



IBERIAN
MINERALS



Iberian Minerals Corp.

Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
Three and six months ended June 30, 2011 and 2010
(Expressed in thousands of United States Dollars)

Management's Responsibility for Financial Reporting

The accompanying condensed consolidated financial statements of Iberian Minerals Corp. (the "Company") were prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

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

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

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

(signed)

Daniel Vanin
President and Chief Executive Officer

(signed)

Jeffrey Hillis
Vice President and Chief Financial Officer

Notice to Reader

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

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

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

IBERIAN MINERALS CORP.
Condensed Consolidated Balance Sheets
(expressed in thousands of U.S. dollars)
(unaudited)

As at	Notes	June 30, 2011	December 31, 2010
Assets			
<i>Current Assets</i>			
Cash and cash equivalents		\$ 32,808	\$ 12,964
Restricted cash	3	4,124	3,809
Trade and other receivables	8 (a)	64,556	40,939
Prepays and deposits		7,587	1,715
Inventories, net	4	46,684	36,264
		155,759	95,691
Restricted cash	3	19,117	17,797
Investment	5	54	137
Exploration and evaluation expenditure		1,474	–
Property, plant and equipment	6	597,428	637,112
Other assets		205	201
		\$ 774,037	\$ 750,938
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	8 (b)	\$ 106,294	\$ 71,935
Loans and borrowings	9	77,799	71,076
Contingent consideration	7	–	60,000
Derivative instruments	12	148,410	239,434
Warrant liabilities	10	16,534	15,972
Debentures	10	25,920	28,278
		374,957	486,695
Loans and borrowings	9	61,700	57,501
Rehabilitation provisions	11	21,823	20,181
Derivative instruments	12	22,347	59,764
Warrant liabilities	19	1,640	1,053
Deferred tax liabilities		7,146	1,466
		489,613	626,660
Equity			
Share capital	17	344,304	262,589
Contributed surplus		11,728	11,162
Retained deficit		(153,945)	(39,941)
Income / (loss) for the period		77,059	(114,004)
Accumulated other comprehensive income		4,080	4,173
Equity attributable to Iberian Minerals Corp. Shareholders		283,226	123,979
Non-controlling interest		1,198	299
Total liabilities and equity		\$ 774,037	\$ 750,938

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors:

(signed)
Daniel Vanin - Director

(signed)
Norman Brewster – Director

IBERIAN MINERALS CORP.
Condensed Consolidated Statements of Income and Comprehensive Income
(expressed in thousands of U.S. dollars)
(unaudited)

Six months ended	Notes	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues			<i>(note 26)</i>		<i>(note 26)</i>
Sales	23	\$ 86,142	\$ 51,695	\$ 123,372	\$ 107,494
<i>Costs and expenses of mining operations</i>					
Operating costs and mine site admin. expenses	23	62,899	46,411	92,913	90,685
Mine site amortization	23	30,605	30,549	60,392	60,923
Gross loss		(7,362)	(25,265)	(29,933)	(44,114)
Expenses					
Administrative expenses		1,113	876	2,420	2,015
Foreign exchange (gain) / loss		22	6,441	3,163	(6,216)
Share-based compensation		544	88	673	165
Unrealized gain on derivative instruments	23	(65,362)	(131,114)	(128,440)	(118,955)
Fair value decrease in contingent consideration		–	(9,442)	–	(4,209)
Gain on disposal of property, plant & equipment		(32)	–	(32)	–
Corporate amortization		–	16	10	35
Total expenses		(63,715)	(133,135)	(122,206)	(127,165)
Operating income		56,353	107,870	92,273	83,051
Finance income		(75)	(26)	(75)	(82)
Finance costs		1,561	1,413	2,871	3,455
Unrealized loss on warrants		115	(6,919)	4,496	(6,919)
Debenture interest and accretion		441	1,922	981	2,434
Net finance costs	23	2,042	(3,610)	8,273	(1,112)
Income before taxation		54,311	111,480	84,000	84,163
Current income tax expense	13	238	1,256	1,081	2,678
Future income tax expense	13	6,277	23,878	4,961	32,908
Net Income		\$ 47,796	\$ 86,346	\$ 77,958	\$ 48,577
Other comprehensive income / (loss)					
Change in fair value of available-for-sale asset		(83)	(38)	(83)	(45)
Unrealized foreign currency translation differences		451	–	(10)	3,906
Other comprehensive income / (loss)		368	(38)	(93)	3,861
Total comprehensive income for the period		48,164	86,308	77,865	52,438
Net income attributable to:					
Shareholders of the Company		47,326	85,768	77,059	47,963
Non-controlling interests		470	578	899	614
Net income		47,796	86,346	77,958	48,577
Comprehensive income attributable to:					
Owners of the Company		47,694	85,730	76,966	51,824
Non-controlling interests		470	578	899	614
Comprehensive income		48,164	86,308	77,865	52,438
Basic earnings per share		\$ 0.13	\$ 0.26	\$ 0.21	\$ 0.14
Diluted earnings per share		\$ 0.12	\$ 0.21	\$ 0.20	\$ 0.12
Weighted average number of registered shares outstanding – basic		372,300,606	338,055,865	367,924,145	338,055,865
Weighted average number of registered shares outstanding – diluted		399,309,650	404,742,264	395,140,401	406,370,688

See accompanying notes to the condensed consolidated financial statements.

IBERIAN MINERALS CORP.
Condensed Consolidated Statements of Cash Flows
(expressed in thousands of U.S. dollars)
(unaudited)

	Notes	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cash provided by (used in) operations					
Net income for the period		47,796	86,346	77,958	48,577
Items not involving cash:					
Share-based compensation		544	88	673	165
Contingency consideration liability		–	(9,442)	–	(4,209)
Debt accretion	10	–	1,251	85	1,591
Rehabilitation provision – accretion expense		115	69	225	135
Amortization		30,605	30,565	60,402	60,958
Unrealized gain on derivative financial instruments		(65,362)	(131,114)	(128,440)	(118,955)
Unrealized foreign exchange gain		40	6,467	469	(1,696)
Gain on disposal of Property, plant and equipment		(32)	–	(32)	–
Unrealized (gain) / loss on warrants		115	(6,919)	4,496	(6,919)
Future income tax recovery	13	6,277	23,878	4,961	32,908
Cash provided by (used in) operations		20,098	1,188	20,797	12,555
Changes in working capital balances ⁽¹⁾					
Restricted cash	3	(64,917)	(18,377)	(26,674)	(31,931)
Cash provided by (used in) changes of working capital		(41,559)	(16,590)	(7,512)	(15,772)
Investing activities					
Capital expenditures		(8,905)	(8,413)	(20,013)	(11,891)
Purchase of Raul Mine		–	–	–	(27,728)
Receipt of government grants		–	14,980	–	14,980
Cash provided by / (used in) investing activities		(8,905)	6,567	(20,013)	(24,639)
Financing activities					
Proceeds from Offering	17	37,779	–	37,779	–
Exercise of Stock options		187	–	187	–
Issue of New and Private Debenture		–	28,277	–	28,277
Repayment of Dundee Debenture	10	–	(24,930)	–	(24,930)
Proceeds from long term debt		15,000	45,000	15,000	100,000
Long term debt repayments		(3,000)	(25,955)	(5,500)	(57,773)
Proceeds from short term debt		3,799	–	3,799	2,900
Short term debt repayments		(26)	(2,184)	(2,026)	(2,900)
Finance lease payments		(2,598)	–	(3,083)	–
Cash provided by / (used in) financing activities		51,141	20,208	46,156	45,574
Effect of exchange rate changes on cash held in foreign currencies		927	(698)	1,213	(1,301)
Net change in cash and cash equivalents		1,604	9,487	19,844	3,862
Cash and cash equivalents, beginning of the period		31,204	9,078	12,964	14,703
Cash and cash equivalents, end of period		32,808	18,565	32,808	18,565

See accompanying notes to the condensed consolidated financial statements.

⁽¹⁾In the three and six months ended June 30, 2011 included decrease in contingent consideration liability of \$60,000 net of cash payment of \$21,119 (refer to note (7)).

IBERIAN MINERALS CORP.
Condensed Consolidated Statements of Changes in Equity
(expressed in thousands of U.S. dollars)
(unaudited)

	Notes	June 30, 2011	December 31, 2010	June 30, 2010
Share capital				
Balance at beginning of period		\$ 262,589	\$ 250,498	\$ 250,498
Private convertible debenture	17 (b)	6,384	—	—
Prospectus Offering	17 (c)	73,953	—	—
Private placement – Trafigura	17 (c)	1,137	—	—
Exercise of stock option	17 (d)	241	—	—
Exercise of warrants	17(a)	—	12,091	—
Balance at end of the period		\$ 344,304	\$ 262,589	\$ 250,498
Contributed surplus				
Balance at beginning of period		\$ 11,162	\$ 9,420	\$ 9,420
Stock option compensation		662	476	165
Exercise of stock option		(96)	—	—
Expiry of Dundee Debenture	10	—	1,266	1,266
Balance at end of the period		\$ 11,728	\$ 11,162	\$ 10,851
Warrants				
Balance at beginning of period		\$ —	\$ 4,235	\$ 4,235
Reclassification of warrants	19	—	(4,235)	(4,235)
Balance at end of the period		\$ —	\$ —	\$ —
Equity portion of convertible debentures				
Balance at beginning of period		\$ —	\$ 1,681	\$ 1,681
Reclassification of Dundee Debenture	10	—	(1,681)	(1,681)
Balance at end of the period		\$ —	\$ —	\$ —
Retained earnings (deficit)				
Balance at beginning of period		\$ (153,945)	\$ (39,941)	\$ (39,941)
Income / (loss) for the period		77,059	(114,004)	47,963
Balance at end of the period		\$ (76,886)	\$ (153,945)	\$ 8,022
Accumulated other comprehensive income				
Balance at beginning of period		\$ 4,173	\$ 162	\$ 162
Change in unrealized gain (loss) on long term investment		(83)	24	(45)
Change in unrealized foreign currency translation gain (loss)		(10)	3,987	3,996
Balance at end of period		\$ 4,080	\$ 4,173	\$ 4,113
Total equity attributable to Iberian Minerals Shareholders		\$ 283,226	\$ 123,979	\$ 273,485
Non-controlling interest				
Balance at beginning of period		\$ 299	\$ (3)	\$ (3)
Income / (loss) for the period		899	302	614
Balance at end of the period		\$ 1,198	\$ 299	\$ 611
Total equity		\$ 284,424	\$ 124,278	\$ 274,096

See accompanying notes to the condensed consolidated financial statements.

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

(expressed in thousands of U.S. dollars)

(unaudited)

1. SUMMARY OF BUSINESS**General business description**

Iberian Minerals Corp. (the "Company" or "Iberian") is a Swiss corporation and is involved in mining and development of base metal deposits in Spain and Peru. It has offices in Lucerne (Switzerland), Seville (Spain), Lima (Peru) and Toronto (Canada). The Company is listed on the Toronto Venture Exchange ("TSXV") under the symbol "IZN". The address of the Company's registered office is Falkengasse 3, 6004 Lucerne, Switzerland.

The Company holds approximately 98.7% of the shares of Compania Minera Condestable S.A. ("CMC" or "Condestable"), the owner and operator of the Condestable mine and the Raul mine (collectively the "Condestable Mine") located near Lima, Peru. Condestable's principal business is the mining, processing and sale of copper concentrates which contain gold and silver. It operates a 2.4 million tonnes per year processing plant. Concentrates are sold to Consorcio Minero S.A. ("Cormin") under a long-term off-take agreement. Cormin is a subsidiary of Trafigura Beheer B.V. ("Trafigura") a company which owns approximately 48.3% of the outstanding registered shares of Iberian.

The Aguas Tenidas Mine, owned by the Company's wholly-owned subsidiary, Minas de Aguas Tenidas S.A. ("MATSA"), is in the Andalusia region of Spain approximately 110 km north-west of Seville. MATSA operates a 2.2 million tonnes per year underground mine and processing plant that produces copper, zinc and lead concentrates that also contain silver. MATSA sells all of its concentrates to Trafigura under long-term off-take agreements.

In addition to the Aguas Tenidas project, the Company, through MATSA, holds an extensive land position of exploration properties within the Iberian Pyrite Belt in Huelva Province, in the Andalusia Region of south-western Spain.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
(expressed in thousands of U.S. dollars)
(unaudited)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated financial statements were prepared in accordance with IAS 34 *Interim Financial Statements* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 16, 2011.

Basis of preparation

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

Operating companies	Ownership interest
MATSA	100%
CMC	approximately 98.7%
Non-operating companies	
Iberian Minerals Holdings B.V., The Netherlands	100%
Iberian Minerals Holdings Cooperatief U.A., The Netherlands	100%
Iberian Minerals Holdings S.A., Switzerland	100%
Urion World Wide Investments Limited, Bahamas	100%
IZN Holdings Corp., British Virgin Islands	100%
Iberian Minerals Finance S.a.r.l., Luxembourg	100%
Iberian Finance S.a.r.l., Luxembourg	100%

Basis of measurement

The Company's condensed consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies. The comparative figures presented in these condensed consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in note 26, Transition to IFRS.

Functional and presentation currency

The functional currency of the Company is U.S. dollars. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

These condensed consolidated financial statements are presented in U.S. dollars, which in the opinion of management is the most appropriate presentation currency. This reflects the fact that the Company's operations use U.S. dollars as their functional currencies and U.S. dollars is the predominant presentation currency of the mining industry. All financial information presented in U.S. dollars has been rounded to the nearest thousand, unless otherwise stated.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Management exercises significant judgment in the determination of certain accounting policies, which are expected to be the same as those in the first annual consolidated financial statements.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

Accounting policies

These condensed consolidated financial statements for the three and six month periods ended June 30, 2011 were prepared in accordance with IAS 34 *Interim Financial Statements*.

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated financial statements as were followed in the preparation of the condensed consolidated financial statements for the three month period ended March 31, 2011.

In addition, the condensed consolidated financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these condensed consolidated financial statements for the three and six month periods ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the condensed consolidated financial statements for the three month period ended March 31, 2011.

Recent accounting pronouncements

Financial Instruments

The IASB has issued IFRS 9 'Financial Instruments' which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale loans and receivable categories.

This standard is effective for the Company's financial year beginning on January 1, 2013. The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

IFRS 7 'Financial Instruments – Disclosures' was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained.

The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
(expressed in thousands of U.S. dollars)
(unaudited)

3. RESTRICTED CASH

	June 30, 2011	December 31, 2010
Peru (current) (a)	\$ 4,124	\$ 3,744
Corporate (current)	-	65
Spain (long-term) (b)	19,117	17,797
Cash deposits held as security	\$ 23,241	\$ 21,606

(a) The cash deposit in Peru in the amount of \$4,124 is held in a debt service reserve account to satisfy a condition of the CMC Facility (see note 9 (g)).

(b) As of June 30, 2011, the cash deposit held as security in Spain is comprised of three parts: (i) \$3,767 in relation to a permit for the ore processing plant, bonds posted for several public grants and mandatory bonds for mining concessions; (ii) \$8,650 for expenses or actions, as required by the Mining Authority, according to the Mining regulations, that MATSA is bound to perform in the event of an "unexpected and sudden" abandonment of the MATSA plant. This also covers the negative social impact that such abandonment causes and (iii) \$6,700 for restoration of the tailings facility (see note 9 (b)).

4. INVENTORIES

CMC's inventories consist mainly of spare parts and supplies used for preventive maintenance of machinery and equipment used in the processing plant and the Condestable Mine. CMC expects to use all the spare parts and supplies in the normal course of its operations.

MATSA's inventories consist of spare parts and supplies and concentrates.

As of June 30, 2011 the Company had no provision for obsolescence (December 31, 2010 - \$nil).

	June 30, 2011	December 31, 2010
Spare parts and supplies – CMC	\$ 5,006	\$ 3,989
Spare parts and supplies – MATSA	16,063	15,672
Goods in process – MATSA	2,369	1,078
Copper, Zinc and Lead concentrates – MATSA	23,246	15,525
	\$ 46,684	\$ 36,264

5. INVESTMENT

Available-for-sale securities are recorded at fair value with unrealized gains and losses recorded in other comprehensive income ("OCI"). Realized gains and losses are recorded in earnings when investments mature or on sale, calculated using the average cost of securities sold. Any unrealized decline in fair value judged to be other-than-temporary is recorded in the income statement. Investment consists of 633,333 shares of Cadillac Ventures Inc. (formerly Richview Resources Inc. - 5,700,000 shares).

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
(expressed in thousands of U.S. dollars)
(unaudited)

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010	Net additions 2011	Reclass- ification	Amortization 2011	Foreign exchange	June 30, 2011
Spain						
Land	\$ 797	\$ –	\$ –	\$ –	–	\$ 797
Mining interests	81,383	–	–	(4,631)	–	76,752
Building and other constructions	99,445	384	13,077	(8,893)	–	104,013
Machinery and equipment (b)	222,122	937	–	(18,532)	–	204,527
Vehicles	43	–	–	(4)	–	39
Office furniture, fixtures and equipment	2,266	72	–	(194)	–	2,144
Rehabilitation provision asset <i>(note 11)</i>	11,876	–	–	(645)	1,172	12,403
Construction in progress (a)	28,241	12,311	(12,805)	–	–	27,747
	\$ 446,173	13,704	\$ 272	\$ (32,899)	1,172	\$ 428,422
Corporate						
Office furniture, fixtures and equipment	\$ 187	\$ (134)	\$ –	\$ (28)	–	\$ 25
Peru						
Land	358	\$ –	\$ –	\$ –	–	\$ 358
Mining interest	134,892	–	–	(20,851)	–	114,041
Mining interest – Raul	24,615	891	–	(2,187)	–	23,319
Building and other constructions	7,329	–	–	(662)	–	6,667
Machinery and equipment (b)	17,602	2,130	1,808	(3,088)	–	18,452
Vehicles	914	(1,467)	–	571	–	18
Office furniture, fixtures and equipment	89	36	5	(96)	–	34
Rehabilitation provision asset <i>(note 11)</i>	2,853	–	–	(410)	(17)	2,426
Construction in progress (a)	2,100	3,379	(1,813)	–	–	3,666
	190,752	4,969	\$ –	\$ (26,723)	\$ (17)	168,981
	\$ 637,112	18,539	272	(59,650)	1,155	\$ 597,428

- (a) No interest was capitalized in construction in progress during 2011.
(b) Included in machinery and equipment are \$19,431 under capital leases.

	January 1, 2010	Net additions 2010	Reclass- ification	Amortization 2010	Foreign exchange	Change in estimates	December 31, 2010
Spain							
Land	\$ 770	\$ –	\$ –	\$ –	\$ 27	\$ –	\$ 797
Mining interests	87,422	–	–	(7,911)	1,872	–	81,383
Building and other constructions	118,555	(5,429)	–	(17,789)	4,108	–	99,445
Machinery and equipment (c)	251,236	3,077	–	(36,599)	4,408	–	222,122
Vehicles	–	48	–	(5)	–	–	43
Office furniture, fixtures and equipment	2,523	176	–	(520)	87	–	2,266
Rehabilitation provision asset <i>note 11</i>	14,852	–	–	(1,284)	(862)	(830)	11,876
Construction in progress (a) and (b)	2,091	26,078	–	–	72	–	28,241
	\$ 477,449	\$23,950	\$ –	\$ (64,108)	\$ 9,712	\$ (830)	\$ 446,173
Corporate							
Office furniture, fixtures and equipment	\$ 235	\$ 14	\$ –	\$ (70)	\$ 8	\$ –	\$ 187
Peru							
Land	\$ 86	\$272	\$ –	\$ –	–	–	358
Mining interest	174,644	–	–	(39,752)	–	–	134,892
Mining interest – Raul (d)	–	27,728	–	(3,113)	–	–	24,615
Building and other constructions	6,780	–	2,034	(1,485)	–	–	7,329
Machinery and equipment (c)	19,487	5,735	(1,487)	(6,133)	–	–	17,602
Vehicles	179	37	1,478	(780)	–	–	914
Office furniture, fixtures and equipment	115	121	–	(147)	–	–	89
Rehabilitation provision asset <i>note 11</i>	4,136	–	–	(938)	–	(345)	2,853
Construction in progress	1,671	2,454	(2,025)	–	–	–	2,100
	207,098	36,347	–	(52,348)	–	(345)	190,752
	\$ 684,782	60,311	–	(116,526)	9,720	(1,175)	\$ 637,112

- (a) Property, plant and equipment is net of \$14,980 government grants that were awarded against specific construction projects.
(b) \$477 in borrowing costs were capitalized in construction in progress during 2010.
(c) Included in machinery and equipment are \$8,800 under capital leases.
(d) The Company purchased its interest in the Raul mine in March 2010. Previous to its purchase the Company leased the Raul mine and was required to make royalty payments to the previous owner.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
(expressed in thousands of U.S. dollars)
(unaudited)

7. CONTINGENT CONSIDERATION

In the year ended December 31, 2008 the Company acquired its interest in CMC from Trafigura. The business combination was accounted for as a purchase transaction, with the Company as the acquirer of CMC. As part of the agreement for this transaction, Trafigura was granted a 45.96% net operating profit interest ("NPI") of CMC for a term of four years commencing on January 1, 2011 payable in cash or, at the option of Trafigura and subject to regulatory approval of the TSXV, in registered shares. The Company had the right until June 30, 2011 to purchase the NPI for \$60,000.

The Company elected to purchase the NPI and the transaction was completed on June 30, 2011. The Company paid Trafigura with a combination of cash (\$21,119) and 41,854,356 registered shares (deemed value of \$38,881). The cash portion of the payment was funded by the Offering (as defined in note 17(c)).

As a result of the NPI purchase by the Company, the contingent consideration liability is \$nil at June 30, 2011 (December 31, 2010 – \$60,000).

8. TRADE AND OTHER RECEIVABLES, TRADE AND OTHER PAYABLES

(a) Trade and other receivables

	Notes	June 30, 2011	December 31, 2010
Trade receivables with related party	20	12,979	4,093
VAT receivable		10,358	5,355
Other receivables		1,455	720
Total MATSA receivables		24,792	10,168
Trade receivables with related party	20	38,679	28,408
VAT receivables		–	1,003
Other receivables		1,014	1,332
Total CMC receivables		39,693	30,743
VAT receivable		45	28
Other receivables		26	–
Total head office receivables		71	28
Total trade and other receivables		\$ 64,556	\$ 40,939

(b) Trade and other payables

	Notes	June 30, 2011	December 31, 2010
Accounts payable suppliers		28,032	31,155
Taxes and social security		1,506	2,926
Realized losses on hedges - payable		12,709	–
Interest payable		2,447	3,070
Deferred revenue and other		36,213	11,657
Total MATSA payables		80,907	48,808
Accounts payable suppliers		8,172	8,204
Taxes and social security		3,014	5,584
Realized losses on hedges - payable		9,995	8,078
Interest payable		–	–
Other payables		2,281	227
Total CMC payables		23,462	\$ 22,093
Debenture interest		–	–
Accounts payable		863	512
Accrued liabilities		1,062	522
Total head office payables		1,925	\$ 1,034
Total trade and other payables		106,294	\$ 71,935

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9. LOANS AND BORROWINGS

	June 30, 2011	December 31, 2010
MATSA		
Payments due arising from general creditors agreement	\$ 9	\$ 9
Subsidized loan (a)	765	708
Social and environmental loan (b)	15,350	14,253
Short term banking line (c)	4,151	4,127
Senior Facility (d)	47,000	50,000
Obligations under capital leases (e)	3,494	3,974
	\$ 70,769	\$ 73,071
CMC		
Obligations under capital leases (f)	8,993	8,927
Facility (g)	59,737	46,579
	\$ 68,730	\$ 55,506
Total loans and borrowings	\$ 139,499	\$ 128,577
Amounts payable within twelve months	(77,799)	(71,076)
	\$ 61,700	\$ 57,501

The Company has evaluated the fair value of its long-term debt except obligations under capital leases and has concluded that the carrying amounts approximate fair values, except as otherwise noted.

- (a) On May 15, 2009, the Company obtained an interest free loan with the Ministry of Industry, Commerce and Tourism in Spain for the partial funding of on-going construction and purchase of production equipment. This loan matures on October 1, 2022. Annual principal repayments of \$110 commence on October 1, 2013.
- (b) A loan from Trafigura to MATSA in the amount of €10,670 (\$15,350) to cover various social and environmental remediation guarantees as detailed in note 3 (b). This loan has a ten year term expiring on August 8, 2018 with an effective interest rate fixed at USD Libor plus 4.00%. The effective interest rate at June 30, 2011 was 4.25%. Interest on this loan for the period ended June 30, 2011 was \$531.
- (c) Short term loans with two local banks were secured between September 17 and October 10, 2010 for revolving credit facility of €3.3 million. Interest rates are between 3.029% and 3.5 % maturing between Sept 17, 2011 and October 30, 2011.
- (d) In April 2010, MATSA completed a \$50,000 senior debt financing (the "Senior Facility") with BNP Paribas, Natixis and Societe Generale. The key features of the Senior Facility are as follows:
- | | |
|-----------------------|--|
| Amount: | \$50,000 |
| Type of Facility: | Revolving |
| Rate: | LIBOR plus 3.00% and mandatory costs, if any |
| Term: | 3 years (April 2013) |
| Mandatory Reductions: | Reduces to \$42,000 after September 2011, \$30,000 after March 2012, and \$9,000 after September 2012. |

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9. LOANS AND BORROWINGS *(continued)*

MATSA provided the lenders with general and first charge over its assets. In addition Iberian has provided a corporate guarantee of obligations under the Senior Facility. Interest under the MATSA Facility is payable every three or six months subsequent to a drawdown as elected by MATSA at the time the drawdown is made.

MATSA repaid principal of \$3,000 in April 2011.

As at June 30, 2011 the principal balance outstanding on the senior facility was \$47,000 and was classified as a current liability (see *note 14*). Interest accrued during the six months ended June 30, 2011 was \$606 (2010 – \$276).

As required by the Senior Facility, Trafigura entered into a standby facility (the “Standby Facility”) with MATSA for \$20,000. The Standby Facility bears interest at a rate of Libor plus 6.00%, is available for the term of the Senior Facility and is unsecured. No funds have been drawn on the Standby Facility.

Refer to *note 12* for disclosure of hedging requirements under the Senior Facility.

- (e) Obligations under capital leases in Spain are in respect of mining equipment with a third party. These leases have maturity dates up to September 2013 and are based on annual interest rates between 2.38% and 9.25%.
- (f) The obligations under capital leases in Peru are in respect of mining equipment with various unrelated third parties. These leases have various maturity dates up to May 2014 and are based on annual interest rates between 3.79% and 9.59%.
- (g) On March 31, 2010, CMC completed a senior secured debt facility (the “Facility”) with Societe Generale acting as sole lead arranger and Scotia Bank Peru S.A.A. acting as mandated arranger and on-shore collateral agent for a total of \$55,000. The three year Facility carries an interest rate of three-month Libor plus 3.00%.

In May 2011 the Facility was amended such that the principal outstanding of \$45,000 was increased to \$60,000. The tenor of the Facility was extended from March 2013 to September 2013. Repayment terms were re-schedule as follows: \$4,000 on December 2011 followed by quarterly repayments of \$8,000 commencing on March 31, 2012 and ending on September 30, 2013. Interest on the Facility for the six months ended June 30, 2011 was \$856 (2010 – \$457).

10. DEBENTURES

The New Debentures

The New Debentures, placed with two private investors in April 2010, with principal of CA\$ 25,000, bear interest at 7.00% per annum, payable quarterly in arrears and mature on December 31, 2011. In connection with the New Debentures, the Company granted to the investors an aggregate of 44,642,856 non-transferable warrants to purchase registered shares of the Company (the “Warrants”). Each Warrant is exercisable at a price of CA\$ 0.56 (the “Exercise Price”) per registered share until December 31, 2011. The Warrants, if exercised, shall reduce the outstanding indebtedness of the Company under the New Debentures by an amount equal to the Exercise Price multiplied by the number of Warrants exercised. The New Debentures are subordinated to the MATSA Senior Facility (*note 9 (d)*) but in priority to any advances under the Standby Facility.

On inception of the New Debentures the Company assigned a fair value of \$8,025 to the Warrants and recognized as warrant liabilities on the consolidated balance sheet. The resulting carrying value of the New Debentures was \$16,941. Transaction costs of \$84 were recognized in finance costs.

During the three and six months ended June 30, 2011 the Company recognized accretion expense of \$nil. During the year ended December 31, 2010 the Company fully accreted the New Debentures to face value and accretion expense of \$8,025 was recorded. As at June 30, 2011 the warrant liabilities had fair value of \$16,534 (December 31, 2010 - \$13,958). An unrealized loss on Warrants of \$2,576 was recorded in the income statement for the six months ended June 30, 2011 (2010 – gain \$3,547) and unrealized gain on warrants of \$420 for the three months ended June 30, 2011 (2010 – gain \$3,547).

The total accrued and actual interest for the six months ended June 30, 2011 was \$870 (2010 - \$369) and for the three months ended June 30, 2011 was \$441 (2010 – \$369).

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10. DEBENTURES (continued)

Private Placement

On June 30, 2010 the Company completed a private placement of convertible debentures with certain insiders of the Company (the "Private Debentures"). The Private Debentures, with principal of CA\$ 3,610, bear interest at 7.00% per annum, payable quarterly in arrears and mature on December 31, 2011. The Private Debentures are convertible into registered shares of Iberian (the "Shares") at a conversion rate of CA\$ 0.56 per Share (the "Conversion Feature") and, if fully converted, would convert into 6,445,983 Shares. At any time prior to the maturity date, if the volume weighted average price of the Shares on the TSX Venture Exchange for any consecutive 20 day period is equal to or greater than a 60% premium to the conversion rate, then Iberian shall have the right to accelerate the conversion of the Private Debentures upon delivery of written notice to the holders. The Private Debentures are unsecured.

On inception of the Private Debentures the Company assigned a fair value of \$615 to the Conversion Feature and recognized as part of warrant liabilities on the consolidated balance sheet. The resulting carrying value of the Private Debentures was \$2,829. Transaction costs of \$9 were recognized in finance costs.

In February 2011 the Company accelerated the conversion of the Private Debentures as per the term described above. The Company issued 6,445,983 Shares to the holders. Accrued interest up to the conversion date in the amount of \$30 was paid to the holders. The Private Debentures were retired. Upon conversion the carrying value of the Private Debentures was \$3,111 and the fair value of the Conversion Feature recorded in warrant liabilities was \$3,273. Both liability amounts were derecognized upon conversion and new share capital in the amount of \$6,384 was recorded within equity.

During the six months ended June 30, 2011 the Company recognized accretion expense of \$83. During the year ended December 31, 2010 the Company recorded accretion expense of \$194. As at June 30, 2011 the Conversion Feature had fair value of \$nil (December 31, 2010 - \$2,014). In the period ended June 30, 2011 an unrealized loss related to the Conversion Feature, up to the date of conversion, of \$1,333 was recorded in the income statement in unrealized loss on warrant liabilities.

The total accrued and actual interest for the six months ended June 30, 2011 was \$30 (2010 - \$nil).

	June 30, 2011	December 31, 2010
Carrying value of debentures:		
New Debentures	\$ 25,920	\$ 25,136
Private Debentures	-	3,142
Debentures	\$ 25,920	\$ 28,278
Fair value of warrant liabilities:		
New Debenture Warrants	\$ 16,534	13,958
Private Debenture conversion option	-	2,014
Warrant liabilities	\$ 16,534	\$ 15,972

Dundee Resources Limited ("Dundee")

The CA\$ 25,000 convertible debenture (the "Dundee Debenture"), placed in 2006, bearing interest at 6.00% per annum, was repaid in April 2010 by way of a refinancing through the placement of the New Debenture. During 2010, up to the repayment date of the Dundee Debenture, the Company paid cash interest to Dundee in the amount of CA\$ 1,077 representing interest accrued from July 26, 2009 to April 13, 2010. Interest accrued in the year ended December 31, 2010 was \$413. The accretion attributable to the Dundee Debenture for the period from January 1, 2010 to the date of repayment was \$340. All of the remaining accretion was expensed on repayment of the Dundee Debenture in April 2010 (\$318). The total accretion attributable to the Dundee Debenture for year ended December 31, 2010 was \$658.

On April 1, 2010 when the Company adopted the U.S. dollar as its functional currency the prior amount recorded as the equity portion of the Dundee Debenture of \$1,681 was reclassified from equity to warrant liability. The fair value of the liability was then re-measured using the Black-Scholes model and deemed to be \$1,266. The difference of \$415 was recorded as a gain on warrants in the consolidated statement of loss in 2010. On repayment of the Dundee Debenture the warrant liability of \$1,266 was derecognized and recorded in contributed surplus in equity.

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11. REHABILITATION PROVISIONS

The Company's rehabilitation provisions arise from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the provisions:

	June 30, 2011	December 31, 2010
Balance, beginning of year	\$ 20,181	\$ 22,498
Revision of estimates – other	–	(1,175)
Payments / settlement	–	(297)
Related foreign exchange	1,417	(1,115)
Accretion expense/capitalized	225	270
Total	\$ 21,823	\$ 20,181

As at June 30, 2011, management estimated that the total undiscounted amount of the estimated cash flows required in settling the asset retirement obligation of the Company's subsidiaries is approximately \$25,267 (December 31, 2010 - \$23,573). This is comprised of approximately \$19,343 (December 31, 2010 - \$17,649) for MATSA and \$5,924 (December 31, 2010 - \$5,924) for CMC with the most significant expected outflows commencing in approximately eight and four years respectively. Each has been discounted using risk free rates. As part of the license to build and operate the mine at MATSA the Junta de Andalucía (local authority) has required MATSA to post bonds to cover restoration costs for the plant and tailings facilities as detailed in *note 3 (b) (ii) and (iii)*.

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12. DERIVATIVE INSTRUMENTS

The fair values have been calculated by using a discounted cash flow approach. The inputs to these models are taken from observable market data.

MATSA

Pursuant to the Senior Facility (*note 9 (d)*), MATSA is required to maintain a commodity hedging program and a foreign exchange hedging program, the details of which are contained in the tables below. In connection with the terms of the hedging program, MATSA rolled-forward certain copper and zinc forward contracts that were in existence prior to inception of the Senior Facility. As part of the roll-forward, the counter party in these forward contracts was novated to the lenders from Trafigura.

As of June 30, 2011 and December 31, 2010, the MATSA derivative instruments (commodity and foreign exchange) were in a net unrealized loss position and recorded as a liability as follows:

	June 30, 2011	December 31, 2010
Current portion	\$ (73,842)	\$ (116,377)
Long-term portion	(17,919)	(41,181)
	\$ (91,761)	\$ (157,558)

As at June 30, 2011, the commodity forward and option contracts in force at MATSA were as follows:

Copper

Period	Contract type	FMT (Fine metric tons)	Strike price US\$/FMT
July 2011 – December 2011	Forward	10,021	4,777
January 2012 – December 2012	Forward	17,496	7,396
January 2013 – March 2013	Forward	1,800	7,319

Zinc

Period	Contract type	FMT (Fine metric tons)	Strike price US\$/FMT
July 2011 – December 2011	Forward	9,375	1,604
January 2012 – December 2012	Forward	13,446	2,042
January 2013 – March 2013	Forward	1,125	2,272

Lead

Period	Contract type	FMT (Fine ounces)	Strike price US\$/FMT
July 2011 – October 2011	Forward	1,125	2,580

Silver

Period	Contract type	Foz (Fine ounces)	Strike price US\$/Foz
July 2011 – October 2011	Forward	115,062	39.66

As at June 30, 2011 the foreign exchange forward contracts in force at MATSA were as follows:

Foreign exchange contracts – Euro/US\$

Period	Contract type	Amount US\$	Contract rate US\$
July 2011 – December 2011	FX Forwards	12,321	1.3690
January 2012 – December 2012	FX Forwards	41,191	1.4064
January 2013 – March 2013	FX Forwards	6,446	1.4324

As at June 30, 2011, the portion of the derivative instruments liability for MATSA related to the foreign exchange forward contracts is an asset of \$1,120 (December 31, 2010 – liability of \$8,793). Trafigura is the counter-party to certain foreign exchange forward contracts in the amount of \$31,209, and represents 52% of the total U.S. dollar value of these forward contracts. During the six months ended June 30, 2011 MATSA closed out foreign exchange forward contracts with Trafigura in the amount of \$14,130 at a cost of \$187.

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12. DERIVATIVE INSTRUMENTS (continued)

CMC

As at June 30, 2011 and December 31, 2010 the CMC derivative instruments were in a net unrealized loss position and recorded as a liability as follows:

	June 30, 2011	December 31, 2010
Current portion	\$ (74,568)	\$ (123,057)
Long-term portion	(4,428)	(18,583)
	\$ (78,996)	\$ (141,640)

CMC has entered into hedge contracts with varying expiry dates (see table below). In connection with the CMC Facility, CMC is required to hedge 25% of its projected copper production commencing January 1, 2012 until maturity at a minimum price of \$5,500 per FMT of copper.

As of June 30, 2011, the hedge contracts in force at CMC are as follows:

Copper

Period	Contract type	FMT (Fine metric tons)	Strike price US\$/FMT
July 2011 – December 2011	Forward	10,350	3,408
January 2012	Forward	1,750	3,408
February 2012 – December 2012	Put Options purchased	5,500	6,500
	Call Options sold		8,760
February 2012 – December 2012	Put Options purchased	825	7,500
	Call Options sold		10,450
February 2012 – December 2012	Put Options purchased	1,540	8,000
	Call Options sold		10,970
February 2012 – December 2012	Put Options purchased	3,135	8,000
	Call Options sold		10,950
January 2013 – March 2013	Put Options purchased	1,500	6,500
	Call Options sold		8,760
January 2013 – March 2013	Put Options purchased	225	7,500
	Call Options sold		10,450
January 2013 – March 2013	Put Options purchased	420	8,000
	Call Options sold		10,970
January 2013 – March 2013	Put Options purchased	855	8,000
	Call Options sold		10,950

Silver

Period	Contract type	Foz (Fine ounces)	Strike price US\$/Foz
July 2011 – December 2011	Put Options purchased	51,000	40.00
	Call Options sold		50.10
January 2012 – December 2012	Put Options purchased	102,000	40.00
	Call Options sold		50.10
January 2013 – September 2013	Put Options purchased	76,500	40.00
	Call Options sold		50.10

Gold

Period	Contract type	Foz (Fine ounces)	Strike price US\$/Foz
July 2011 – December 2011	Forward	1,200	742

Total derivatives

As at June 30, 2011 and December 31, 2010 total derivative instruments were in a net unrealized loss position and recorded as a liability as follows:

	June 30, 2011	December 31, 2010
Current portion of liability	(148,410)	(239,434)
Long-term portion of liability	(22,347)	(59,764)
	\$ (170,757)	\$ (299,198)

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13. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.

Significant components of the provision for income tax expense are as follows:

Periods ended	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current tax expense	\$ 238	\$ 1,256	\$ 1,081	\$2,678
Future income tax expense	6,277	23,878	4,961	32,908
Provision for income tax expense	6,515	25,134	6,042	35,586

14. CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain adequate levels of funding to support the operations of MATSA and CMC, fund required capital expenditures, and to maintain corporate and administrative functions. The Company includes long-term debt, share capital and debentures in its definition of capital. The Company manages its capital structure in a manner that provides sufficient funding for mine development and operational activities. Funds have been primarily secured through a combination of equity capital raisings and external debt. There can be no assurances that the Company will be able to continue raising equity capital and external debt in this manner.

The Company's capital under management includes:

	June 30, 2011	December 31, 2010
Loans and borrowings	\$ 139,499	\$ 128,577
Share capital	344,304	262,589
Debentures	25,920	28,278

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

In accordance with the terms of the Senior Facility (see note 9(d)), MATSA is required to maintain certain financial covenants. As at December 31, 2010 MATSA did not meet its debt service coverage (minimum ratio of 1.25:1) and Iberian, as the Guarantor under the Senior Facility, did not maintain a minimum consolidated tangible net worth of \$150,000. As at December 31, 2010 MATSA's debt service coverage ratio was 0.58:1, and the consolidated tangible net worth of Iberian was approximately \$140,000. As a result, the full \$47,000 outstanding under the Senior Facility was classified as current as at June 30, 2011 (December 31, 2010 – \$50,000). The Company and the senior lenders are discussing a waiver agreement to remedy the covenant violations.

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15. FINANCIAL RISK MANAGEMENT

Risk Exposure

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company's subsidiaries use derivative financial instruments such as forward contracts to hedge certain risk exposures. The Company does not use derivatives to engage in any trading or other speculative activities.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-U.S. dollar forecast operating costs on a case by case basis. Revenue from forecast sales is denominated in U.S. dollars. The Company's forecast operating costs are in U.S. dollars, CMC's are in U.S. dollars and Peruvian new soles and the operating costs at MATSA are primarily denominated in Euros.

The risk is measured using sensitivity analysis and cash flow forecasting. The US dollar carrying amount of the Company's foreign currency denominated financial assets and liabilities as at June 30, 2011 are as follows:

	Assets		Liabilities	
Euros	\$	13,078	\$	58,294
New soles		3,177		4,748

Sensitivity

Based on the financial instruments held at June 30, 2011, had the US dollar weakened or strengthened by 10% against the Euro, the pre-tax effect on the Company's income would have been higher or lower in the case of Euro by \$4,522 and in the case of Peruvian new soles to US dollar by \$157 with all other variables held constant, as a result of foreign exchange gains or losses on translation of non-US dollar denominated financial instruments detailed above.

(ii) Price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecasted future sales. Commodity risk is managed through the use of derivative instruments such as forward contracts to hedge a proportion of its forecasted production. CMC and MATSA have hedged a significant amount of its future production with forward contracts (see note 12).

Sensitivity

For CMC: At June 30, 2011, if the spot prices of copper, silver and gold had been 10% higher while all other variables held constant, the Company's pre-tax income for the period would have been \$7,546 lower due to the hedging program or vice versa.

For MATSA: At June 30, 2011, if the spot prices of copper, silver and zinc had been 10% higher while all other variables held constant, the Company's pre-tax income for the period would have been \$8,960 lower due to the hedging program or vice versa.

(iii) Interest rate risk

The Company is exposed to interest rate risk with regard to the CMC facility and the MATSA senior facility. The CMC loan bears an interest rate of Libor plus 3.00%. The MATSA Senior Facility also has an interest rate of Libor plus 3.00% while the social and environmental loan is based on Libor plus 4.00% (note 9).

Sensitivity

If Libor had been 10% higher (approximately 20 basis points) while all other variables held constant, the Company's pre-tax loss would have been \$66 higher due to change in Libor rates or vice versa.

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15. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

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

As at June 30, 2011, the Company's sole customer is Trafigura and accounted for 100% of trade receivables. As at June 30, 2011 the Company has not recorded an allowance for doubtful accounts (December 31, 2010 - \$nil). The aging of trade receivables, VAT and other receivable balances as of June 30, 2011 were as follows:

Period ended	June 30, 2011	December 31, 2010
Past due 0 – 30 days	\$ 54,266	\$ 38,964
Past due 31 – 60 days	7,960	1,774
Past due over 61 days	2,330	201

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows matching the maturity profiles of financial assets and liabilities.

(i) As at June 30, 2011, the Company and its subsidiaries were holding cash and cash equivalents of \$32,808 (December 31, 2010 – \$12,964).

(ii) The contractual maturities of the Company's financial liabilities at June 30, 2011 are as follows:

	Within 1 year	Remainder of 2012	2013	2014	>2015
Trade and other payables	106,294	–	–	–	–
Loans and borrowings	77,799	19,094	26,491	110	16,005
Derivative instruments	148,410	17,820	4,527	–	–
Debentures	25,920	–	–	–	–

16. ECONOMIC DEPENDENCE

The Company's sole customer is Trafigura. Cornin purchased from CMC and Trafigura from MATSA which accounted for 100% of sales of \$123,372 in the six months ended June 30, 2011(2010 - \$107,494) and 100% of the trade receivables balance at June 30, 2011 of \$51,658 (December 31, 2010 - \$32,501).

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17. SHARE CAPITAL

- (i) Authorized capital - The number of authorized registered shares is unlimited.
(ii) Issued registered shares

	Number of registered shares	Amount
Balance, January 1, 2010	338,055,865	\$ 250,498
Exercise of warrants by Trafigura (a)	22,000,000	12,091
Balance, December 31, 2010	360,055,865	\$ 262,589
Private Convertible Debenture (b)	6,445,983	6,384
Prospectus offering (c)	84,444,500	73,953
Private placement – Trafigura (c)	1,236,551	1,137
Exercise of Stock Options (d)	320,000	241
Balance, June 30, 2011	452,502,899	\$ 344,304

- a) On October 16, 2010, Trafigura exercised 22,000,000 share purchase warrants. The exercise price of each warrant was CA\$ 0.52. The Company received cash proceeds of CA\$ 11.44 million.
- b) On February 11, 2011 the Company issued 6,445,983 registered shares upon conversion of the Private Debentures (see note 10).
- c) On May 31, 2011 the Company entered into an agreement with a syndicate of underwriters led by Wellington West Capital Markets Inc. and including Cormark Securities Inc. (the "Underwriters") which agreed to purchase, on a bought deal basis, 84,444,500 registered shares (the "Shares") of Iberian at a purchase price of CA\$ 0.90 per Share (the "Offering Price"), for aggregate gross proceeds of approximately CA\$ 76 million (the "Offering"). The net proceeds of the Offering were used to finance the \$60 million NPI Buy-out (refer to note 7). The Offering closed on June 24, 2011.

Trafigura purchased 40,617,805 registered shares through the Offering. Subsequent to the Offering and completion of the NPI Buy-out, Trafigura owns approximately 48.3% of all outstanding registered shares of Iberian.

In addition to the Offering, Iberian issued to Trafigura 1,236,551 registered shares at a deemed issue price of CA\$ 0.90 on June 30, 2011.

The Company has used the proceeds from the Offering and the share issuance dated June 30, 2011 to fund the purchase of the NPI from Trafigura.

- d) The Company issued 320,000 registered shares in the six month period ended June 30, 2011 as a result of the exercise of stock options by an employee and a director. The average exercise price of the options exercised was CA\$ 0.56. The Company received proceeds in the amount of CA\$ 180.

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18. STOCK OPTIONS

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors of, or consultants of the Company, options to acquire registered shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee. The stock option plan provides that the total number of registered shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 25,430,141. The terms of the options including when they vest is determined by the Board of Directors as they are granted.

The following table reflects the continuity of stock options for the period ended June 30, 2011 and for the year ended December 31, 2010:

	Number of stock options	Weighted average exercise price CA\$
Balance, January 1, 2010	8,715,000	\$ 1.02
Granted	2,475,000	0.56
Cancelled/expired	(260,000)	(0.86)
Balance, December 31, 2010	10,930,000	\$ 0.92
Exercised (a)	(320,000)	(0.56)
Cancellation / expired (b)	(1,730,000)	(1.20)
Granted (c)	5,125,000	0.90
Balance, June 30, 2011	14,005,000	\$ 0.89
Exercisable, June 30, 2011	7,319,988	\$ 0.98

- a) Refer to *note 17 (d)*.
b) In the six months ended June 30, 2011, 1,730,000 stock options expired/cancelled. These options had an average exercise price of CA\$1.20.
c) During the period ended June 30, 2011 the Company granted a total of 5,125,000 stock options to directors, officers and employees. The options have a term of 5 years from the date of issuance and are exercisable at a price of CA\$ 0.90. The options are subject to vesting provisions.

The following table reflects the actual stock options issued and outstanding as at June 30, 2011:

Expiry date	Weighted average exercise price (CA\$)	Remaining weighted average remaining contractual life (years)	Fair value per option (CA\$)	Number of options outstanding	Number of options vested	Number of options unvested
September 19, 2011	1.50	0.22	0.43	50,000	50,000	-
December 15, 2011	1.50	0.46	0.87	100,000	100,000	-
June 27, 2012	1.50	0.99	0.99	2,230,000	2,230,000	-
April 16, 2013	1.14	1.80	0.69	1,000,000	1,000,000	-
September 2, 2013	0.89	2.18	0.60	50,000	50,000	-
September 29, 2013	0.80	2.25	0.52	100,000	100,000	-
November 18, 2013	0.80	2.39	0.08	350,000	350,000	-
June 10, 2014	0.55	2.95	0.31	2,675,000	2,099,998	575,002
June 21, 2015	0.56	3.98	0.29	995,000	331,660	663,340
July 21, 2015	0.56	4.06	0.25	750,000	450,000	300,000
September 8, 2015	0.56	4.19	0.25	500,000	-	500,000
November 17, 2015	0.56	4.39	0.45	80,000	-	80,000
April 4, 2016 (i)	0.90	4.77	0.54	125,000	-	125,000
June 29, 2016 (i)	0.90	5.00	0.52	5,000,000	558,330	4,441,670
				14,005,000	7,319,988	6,685,012

(i) Refer to *note (c)*, above.

The weighted average exercise price of options exercisable at June 30, 2011 is CA\$ 0.98 with outstanding stock option exercise prices ranging from CA\$ 0.55 to CA\$ 1.50.

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19. WARRANTS

The following table sets out the warrant activity during the periods ended June 30, 2011 and December 31, 2010:

Warrants (equity section)	Number of warrants		Value
Balance, January 1, 2010	29,640,353		\$ 4,235
Effect of Company's conversion to U.S. functional currency (a)		-	(4,235)
Balance, April 1, 2010	29,640,353		\$ -

Warrant liabilities	June 30, 2011	December 31, 2010	April 1, 2010
Fair value of warrants:			
Trafigura warrants (b)	\$ -	\$ -	\$ 1,812
Investec warrants (c)	1,640	1,053	576
	\$ 1,640	\$ 1,053	\$ 2,388

The following table reflects the actual warrants outstanding as of June 30, 2011:

Expiry date	Number of warrants	Exercise price (CA\$)	Fair value
June 30, 2013 (c)	7,640,353	1.30	1,640

- a) On April 1, 2010 the Company adopted the U.S. dollar as its functional currency. The effect of this change on the outstanding warrants under IFRS was that the fair value previously recorded must be derecognized from equity and re-classified as a warrant liability. This re-classification was required as the underlying warrant price is no longer denominated in the Company's functional currency – U.S. dollars (previously Canadian dollars). On April 1, 2010 the Company measured the fair value of outstanding warrants using the Black-Scholes valuation model. The 29,640,353 warrants outstanding at April 1, 2010 had a fair value of \$2,388.
- b) On October 16, 2010, Trafigura exercised 22,000,000 share purchase warrants (*note 17 (a)*). The exercise price of each warrant was CA\$ 0.52. The Company received cash proceeds of CA\$ 11.44 million. On the exercise date the Company measured the fair value of these warrants which was \$985. A gain on warrants of \$827 was recorded prior to the exercise. The total amount recorded in share capital on exercise of the warrants was \$12,091.
- c) On June 30, 2011 the Investec warrants had a fair value of \$1,640 (December 31, 2010 - \$1,053).

20. RELATED PARTY TRANSACTIONS

Trafigura provides management, operational, mining and administrative services to CMC. Included in payables at June 30, 2011 is \$nil due to Trafigura (December 31, 2010 – \$96).

Trafigura has lent the Company €10,670 (\$15,350 at June 30, 2011) to cover various social and environmental remediation guarantees at MATSA as detailed in *note 9 (b)*. This loan has a ten year term, expiring August 8, 2018 with an effective interest rate fixed at Libor plus 4.00%. At June 30, 2011 this loan has \$531 included in interest payable at an interest rate of 4.19% (2010 - \$230).

MATSA previously entered into certain commodity forward and option contracts with Trafigura as counterparty (*see note 12 – Derivative instruments*). In connection with these contracts between MATSA and Trafigura, the cost of margin calls up to \$40,000 were on the account of Trafigura. MATSA was charged interest at a rate of 4.98% by Trafigura on the excess. During the quarter ended June 30, 2011, MATSA did not incur any additional interest (2010 – \$1,000). In accordance with the terms of the Senior Facility, all counterparty risk on the commodity forward contracts was transferred to the lending banks and without margin calls. The fair value of all commodity and foreign exchange contracts held by Trafigura, as counter-party as at June 30, 2011 was a liability of \$238 (December 31, 2010 –\$14,335).

Trafigura is counterparty for certain foreign exchange forward contracts held by MATSA totalling \$31,209 as at June 30, 2011.

Included in receivables is \$51,658 as at June 30, 2011 (December 31, 2010 - \$32,501), of which \$12,979 (December 31, 2010 - \$4,093) is due from Trafigura for copper, zinc and lead concentrates and \$38,679 (December 31, 2010 - \$28,408) from Comin for copper concentrates.

The Company's Private Debentures (*note 10*) were placed with certain insiders of the Company.

The Company purchased the NPI from Trafigura for \$60,000 on June 30, 2011. The terms of the NPI Buy-out were negotiated pursuant to a share purchase agreement dated November 20, 2007 when the Company agreed to purchase its interest in CMC from Trafigura (refer to *note (7)*).

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

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21. COMMITMENTS

The Company and its subsidiaries have entered into various leases for premises and equipment. MATSA has guarantees totalling €3 million relating to grant and exploration advances which may be potential liabilities if agreed activities are not carried out in accordance with the filed grant applications. As at June 30, 2011, the Company and its subsidiaries were committed to future minimum lease payments as follows:

	Spain		Canada		Total
2011	\$	240	\$	265	\$ 505
2012		105		424	529
2013		–		277	277
	\$	345	\$	966	\$ 1,311

22. SUPPLEMENTAL CASH FLOW INFORMATION

The Company and its subsidiaries paid the following during the period:

Six months ended June 30,	2011	2010
Spain		
Interest	1,520	\$ 2,331
Peru		
Interest	1,349	411
Taxes (a)	5,795	7,459
Corporate		
Interest	900	369
Total interest	3,769	\$ 3,111
Total taxes (a)	5,795	7,459

(a) Cash taxes paid are net of any income taxes recovered.

23. SEGMENT INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, in Peru and Spain. The Company has reportable segments as identified by each of its mines which are reviewed by the executive management. The Company analyzes the performance of its operating segments based on their operating income which is defined as sales less operating expenses. Each segment is identified based on quantitative factors whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company.

Six months ended June 30, 2011	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	74,585	48,787	–	123,372
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	54,647	38,266	–	92,913
Mine site amortization	32,878	27,514	–	60,392
Total cost and expenses of mining operations	87,525	65,780	–	153,305
Gross loss	(12,940)	(16,993)	–	(29,933)
Expenses (other income)				
Unrealized (gain) / loss on derivative instruments	(65,796)	(62,644)	–	(128,440)
Administrative expenses and other	620	(388)	2,839	3,071
Operating income (loss)	52,236	46,039	(2,839)	95,436
Foreign exchange loss				3,163
Net finance costs				8,273
Profit before taxation				84,000
Property, plant and equipment at June 30, 2011:	428,422	168,981	25	597,428
Total assets at June 30, 2011:	525,321	225,134	23,582	774,037

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23. SEGMENT INFORMATION (continued)

Three months ended June 30, 2011	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	61,601	24,541	–	86,142
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	43,215	19,684	–	62,899
Mine site amortization	16,621	13,984	–	30,605
Total cost and expenses of mining operations	59,836	33,668	–	93,504
Gross gain / (loss)	1,765	(9,127)	–	(7,362)
Expenses (other income)				
Unrealized (gain) / loss on derivative instruments	(32,860)	(32,502)	–	(65,362)
Administrative expenses and other	621	(388)	1,392	1,625
Operating income (loss)	34,004	23,763	(1,392)	56,375
Foreign exchange gain				22
Net finance costs				2,042
Profit before taxation				54,311

Six months ended June 30, 2010	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	58,642	48,852	–	107,494
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	55,912	34,773	–	90,685
Mine site amortization	33,473	27,450	–	60,923
Total cost and expenses of mining operations	89,385	62,223	–	151,608
Gross loss	(30,743)	(13,371)	–	(44,114)
Expenses (other income)				
Unrealized gain on derivative instruments	(58,727)	(60,228)	–	(118,955)
Administrative expenses and other	–	–	(1,994)	(1,994)
Operating income	27,984	46,857	1,994	76,835
Foreign exchange gain				(6,216)
Net finance income				(1,112)
Income before taxation				84,163

Property, plant and equipment at:				
December 31, 2010	446,173	190,752	187	637,112
Total assets at:				
December 31, 2010	530,458	213,223	7,257	750,938

Three months ended June 30, 2010	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	27,134	24,561	–	51,695
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	28,471	17,940	–	46,411
Mine site amortization	15,930	14,619	–	30,549
Total cost and expenses of mining operations	44,401	32,559	–	76,960
Gross loss	(17,267)	(7,998)	–	(25,265)
Expenses (other income)				
Unrealized gain on derivative instruments	(70,049)	(61,065)	–	(131,114)
Administrative expenses and other	–	–	(8,462)	(8,462)
Operating income	52,782	53,067	8,462	114,311
Foreign exchange loss				6,441
Net finance income				(3,610)
Income before taxation				111,480

24. COMPARATIVE FIGURES

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

25. SUBSEQUENT EVENTS

The following hedging transactions occurred subsequent to June 30, 2011:

- a) CMC added the following hedge collars:
 - Copper - 500 FMT per month from April to December 2013 with floor price of \$8,000 / FMT and ceiling price of \$10,100 / FMT;

- b) MATSA added the following hedge collars:
 - Silver – 10,300 Foz per month from January to December 2012 with floor price of \$35 / Foz and ceiling price of \$45.89 / Foz;
 - Silver – 8,300 Foz per month from January to March 2013 with floor price of \$35 / Foz and ceiling price of \$45.89 / Foz.

The counter parties to these contracts are the senior lenders and are without any margin call requirements. The hedging has been executed using a zero cost collar hedging strategy whereby positions have been entered into to achieve a minimum hedge price (floor) and a maximum hedge price (ceiling).

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26. TRANSITION TO IFRS

The Company's financial statements for the year ending December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS and these condensed financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

Reconciliations of Canadian GAAP to IFRS

In compliance with IFRS 1, the Company has prepared financial information for 2010 on the transition to IFRS, presenting figures for the impact of the transition to IFRS from Canadian GAAP. Reconciliations have been prepared and are presented below. This note should be read in conjunction with note 26, Transition to IFRS, presented in the Company's condensed consolidated financial statements for the three months ended March 31, 2011 and 2010.

Iberian Minerals Corp.		
Reconciliation of Equity		
<i>(expressed in thousands of U.S. dollars)</i>		
<u>As at</u>	<u>Notes</u>	<u>June 30, 2010</u>
Shareholders' equity under Canadian GAAP		165,383
Total transitional adjustments - January 1, 2010	i	147,596
Differences increasing (decreasing) reported shareholders' equity in 2010:		
<u>Equity portion of debenture</u>		
Private debenture	ii	(134)
<u>Contributed surplus:</u>		
Dundee Debenture	iii	(415)
<u>Warrants:</u>		
New debentures	ii	(2,062)
Other warrants	iv	(4,235)
<u>Retained deficit:</u>		
Amortization	v	(23,124)
New and Private debentures	ii	2,239
Contingent consideration	vi	4,209
Minority interest	vii	92
Rehabilitation provision	viii	(40)
Warrant fair value	iv	2,957
Accretion - Dundee Debenture	ix	(61)
Dundee Debenture	iii	415
Capitalization of borrowing costs	x	87
Deferred income tax assets and liabilities	xi	(18,808)
Non-controlling interest	vii	(614)
Total equity under IFRS		273,485

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26. TRANSITION TO IFRS (continued)

Iberian Minerals Corp.

Reconciliation of Consolidated Statement of Income and Comprehensive Income for the Three Months ended June 30, 2010
(expressed in thousands of U.S. dollars)

Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassificat ions	IFRS balance	IFRS accounts
Revenues						Revenues
Sales		51,695	-	-	51,695	Sales
<i>Costs and expenses of mining operations</i>						<i>Costs and expenses of mining operations</i>
Operating costs and mine site administrative expenses		46,411	-	-	46,411	Operating costs and mine site administrative expenses
Mine site amortization	v	19,002	11,547	-	30,549	Mine site amortization
Gross margin		(13,718)	(11,547)	-	(25,265)	Gross profit
Expenses (other income)						Expenses (other income)
Stock option compensation		88	-	-	88	Share-based compensation
Administrative expenses		876	-	-	876	Administrative expenses
Finance charges		1,585	-	(1,585)	-	
Convertible debenture interest and accretion		1,293	-	(1,293)	-	
Foreign exchange loss	ii	5,856	585	-	6,441	Foreign exchange loss
Unrealized gain on derivative financial instruments	vi	(131,114)	-	-	(131,114)	Unrealized gain on derivative financial instruments
		-	(9,442)	-	(9,442)	Fair value decrease in contingent consideration
Corporate amortization		16	-	-	16	Corporate amortization
Interest income		(26)	-	26	-	
Total other income		(121,426)	(8,857)	(2,852)	(133,135)	Total other income
<i>Net income before the following:</i>		107,708	(2,690)	2,852	107,870	Operating income
		-	-	(26)	(26)	Finance income
	viii, x	-	(172)	1,585	1,413	Finance costs
	ii	-	629	1,293	1,922	Debentures interest and accretion
	ii, iii, iv	-	(6,919)	-	(6,919)	Unrealized gain on warrants
		-	(6,462)	2,852	(3,610)	Net finance costs
Non-controlling interest	vii	92	(92)	-	-	
Current income tax expense		1,256	-	-	1,256	Current income tax expense
Future income tax expense	xi	15,844	8,034	-	23,878	Future income tax expense
Net income		90,516	(4,170)	-	86,346	Net income
Other comprehensive income (loss)						Other comprehensive income (loss)
Change in unrealized loss on long-term investment		(38)	-	-	(38)	Change in unrealized loss on long-term investment
Unrealized foreign currency translation gain		-	-	-	-	Unrealized foreign currency translation gain
Other comprehensive loss for the period		(38)	-	-	(38)	Other comprehensive loss for the period
Comprehensive income for the period		90,478	(4,170)	-	86,308	Comprehensive income for the period
Net income attributable to:						
85,768 Owners of the Company						
578 Non-controlling interests						
86,346 Net income for the period						
Comprehensive income attributable to:						
85,730 Owners of the Company						
578 Non-controlling interests						
86,308 Comprehensive income for the period						
<i>Earnings per share</i>						<i>Earnings per share</i>
Basic		0.27	(0.01)	-	0.26	Basic
Diluted		0.22	(0.01)	-	0.21	Diluted
Weighted average number of registered shares						Weighted average number of registered shares
outstanding - basic		338,055,865	-	-	338,055,865	outstanding - basic
- diluted		404,742,264	-	-	404,742,264	- diluted

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26. TRANSITION TO IFRS (continued)

Iberian Minerals Corp.

Reconciliation of Consolidated Statement of Income and Comprehensive Income for the Six Months ended June 30, 2010
(expressed in thousands of U.S. dollars)

Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassificat ions	IFRS balance	IFRS accounts
Revenues						Revenues
Sales		107,494	-	-	107,494	Sales
<i>Costs and expenses of mining operations</i>						
Operating costs and mine site administrative expenses		90,685	-	-	90,685	Operating costs and mine site administrative expenses
Mine site amortization	v	37,799	23,124	-	60,923	Mine site amortization
Gross margin		(20,990)	(23,124)	-	(44,114)	Gross profit
Expenses (other income)						Expenses (other income)
Stock option compensation		165	-	-	165	Share-based compensation
Administrative expenses		2,015	-	-	2,015	Administrative expenses
Finance charges		3,828	-	(3,828)	-	
Convertible debenture interest and accretion		1,744	-	(1,744)	-	
Foreign exchange gain	ii, viii	(7,222)	1,006	-	(6,216)	Foreign exchange gain
Unrealized gain on derivative financial instruments		(118,955)	-	-	(118,955)	Unrealized gain on derivative financial instruments
	vi	-	(4,209)	-	(4,209)	Fair value decrease in contingent consideration
Corporate amortization		35	-	-	35	Corporate amortization
Interest income		(82)	-	-	82	
Total other income		(118,472)	(3,203)	(5,490)	(127,165)	Total other income
Net income before the following:		97,482	(19,921)	5,490	83,051	Operating income
		-	-	(82)	(82)	Finance income
	viii, x	-	(373)	3,828	3,455	Finance costs
	ii, ix	-	690	1,744	2,434	Debentures interest and accretion
	ii, iii, iv	-	(6,919)	-	(6,919)	Unrealized gain on warrants
		-	(6,602)	5,490	(1,112)	Net finance costs
Non-controlling interest	vii	92	(92)	-	-	
Current income tax expense		2,678	-	-	2,678	Current income tax expense
Future income tax expense	xi	14,100	18,808	-	32,908	Future income tax expense
Net income		80,612	(32,035)	-	48,577	Net income
Other comprehensive income (loss)						Other comprehensive income (loss)
Change in unrealized loss on long-term investment		(45)	-	-	(45)	Change in unrealized loss on long-term investment
Unrealized foreign currency translation gain		3,906	-	-	3,906	Unrealized foreign currency translation gain
Other comprehensive income for the period		3,861	-	-	3,861	Other comprehensive income for the period
Comprehensive income for the period		84,473	(32,035)	-	52,438	Comprehensive income for the period
Net income attributable to:						
					47,963	Owners of the Company
					614	Non-controlling interests
					48,577	Net income for the period
Comprehensive income attributable to:						
					51,824	Owners of the Company
					614	Non-controlling interests
					52,438	Comprehensive income for the period
Earnings per share						
Basic		0.24	(0.09)	-	0.14	Basic
Diluted		0.20	(0.08)	-	0.12	Diluted
Weighted average number of registered shares						
outstanding - basic		338,055,865	-	-	338,055,865	outstanding - basic
- diluted		406,370,688	-	-	406,370,688	- diluted

Explanatory notes

- i. Refer to note 26, Transition to IFRS, presented in the Company's condensed consolidated financial statements for the three months ended March 31, 2011 and 2010 for the reconciliation of equity as at January 1, 2010. The total of the transitional adjustments to equity as at January 1, 2010 was \$147,596.
- ii. The Company adopted the following accounting treatment under IFRS for the New Debentures and Private Debentures issued during Q2 2010:
 - Under IFRS when a convertible debt instrument is issued and denominated in a different currency than the functional currency the equity conversion option (the "Warrants") is valued using the Black-Scholes model and the resultant fair value is recognized as a separate liability ("Warrant liabilities"). The New Debentures and Private Debentures are denominated in Canadian dollars whilst the functional currency of the Company is U.S. dollars.
 - The carrying value of the convertible debt is derived by deducting the fair value of the Warrants from the face value of the convertible debt.

26. TRANSITION TO IFRS (continued)

- Identifiable transaction costs are allocated on a pro-rata basis to the convertible debt and Warrants. Transaction costs allocated to the carrying value of the convertible debt are deducted from its carrying value. Transaction costs allocated to Warrants are recognized as a finance cost.
- Subsequent to recognizing the carrying value of the convertible debt it is accreted up to its face value over the term.
- Subsequent to recognizing the Warrant liabilities, it is re-valued at each reporting date with the resulting gain or loss being recognized in the income statement.

The Company derecognized amounts previously recorded in equity under Canadian GAAP (New Debentures - \$2,062; Private Debentures - \$134).

On inception of the New Debentures, in April 2010, the Company assigned a fair value of \$8,025 to Warrant liabilities. The resulting carrying value of the New Debentures was \$16,941. Transaction costs of \$84 were recognized in finance costs. During Q2 2010 the Company recognized accretion expense of \$933. At June 30, 2010 the Warrant liabilities had fair value of \$4,477 resulting in an unrealized gain on Warrants of \$3,547 being recognized in the income statement in the three and six months ended June 30, 2010.

On inception of the Private Debentures, on June 30, 2010, the Company assigned a fair value of \$615 to Warrant liabilities. The resulting carrying value of the New Debentures was \$2,829. Transaction costs of \$9 were recognized in finance costs.

- iii. Dundee Debenture: reclassification from warrant liability to equity (contributed surplus) and reduction of the fair value of the conversion option by \$415 in April 2010. For further discussion refer to note 10 (Dundee Debenture).
- iv. On April 1, 2010 the Company adopted the U.S. dollar as its functional currency. The effect of this change on the outstanding warrants under IFRS was that the fair value previously recorded under Canadian GAAP (\$4,235) must be derecognized from equity and re-classified as a warrant liability. This re-classification was required as the underlying warrant price was no longer denominated in the Company's functional currency (previously Canadian dollars). On April 1, 2010 the Company re-measured the fair value of outstanding warrants using the Black-Scholes valuation model. The 29,640,353 warrants outstanding on April 1, 2010 had a fair value of \$2,388 (refer to note 19, Warrants). As at June 30, 2010 warrants outstanding had a fair value of \$1,099. Relating to these warrants the Company recorded a fair value gain in the three and six months ended June 30, 2010 of \$2,957.
- v. Subsequent to the impairment reversals taken at CMC of \$108,248 and at MATSA of \$157,463 on transition to IFRS at January 1, 2010, the Company recognized additional mine site amortization expense in the six months ended June 30, 2010 in the amount of \$22,978 (CMC - \$12,865; MATSA - \$10,113) and in the three months ended June 30, 2010 in the amount of \$11,504 (CMC - \$6,427; MATSA - \$5,077).

Additional amortization recorded on the rehabilitation provision assets was \$230 in the six months ended June 30, 2010 and \$124 in the three months ended June 30, 2010.

In connection with the workforce intangible asset that was derecognized on transition to IFRS on January 1, 2010, in the six month period ended June 30, 2010 the Company derecognized \$84 in amortization expense (three months ended June 30, 2010 - \$81).

- vi. The fair value of the contingent consideration at June 30, 2010 was \$50,558. This amount was not previously recorded under Canadian GAAP as it did not meet the criteria required for recognition. The amount of \$4,209 was recorded as a fair value gain in the six month period ended June 30, 2010 to decrease the fair value of the contingent consideration liability from \$54,767 on transition to IFRS at January 1, 2010. The amount of \$9,442 was recorded as a fair value gain in the three month period ended June 30, 2010 to decrease the fair value of the contingent consideration liability from \$60,000 as at March 31, 2010.
- vii. In the six month period ended June 30, 2010 the Company recognized a non-controlling interest, under IFRS, of \$614 relating to CMC (three months ended June 30, 2010 - \$578). Minority shareholdings of CMC approximate 1.3%. The previous non-controlling interest recorded under Canadian GAAP in the amount of \$92 for the three and six months ended June 30, 2010 was derecognized.
- viii. In connection with the increased rehabilitation provision recorded of \$10,578 on January 1, 2010 (CMC - \$1,462; MATSA \$9,116) the Company recorded decreased accretion expense in finance costs of \$379 during the six months ended June 30, 2010 (CMC - \$202; MATSA - \$177). The decreased accretion expense during the three months ended June 30, 2010 was \$178 (CMC - \$101; MATSA - \$77).

The decreased accretion expense was offset by a foreign exchange adjustment in the amount of \$420 in Q1 2010 which was related to previous accounting under Canadian GAAP. This resulted in a net adjustment to equity of \$40 in the six months ended June 30, 2010.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
(expressed in thousands of U.S. dollars)
(unaudited)

26. TRANSITION TO IFRS (continued)

- ix. In relation to the Dundee Debenture (January 1, 2010 transition explanatory note viii), \$61 was recorded as accretion expense during the period.
- x. During the three and six months ended June 30, 2010 the Company capitalized borrowing costs incurred by MATSA in the amount of \$87.
- xi. The adjustments to deferred income tax assets and liabilities principally reflect the tax effects of other IFRS adjustments.