

IBERIAN MINERALS CORP. – MANAGEMENT’S DISCUSSION AND ANALYSIS

QUARTER ENDED SEPTEMBER 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 September 30th, 2006. This 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 September 30th, 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 Third Quarter

During the third quarter of 2006 the Company continued to focus its efforts on securing the equity financing required to bring Aguas Tenidas into production and on developing various on site elements of the project to facilitate construction start up.

The Company announced on July 26th 2006 that it had completed the private placement of a \$25 million five year convertible subordinated debenture with Dundee Resources Limited (“Dundee Resources”). Further details regarding the terms and conditions of this convertible debenture are set out in the press release of July 26th.

On September 19th, 2006 the Company also announced additional funding of \$17.4 million as the completion of the US\$20 million funding facility with Trafigura Beheer B.V. (“Trafigura”), as detailed in the press release of December 5th, 2005. The terms of this financing can be found in the press release of September 19th, 2006. The \$17,365,530 in subscription funds have been placed in escrow and will be released upon 1) receipt by the Company’s Spanish subsidiary of the permit for “Expansion of activity at the Aguas Tenidas mine with a Construction of an Ore Treatment Plant and Tailings Deposit 2) the conversion of 30,000,000 subscription rights into a similar number of Iberian common shares and 3) TSXV exchange approval. The latter two of these conditions have been satisfied.

Additionally, during the quarter the Company raised \$8.7 million from the exercise of warrants and options.

Subsequent to September 30th the Company announced that pre-emptive rights held by Dundee Resources and Trafigura to acquire an aggregate of 3,406,154 special warrants of the Company have been fully exercised, resulting in an aggregate investment of \$4,428,000 in the Company by Dundee Resources and Trafigura. The terms under which these special warrants are issued are set out in the Company’s press release of November 9th, 2006. The gross proceeds will be held in escrow and will be automatically

released upon 1) receipt by the Company's Spanish subsidiary of the permit for "Expansion of activity at the Aguas Tenidas mine with the Construction of an Ore Treatment Plant and Tailings Deposit" 2) the conversion of 30,000,000 subscription receipts into a similar number of common shares of Iberian. The latter condition has been satisfied.

On November 17th the Company also announced that all of the 30,000,000 subscription receipts resultant from the financing announced April 28th, 2006, were exercised for cash proceeds of \$22,500,000. Each subscription receipt entitles the holder thereof to acquire one common share. As of November 16th the Company had not received the permit "Expansion of activity at the Aguas Tenidas mine with the Construction of an Ore Treatment Plant and Tailings Deposit" as required by the terms of the escrow agreement. However all the subscriptions were voluntarily exercised early and as a result there are no outstanding subscription receipts that the Company has to repurchase. Additionally the Company raised \$160,500 from the exercise of warrants and \$271,500 from the exercise of options respectively subsequent to the period end.

The project progressed in the third quarter towards receiving the permits required during the construction and operations phase. Subsequent to September 30th, 2006, the Company announced that it had received permits for the start up of the explosives magazine, authorisation for the use of explosives and authorisation for the construction of a new ramp.

The Company is presently awaiting the receipt of the final permit authorisation "Expansion of the Activity at the Aguas Tenidas mine with the Construction of an Ore Treatment Plant and Tailings Deposit" which is required in order for the main construction program to commence.

Progress on project development during the quarter is summarised in section 1.4 under project summaries.

Currently the Company holds the mining interests set out below:

Mineral project	Location	Principal metals	Iberian interest	Project information
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
Nixon-Bartleman	Keifer Township, Ontario	Gold	100%	Gold Exploration Project, no further work intended

Additional Information

Additional information relating to the Company is available on the Internet at the SEDAR website at www.sedar.com.

1.1 Date of MD&A

This MD&A was prepared on November 21st, 2006.

1.2 Overall Performance

Iberian Minerals Corp. reported a loss of \$2,965,940 for the three months ended September 30th, 2006 compared to the restated net loss of \$4,102,487 for the corresponding period of 2005. The net loss for the nine months ended September 30th, 2006 amounted to \$6,275,790 compared to the restated net loss of \$4,722,536 for the corresponding period of 2005.

Refiling of MD&A's and Restatement of Financials

On November 15th, 2006, the Company filed several amended MD&A's and restated the June 30th, 2005 and September 30th, 2005 interim financial statements in conjunction with a continuous disclosure review carried out by the Ontario Securities Commission. All of these documents are available at www.sedar.com under the Company's filings. Interested parties are encouraged to read these documents in their entirety; the principal amendments to these documents consisted of clarification of the nature and type of interest held by the Company in various properties, and background information regarding the same, the clarification of related party transactions, and amendments to the accounting treatment of certain transactions as further detailed below. These changes and clarification were all historical in nature, but do impact this MD&A document as the basis for comparison period over period (2006 compared to 2005) has been restated. This MD&A includes the restated figures in all comparative statements. The impact of this restatement is further detailed below.

The September 30th, 2005 consolidated financial statements originally reported a net loss of \$6,946,391 for the three months ended September 30th, 2005 and a net income of \$3,310,833 for the nine months ended September 30th, 2005. These consolidated financial statements have been restated as follows; the reported net loss of \$6,946,391 for the three months ended September 30th 2005 has been restated as a net loss of \$4,102,487. The reported net income of \$3,310,633 for the nine months ended September 30th 2005 has been restated as a net loss of \$4,722,536 and it is these restated results that are included in the comparative figures for 2005 which appear in Section 1.5. The explanations for these amendments are set out below.

During the third quarter of 2005, the Company disposed of its equity interest in Simberi Gold Corporation ("Simberi Gold") which resulted in a loss on disposition of \$3,581,188, this loss was included in the third quarter statement of operations and deficit by the Company initially. At year end, as part of the year end audit review, the auditors concluded that as the Company's equity interest in Simberi Gold was sold to a related party, the loss arising thereon should be applied against contributed surplus. In addition an audit adjustment at year end transferred the following Simberi Gold related transactions from the statement of operations and deficit and applied them against contributed surplus on the basis that they were related party transactions:

- the gain on disposition on controlling interest in Simberi Gold \$649,533 (as reported for the three months ended September 30th, 2005)

- the gain on dilution of interest in subsidiary \$232,621 (as reported for the nine months ended September 30th, 2005)
- the equity share of loss in Simberi Gold \$98,019 (as reported for the three months ended September 30th, 2005)
- the loss on Simberi of \$51,045 included in write off of mining interests. This has resulted in the previously reported loss on write off of mining interests of \$3,031,570 being reduced by \$51,045 to \$2,980,525.

These adjustments also impacted on the results for the nine months to September 30th, 2005.

Further adjustments were made at year end relating to certain second quarter transactions, which also impacted on the Company's results for the nine months to September 30th, 2005.

In the June 2005 financial statements the Company had recognized a gain on disposition of minority interest of \$10,008,513 in both the three months and six months statement of operations and deficit which resulted from the Company increasing its shareholding from 70% to 100% in its Spanish subsidiary (MATSA). At year end as part of year end audit review an audit adjustment reversed this gain and accounted for it on the balance sheet as negative goodwill on the acquisition of MATSA which was applied to property, plant and equipment.

Additionally in the June 30th, 2005 financial statements the non – controlling interest share of income from Simberi Gold of \$436,477 was incorrectly reported as a gain instead of a loss. This has resulted in an overstatement of net income of \$872,954 for the nine months to September 30th, 2005.

All of these adjustments were incorporated in the fiscal 2005 financials and have now been incorporated in the relevant quarterly financials necessitating the refile of the June 30th, 2005 and September 30th, 2005 consolidated financial statements. This brings the quarterly statements in line following the year end adjustments made to the Audited Consolidated Financial Statements for December 30th, 2005 by the auditors as part of the year end audit review.

Review of results for the Three Months ended September 30th 2006

There was a net loss of \$2,965,940 for the three months ended September 30th, 2006 compared to a net loss of \$4,102,487 for the corresponding period of 2005. The main factors that contributed to the loss during the period were financial charges of \$1,145,388 and the write off of mining interests of \$1,271,662. The reduction in the loss from 2005 to 2006 can be attributed mainly to there being a write off in mining interests of \$2,980,525 in 2005 which did not reoccur in 2006.

Stock based compensation during the third quarter 2006 totalled \$110,575 compared to \$331,484 for 2005. This decrease is due to the timing of the vesting of stock options and their corresponding treatment as expense for accounting.

Administrative and other costs amount to \$679,060 for the third quarter 2006 compared to \$418,167 for 2005. The main reason for this increase was a capital tax charge of \$181,673 during the quarter due to the increased level of the Company's issued share

capital, increased advertising promotion and public relations costs of \$120,521, accounting and corporate services of \$37,890 and directors fees of \$23,000, these increases were partially offset by reductions in most other cost categories.

Within the Administrative and other category the costs for accountancy and corporate services increased from \$5,535 in 2005 to \$43,425 in 2006 due the increased level of accounting services required during the quarter. Office costs amounted to \$10,080, a reduction of \$5,397 from 2005. Professional and consulting fees were \$173,588 compared to \$219,834 for 2005. This reduction of \$46,246 was primarily due to a reduction in the level of professional services required during the quarter. Transfer Agent listing and filing fees at \$39,941 were \$8,703 below 2005 levels. Shareholders information increased from \$7,478 to \$15,351 in 2006. Travel expenses were \$46,024 which compared to \$93,282 for 2005. This reduction is due mainly to the Company's reduced level of mining interests in 2006 requiring less travel by management. Advertising, public relations and promotions amounted to \$135,438 compared to \$14,917 for 2005. This increase was due to additional promotional expenses incurred during the quarter. Occupancy costs and Directors' fees amounted to \$9,540 and \$24,000 respectively. There was \$1,000 of director's fees paid in 2005. The capital tax charge for the quarter amounted to \$181,673 compared to \$nil for the corresponding period of 2005.

Interest on the Dundee Resources convertible debenture for the quarter totalled \$302,528 compared to \$nil for 2005. This interest is payable semi-annually at July 26th and January 26th of each year. Assuming the Company receives the approval to the TSX Venture Exchange the interest payment payable to and including January 26th 2008 shall be paid in Common Shares at the Market Price per Common Share. The finance charges in the period were \$1,145,388 and were in connection with fees incurred in arranging the various financings completed during the period. There was no corresponding expense for the third quarter 2005.

Foreign exchange loss totalled \$23,018 and compared to a loss of \$150,748 for the corresponding period of 2005. This loss arises primarily from the company's exposure to the fluctuations in the value of the Canadian Dollar to the Euro.

During the quarter the company decided not to continue with the Sangold project and as a result \$1,271,662 has been written off against this property. This compares to a write off of \$2,980,525 for the corresponding period of 2005 which was mainly in connection with the Company's Venezuelan projects.

Interest income totalled \$566,291 which compared to \$11,058 for 2005. This increase in interest income reflects the company's increased level of cash during the period.

All of the above resulted in a net loss of \$2,965,940 for the three months ended September 30th, 2006, compared to a loss of \$4,102,487 for the corresponding period of 2005.

Review of results for the Nine Months ended September 30th, 2006

There was a net loss of \$6,275,790 for the nine months ended September 30th, 2006 which compared to a net loss of \$4,722,536 for the corresponding period of 2005. A number of factors contributing to the increased loss including increased costs for both

stock based compensation and administrative and other costs, finance charges and convertible debenture interest costs in 2006 for which there was no corresponding expenditure in 2005 and a 2005 gain on the sale of Simberi Gold which did not recur in 2006. These were offset by a decrease in mining interest write offs, an increase in interest income and the non controlling interests share of loss in 2005 which did not recur in 2006.

Stock based compensation during the nine months to September 30th, 2006 totalled \$2,090,995 compared to \$1,200,730 for 2005. This increase is due to the timing of the vesting of stock options and their corresponding treatment as an expense for accounting.

Administrative and other costs amounted to \$1,873,323 for the nine months ending Sept. 30th, 2006 compared to \$1,265,589 for the same period in 2005. This increase was due to increased expenditures in a number of cost categories.

Within Administrative and other accountancy and corporate services costs increased from \$46,278 in 2005 to \$120,804 in 2006 due to the increased level of accounting services required during the period, largely due to the review process undergone by the Company. Office costs amounted to \$65,964, an increase of \$22,662 from 2005. Professional and consulting fees were \$682,514 for the nine months which was in line with expenditures of \$656,345 for the corresponding period of 2005. Transfer agent, listing and filing fees at \$215,106 were \$99,065 above 2005 levels due mainly to an increase in filing fees incurred in conjunction with increased financing activities. Shareholders information increased from \$60,249 in 2005 to \$189,992 in 2006 due primarily to increased expenditures relating to the AGM. Travel expenses amounted to \$139,701 which compared to \$156,634 for 2005. This reduction is due mainly to the Company's reduced level of mining interests in 2006 resulting in less travel requirements. Advertising, public relations and promotions amounted to \$192,763 compared to \$95,248 for 2005. This increase was due to additional promotion expenses incurred during the period. Occupancy costs totalled \$14,040 which compared to \$19,755 for 2005. Flow-through interest penalty amounted to \$46,766 compared to \$25,737 for 2005. This flow-through interest penalty of \$46,766 was paid to the Canada Revenue Agency and arose as a result of flow-through funds raised by the Company in 2004 being spent in 2005. Under the flow-through program a company can raise funds in one fiscal year, elect to spend the funds in the second fiscal year and pay an interest penalty in the third year. The Company has spent the funds raised, filed the appropriate paperwork and paid the interest penalty required so the Company has no further obligation with regard to the flow-through funds raised in 2004.

Directors' fees amounted to \$24,000 for the nine months compared to \$10,000 for 2005. The capital tax charge for the nine months amounted to \$181,673 compared to \$nil for the corresponding period of 2005. Capital taxes arose as a result of the Company's increased level of issued common shares.

Interest on the Dundee Resources convertible debenture for the quarter totalled \$302,528 compared to \$nil for 2005. This interest is payable semi-annually at July 26th and January 26th of each year. Assuming the Company receives the approval to the TSX Venture Exchange the interest payment payable to and including January 26th 2008 shall be paid in Common Shares at the Market Price per Common Share. The finance charges amount to \$1,145,388 and were in connection with fees incurred in arranging

the various financings completed during the period. There was no corresponding expense for the corresponding period 2005.

Foreign exchange loss totalled \$190,558 for the nine months and compared to a loss of \$128,437 for the corresponding period of 2005. This loss arises primarily from the company's exposure to the fluctuations in the value of the Canadian Dollar to the Euro.

During the third quarter the company decided to discontinue its interest in the Sangold project and as a result \$1,271,662 has been written off against this property. This compares to a write off of \$2,980,525 for the corresponding period of 2005 which was mainly in connection with the Company's Venezuelan projects.

Interest income totalled \$598,664 which compared to \$24,077 for 2005. This increase in interest income reflects the company's increased level of cash during the period.

All of the above resulted in a net loss of \$6,275,790 for the nine months ended September 30th, 2006, compared to a loss of \$4,722,536 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
July 2006	\$25,000,000 5 yr. convertible subordinated debenture	General working capital	General working capital
Sept. 2006	\$17,365,530	General working capital	Held in escrow pending permits and subscription receipt conversion

2006 Project Summaries

Project	Acquisition Costs to date	Exploration Costs to date	Costs Incurred Q/E Sept 30/06
Aguas Tenidas	See below	See below	See below
Various Investigation Licenses Spain	\$0	\$0	\$0

1 - Aguas Tenidas (MATSA)

At the end of the third quarter, the Company still had not received the remaining permit for the Aguas Tenidas project, but as a subsequent event to the period, all of the holders

of the subscription receipts elected to exercise those receipts early, waiving the condition of the subscription receipt which required that the Company have received the permit prior to November 16th, 2006 in order to convert the subscription receipts into common shares of the Company. In total 30,000,000 subscription receipts were converted into common shares, a process which released a total of \$22,798,342 to the Company representing funds held in escrow and interest earned on those funds.

As discussed briefly in the Overview of the Third Quarter section above, and in greater detail in the press release of October 5th, 2006, the Company received several other permits regarding activities at Aguas Tenidas, please refer to the press release available at www.sedar.com for further details.

In the third quarter of 2006 Aguas Tenidas was the sole focus of the Company's activities.

On July 11th, 2006, the Company announced that the Company's wholly owned subsidiary, MATSA 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.

Subsequent to the third quarter, the Company announced on November 1st, 2006 that MATSA placed a €5.8 million (\$8.2 million) order with Outokumpu Technology Oyj of Finland for 1,784m³ of flotation cells for use in the proposed new ore processing plant. These tank cells, which will be manufactured in Spain, will be delivered over a 7-10 month period commencing May 2007.

The Company also announced on November 1st, 2006 that, pursuant to the press release of June 16th, 2006, the Company completed the purchase of an additional 51.6 hectares (127 acres) of surface rights at Aguas Tenidas at a cost of €187,000 (\$250,000). This brings the total land position of the Company to 198.7 hectares (489 acres), felt by management to be more than sufficient for the Company's foreseeable needs.

Spending on the project in the quarter totaled approximately \$2.6 million and included engineering fees of \$681,000, professional and consulting fees of \$456,000, and personnel costs of \$307,000. Also incurred were contractor costs of \$178,000 and materials and services costs of \$366,000. Financing costs in the period represented \$190,000 and computer software costs were \$130,000. All of these costs are ongoing operational and project costs which are expected to continue at similar levels on a quarterly basis in the future. As the Company enters an active construction phase upon the receipt of the remaining permit, the costs associated with the construction will increase and be reflected in these numbers on a quarterly basis.

The Company still awaits the results of a study of the costs and benefits of sinking a new decline shaft at Aguas Tenidas which was commissioned in the 2nd quarter. If this study demonstrates that a 2nd decline shaft has economic benefit to the mine, then the mining plan as currently proposed by SRK Consulting will be altered.

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 its plan of action regarding this drill program. There were no expenses incurred in the third quarter of 2006 in conjunction with these licenses.

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 15 of this document and the reader is encouraged to read this section carefully.

1.5 Summary of Quarterly Results

	Third Quarter September 30 2006	Second Quarter June 30 2006	First Quarter March 31 2006	Fourth Quarter December 31 2005
Revenue (including interest income)	\$566,291	\$26,814	\$5,559	\$12,552
Net income (loss)	(\$2,965,940)	(\$1,865,409)	(\$1,444,441)	(\$4,568,970)
Net income (loss) per share basic	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.07)
Net income (loss) per share diluted	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.07)
	Third Quarter September 30 2005	Second Quarter June 30 2005	First Quarter March 31 2005	Fourth Quarter December 31 2004
Revenue (including interest income)	\$11,058	\$13,019	\$0	\$2,687
Net income (loss)	(\$4,102,487)	(\$1,628,168)	\$1,008,119	(\$1,067,701)
Net income (loss) per share basic	(\$0.06)	(\$0.03)	\$0.02	(\$0.04)
Net income (loss) per share diluted	(\$0.06)	(\$0.03)	\$0.02	(\$0.04)

Revenue arising from deposit interest remained relatively steady quarter over quarter from the quarter ended December 31, 2004 to the quarter ended June 30, 2006. Revenue for the quarter ended September 30, 2006 at \$566,291 is as a result of higher cash levels following the receipt of funds from various financings during the period.

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 31st, 2005 when Simberi Gold sold 75% of its 50% interest in the Simberi mining joint venture. With Simberi Gold then being consolidated into Iberian Minerals Corp. 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 and in the third quarter of 2006. The loss in the third quarter of 2005 is due primarily to the write down of mining interests with approximately \$3 million relating to Venezuela. 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. The loss of \$2,965,940 incurred in the third quarter of 2006 is discussed in Section 1.2 Overall Performance.

1.6 Liquidity

Iberian Minerals Corp. reported a working capital of \$90,795,717 at September 30, 2006 compared with a working capital deficiency of \$654,960 at December 31, 2005. The Company had cash and cash equivalents of \$51,002,730 at the end of the third 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 and third quarters 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 September 30th, 2006 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 September 30, 2006, the Company's net debt was \$26,170,774 and consists of the following:

Account	Balance
Accounts payable and accrued liabilities	\$1,391,701
Convertible debenture	\$23,423,650
Current portion of long term debt	\$543,711
Long-term debt	\$812,382
Total	\$26,170,774

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

During the third quarter of 2006 Iberian Minerals Corp. raised capital from financings of \$25,000,000. This does not include escrowed proceeds of \$17,365,530. Additionally \$8,700,317 was raised during the third quarter from the exercise of options and warrants. The financings which comprised this amount are noted below.

The Company reported on July 26th, 2006 that it had completed the private placement with Dundee Resources announced on May 23, 2006. Under the terms of the transaction Iberian issues to Dundee Resources a \$25 million 5 year convertible subordinated debenture issued at par and convertible at \$1.20 per share. The debenture bears interest at a rate of 6% per annum, payable on June 26th and January 26th each year. Provided Iberian receives approval from the TSX Venture Exchange the interest payable up to and including January 26th 2008 shall be paid in common shares. On September 19th the Company reported that Trafigura had agreed to fund \$17,365,530 in the form of equity instead of funding this amount by way of capital cost overrun guarantees to support the bank project financing facility as agreed under the Financing Facility and Offtake Agreement of December 23, 2005. Trafigura have subscribed for 13,358,100 Iberian units at a price of \$1.30 per unit for a total of \$17,365,360. These funds have been placed in escrow against the issuance of special warrants which are convertible into units and will be released upon all of the following conditions being met; receipt of the final permit for plant construction and tailings disposal by MATSA, the conversion of 30,000,000 subscription rights into a similar number of Iberian shares and TSXV approval.

These additional financings will be utilized primarily to assist in bringing the Aguas Tenidas project into commercial production. The Company will finance the project through a combination of equity and debt. On June 1st, 2006, 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 made application to the Spanish authorities for grant funding in relation to the construction of the project.

Following the successful equity financings during the second and third quarters and the increase in the financing facility with Investec Bank, 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) order to Metso Minerals Industries of Pennsylvania USA for new grinding mills and a €5.8 million (approx \$8.4 million) order to Outokumpu Technology for flotation cells.

1.7 Capital Resources

At September 30th, 2006, the Company had the following capital requirements under existing arrangements.

- a) Accounts payable in the normal course of business;
- b) Convertible debenture;
- c) 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 and
- c) The company's wholly owned subsidiary MATSA has awarded a €10.3 million order to Metso Minerals Industries for new grinding mills and a €5.8 million order to Outokumpu Technology for flotation cells.

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 nine months ended September 30, 2006 to the directors and as disclosed in the financial statements were \$271,500 (2005 - \$354,250) and was paid to the following parties: Peter Miller \$103,000, Norman Brewster \$147,500, Peter Gleeson \$16,000 and Porphyry (a company in which Michael Newbury holds an interest) \$5,000. Of the \$271,500, \$51,000 was paid during the three months ended September 30, 2006 and as follows: Peter Miller \$22,000 (2005 - (\$37,500)), Norman Brewster \$20,000 (2005 - \$64,250), Peter Gleeson \$4,000 (2005 - \$15,000) and Porphyry (a company in which Michael Newbury holds an interest) \$5,000 (2005 - \$nil).

Additionally, as disclosed in the financial statements, the Company also paid to directors and a company controlled by a director for the nine months ended September 30th, 2006, a total of \$328,500 (2005 - \$295,000) 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 \$328,500 was paid as follows: Peter Miller \$132,000 (2005 - \$120,000), Norman Brewster \$87,500 (2005 - \$130,000), Peter Gleeson \$64,000 (2005 - \$nil), Babak Vahebzadeh \$5,000 (2005 - \$nil) and Porphyry (a company in which Michael Newbury holds an interest) \$40,000 (2005 - \$45,000). Of the \$328,500, \$109,000 was paid during the three months ended September 30, 2006 and as follows: Peter Miller \$38,000 (2005 - \$42,500), Norman Brewster \$40,000 (2005 - \$60,000), Porphyry (a company in which Michael Newbury holds an interest) \$10,000 (2005 - \$20,000), Peter Gleeson \$16,000 (2005 - \$nil) and Babak Vehebzadeh \$5,000 (2005 - \$nil).

The Company has an agreement with Billiken Management Services Inc ("Billiken") to manage exploration and development of various projects. Billiken employs individuals to manage various programs on behalf of clients, and in turn charges a fee of 10% of expenses incurred on behalf of these clients to these clients, in this case the Company. Two of the shareholders of Billiken are the spouses of Peter Miller and Norman Brewster, if they were to act in conjunction with each other they would control Billiken, but they do not manage the day to day affairs of Billiken, the day to day operations of Billiken are carried out by paid management of Billiken. The Company paid to Billiken Management Services Inc. a total of \$27,826 (2005 - \$32,122) for the nine months ended September 30, 2006, for costs incurred in conjunction with the management of the Company's exploration programs, pursuant to a management agreement. Of the \$27,826, \$7,913 (2005 - \$9,723) pertains to the three months ended September 30, 2006. Additionally, the Company also paid rent to Billiken in the amount of \$14,040 (2005 - \$6,000) for the nine months ended September 30th, 2006 and \$9,540 (2005 - \$6,000) for the three months ended September 30th, 2006. Consulting fees of \$20,000 (2005 - \$10,000) were also paid for the nine months ended September 30, 2006 and of this balance \$6,000 (2005 - \$4,000) pertained to the three months ended September

30th, 2006. Due to the Company, from Billiken, is an amount of \$212,392 representing advances against project costs incurred on behalf of the Company.

The Company also paid legal fees of \$486,993 (2005 - \$217,042) for the nine months ended September 30th, 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 \$486,993, \$96,586 (2005 - \$167,341) pertains to activities for the three months ended September 30th, 2006. The increase in legal fees between 2006 and 2005 is reflective of the increase in activity and the complexity of the Company's business transactions and the various financing transactions undertaken during the period.

For the nine months ended September 30th, 2006, director fees totaling \$24,000 (2005 - \$10,000) were paid by the Company as follows: Babak Vahebzadeh \$8,500 (2005 - \$nil), John M. Maquire \$6,500 (2005- \$nil), Jack Gunter \$6,000 (2005 - \$nil), Jose Gomez-Arnau \$1,000 (2005 - \$nil), Murray John \$1,000 (2005 - \$nil), Maurice Stekel \$1,000 (2005 - \$3,000), John Cerenzia \$nil (2005 - \$3,000), Mike Newbury \$nil (2005 - \$1,000) and Peter Gleeson \$nil (2005 - \$3,000). Of the \$24,000 paid during the nine months ended September 30th, 2006 the entire amount was paid in the three months ended September 30th, 2006 (2005 – Mike Newbury \$1,000).

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 third 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 20th, 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. 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 September 30th 2006 is \$1,710,000. The Company does not feel that this decline is permanent in nature. Regardless of these fluctuations in value the Company considers this to be a long term investment.

The carrying amount of the convertible debenture detailed in Note 19 of the unaudited consolidated financial statements of September 30th, 2006, is deemed to be at fair value because the interest rate charged at 6% is at current market rates.

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

	Balance at December 31 2005	Activity for Nine Months Ended September 30 2006	Balance at September 30 2006	Activity for Three Months Ended September 30 2006
	\$	\$	\$	\$
Property, plant and equipment	55,217,308	891,336	56,108,644	181,166
Less: capital grant	(4,742,851)	(497,007)	(5,239,858)	0
Application of negative goodwill	(27,326,207)	0	(27,326,207)	0
Interest income	(103,331)	0	(103,331)	0
MATSA expenditures capitalized	1,156,297	6,568,032	7,724,329	2,448,523
Total	\$24,201,216	\$6,962,361	\$31,163,577	\$2,629,689

(b) Administrative and other

	Three Months Ended				Nine Months Ended			
	30-Sep 2006		30- Sep 2005		30-Sep 2006		30-Sep 2005	
	\$	%	\$	%	\$	%	\$	%
Accounting and corporate services	43,425	6%	5,535	1%	120,804	6%	46,278	4%
Office expenses	10,080	1%	15,477	4%	65,964	4%	43,302	3%
Professional and consulting fees	173,588	26%	219,834	53%	682,514	36%	656,345	52%
Transfer agent, listing and filing fees	39,941	6%	48,644	12%	215,106	11%	116,041	9%
Shareholders' information	15,351	2%	7,478	2%	189,992	10%	60,249	5%
Travel	46,024	7%	93,282	22%	139,701	7%	156,634	12%
Advertising, promotion and public relations	135,438	20%	14,917	4%	192,763	10%	95,248	8%
Occupancy costs	9,540	1%	0	0%	14,040	1%	19,755	2%
Flow-through interest penalty	0	0%	0	0%	46,766	2%	25,737	2%
Interest expense	0	0%	12,000	3%	0	0%	36,000	3%
Director fees	24,000	4%	1,000	0%	24,000	1%	10,000	1%
Capital tax	181,673	27%	0	0%	181,673	10%	0	0%
Totals	679,060	100%	418,167	100%	1,873,323	100%	1,265,589	100%

Disclosure of Outstanding Share Data

Iberian is traded on the TSX Venture Exchange under the symbol IZN. On November 20th, 2006 there were 160,447,614 shares issued, 11,275,000 stock options outstanding expiring from May 2007 to September 2011, and 6,960,874 warrants outstanding expiring from December 2006 to December 2007. In addition the Company has issued 16,764,254 units which until certain conditions are met will be represented by Special Warrants. Each Special Warrant is exchangeable into one common Share of the Company and one-quarter Series 1 Warrant and one-quarter Series 2 Warrant.

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, 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 23rd, 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. 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 30th, 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. 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

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 20th, 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 NINE MONTHS ENDED
SEPTEMBER 30, 2006
(UNAUDITED)

**IBERIAN MINERALS CORP.
(FORMERLY PGM VENTURES CORPORATION)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT)
THREE AND NINE MONTHS ENDED
SEPTEMBER 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)

	September 30, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 51,002,730	\$ 762,081
Funds held in trust (note 9(b)(2),9(b)(5))	40,131,528	4,001,350
Mineral property settlement	279,050	581,500
Accounts receivable	1,258,973	1,051,382
Prepays	58,168	99,696
	92,730,449	6,496,009
Long-term investment, at cost	2,166,000	2,166,000
Simberi Gold Corporation settlement	588,000	882,000
Property, plant and equipment (note 4)	31,163,577	24,201,216
Mining interests (note 5)	-	1,173,191
	\$ 126,648,026	\$ 34,918,416
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,391,031	\$ 3,595,730
Promissory notes (note 6)	-	2,465,925
Due to Simberi Gold Corporation (note 7)	-	393,800
Current portion of long-term debt (note 8)	543,711	695,514
	1,934,742	7,150,969
Convertible debenture (note 19)	23,423,650	-
Long-term debt (note 8)	812,382	845,085
	26,170,774	7,996,054
Shareholders' equity		
Share capital (note 9)	77,550,065	38,399,811
Subscription receipts (note 9(b)(2))	22,500,000	-
Common shares to be issued (note 9(b)(5))	17,365,530	-
Equity portion of convertible debenture (note 19)	1,878,878	-
Contributed surplus (note 11)	2,910,400	906,162
Warrants (note 12)	1,697,139	4,765,359
Deficit	(23,424,760)	(17,148,970)
	100,477,252	26,922,362
	\$ 126,648,026	\$ 34,918,416

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)

	(1)	Three months ended September 30,		Nine months ended September 30,	
		2006	2005	2006	2005
Costs and expenses (income)					
Stock-based compensation (note 10)	\$ 2,090,995	\$ 110,575	\$ 331,484	\$ 2,090,995	\$ 1,200,730
General and administration (note 18)	1,784,667	679,060	418,167	1,873,323	1,265,589
Convertible debenture interest (note 19)	302,528	302,528	-	302,528	-
Finance charges	1,145,388	1,145,388	-	1,145,388	-
Foreign exchange loss	115,755	23,018	150,748	190,558	128,437
Interest income	(597,776)	(566,291)	(11,058)	(598,664)	(24,077)
	4,841,557	1,694,278	889,341	5,004,128	2,570,679
(Loss) before the following	(4,841,557)	(1,694,278)	(889,341)	(5,004,128)	(2,570,679)
Write-off of mining interests (note 5)	(1,271,662)	(1,271,662)	(2,980,525)	(1,271,662)	(2,980,525)
Gain on sale of the Simberi Mining Property, net of selling costs (note 20)	-	-	-	-	1,265,145
Dilution of interest - Simberi Gold Corporation	-	-	(232,621)	-	-
	(1,271,662)	(1,271,662)	(3,213,146)	(1,271,662)	(1,715,380)
Net (loss) before non-controlling interest	(6,113,219)	(2,965,940)	(4,102,487)	(6,275,790)	(4,286,059)
Non-controlling interest's share of (loss)	-	-	-	-	(436,477)
Net (loss) for the period	(6,113,219)	(2,965,940)	(4,102,487)	(6,275,790)	(4,722,536)
Deficit, beginning of period	(17,311,541)	(20,458,820)	(8,477,513)	(17,148,970)	(7,857,464)
Deficit, end of period	\$ (23,424,760)	\$ (23,424,760)	\$ (12,580,000)	\$ (23,424,760)	\$ (12,580,000)
(Loss) per share		\$ (0.02)	\$ (0.06)	\$ (0.06)	\$ (0.08)
Weighted average number of common shares		122,258,675	71,095,601	100,108,709	60,171,753

(1) Cumulative from January 20, 2006 to September 30, 2006.

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)

	(1)	Three months ended September 30,		Nine months ended September 30,	
		2006	2005	2006	2005
Operating activities					
Net (loss) for the period	\$ (6,113,219)	\$ (2,965,940)	\$ (4,102,487)	\$ (6,275,790)	\$ (4,722,536)
Write-off mining interests (note 5)	1,271,662	1,271,662	2,980,525	1,271,662	2,980,525
Non-controlling interest's share of loss	-	-	-	-	436,477
Stock-based compensation (note 10)	2,090,995	110,575	331,484	2,090,995	1,200,730
Convertible debenture interest (accrued)	302,528	302,528	-	302,528	-
Gain on Simberi Mining Property, net of selling costs (note 20)	-	-	-	-	(1,265,145)
Dilution of interest - Simberi Gold Corporation	-	-	232,621	-	-
	(2,448,034)	(1,281,175)	(557,857)	(2,610,605)	(1,369,949)
Net change in non-cash working capital	(2,581,893)	(703,549)	(1,769,733)	(2,555,268)	201,153
	(5,029,927)	(1,984,724)	(2,327,590)	(5,165,873)	(1,168,796)
Financing activities					
Due to related parties	-	-	-	-	(203,382)
Proceeds from sale of Simberi Gold Corporation	-	-	400,000	-	400,000
Cash disposed of from Simberi Gold Corporation	-	-	(3,604,933)	-	(3,604,933)
Proceeds from sale of mining property	-	-	-	-	4,000,000
Repayment of Simberi Gold Corporation settlement	(393,800)	(393,800)	-	(393,800)	-
Proceeds from Simberi Gold Corporation settlement	294,000	294,000	-	294,000	-
Proceeds from convertible debenture	25,000,000	25,000,000	-	25,000,000	-
Funds in trust	(40,131,528)	(17,631,528)	-	(36,130,178)	-
Shares issued for cash, net of share issue costs	35,995,277	8,701,317	1,349,771	35,995,277	9,343,419
Shares to be issued (note 9(b)(5))	17,365,530	17,365,530	-	17,365,530	-
Collection of mineral property settlement	302,450	-	-	302,450	-
Subscription receipts (note 9(b)(2))	22,500,000	-	-	22,500,000	-
	60,931,929	33,335,519	(1,855,162)	64,933,279	9,935,104
Investing activities					
Capital expenditures on mining interests	(94,977)	(20,615)	(126,412)	(98,471)	(662,646)
Cash paid to acquire MATSA	-	-	-	(2,465,925)	(13,549,295)
Cash acquired from MATSA	-	-	-	-	1,014,491
Purchase of property, plant and equipment	(891,336)	(181,166)	-	(891,336)	-
Capital grants offset to property, plant and equipment	497,006	-	-	497,006	-
Capitalized operating expenditures	(6,689,061)	(2,448,524)	-	(6,568,031)	-
Increase in net assets of MATSA	-	-	-	-	5,333,226
	(7,178,368)	(2,650,305)	(126,412)	(9,526,757)	(7,864,224)
Change in cash and cash equivalents	48,723,634	28,700,490	(4,309,164)	50,240,649	902,084
Cash and cash equivalents, beginning of period	2,279,096	22,302,240	7,266,948	762,081	2,055,700
Cash and cash equivalents, end of period	\$ 51,002,730	\$ 51,002,730	\$ 2,957,784	\$ 51,002,730	\$ 2,957,784

(1) Cumulative from January 20, 2006 to September 30, 2006.

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)
September 30, 2006

1. Nature of operations, overview and going concern assumption

Iberian Minerals Corp. (formerly PGM Ventures Corporation) (the "Company" or "Iberian") 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 Andalucía, 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 BV ("Trafigura") 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. 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.

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

These 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 nine month periods ended September 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.

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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

	September 30, 2006	December 31, 2005
Property, plant and equipment (1)(2)(4)(5)(6)	\$ 58,489,784	\$ 51,527,423
Less: negative goodwill (3)	(27,326,207)	(27,326,207)
	\$ 31,163,577	\$ 24,201,216

(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 \$7,083,391 for a total balance of \$31,163,577 as of September 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 own 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) As of September 30, 2006, the Company was arranging financing and all government permits to begin production at Aguas Teñidas.

(5) 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, UK 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.

(6) MATSA has awarded a €5,821,750 (C\$8,200,000) order to Outokumpu Technology Oyj of Finland for the floatation cells for use in its proposed new ore processing plant.

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4. Property, plant and equipment (continued)

(7) On September 19, 2006, the Company announced that it signed a technical support agreement with Trafigura, whereby:

(a) Trafigura will favourably, on request and subject to availability, provide technical and other support for Iberian's management in bringing the Company's Aguas Tenidas project into commercial production within budget and on time.

(b) On request and at cost, Trafigura will provide training facilities for ore processing plant personnel from Aguas Tenidas at its base metal mines in Peru and Mexico.

(c) Trafigura is granted certain pre-emptive rights to maintain its percentage equity holding in Iberian, on an issued and outstanding basis, in any future equity or convertible debt financing of Iberian.

(d) Trafigura has the right to be consulted on matters of consequence in the future development of Iberian.

5. Mining interests

	September 30, 2006	December 31, 2005
Sangold Property, Ontario (a)	\$ -	\$ 1,173,191

(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	393,831
Accommodation	37,874
Travel	12,253
Drilling	497,928
Software usage	10,400
Linecutting	73,606
Assay work	47,024
Equipment rental	10,100
Survey	76,625
Other charges	44,521
	1,271,662
Less: write-off of the Sangold Property	(1,271,662)
	\$ -

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

As of September 30, 2006, management determined that it will not continue with the Sangold property and as a result, the Company has written-off this property and has no obligation to pay Kalwea Financial Corporation \$232,500 to exercise its option of increasing its interest in the Sangold property.

As of September 2005, management determined that it will not continue with the Asian and Venezuela Projects and as a result, the Company wrote-off these properties. The total write-off amounted to \$2,980,525.

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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. This amount has been paid in full as of August 2006.

8. Long-term debt

	September 30, 2006	December 31, 2005
Social security debt	\$ 358,741	\$ 506,726
Payments due arising from general creditors agreement	310,431	350,398
Finance leases	13,104	21,915
Government assistance	8,767	12,828
Fixed asset loan	665,050	648,732
	1,356,093	1,540,599
Amounts payable within one year	(543,711)	(695,514)
	\$ 812,382	\$ 845,085

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	16,431,383	9,913,762
Black-Scholes fair value of warrants	-	3,665,626
Exercise of stock options - cash	435,000	206,500
Black-Scholes fair value of stock options	-	86,757
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)
Balance, September 30, 2006	129,747,614	\$ 77,550,065

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9. Share capital (continued)

(b) Common shares issued (continued)

(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.

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.

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.

As of September 30, 2006, the Company had \$22,765,998 in escrow related to this financing (includes interest of \$265,998).

(3) On May 31, 2006, the Company completed a \$15,000,000 private placement at \$1.00 per share. The two placees include Investec Bank (UK) Limited ("Investec Bank"), for \$10,000,000 and Trafigura, 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.

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9. Share capital (continued)

(b) Common shares issued (continued)

(5) On September 19, 2006, the Company announced that Trafigura and the Company completed all the terms and conditions required for the Financing Facility and Offtake Agreement (the "Agreement"), announced on December 5th 2005. The following will come into full effect:

(a) The December 2005 Agreement required Trafigura: i) to subscribe immediately to an amount of \$4.0 million (US\$3.4 million) in new Company equity at a price of \$0.85 per share, and ii) to provide an additional US\$20.0 million (\$22.8 million) in funding, prior to the Company signing a bank project financing facility for the construction of its Aguas Tenidas project, located in SW Spain.

(b) The US\$20.0 million (\$22.8 million) in funding was originally comprised of a combination of: i) a minimum of US\$5.0 million (\$5.7 million) in new Company equity, ii) subordinated convertible debt, and iii) capital cost overrun guarantees to support the bank project financing facility.

(c) The Company and Trafigura have now agreed the entire US\$20.0 million (\$22.7 million) funding commitment is to be provided in the form of Company equity as follows:

- (i) \$ 0.3 million at \$0.75 per Iberian share – completed May 2006
- (ii) \$ 5.0 million at \$1.00 per Iberian share – completed May 2006
- (iii) \$17.4 million at \$1.30 per Iberian share – agreed August 2006 (shares to be issued)

(d) Trafigura has subscribed for the following Company equity:

- (i) 13,358,100 units in Iberian at a price of \$1.30 per unit for a total of \$17,365,530.
- (ii) Each unit consists of one Iberian share and one quarter Iberian share purchase warrant.
- (iii) Each whole Class 1 warrant will enable the holder to purchase one new Iberian share at a price of \$2.20 for a period of up to two years. Each Class 2 warrant allows the holder to purchase one new Iberian share at a price of \$2.60 for a period of two years from the date of exercise of the Class 1 warrant.

(e) The \$17,365,530 in subscription funds have been placed in escrow and will be released on: i) receipt of the final permit (Ampliacion de la Actividad en Mina de Aguas Tenidas con la Construcción de una planta de Tratamiento de Mineral y un Deposito de Estriles) for plant construction and tailings disposal being received by Aguas Tenidas, ii) the conversion of 30,000,000 subscription rights into a similar number of Iberian common shares, and iii) TSXV Exchange approval.

(f) No fees, or commissions, are being paid in connection with the \$17.4 million equity funding by Trafigura.

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10. Stock options

The changes in stock options for the period ended September 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)(3)	6,675,000	1.08
Exercised	(435,000)	(0.47)
Cancelled	(150,000)	(0.65)
Balance, September 30, 2006	11,650,000	\$ 0.88

(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. 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. 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.

(3) On September 19, 2006, the Company granted a total of 550,000 stock options to certain Spanish employees and consultants to the Aguas Tenidas project. These stock options have an exercise price of \$1.50 per share. Of the 550,000 stock options, 300,000 have a life of 3 years and 250,000 have a life of 5 years. The stock options have an estimated fair value of \$144,000 and \$106,250 respectively and this will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions:

- (i) for the 300,000 options: dividend yield 0%; expected volatility 48.63%; risk-free interest rate 4.01% and an expected life of 3 years.
- (ii) for the 250,000 options; dividend yield 0%; expected volatility 48.72%; risk-free interest rate 4.01% and an expected life of 2.41years.

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10. Stock options (continued)

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

Expiry Date	Number of Options	Weighted Average Exercise price
May 27, 2007	35,000	\$ 0.67
November 12, 2007	110,000	0.50
(a) March 16, 2008	300,000	0.87
(b) August 27, 2008	330,000	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 23, 2010	150,000	0.61
(i) February 1, 2011	620,000	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
(l) September 19, 2009	300,000	1.50
(m) September 19, 2009	250,000	1.50
11,650,000		

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)	330,000	51,542	-	-	(20,044)	31,498
(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)	881,765
(g)	20,000	4,041	2,059	-	-	6,100
(h)	150,000	36,921	21,729	-	-	58,650
(i)	620,000	-	269,340	-	(20,100)	249,240
(j)	1,500,000	-	498,000	-	-	498,000
(k)	3,955,000	-	1,135,453	458,412	-	1,593,865
(l)	300,000	-	-	144,000	-	144,000
(m)	250,000	-	-	106,250	-	106,250
11,505,000		\$ 1,954,132	\$ 2,090,995	\$ 708,662	\$ (86,757)	\$ 4,667,032

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11. Contributed surplus

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

Balance, December 31, 2005 and January 20, 2006 (Note 3)	\$ 906,162
Exercise of stock options	(86,757)
Stock-option compensation	2,090,995
Balance, September 30, 2006	\$ 2,910,400

12. Warrants

The following table sets out the warrant activity during the period ended September 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	(16,431,383)		(3,665,626)
Balance, September 30, 2006	7,210,874	\$	1,697,139

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

Number of Warrants		Black-Scholes value	Exercise price (\$)	Expiry
350,000	\$	89,250	0.57	December 17, 2006
1,347,000		343,485	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
661,959		168,138	0.86	September 23, 2007
1,159,915		380,452	0.75	December 21, 2007
7,210,874	\$	1,697,139		

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13. Related party transactions

The Company has entered into management agreements with two directors whereby each director receives annual fees of US\$80,000. During fiscal 2004 this amount was changed to C\$120,000, and during 2006 this amount was changed to C\$240,000. Total consulting fees in the amount of \$271,500 (2005 - \$354,250) were paid to the director and to a company controlled by a director 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 \$328,500 (2005 - \$295,000) 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 the Company's mineral projects. This company charges a fee of 10% of expenses incurred on behalf of the Company plus additional service charges. This fee totaled \$27,826 (2005 - \$32,122). The Company also paid rent in the amount of \$14,040 (2005 - \$6,000) and consulting fees of \$20,000 (2005 - \$10,000) to Billiken. These expenses were recorded in general and administration expenses. As at September 30, 2006 a balance due from Billiken totaled \$212,392 (2005 - \$78,556) and this represents advances against costs incurred on mineral projects of the Company. These amounts are included in accounts receivable.

The Company also paid legal fees of \$486,993 (2005 - \$217,042) to a law firm where a partner of the firm is the corporate secretary of the Company.

Director fees of \$24,000 (2005 - \$10,000) were paid during the period and were recorded in general and administration expenses.

During 2005, the Company accrued interest of \$36,000 on a term loan owed to Richview Resources Inc. ("Richview"). Richview is related to Iberian through a common director. The Company owed Richview \$754,648. Subsequent to September 30, 2005, the term loan was settled.

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.

14. Supplementary cash flow information

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

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15. Segmented information

Segmented assets

September 30, 2006

	Canada	Spain	Consolidated
Current assets	\$ 89,961,158	\$ 2,769,291	\$ 92,730,449
Long-term assets	2,754,000	31,163,577	33,917,577
	\$ 92,715,158	\$ 33,932,868	\$ 126,648,026

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 previously reported consolidated net loss of \$(6,946,391) for the three months ended September 30, 2005 has been adjusted to a net loss of \$(4,102,487). The previously reported consolidated net income of \$3,310,833 for the nine months ended September 30, 2005 has been adjusted to a net loss of \$(4,722,536). These differences arose due to the following:

(1) Gain on minority interest was incorrectly reported for the nine months ended September 30, 2005. The Company recognized a gain on disposition of minority interest of \$10,008,513 in the consolidated statement of operations and deficit at the time the Company increased its shareholding from 70% to 100% in MATSA. 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.

(2) For the three and nine months ended September 30, 2005, the Company recognized a gain on minority interest of \$649,533 from the sale of Simberi. At year end, an audit adjustment reversed this gain and accounted for it on the balance sheet towards contributed surplus. The gain was placed towards contributed surplus because the sale of Simberi to Porphyry Inc. is a related party transaction as Porphyry Inc. is controlled by a director of the Company who is also a director of Simberi.

(3) The non-controlling interest share of income from the subsidiary was incorrectly reported for the nine months ended September 30, 2005. 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.

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16. Comparative figures (continued)

(4) For the three and nine months ended September 30, 2005, the Company reclassified the loss on sale of Simberi in the amount of \$3,581,188, equity share of loss from Simberi in the amount of \$98,019, gain on dilution of interest in subsidiary in the amount of \$(232,621) for a net adjustment of \$3,446,586 towards contributed surplus. The net adjustment was placed towards contributed surplus because the sale of Simberi to Porphyry Inc. is a related party transaction as Porphyry Inc. is controlled by a director of the Company who is also a director of Simberi.

(5) For the three months ended September 30, 2005, the gain on sale of the Simberi property was decreased by the amount of \$4,194.

(6) For the three and nine months ended September 30, 2005, the Company reclassified \$51,045 from write-off of mining interests ("Simberi sale") to contributed surplus. The Simberi sale was placed towards contributed surplus because the sale of Simberi to Porphyry Inc. is a related party transaction as Porphyry Inc. is controlled by a director of the Company who is also a director of Simberi.

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 provide 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 (C\$72 million) to US\$100 million (C\$110 million). The financing facility is subject to final negotiation and definitive agreements. Investec Bank has participated in private placements in the current period and fiscal 2005.

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18. General and administration

	(1)	Three months ended September 30,		Nine months ended September 30,	
		2006	2005	2006	2005
Accounting and corporate services	\$ 120,804	\$ 43,425	\$ 5,535	\$ 120,804	\$ 46,278
Office expenses	31,380	10,080	15,477	65,964	43,302
Professional and consulting fees	671,915	173,588	219,834	682,514	656,345
Transfer agent, listing and filing fees	195,131	39,941	48,644	215,106	116,041
Shareholders' information	189,592	15,351	7,478	189,992	60,249
Travel	134,378	46,024	93,282	139,701	156,634
Advertising, promotion and public relations	174,988	135,438	14,917	192,763	95,248
Occupancy costs	14,040	9,540	-	14,040	19,755
Flow-through interest penalty	46,766	-	-	46,766	25,737
Interest expense	-	-	12,000	-	36,000
Director fees	24,000	24,000	1,000	24,000	10,000
Capital tax	181,673	181,673	-	181,673	-
	\$ 1,784,667	\$ 679,060	\$ 418,167	\$ 1,873,323	\$ 1,265,589

(1) Cumulative from January 20, 2006 to September 30, 2006.

19. Convertible debenture

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

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

The debenture will be accreted to its face value at maturity over the term of the debt by way of a charge to interest expense. Interest expense relating to the accretion of this convertible loan totalled \$302,528 in 2006 (2005 - \$Nil) and was included in convertible debenture interest expenses.

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19. Convertible debenture (continued)

The following is a summary of the above transactions:

	September 30, 2006	December 31, 2005
Convertible debentures payable		
Fair value of liability component	\$ 23,121,122	\$ -
Add: accretion charges	302,528	-
	\$ 23,423,650	\$ -
Equity portion of convertible debentures		
Equity portion	\$ 1,878,878	\$ -

The Company has treated the liability element as long-term since the Company does not expect Dundee Resources to convert its convertible debenture into units of the Company in whole, or in part, within the next twelve months from September 30, 2006.

20. Gain on sale of the Simberi Mining Property

During fiscal 2003, the Company entered into an option agreement with Nord Pacific Limited ("Nord Pacific") whereby the Company has the ability to purchase up to a 51% interest in a joint venture related to a gold deposit property located on Simberi Island, which is part of the Tabar Island Group. The Tabar Island Group is located in Papua New Guinea and forms part of an island chain. The Company paid US\$125,000 to enter into the option agreement.

The Company earned its initial 25% interest in the joint venture by exercising its option under the letter agreement referred to above and paying Nord Pacific the sum of US\$250,000. The Company increased its interest by a further 25% by spending US\$1,500,000 for pre-production activities by May 29, 2004. The Company could earn an additional 1%, thereby increasing its interest to 51%, if it procured project financing. Following the earn-in by the Company, Nord Pacific will be required to fund the project's capital requirements on a pro rata basis with the Company in accordance with each joint venture's interest. To the extent that Nord Pacific elected not to fund its pro rata share of capital requirements, it can be diluted to a 15% carried interest in the joint venture.

The joint venture agreement also covers the exploration of certain other Tabar Islands in Papua New Guinea. Provided that the Company has earned at least a 50% interest in the Simberi joint venture, it can also earn a 50% interest in the Tabar exploration joint venture, which includes the Tabar Islands and the extreme western portion of Simberi Island, by spending an aggregate of US\$2,000,000 in exploration expenditures by December 31, 2006.

During fiscal 2003 the Company entered into an arm's length letter of intent with Alive International Inc. ("Alive") to vend to Alive its interest in the Simberi Gold Project in exchange for approximately 60% of the outstanding shares of Alive and reimbursement to the Company of accumulated costs related to the acquisition of its interest in the joint venture. The transaction is dependent upon, among other things, satisfactory due diligence, regulatory approval and the approval of Alive's shareholders. This occurred and is more fully described in the next paragraph. Included are 33,333 shares for \$30,000 issued as compensation for finder's fees.

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20. Gain on sale of the Simberi Mining Property (continued)

On April 13, 2004, the Company's subsidiary, 2034879 Ontario Limited ("2034879"), completed a reverse takeover transaction with Alive International Inc. ("Alive"). As a result of this transaction, the following events occurred:

- (i) Alive was reorganized into a junior mining company;
- (ii) Alive changed its name to Simberi Gold Corporation;
- (iii) Simberi issued an aggregate of 60,000,000 common shares to holders of common shares and Class A Special shares of 2034879;
- (iv) Simberi issued an aggregate of 20,000,000 common share purchase warrants ("share purchase warrants") to holders of the Special Class A Special purchase warrants of 2034879. Each share purchase warrant entitles the holder thereof to acquire, at any time until December 8, 2005, one common share at an exercise price of \$0.40 per share;
- (v) Simberi issued 2,000,000 compensation options to holders of compensation options of 2034879. Each compensation option entitles the holder thereof to acquire, at any time until December 8, 2005, one common share and one share purchase warrant at an exercise price of \$0.25 per compensation option;
- (vi) Pursuant to the transaction Simberi also acquired all the issued and outstanding shares of Novaking Pty. Ltd. in exchange for the issue of 16,000,000 common shares of Simberi;
- (vii) Simberi paid Tory Ryan & Co. Inc. a finders fee of 2,000,000 shares in connection with the transaction.

The transaction is accounted for as a reverse takeover since the former shareholders of 2034879 hold the majority of the shares of Simberi after the transaction was completed. Accordingly the assets and liabilities of Simberi have been brought forward at their fair values and the assets, liabilities and shareholders equity of 2034879 have been brought forward at their book values.

On February 3, 2005, Simberi sold 75% of its 50% interest, (37.5% while maintaining a 12.5% free carried interest), in the Simberi Mining Joint Venture and its 1% interest in the Tabar Exploration Joint Venture located on Simberi Island, Tabar Island and Tatau Island, Papua New Guinea to Allied Gold Limited. As consideration for the sale Simberi received \$4,000,000 cash. The gain recognized on the sale was \$1,265,145.

21. Subsequent events

(a) Subsequent to September 30, 2006, 250,000 warrants, 450,000 stock options, and all of the 30,000,000 subscription receipts were exercised for cash proceeds of \$160,500, \$271,500 and \$22,500,000, respectively. Each warrant, stock option and subscription receipt entitles the holder thereof to acquire, without payment of any additional consideration, one common share. The Company also received \$298,342 interest income from the escrow. As at November 16, 2006, the Company had not received one of the permits (described in note 9(b)(2)) as requested in the terms of the escrow agreement. However, all of the subscription receipts have been voluntarily exercised early and as a result there are no outstanding subscription receipts that the Company has to repurchase.

(b) On October 5, 2006, Iberian announced the following permits have been received:

- (i) Start-up permit for the explosives magazine for the Aguas Teñidas Mine - Permiso de puesta en marcha del deposito de explosivos para la Mina de Aguas Teñidas.
- (ii) Authorisation for the use of explosives in recommencing mining activity at the Aguas Teñidas Mine - Autorizacion de consumo de explosivos para el reinicio de la actividad minera en la Mina de Aguas Teñidas.
- (iii) Authorisation for the construction of a new ramp (incline shaft) at the Aguas Teñidas Mine - Autorizacion de construccion de una nueva rampa en la Mina de Aguas Teñidas.

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21. Subsequent events (continued)

(iv) Permit for the use of explosives in the construction of the new ramp (incline shaft) at the Aguas Teñidas Mine - Permiso para el uso de explosivos en la construcción de una nueva rampa en la Mina de Aguas Teñidas.

(c) On November 1, 2006, the Company announced that it has completed the purchase of an additional 51.6 hectares (127 acres) of surface rights at Aguas Tenidas from Piritas de Huelva SL at a total cost of €180,000 (C\$250,000).

(d) On November 9, 2006, Iberian announced that pre-emptive rights held by Dundee Resources and Trafigura to acquire an aggregate of 3,406,154 Special Warrants of the Company resulting in an aggregate investment of \$4,428,000, have been fully exercised as follows:

Dundee Resources has purchased 2,846,154 Special Warrants of Iberian at \$1.30 per Special Warrant, for a total additional investment of \$3,700,000. Each Special Warrant is comprised of one common share of the Company (a "Share"), one-quarter of one series 1 common share purchase warrant (the "Series 1 Warrant") and one-quarter of one series 2 common share purchase warrant (the "Series 2 Warrant"). Each whole Series 1 Warrant will entitle the holder at any time for a period of two years from the date of issuance thereof (the "Initial Exercise Period") to acquire one Share at an exercise price of \$2.20. Each whole Series 2 Warrant will entitle the holder at any time for a period of two years from the date of issuance thereof to acquire one Share at an exercise price of \$2.60. Notwithstanding the foregoing, each whole Series 2 Warrant is exercisable by the holder for an additional two years from the last day of the Initial Exercise Period if, during the Initial Exercise Period, the Company becomes classed as a Tier 1 Company on the TSX-V, lists on the Toronto Stock Exchange or is otherwise permitted by applicable regulations to issue common share purchase warrants exercisable for four years.

Trafigura has purchased 560,000 Special Warrants of Iberian at \$1.30 per Special Warrant, for a total additional investment of \$728,000, on the same terms as those stated above.

This represents an investment in the Company by Dundee Resources and Trafigura of \$4,428,000.

Upon closing, the gross proceeds of the issuance and sale of the Special Warrants (the "Escrowed Proceeds") will be held in escrow. The Escrowed Proceeds (and accrued interest) will be automatically released to the Company only upon (i) the Company's Spanish subsidiary receiving the permit from the applicable Spanish authorities for Ampliación de la actividad en Mina de Aguas Tenidas con la Construcción 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) and (ii) the issuance of 30,000,000 common shares pursuant to previously issued installment receipts (the "Escrow Release Condition"), all on terms and conditions satisfactory to the Purchaser, acting reasonably. The Special Warrants will be exercisable by the holders thereof at any time and will be automatically exercised (without any further action by the holders thereof) concurrently with the satisfaction of the Escrow Release Condition. If the Escrow Release Condition is not satisfied on or prior to December 31, 2006 (the "Deadline Date"), the Escrowed Proceeds plus accrued interest shall be used by the Company to repurchase the outstanding Special Warrants for cancellation at a price (the "Redemption Price") equal to the issue price thereof, plus the interest accrued on the Escrowed Proceeds.

(e) On November 10, 2006, the Company received the balance of \$588,000 due to the Company pursuant to the sale of common shares of Simberi Mining Corporation by the Company to Porphyry Inc.

(f) On November 14, 2006 the company granted 75,000 stock options to an employee. The stock options are exercisable at \$0.70 per share and expire April 6, 2011.