas Tenidas received in January 2006, and its decision to put the project into production, the Company has adopted Accounting Guideline 11 – Enterprises in the Development Stage as of January 20, 2006.

### 1.14 Financial Instruments and Other Instruments

The Company's current financial instruments consist of cash and cash equivalents, funds held in trust, mineral property settlement, accounts receivable, accounts payable and accrued liabilities, promissory notes and due to Simberi Gold Corporation. The carrying values approximate the fair values of these financial instruments due to the short-term maturity of these items.

The long-term investment, at cost is in shares of Richview Resources Inc. which the Company is holding for the long term. The fair value at June 30<sup>th</sup> 2006 is 1,938,000. The Company does not feel that this decline is permanent in nature, the value of securities in junior exploration companies is subject to market fluctuations, since June 30<sup>th</sup> 2006 the value of these securities has increased over the carrying amount. Regardless of these fluctuations in value the Company considers this to be a long term investment.

The long term debt is related to payments of the Spanish subsidiary. The fair value of this long-term debt is not readily determinable.

### 1.15 Other MD&A Requirements

#### Additional Disclosure for Venture Issuers without Significant Revenue Exploration

##### (a) Property, plant and equipment

	June 30, 2006
Property, plant and equipment	\$55,469,029
Acquisition of property, plant and equipment	458,450
Less: capital grant	(5,239,858)
Application of Negative Goodwill	(27,326,207)
Interest income	(103,331)
Capitalization of MATSA operating Expenditures	5,275,805
<b>TOTAL</b>	<b>\$28,533,888</b>

##### (b) Administrative and other

#### G&A per June 30, 2006 F/S 3 months

	2006	%	2005	%
Accounting and corporate services	26,273	4%	25,906	7%
Office expenses	26,575	4%	14,935	4%
Professional and consulting fees	350,416	50%	229,619	59%

Transfer agent, listing and filing fees	98,193	14%	31,694	8%
Shareholders' information	159,479	23%	0	0%
Travel	19,181	3%	9,356	2%
Advertising, promotion and public relations	26,772	4%	46,836	12%
Occupancy costs		0%	19,755	5%
Flow-through interest penalty		0%	-4,284	-1%
Interest expense		0%	8,000	2%
Director fees		0%	6,000	2%
	<b>706,889</b>	<b>100%</b>	<b>387,817</b>	<b>100%</b>

#### G&A per June 30, 2006 F/S 6 months

	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>
Accounting and corporate services	77,379	6%	40,743	5%
Office expenses	82,365	7%	27,825	3%
Professional and consulting fees	486,851	41%	439,511	52%
Transfer agent, listing and filing fees	175,165	15%	67,397	8%
Shareholders' information	174,641	15%	52,771	6%
Travel	67,196	6%	63,352	7%
Advertising, promotion and public relations	79,400	7%	80,331	9%
Occupancy costs	4,500	0%	19,755	2%
Flow-through interest penalty	46,766	4%	25,737	3%
Interest expense		0%	24,000	3%
Director fees		0%	6,000	1%
	<b>1,194,263</b>	<b>100%</b>	<b>847,422</b>	<b>100%</b>

#### (a) Sangold Project

Please refer to Note 5 (a) of the Unaudited Consolidated Financial Statements of June 30<sup>th</sup>, 2006 for a breakdown of the project to comply with section 5.3 of NI 51-102.

#### Disclosure of Outstanding Share Data

Iberian is traded on the TSX Venture Exchange under the symbol IZN. On August 18<sup>th</sup>, 2006 there were 119,569,810 shares issued, 11,305,000 stock options outstanding expiring from May 2007 to June 2011, and 17,183,678 warrants outstanding expiring from September 2006 to December 2007

#### RISKS AND UNCERTAINTIES

The business of Iberian is subject to a number of risks and uncertainties commensurate with its status as a junior exploration and development company. In addition to considering the information disclosed in the financial statements and in the other publicly filed documentation regarding the Company available at [www.sedar.com](http://www.sedar.com), the reader should carefully consider the following information. Any of these risk elements could have material adverse affects on the business of the Company.

## **Permitting Requirements**

The Company is required to obtain certain permits for the construction and operation of the Aguas Tenidas project. At present of the two required permits the Company has received one, and been advised that the second has been approved. The first permit to recommence commercial production at the mine was received May 23<sup>rd</sup>, 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 has also applied for a construction permit for the plant and the tailings installations, at present the Company has been advised as per the press release of June 30<sup>th</sup>, 2006 that the permit has been approved, but it has not yet been received. The Company requires formal receipt of this second permit in order to begin construction at Aguas Tenidas and move the project forwards to production, as well as to release the funds held in trust pursuant to the terms of subscription receipt financing. The Company advises that there is no guarantee that this permit will be received, and that if and when applicable there is no guarantee that such permits will be renewed if required.

## **Additional Funding Requirements**

Notwithstanding the \$30 million underwritten private placement announced on May 16<sup>th</sup>, the \$25 million financing from Dundee Resources Ltd, the \$15 million private placement with Investec Bank and Trafigura Beheer, the USD\$100 million bank loan arrangement being negotiated with Investec Bank, the up to USD\$20 million available from Trafigura, and the potential of the Company being successful in its grant applications with the relevant Spanish authorities, the Company does have limited financial resources. There is no assurance that sufficient additional financing will be available to the Company on acceptable terms or at all. Failure to obtain such additional financing could result in a delay or the indefinite postponement of the Aguas Tenidas Project.

## **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 is specifically concerned with the price of Copper and Zinc with Lead, Silver and Gold providing useful by product revenues. While the Company would benefit from an increase in the value of these metals, the Company could be adversely affected by a decrease in the value of these metals. Were the prices of these metals to descend below the prices used for the determination of the positive feasibility study authored by SRK the economic viability of the project could be affected. The details of the pricing used in the feasibility study and the effect of fluctuations in commodity prices can be found in the press release of January 20<sup>th</sup>, 2006.

## **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 mineral properties for which it holds concessions or 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. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are

complex. The Company does not carry title insurance with respect to its 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, perhaps without compensation for its prior expenditures relating to the property.

## **Mineral Exploration and Exploitation**

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. 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.

## **Country Risk**

### *Political and Economic Instability*

The Company's mineral exploration and exploitation 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 actions, arbitrary changes in laws, regulations and 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 assets in Ontario, which it considers to be extremely low risk with reference to the above stipulated potential risks, and in Spain, in which the Company does not foresee country risk as being problematic, but country risk is out of the control of the Company.

## **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.

### **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 legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for 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. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

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. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future 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. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and 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. The Company does not maintain environmental liability insurance.

### **Regulations and Permits**

The Company's activities are subject to 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.

### **Currency Fluctuations**

Currency fluctuations may affect costs at the Company's operations.

### **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

### **Potential Dilution**

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option 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.

**IBERIAN MINERALS CORP.**  
**(FORMERLY PGM VENTURES CORPORATION)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT)**  
**THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2006**  
**(UNAUDITED)**

**IBERIAN MINERALS CORP.  
(FORMERLY PGM VENTURES CORPORATION)  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED FINANCIAL STATEMENTS  
(PREPARED BY MANAGEMENT)  
THREE AND SIX MONTHS ENDED  
JUNE 30, 2006  
(UNAUDITED)**

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Iberian Minerals Corp. (formerly PGM Ventures Corporation) (a development stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2005 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

**IBERIAN MINERALS CORP.**  
**(FORMERLY PGM VENTURES CORPORATION)**

**(A DEVELOPMENT STAGE COMPANY)**  
**Consolidated Balance Sheets**  
**(Prepared by Management - Unaudited)**

	June 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalent	\$ 22,302,240	\$ 762,081
Funds held in trust (note 9(b)(2))	22,500,000	4,001,350
Mineral property settlement	279,050	581,500
Accounts receivable	1,243,260	1,051,382
Prepays	56,750	99,696
	46,381,300	6,496,009
Long-term investment, at cost	2,166,000	2,166,000
Simberi Gold Corporation settlement	882,000	882,000
Property, plant and equipment (note 4)	28,533,888	24,201,216
Mining interests (note 5)	1,251,047	1,173,191
	<b>\$ 79,214,235</b>	<b>\$ 34,918,416</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,012,679	\$ 3,595,730
Promissory notes (note 6)	-	2,465,925
Due to Simberi Gold Corporation (note 7)	393,800	393,800
Current portion of long-term debt (note 8)	602,970	695,514
	3,009,449	7,150,969
Long-term debt (note 8)	817,894	845,085
	3,827,343	7,996,054
<b>Shareholders' equity</b>		
Share capital (note 9)	65,653,755	38,399,811
Subscription receipts (note 9(b)(2))	22,500,000	-
Contributed surplus (note 11)	2,835,197	906,162
Warrants (note 12)	4,856,760	4,765,359
Deficit	(20,458,820)	(17,148,970)
	75,386,892	26,922,362
	<b>\$ 79,214,235</b>	<b>\$ 34,918,416</b>

Nature of operations and going concern assumption (note 1)

The notes to consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

(signed) Peter M. Miller \_\_\_\_\_

Director

(signed) Norman Brewster \_\_\_\_\_

Director

**IBERIAN MINERALS CORP.**  
**(FORMERLY PGM VENTURES CORPORATION)**  
(A DEVELOPMENT STAGE COMPANY)  
**Consolidated Statements of Operations and Deficit**  
**(Prepared by Management - Unaudited)**

	Cumulative from January 20, 2006 to June 30, 2006	Three months ended June 30, 2006	2005	Six months ended June 30, 2006	2005
<b>Costs and expenses (income)</b>					
General and administration (note 18)	\$ 1,105,607	\$ 706,889	\$ 387,817	\$ 1,194,263	\$ 847,422
Stock-based compensation (note 10)	1,980,420	1,125,378	415,717	1,980,420	869,246
Foreign exchange loss (gain)	92,737	59,956	(130)	167,540	(22,311)
Interest income	(31,485)	(26,814)	(13,019)	(32,373)	(13,019)
	3,147,279	1,865,409	790,385	3,309,850	1,681,338
<b>(Loss) before the following</b>	<b>(3,147,279)</b>	<b>(1,865,409)</b>	<b>(790,385)</b>	<b>(3,309,850)</b>	<b>(1,681,338)</b>
Gain on sale of the Simberi Mining Property, net of selling costs	-	-	2,316	-	1,265,145
Dilution of interest - Simberi Gold Corporation	-	-	77,540	-	232,621
	-	-	79,856	-	1,497,766
Net (loss) before non-controlling interest	(3,147,279)	(1,865,409)	(710,529)	(3,309,850)	(183,572)
Non-controlling interest's share of (loss)	-	-	(917,639)	-	(436,477)
<b>Net (loss) for the period</b>	<b>(3,147,279)</b>	<b>(1,865,409)</b>	<b>(1,628,168)</b>	<b>(3,309,850)</b>	<b>(620,049)</b>
<b>Deficit, beginning of period</b>	<b>(17,311,541)</b>	<b>(18,593,411)</b>	<b>(6,849,345)</b>	<b>(17,148,970)</b>	<b>(7,857,464)</b>
<b>Deficit, end of period</b>	<b>\$ (20,458,820)</b>	<b>\$ (20,458,820)</b>	<b>\$ (8,477,513)</b>	<b>\$ (20,458,820)</b>	<b>\$ (8,477,513)</b>
<b>(Loss) per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares</b>		<b>94,461,517</b>	<b>56,415,906</b>	<b>88,883,192</b>	<b>54,928,337</b>

The notes to consolidated financial statements are an integral part of these statements.

**IBERIAN MINERALS CORP.**  
**(FORMERLY PGM VENTURES CORPORATION)**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Consolidated Statements of Cash Flows**  
**(Prepared by Management - Unaudited)**

	Cumulative from January 20, 2006 to June 30, 2006	Three months ended June 30, 2006	2005	Six months ended June 30, 2006	2005
<b>Operating activities</b>					
Net (loss) for the period	\$ (3,147,279)	\$ (1,865,409)	\$ (1,628,168)	\$ (3,309,850)	\$ (620,049)
Non-controlling interest's share of loss	-	-	917,639	-	436,477
Stock-based compensation (note 10)	1,980,420	1,125,378	415,717	1,980,420	-
Dilution of interest - Simberi Gold Corporation	-	-	(77,540)	-	(232,621)
	(1,166,859)	(740,031)	(372,352)	(1,329,430)	(416,193)
Net change in non-cash working capital	(1,878,344)	(868,988)	(199,490)	(1,851,719)	(1,897,290)
	(3,045,203)	(1,609,019)	(571,842)	(3,181,149)	(2,313,483)
<b>Financing activities</b>					
Proceeds from sale of mining property	-	-	4,000,000	-	4,000,000
Funds in trust	(22,500,000)	(22,500,000)	-	(18,498,650)	-
Shares issued for cash, net of share issue costs	27,293,960	21,344,856	6,537,141	27,293,960	7,993,648
Collection of mineral property settlement	302,450	302,450	-	302,450	-
Subscription receipts (note 9(b)(2))	22,500,000	22,500,000	-	22,500,000	-
	27,596,410	21,647,306	10,537,141	31,597,760	11,993,648
<b>Investing activities</b>					
Capital expenditures on mining interests	(74,362)	(3,202)	(237,796)	(77,856)	(536,234)
Cash paid to acquire MATSA	-	-	(2,884,691)	(2,465,925)	(4,048,915)
Cash acquired from MATSA	-	-	-	-	1,014,491
Purchase of property, plant and equipment	(738,638)	(486,918)	(1,790,953)	(738,638)	(1,790,953)
Capital grants offset to property, plant and equipment	497,006	-	-	497,006	-
Capitalized operating expenditures	(4,212,069)	(2,014,532)	-	(4,091,039)	-
	(4,528,063)	(2,504,652)	(4,913,440)	(6,876,452)	(5,361,611)
<b>Change in cash and cash equivalents</b>	20,023,144	17,533,635	5,051,859	21,540,159	4,318,554
<b>Cash and cash equivalents, beginning of period</b>	2,279,096	4,768,605	2,345,089	762,081	2,209,148
<b>Cash and cash equivalents, end of period</b>	\$ 22,302,240	\$ 22,302,240	\$ 7,396,948	\$ 22,302,240	\$ 6,527,702

The notes to consolidated financial statements are an integral part of these statements.

# **IBERIAN MINERALS CORP.**

## **(FORMERLY PGM VENTURES CORPORATION)**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Consolidated Financial Statements**

**(Prepared by Management - Unaudited)**

**June 30, 2006**

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### **1. Nature of operations, overview and going concern assumption**

Iberian Minerals Corp. (formerly PGM Ventures Corporation) (the "Company") is a company involved in the evaluation, development and mining of base metal deposits in Spain. The Company's prime focus is continuing the development of its Aguas Teñidas copper/zinc project located in the Region of Andalucia, SW Spain. In January 2006, a feasibility study on the project was received from SRK Consulting of Cardiff UK, which demonstrated the technical feasibility and economic viability of the project. The mine has sufficient reserves for a 13 year operating life with a production rate of 1.60 million tonnes annually. The Company has also signed a long term offtake agreement with Trafigura Beheer AG for the sale of all its metal concentrates from Aguas Teñidas. The Company is in the process of arranging the financing required for the US\$168.2 million project through a combination of project bank debt, subordinated debt, and equity. Construction is expected to begin in the third quarter of 2006, with initial commercial production of metal concentrates commencing in early 2008. The Company is listed on Tier 2 of the TSX Venture Exchange.

On June 27, 2006, the Company's name was changed from PGM Ventures Corporation to Iberian Minerals Corp. to more closely reflect the Company's current business activities.

As at June 30, 2006, the Company does not have the required funds to construct the mine for the Minas Aguas Teñidas deposit.

The recoverability of amounts shown as mining interests and 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 consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of one or more of its properties. These consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

### **2. Summary of significant accounting policies**

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2006 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2006.

The consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2005, except for Note 3. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2005.

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

### 3. Change in accounting policies

On January 20, 2006, the Company received a positive bankable feasibility study on the Aguas Teñidas project. As such the Company now has a property that can be developed and the Company has entered into the Development Stage. As of January 20, 2006, the Company is applying Accounting Guideline 11 "Enterprises in the Development Stage".

### 4. Property, plant and equipment

	June 30, 2006	December 31, 2005
Property, plant and equipment (1)(2)(4)	\$ 55,860,095	\$ 51,527,423
Less: negative goodwill (3)	(27,326,207)	(27,326,207)
	<b>\$ 28,533,888</b>	<b>\$ 24,201,216</b>

(1) On January 20, 2006, the balance in property, plant and equipment was \$24,080,186. Since this date the Company has incurred additional costs, net of capital grants of \$4,453,702 for a total balance of \$28,533,888 as of June 30, 2006.

(2) On June 16, 2006, the balance of the purchase price for 140 hectares (346 acres) of surface rights at its Aguas Teñidas project in SW Spain was paid. The Company's wholly owned Spanish subsidiary, Minas de Aguas Teñidas SAU ("MATSA"), purchased 140 hectares of surface rights from Piritas de Huelva SL ("Piritas") for a total price of €550,000 (C\$770,000), plus applicable taxes. In addition, MATSA is making a 10% deposit payment of approximately €18,000 (C\$25,000) for an option to purchase an additional 51.6 hectares (127 acres) of surface rights from Piritas on similar terms.

Assuming the above option to purchase is exercised, MATSA will now own a total of 198.7 hectares (491 acres) of surface rights either above, or in the immediate vicinity of, the Aguas Teñidas mineralised systems.

(3) Refer to Note 6 of the December 31, 2005 audited consolidated financial statements for details.

(4) The Company is presently arranging financing and all government permits to begin production at Aguas Teñidas.

### 5. Mining interests

	June 30, 2006	December 31, 2005
Sangold Property, Ontario (a)	\$ 1,251,047	\$ 1,173,191

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 5. Mining interests (continued)

(a) The following is a detailed list of expenditures that the Company incurred on the Sangold Property:

Payment to Kalwea Financial Corporation	\$	67,500
Consulting		373,914
Accommodation		37,874
Travel		15,216
Drilling		497,928
Software usage		10,400
Linecutting		73,606
Assay work		46,592
Equipment rental		10,100
Survey		76,625
Other charges		41,292
	\$	1,251,047

The Company will pay Kalwea Financial Corporation \$232,500, should it decide to exercise its option of increasing its interest in the Sangold property.

## 6. Promissory notes

Subject to the MATSA acquisition, the Company paid two promissory notes totaling €1,750,000 (C\$2,465,925) in January 2006 to INSERSA S.A. Refer to Note 6 of the audited December 31, 2005 consolidated financial statements for details of the MATSA purchase.

## 7. Due to Simberi Gold Corporation

The amount due to Simberi Gold Corporation ("Simberi") is non-interest bearing and due on demand. Simberi has demanded repayment of this amount. Subsequent to June 30, 2006, this amount was paid in full.

## 8. Long-term debt

	June 30, 2006	December 31, 2005
Social security debt	\$ 413,710	\$ 506,726
Payments due arising from general creditors agreement	312,537	350,398
Finance leases	16,228	21,915
Government assistance	8,827	12,828
Fixed asset loan	669,562	648,732
	1,420,864	1,540,599
Amounts payable within one year	(602,970)	(695,514)
	\$ 817,894	\$ 845,085

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 9. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued	Number of common shares	Stated value
Balance, December 31, 2005 and January 20, 2006 (Note 3)	78,629,031	\$ 38,399,811
Exercise of warrants - cash	2,207,690	1,338,945
Black-Scholes fair value of warrants	-	506,005
Exercise of stock options - cash	170,000	80,000
Black-Scholes fair value of stock options	-	51,385
Private placement (1)	9,252,200	6,476,540
Private placement (2)	10,000,000	7,500,000
Private placement (3)	15,000,000	15,000,000
Cost of issue - agent's option certificates (1)	-	(235,006)
Cost of issue - compensation options (2)	-	(362,400)
Cost of issue - cash (1)(2)(4)	-	(3,101,525)
<b>Balance, June 30, 2006</b>	<b>115,258,921</b>	<b>\$ 65,653,755</b>

(1) On March 23, 2006, the Company completed a private placement for the sale of 9,252,200 common shares at \$0.70 per share for gross proceeds of \$6,476,540. The shares are subject to a four-month hold period expiring on July 24, 2006.

In addition, under an agency agreement dated March 23, 2006 entered into between the Company and Haywood Securities Inc. ("Haywood"), Haywood, together with the selling group members, Canaccord Capital Corporation and MGI Securities Inc., received a cash commission of \$526,509 and agent's option certificates, which will entitle Haywood, Canaccord and MGI at any time until September 23, 2007 to subscribe for an aggregate of up to 925,220 shares. Other costs associated with the private placement amounted to \$32,277.

The agent's option certificates have an estimated value of \$235,006. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 87.21%; risk-free interest rate 3.96%; and an expected life of 18 months.

(2) On May 16, 2006, the Company issued 10,000,000 units ("Units") at a price of \$3.00 per Unit for gross proceeds of \$30,000,000. Each Unit is comprised of one common share and three subscription receipts (a "Subscription Receipt"). Each Subscription Receipt entitles the holder thereof to acquire, without payment of any additional consideration, one common share. Initial gross proceeds amounted to \$7,500,000. The remaining balance of the gross proceeds, being \$22,500,000, is being held in escrow until certain escrow release conditions are met. MGI Securities Inc., Orion Securities Inc. and Canaccord Adams acted as co-lead underwriters ("Co-lead underwriters") in the offering.

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

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## 9. Share capital (continued)

### (b) Common shares issued (continued)

(2) (continued) The Subscription Receipts, which are exercisable by the holders at any time, will be automatically exercised for common shares, and the escrowed proceeds of \$22,500,000 (plus accrued interest) will be automatically released to the Company, upon the receipt by MATSA of permits from the applicable Spanish authorities for: (i) Reinicio de la Explotacion en Mina de Aguas Teñidas (Re-start of the Exploitation at Aguas Teñidas Mine) and (ii) Ampliacion de la actividad en Mina de Aguas Teñidas con la Construcción de una Planta de Tratamiento de Mineral y un Deposito de Esteriles (Expansion of the activity at Aguas Teñidas Mine with a Construction of an Ore Treatment Plant and Tailings Deposit). If such permits are not received on or before the 6-month anniversary of the closing of the offering, the Company shall be required to repurchase the outstanding Subscription Receipts for cancellation at a price of \$0.75 per Subscription Receipt plus a pro rata share of accrued interest.

The Co-lead underwriters in the offering received a cash commission of 6% (\$1,800,000) of the gross proceeds and compensation options entitling them to acquire up to 2,400,000 common shares at an exercise price per common share of \$0.75 at any time for a period of 12 months from the date of closing of the offering.

The compensation options have an estimated value of \$362,400. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 46.71%; risk-free interest rate 4.00%; and an expected life of 12 months.

(3) On May 31, 2006, the Company completed a \$15,000,000 private placement at \$1.00 per share. The two places include Investec Bank (UK) Limited ("Investec Bank"), for \$10,000,000 and Trafigura Beheer B.V., for \$5,000,000. There is a hold period on the shares which will expire on October 1, 2006.

(4) Other costs associated with the private placements not disclosed above amounted to \$742,739.

## 10. Stock options

The changes in stock options for the period ended June 30, 2006 is as follows:

	Number of stock options	Weighted Average Exercise Price
Balance, December 31, 2005 and January 20, 2006 (Note 3)	5,560,000	\$ 0.60
Grant of stock options (1)(2)	6,125,000	1.05
Exercised	(170,000)	(0.47)
Balance, June 30, 2006	11,515,000	\$ 0.84

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 10. Stock options (continued)

(1) On February 1, 2006, the Company granted stock options to members of its management team and certain employees: Options to acquire 670,000 common shares at an exercise price of \$0.70 per share for a period of 5 years from the date of grant; Options to acquire 1,500,000 common shares exercisable at a price per common share of \$0.80 until December 31, 2006 and \$1.00 until December 31, 2007.

The first option group has an estimated fair market value of \$269,340 which will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 98.05%; risk-free interest rate 3.86%; and an expected life of 2.41 years.

The second option group has an estimated fair market value of \$498,000 which will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 96.79%; risk-free interest rate 3.86%; and an expected life of 23 months.

(2) On June 27, 2006, the Company granted a total of 3,955,000 stock options to directors, officers, employees and consultants of the Company and MATSA. These stock options will have an exercise price of \$1.20 per share. The distribution of these stock options is as follows: directors: 2,100,000, officers 650,000, employees 750,000 and consultants 455,000. The stock options have an estimated fair market value of \$1,593,865 which will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 55.48%; risk-free interest rate 4.00%; and an expected life of 2.41 years.

As of June 30, 2006, the following stock options were outstanding:

Expiry Date	Number of Options	Weighted Average Exercise price
July 16, 2006	150,000	\$ 0.65
May 27, 2007	35,000	0.67
November 12, 2007	165,000	0.50
(a) March 16, 2008	300,000	0.87
(b) August 27, 2008	490,000	0.40
(c) October 10, 2008	375,000	0.60
(d) February 11, 2009	1,335,000	0.80
(e) April 14, 2009	100,000	0.86
(f) October 12, 2009	2,270,000	0.50
(g) February 3, 2010	20,000	0.50
(h) February 24, 2010	150,000	0.61
(i) February 1, 2011	670,000	0.70
(j) December 31, 2007	1,500,000	0.80 until December 31, 2006 then 1.00 until December 31, 2007
(k) June 27, 2011	3,955,000	1.20
	11,515,000	

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 10. Stock options (continued)

Stock options have been expensed as follows:

	Number of active options valued	Cumulative expense from inception of stock options	Amount expensed	Remainder to be expensed	Exercise of stock options	Total stock option compensation
(a)	300,000	\$ 142,263	\$ 37,437	\$ -	\$ -	\$ 179,700
(b)	490,000	51,542	-	-	(4,772)	51,542
(c)	375,000	35,144	-	-	-	35,144
(d)	1,335,000	817,020	-	-	-	817,020
(e)	100,000	65,800	-	-	-	65,800
(f)	2,270,000	801,401	126,977	-	(46,613)	928,378
(g)	20,000	4,041	2,059	-	-	6,100
(h)	150,000	36,921	21,729	-	-	58,650
(i)	670,000	-	168,840	100,500	-	269,340
(j)	1,500,000	-	498,000	-	-	498,000
(k)	3,955,000	-	1,125,378	468,487	-	1,593,865
	11,165,000	\$ 1,954,132	\$ 1,980,420	\$ 568,987	\$ (51,385)	\$ 4,503,539

## 11. Contributed surplus

The following is a continuity of contributed surplus for June 30, 2006:

Balance, December 31, 2005 and January 20, 2006 (Note 3)	\$ 906,162
Exercise of stock options	(51,385)
Stock-option compensation	1,980,420
Balance, June 30, 2006	\$ 2,835,197

## 12. Warrants

The following table sets out the warrant activity during the period ended June 30, 2006:

	Number of warrants	Value
Balance, December 31, 2005 and January 20, 2006 (Note 3)	20,317,037	\$ 4,765,359
Private placement (Note 9(b)(1)(2))	3,325,220	597,406
Warrant exercise	(2,207,690)	(506,005)
Balance, June 30, 2006	21,434,567	\$ 4,856,760

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 12. Warrants (continued)

As of June 30, 2006, the following warrants were outstanding:

Number of Warrants	Black-Scholes value	Exercise price (\$)	Expiry
938,923	\$ 235,670	0.72	July 26, 2006
3,126,600	747,257	0.65	July 29, 2006
9,090,909	1,918,182	0.57	September 3, 2006
304,000	64,144	0.57	September 24, 2006
350,000	89,250	0.57	December 17, 2006
1,847,000	470,985	0.57	December 30, 2006
102,000	27,234	0.57	February 2, 2007
540,000	144,180	0.57	February 2, 2007
650,000	182,000	0.57	March 14, 2007
2,400,000	362,400	0.75	May 16, 2007
925,220	235,006	0.86	September 23, 2007
1,159,915	380,452	0.75	December 21, 2007
<b>21,434,567</b>	<b>\$ 4,856,760</b>		

## 13. Related party transactions

The Company has entered into management agreements with two directors whereby each director receives annual fees of \$240,000. Total consulting fees in the amount of \$220,500 (2005 - \$237,500) were paid to the directors during the period and were recorded in general and administration expenses. The Company also paid to directors and a company controlled by a director a total of \$219,500 (2005 - \$147,500) in consulting fees for services provided to MATSA and Sangold. The amounts paid were capitalized to mining interests and property, plant and equipment.

The Company has an agreement with Billiken Management Services Inc. ("Billiken"), a private company that is controlled by the spouses of two directors to manage Sangold. This company charges a fee of 10% of expenses incurred on behalf of the Company plus additional service charges. This fee totaled \$19,913 (2005 - \$22,399). This Company also paid rent in the amount of \$4,500 (2005 - \$nil) and consulting fees of \$14,000 (2005 - \$6,000).

The Company also paid legal fees of \$390,407 (2005 - \$49,701) to a law firm where a partner of the firm is the corporate secretary of the Company.

Director fees of \$nil (2005 - \$6,000) were paid during the period.

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

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.

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 14. Supplementary cash flow information

The Company did not pay any income taxes for each period presented.

## 15. Segmented information

Segmented assets

June 30, 2006

	Canada	Spain	Consolidated
Current assets	\$ 44,091,080	\$ 2,290,220	\$ 46,381,300
Long-term assets	4,299,048	28,533,887	32,832,935
	\$ 48,390,128	\$ 30,824,107	\$ 79,214,235

December 31, 2005

	Canada	Spain	Consolidated
Current assets	\$ 4,848,937	\$ 1,647,072	\$ 6,496,009
Long-term assets	4,221,191	24,201,216	28,422,407
	\$ 9,070,128	\$ 25,848,288	\$ 34,918,416

## 16. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's basis of presentation.

The consolidated financial statements for the three month period ended June 30, 2005 reported net income of \$9,249,105. These financial statements report a loss of \$(1,628,168) for the three month period ended June 30, 2005 a difference of \$(10,877,273) for both the three and six month periods ended June 30, 2005. This difference arose due to the following:

The gain on disposition of goodwill in the amount of \$10,008,513 previously reported resulted from the Company increasing its shareholding in MATSA from 70% to 100%. At year end, an audit adjustment reversed this gain and accounted for it on the balance sheet as negative goodwill which was applied to property, plant and equipment.

The non-controlling interest share of income from the subsidiary was incorrectly reported in the June 30, 2005 consolidated financial statements. The non-controlling interest share in the income of Simberi was \$436,477. This amount was incorrectly reported as a negative expense, when it should have been reported as a reduction of consolidated net income. The result was an overstatement of consolidated net income in the amount of \$872,954.

The gain on sale of property was increased by the amount of \$4,194.

# IBERIAN MINERALS CORP. (FORMERLY PGM VENTURES CORPORATION)

(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

(Prepared by Management - Unaudited)

June 30, 2006

## 17. Commitments and contingencies not disclosed elsewhere

- (a) The Company has entered into a formal management services agreement with Billiken. Billiken has provided similar services to the Company over the past twelve months pursuant to a verbal agreement. The current written agreement reflects the prior understanding between the parties. Pursuant to the management services agreement, Billiken shall provide administrative and general reception services to the Company, as well as providing office space, telephone and other related services. The consideration for these services is \$2,000 per month. Billiken shall also provide investor relations services and any other services over and above administrative and office space to the Company for 10% in excess of Billiken's cost of providing the same. The term of the agreement is for twelve months and may be renewed at the option of the Company for a further twelve months.
- (b) The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations.
- (c) Investec Bank has agreed to increase the financing facility for Aguas Teñidas from US\$65 million to US\$100 million. The financing facility is subject to final negotiation and definitive agreements. Investec Bank has participated in private placements in the current year and fiscal 2005.

## 18. General and administration

	Cumulative from January 20, 2006 to June 30, 2006	Three months ended June 30,		Six months ended June 30,	
		2006	2005	2006	2005
Accounting and corporate services	\$ 77,379	\$ 26,273	\$ 25,906	\$ 77,379	\$ 40,743
Office expenses	47,781	26,575	14,935	82,365	27,825
Professional and consulting fees	476,252	350,416	229,619	486,851	439,511
Transfer agent, listing and filing fees	155,190	98,193	31,694	175,165	67,397
Shareholders' information	174,241	159,479	-	174,641	52,771
Travel	61,873	19,181	9,356	67,196	63,352
Advertising, promotion and public relations	61,625	26,772	46,836	79,400	80,331
Occupancy costs	4,500	-	19,755	4,500	19,755
Flow-through interest penalty	46,766	-	(4,284)	46,766	25,737
Interest expense	-	-	8,000	-	24,000
Director fees	-	-	6,000	-	6,000
	\$ 1,105,607	\$ 706,889	\$ 387,817	\$ 1,194,263	\$ 847,422

# **IBERIAN MINERALS CORP.**

## **(FORMERLY PGM VENTURES CORPORATION)**

**(A DEVELOPMENT STAGE COMPANY)**

**Notes to Consolidated Financial Statements**

**(Prepared by Management - Unaudited)**

**June 30, 2006**

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### **19. Other information**

The Company has accepted a C\$25,000,000 offer of financing from Dundee Resources Limited. ("Dundee Resources"). The financing will be a private placement of a \$25,000,000 principal amount subordinated convertible debenture (the "Debenture") issued at par. The Debenture will bear interest at the rate of 6% per annum, payable semi-annually. 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 for 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, 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. The issue of the convertible debenture is subject to a number of conditions including: completion of an equity financing by the Company resulting in the Company's receiving gross proceeds of \$15,000,000 by issuing 15,000,000 common shares (completed); the completion of due diligence to the satisfaction of Dundee Resources; execution of definitive documentation; and receipt of all required consents and approvals, including regulatory approval. It is anticipated that the financing will close in July 2006. Dundee Resources is a private Canadian company and is the resource merchant banking arm of Toronto Stock Exchange listed Dundee Corporation.

### **20. Subsequent events**

(a) Subsequent to June 30, 2006, MATSA has awarded a €10,300,000 (C\$14,800,000) order to Metso Minerals Industries of Pennsylvania USA for new grinding mills. The purchase cost of these mills is slightly less than the forecast of €10,400,000 made by SRK Consulting of Cardiff in its January 2006 feasibility study. The new mills will be used in the new mineral processing plant proposed for MATSA's Aguas Teñidas base metal project located in SW Spain.

(b) Subsequent to June 30, 2006, 4,250,889 warrants and 60,000 stock options were exercised for cash proceeds of \$2,835,830 and \$24,000, respectively.