



IBERIAN
MINERALS



Iberian Minerals Corp.

Management's Discussion and Analysis

Three and six months ended June 30, 2011

Introduction

This report provides a discussion and analysis of the financial condition and results of operations of Iberian Minerals Corp. (“Iberian” or the “Company”) to enable the reader to assess material changes in financial condition between June 30, 2011 and December 31, 2010 and results of operations for the three and six months ended June 30, 2011 and June 30, 2010.

This Management’s Discussion and Analysis (“MD&A”) has been prepared as of August 15, 2011. This MD&A is intended to supplement and complement the unaudited condensed consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2011 (collectively the “Financial Statements”). The reader should review the Financial Statements in conjunction with the review of this MD&A. This MD&A should be read in conjunction with both the annual audited consolidated financial statements for the year ended December 31, 2010, and the most recent Annual Information Form (“AIF”) for the year ended December 31, 2010. The reader should also refer to the unaudited condensed consolidated financial statements for the three months ended March 31, 2011 for full disclosure of the results of the Company’s transition to International Financial Reporting Standards (“IFRS”). These documents can be found at www.sedar.com. The Company prepares and files its consolidated financial statements in accordance with IFRS. The currency referred to in this document is the United States dollar, unless otherwise specified.

Trafigura Beheer B.V. (“Trafigura”) is a related party by virtue of its significant shareholdings in the Company. Trafigura owns approximately 48.3% of all outstanding registered shares of the Company.

Unless otherwise noted, financial information is presented in thousands of U.S. dollars.

Forward-looking Statements

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

1. Description of business

Iberian is a Swiss corporation and is a global base metals company with mining interests in Peru and Spain.

The Condestable Mine, owned by the Company's subsidiary, Compania Minera Condestable S.A. ("CMC" or "Condestable") is located approximately 90 km south of Lima, Peru and operates at 2.4 million tonnes per year (6,600 tpd) of ore processed, producing copper concentrates that also contain gold and silver.

The Aguas Tenidas Mine, owned by the Company's subsidiary, Minas de Aguas Tenidas S.A. ("MATSA") in the Andalucia region of Spain approximately 110 km north-west of Seville, operates a 2.2 million tonnes per year (6,000 tpd) underground mine and concentrator that produces copper, zinc and lead concentrates that also contain silver.

Iberian's registered office is in Lucerne, Switzerland. The Company has offices in Seville, Lima and Toronto and a global workforce of more than 2,500 employees and contract workers. The Company is listed on the Toronto Venture Exchange ("TSXV"), and trades under the symbol IZN.

2. Highlights – three and six months ended June 30, 2011

Financial:

- In June 2011 the Company completed a CA\$ 76 million equity financing which allowed for the buy-out of Trafigura's 45.96% net-profit interest ("NPI") in Condestable (for 2011 to 2014) for \$60 million. The buy-out of the NPI was completed on June 30, 2011.

Three months ended June 30, 2011

- Recorded net income of \$47.80 million or \$0.13 per registered share which included:
 - Sales of \$86.14 million and gross loss of \$7.36 million;
 - A realized loss of \$58.50 million on commodity hedges (included in sales) which caused the gross loss;
 - An unrealized non-cash gain of \$65.36 million on derivative financial instruments outstanding, principally as a result of commodity hedging positions in copper and zinc that were delivered into during the period and were thus retired.
- Cash flow provided by operations before changes in working capital items was \$20.10 million.

Six months ended June 30, 2011

- Recorded net income of \$77.96 million or \$0.21 per registered share which included:
 - Sales of \$123.37 million and gross loss of \$29.93 million;
 - A realized loss of \$118.60 million on commodity hedges (included in sales) which caused the gross loss;
 - An unrealized non-cash gain of \$128.44 million on derivative financial instruments outstanding, principally as a result of commodity hedging positions in copper and zinc that were delivered into during the period and were thus retired.
- Cash flow provided by operations before changes in working capital items was \$20.80 million.

Operational – CMC:

Three months ended June 30, 2011

- Condestable Mine processed copper ore above budgeted rates. The average copper ore grade was 1.11% in 2011 versus 1.18% in 2010.
- CMC processed 593,290 tonnes of ore in 2011 versus 550,708 tonnes of ore in 2010 (increase of 8%).
- Copper concentrate production in 2011 was 24,491 DMT versus 23,014 DMT in 2010 (increase of 6%).
- Contained copper production in 2011 was 5,931 FMT versus 5,829 FMT tonnes in the prior year (increase of 2%).
- The Cash Operating Cost (*non-IFRS measure - refer to section 6*) in 2011 was \$1.08 per payable pound of copper versus prior year of \$1.02. For the current year this is below the 2011 guidance of \$1.15 per payable pound of copper.

Six months ended June 30, 2011

- Condestable Mine processed copper ore above budgeted rates. The average copper ore grade was 1.11% in 2011 versus 1.14% in 2010.
- CMC processed 1,172,028 tonnes of ore in 2011 versus 1,102,391 tonnes of ore in 2010 (increase of 6%).
- Copper concentrate production in 2011 was 47,878 DMT versus 44,296 DMT in 2010 (increase of 8%).
- Contained copper production in 2011 was 11,699 FMT versus 11,164 FMT tonnes in the prior year (increase of 5%).
- The Cash Operating Cost in 2011 was \$1.09 per payable pound of copper versus prior year of \$1.04. For the current year this is below the 2011 guidance of \$1.15 per payable pound of copper.

Other

- In May 2011 CMC completed an amendment to its senior debt facility and increased the principal to \$60 million and extended the term by six months (to September 2013).
- Major project works were completed in Q2 2011, two months ahead of schedule, on the previously announced 10% processing plant expansion. The processing plant reached 6,600 tpd of ore processed in June 2011.

Operational – MATSA:

Three months ended June 30, 2011

- MATSA processed 466,444 tonnes of ores in 2011 versus 381,795 tonnes of ores in 2010 (increase of 22%).
- Produced 28,300 DMT of copper concentrate (2010 – 20,659 DMT), 15,236 DMT of zinc concentrate (2010 – 9,718 DMT) and 5,970 DMT of lead concentrate (2010 – nil). Contained metal production was 6,216 FMT of copper (2010 – 4,465 tonnes), 7,307 FMT of zinc (2010 – 4,633 tonnes), 1,064 FMT of lead (2010 – nil) and 213,806 ounces of silver (2010 – 196,944 ounces).

- The Cash Operating Cost was \$1.73 per payable pound of copper (2010 - \$2.38 per payable pound of copper). For the current year this is below the 2011 guidance of \$1.75 per payable pound of copper.

Six months ended June 30, 2011

- MATSA processed 980,527 tonnes of ores in 2011 versus 739,357 tonnes of ores in 2010 (increase of 33%).
- Produced 55,708 DMT of copper concentrate (2010 – 40,062 DMT), 32,602 DMT of zinc concentrate (2010 – 15,677 DMT) and 16,245 DMT of lead concentrate (2010 – nil). Contained metal production was 12,357 FMT of copper (2010 – 9,631 tonnes), 15,774 FMT of zinc (2010 – 7,566 tonnes), 2,998 FMT of lead (2010 – nil) and 486,068 ounces of silver (2010 – 334,510 ounces).
- The Cash Operating Cost was \$1.73 per payable pound of copper (2010 - \$2.30 per payable pound of copper). For the current year this is below the 2011 guidance of \$1.75 per payable pound of copper

Other

- In May 2011 MATSA was awarded the exploration concessions by the local authorities for the Sotiel property. The Sotiel mine, which forms part of the concessions, was a past producing mine and is located approximately 30 km from the Aguas Tenidas operation.

3. Outlook

The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the cautionary statement on Forward-looking Statements included with this MD&A.

Operations

The Company maintains previously issued production guidance for 2011.

- At Condestable, with the 10% processing plant expansion substantially completed, it is expected that produced metal will be as follows: 23,900 FMT copper, 15,500 Foz gold and 289,300 Foz silver. The Cash Operating Cost per pound of payable copper produced is expected to be \$1.15.
- The production guidance for Aguas Tenidas remains as follows: 25,000 FMT copper, 33,900 FMT zinc, 3,700 FMT lead and 730,000 Foz silver. The Cash Operating Cost per pound of payable copper produced is expected to be \$1.75.
- The labour contract negotiations on-going at MATSA remain un-resolved. The most recent contract expired on December 31, 2010. The Company remains hopeful that a new collective labour agreement will be reached. However, any negative developments in this regard, including the possibility of a work stoppage, may negatively impact on expected production from Aguas Tenidas in 2011.

Development

The Company continues activities relating to the study of a possible rehabilitation and re-start of the Sotiel Mine together with a related expansion study for the operations at Aguas Tenidas. A budget for this work program of approximately \$20 million was approved by the Board of Directors in June 2011 and is expected to be spent over the remainder of 2011 and early 2012. It is expected that, having completed a substantial portion of the evaluation in the coming months, the Company could make a construction decision by the end of 2011.

4. Overview of financial results

The following table presents a summarized Statement of Operations for the three and six months ended June 30, 2011 with comparatives for the three and six months ended June 30, 2010.

<i>(thousands of U.S. Dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Sales	86,142	51,695	123,372	107,494
Costs and expenses of mining operations	93,504	76,960	153,305	151,608
Gross loss	(7,362)	(25,265)	(29,933)	(44,114)
Expenses				
Administrative expenses and other	1,625	980	3,071	2,215
Foreign exchange (gain) loss	22	6,441	3,163	(6,216)
Contingent consideration fair value	-	(9,442)	-	(4,209)
Unrealized gain on derivative instruments	(65,362)	(131,114)	(128,440)	(118,955)
Total expenses (other income)	(63,715)	(133,135)	(122,206)	(127,165)
Operating income	56,353	107,870	92,273	83,051
Net finance costs	2,042	(3,610)	8,273	(1,112)
Income before taxation	54,311	111,480	84,000	84,163
Current income tax expense	238	1,256	1,081	2,678
Future income tax expense	6,277	23,878	4,961	32,908
Net income	47,796	86,346	77,958	48,577
Basic earnings per share (\$)	0.13	0.26	0.21	0.14
Diluted earnings per share (\$)	0.12	0.21	0.20	0.12

Second quarter ended June 30, 2011 versus 2010

During the quarter ended June 30, 2011 (the "Current Quarter") the Company recorded net income of \$47.80 million or \$0.13 per share compared to \$86.35 million or \$0.26 per share for the quarter ended June 30, 2010 (the "Comparative Quarter"). Gross loss for the Current Quarter was \$7.36 million compared to \$25.27 million for the Comparative Quarter. Income before taxation for the Current Quarter was \$54.31 million compared to \$111.48 million for the Comparative Quarter. The \$38.55 million decrease in net income was primarily due to unrealized hedging gains of \$65.36 million in the Current Quarter versus unrealized hedging gains of \$131.11 million in the Comparative Quarter. This was partially offset by a lower gross loss of \$17.90 million and a foreign exchange loss of \$0.02 million in the Current Quarter versus a foreign exchange loss of \$6.44 million in the Comparative Quarter.

Sales in the Current Quarter were \$86.14 million (Comparative Quarter - \$51.70 million) and costs and expenses of mining operations in the Current Quarter were \$93.50 million (Comparative Quarter - \$76.96 million). Mine site amortization increased from \$30.55 million in the Comparative Quarter to \$30.61 million in the Current Quarter. Gross loss in the Current Quarter was \$7.36 million (Comparative Quarter - \$25.27 million). The Company's payable copper production increased 18% from 9,839 FMT in the Comparative Quarter to 11,591 FMT in the Current Quarter. The Company produced 6,088 FMT of payable zinc in the Current Quarter (Comparative Quarter - 3,856 FMT). Operating costs and mine site administrative expenses increased by 36% versus the Comparative Quarter primarily due to cost recognition based on timing of concentrate shipments. Mine site amortization was consistent with the Comparative Quarter.

The significant increase in sales of 67% in the Current Quarter was primarily due to higher concentrate shipments by MATSA versus the Comparative Quarter and Q1 2011. In the Current Quarter MATSA shipped 38,200 DMT of copper concentrates and 10,800 DMT of zinc concentrate. In Q1 2011 MATSA shipped 14,900 DMT of copper concentrates and 13,200 DMT of zinc concentrate. In the Comparative Quarter MATSA shipped 17,900 DMT of copper concentrate and 4,000 DMT of zinc concentrate. MATSA's concentrate inventory decreased by \$11.80 million in the Current Quarter from March 31, 2011 and increased by \$7.72 million in the Current Period from December 31, 2010. The inventory movements in both periods were due to timing of concentrate shipments.

Other income in the Current Quarter was \$63.72 million (Comparative Quarter – \$133.14 million). The variance of \$(69.42) million was due to the cumulative effect of the following:

- i. Unrealized hedging gain of \$65.36 million in the Current Quarter versus unrealized hedging gain of \$131.11 million in the Comparative Quarter; a decreased gain of \$65.75 million. This variation is primarily due to commodity hedging contracts that matured in the Current Quarter whereby the prior unrealized loss was realized and recorded in the reported sales of the Company. In the Comparative Quarter the unrealized hedging gain was primarily due to a decline in market copper and zinc prices and not due to settlement of hedging contracts. Unrealized gains or losses on derivative hedging contracts must be recorded in accordance with IFRS. Future gains or losses to be realized upon settlement of the commodity derivative contracts or foreign exchange forward contracts may differ materially. For further discussion refer to section 11 of this MD&A.
- ii. Foreign exchange loss was \$0.02 million in the Current Quarter versus \$6.44 million loss in the Comparative Quarter.

Net finance costs in the Current Quarter were \$2.04 million (Comparative Quarter – net finance income of \$3.61 million). The increase was primarily due to a \$7.03 million increase in the fair value of certain share purchase warrants that are tied to a CA\$ 25 million debenture and other warrants. Under IFRS these warrants are classified as a warrant liability on the balance sheet and are valued using the Black-Scholes model at each reporting date. Fair value gains and losses on the warrants are recorded in net finance costs.

As at June 30, 2011, property, plant and equipment, net of accumulated amortization was \$597.43 million (December 31, 2010 - \$637.11 million). In the Current Quarter, property plant and equipment expenditures were \$7.21 million; capital expenditures of \$5.99 million incurred by MATSA, primarily relating to the tailings expansion project (second phase) and long-term mine development, and \$1.27 million incurred by CMC related to its plant expansion project.

Current income tax expense in the Current Quarter was \$0.24 million (Comparative Quarter – \$1.26 million). Future income tax expense for the Current Quarter was \$6.28 million (Comparative Quarter – \$23.88 million). The future tax expense in the Current Quarter was primarily due to the tax effect of unrealized hedging gains described above. This was partially off-set by unrealized foreign exchange gains on non-monetary tax balances at MATSA denominated in Euros.

Six months ended June 30, 2011 versus 2010

During the six months ended June 30, 2011 (the "Current Period") the Company recorded net income of \$77.96 million or \$0.21 per share compared to \$48.58 million or \$0.14 per share for the six months ended June 30, 2010 (the "Comparative Period"). Gross loss for the Current Period was \$29.93 million compared to \$44.11 million for the Comparative Period. Income before taxation for the Current Period was \$84.00 million compared to \$84.16 million for the Comparative Period. The \$29.38 million increase in net income was primarily due to unrealized hedging gains of \$128.44 million in the Current Period versus unrealized hedging gains of \$118.96 million in the Comparative Period. Also there was a decrease in gross loss of \$14.18 million partially offset by negative foreign exchange variance of \$9.38 million.

Sales in the Current Period were \$123.37 million (Comparative Period - \$107.49 million) and costs and expenses of mining operations in the Current Period were \$153.31 million (Comparative Period - \$151.61 million). Mine site amortization decreased from \$60.92 million in the Comparative Period to \$60.39 million in the Current Period. Gross loss in the Current Period was \$29.93 million (Comparative Period - \$44.11 million). The Company's payable copper production increased 16% from 19,848 FMT in the Comparative Period to 22,964 FMT in the Current Period. The Company produced 13,163 FMT of payable zinc in the Current Period (Comparative Period –

6,312 FMT). Operating costs and mine site administrative expenses increased by 3% versus the Comparative Mine site amortization was consistent with the Comparative Quarter.

The increase in sales of 15% in the Current Period was primarily due to higher concentrate shipments by MATSA versus the Comparative Period. In the Current Period MATSA shipped 53,100 DMT of copper concentrates and 24,000 DMT of zinc concentrate. In the Comparative Period MATSA shipped 37,900 DMT of copper concentrate and 8,900 DMT of zinc concentrate. MATSA's concentrate inventory increased by \$7.72 million in the Current Period from December 31, 2010. The inventory movement was due to timing of concentrate shipments. The Company received advance payments in the amount of \$34.90 million in the Current Period against un-shipped concentrate. The advances are recorded in trade and other payables as deferred revenue. These amounts will be recorded as sales in a subsequent period when criteria for revenue recognition are met (i.e. shipment of the concentrates).

Other income in the Current Period was \$122.21 million (Comparative Period – \$127.17 million). The variance of \$(4.96) million was due to the cumulative effect of the following:

- i. Unrealized hedging gain of \$128.44 million in the Current Period versus unrealized hedging gain of \$118.96 million in the Comparative Period; an increased gain of \$9.48 million. This variation is primarily due to commodity hedging contracts that matured in the Current Period whereby the prior unrealized loss was realized and recorded in the reported sales of the Company. In the Comparative Period the unrealized hedging gain was primarily due to a decline in market copper and zinc prices and not due to settlement of hedging contracts. Unrealized gains or losses on derivative hedging contracts must be recorded in accordance with IFRS. Future gains or losses to be realized upon settlement of the commodity derivative contracts or foreign exchange forward contracts may differ materially. For further discussion refer to section 11 of this MD&A.
- ii. Foreign exchange loss was \$3.16 million in the Current Period versus foreign exchange gain of \$6.22 million in the Comparative Period.

Net finance costs in the Current Period were \$8.27 million (Comparative Period – net finance income of \$1.11 million). The increase was primarily due to an \$11.42 million increase in the fair value of certain share purchase warrants that are tied to a CA\$ 25 million debenture and other warrants. Under IFRS these warrants are classified as a warrant liability on the balance sheet and are valued using the Black-Scholes model at each reporting date. Fair value gains and losses on the warrants are recorded in net finance costs.

As at June 30, 2011, property, plant and equipment, net of accumulated amortization was \$597.43 million (December 31, 2010 - \$637.11 million). In the Current Period, property plant and equipment expenditures were \$18.54 million; capital expenditures of \$13.70 million incurred by MATSA, primarily relating to the tailings expansion project (second phase), crushing expansion and long-term mine development, and \$4.97 million incurred by CMC primarily related to its plant expansion project.

Current income tax expense in the Current Period was \$1.08 million (Comparative Period – \$2.68 million). Future income tax expense for the Current Period was \$4.96 million (Comparative Period – \$32.91 million). The future tax expense in the Current Period was primarily due to the tax effect of unrealized hedging gains described above. This was partially off-set by unrealized foreign exchange gains on non-monetary tax balances at MATSA denominated in Euros.

Selected Quarterly Information

The table below presents selected financial data for the Company's eight most recently completed quarters.

	Q2		Q1		Q4		Q3	
	June 30,		March 31,		December 31,		September 30,	
	2011		2011		2010 (1)		2010 (1)	
Sales	\$	86,142	\$	37,230	\$	61,747	\$	57,482
Net income (loss)		47,796		30,162		(67,318)		(97,683)
Earnings (loss) per share basic		0.13		0.08		(0.19)		(0.29)
Earnings (loss) per share fully diluted		0.12		0.08		(0.19)		(0.29)
Total assets		774,037		778,185		750,938		534,960
Cash and cash equivalents		32,808		31,204		12,964		11,422
Equity		284,424		160,413		124,278		68,100

	Q2		Q1		Q4		Q3	
	June 30,		March 31,		December 31,		September 30,	
	2010		2010		2009 (1)		2009 (1)	
Sales	\$	51,695	\$	55,799	\$	67,012	\$	26,705
Net income (loss)		86,346		(37,767)		(65,322)		(70,403)
Earnings (loss) per share basic		0.26		(0.11)		(0.22)		(0.23)
Earnings (loss) per share fully diluted		0.21		(0.11)		(0.22)		(0.23)
Total assets		759,611		772,433		522,340		498,750
Cash and cash equivalents		18,565		9,078		14,703		11,486
Equity		274,096		192,324		78,458		140,895

(1) as previously presented under Canadian GAAP

Realized metals prices

The average prices of copper, zinc, lead, gold and silver for the three and six months ended June 30, 2011 and 2010 are summarized below.

CMC (prices in U.S. Dollars)	Realized prices				Market prices			
	Three months		Six months		Three months		Six months	
For the period ended June 30,	2011	2010	2011	2010	2011	2010	2011	2010
Copper (per lb.)	1.73	2.05	1.85	2.05	4.15	3.19	4.26	3.23
Gold (per oz.)	1,364	1,114	1,316	1,077	1,504	1,196	1,444	1,152
Silver (per oz.)	38.90	18.32	35.45	17.70	38.17	18.32	34.92	17.62

Note: Realized prices include impact of realized hedge gains or losses.

MATSA (prices in U.S. Dollars)	Realized prices				Market prices			
	Three months		Six months		Three months		Six months	
For the period ended June 30,	2011	2010	2011	2010	2011	2010	2011	2010
Copper (per lb.)	2.05	2.11	2.36	2.36	4.15	3.19	4.26	3.23
Zinc (per lb.)	0.89	0.82	0.80	0.88	1.02	0.92	1.05	0.98
Lead (per lb.)	1.24	-	1.19	-	1.16	0.90	1.17	0.95
Silver (per oz.)	35.64	18.05	32.15	17.59	38.17	18.32	34.92	17.62

Note: Realized prices include impact of realized hedge gains or losses.

5. Operational results

MATSA

Operating statistics for the three and six months ended June 30, 2011 and 2010 were:

Periods ended June 30,	Unit	Three months		Six months	
		2011	2010	2011	2010
Copper ore					
Ore mined	t	316,274	293,732	620,961	578,944
Ore processed	t	287,355	276,580	593,103	558,266
Copper ore grade	%	2.23	1.79	2.21	1.84
Concentrate grade	%	22	21	22	22
Copper recovery rate	%	85	82	86	84
Copper concentrate	DMT	24,854	18,322	50,609	37,725
Copper contained in concentrate	FMT	5,439	3,949	11,231	8,487
Silver contained in concentrate	oz	76,500	58,337	155,200	122,808
Payable copper contained in concentrate	FMT	5,191	3,766	10,725	8,110
Payable silver contained in concentrate	oz	52,505	40,664	106,416	86,420
Polymetallic ore					
Ore mined	t	200,377	114,392	414,557	176,051
Ore processed	t	179,089	105,215	387,424	181,091
Zinc ore grade	%	5.86	7.02	5.91	6.68
Zinc concentrate grade	%	48	48	48	48
Zinc recovery rate	%	70	60	69	62
Copper ore grade	%	1.09	1.38	1.05	1.30
Copper concentrate grade	%	23	22	22	22
Copper recovery rate	%	40	41	28	41
Lead ore grade	%	1.73	-	1.79	-
Lead concentrate grade	%	18	-	19	-
Lead recovery rate	%	34	-	43	-
Zinc concentrate	DMT	15,236	9,718	32,602	15,677
Copper concentrate	DMT	3,446	2,337	5,099	2,337
Copper/lead concentrate	DMT	-	-	-	6,071
Lead concentrate	DMT	5,970	-	16,245	-
Zinc contained in concentrate	FMT	7,307	4,633	15,774	7,566
Copper contained in concentrate	FMT	777	516	1,126	1,144
Lead contained in concentrate	FMT	1,064	-	2,998	-
Silver contained in concentrate	oz	137,306	138,607	330,868	211,702
Payable zinc contained in concentrate	FMT	6,088	3,856	13,163	6,312
Payable copper contained in concentrate	FMT	743	502	1,075	1,070
Payable lead contained in concentrate	FMT	884	-	2,510	-
Payable silver contained in concentrate	oz	80,707	71,088	205,362	125,999
Cash Operating Cost per lb of payable copper	USD	1.73	2.38	1.73	2.30

- Cash Operating Cost per payable pound of copper was \$1.73 for the Current Quarter versus \$2.38 for the Comparative Quarter, an improvement of 27%. The Cash Operating Cost per payable pound of copper for the Current Period was \$1.73 versus \$2.30 for the Comparative Period, an improvement of 25%. The improvements were primarily due to increased payable copper production and a significant

increase in by-product zinc, silver and lead credits in the Current Quarter and Current Period versus the comparative periods.

- Ores processed (combined copper and poly-metallic) were 85% of budget in the Current Quarter and 90% of budget in the Current Period. Ore throughput in the Current Quarter was impacted by planned maintenance on the ball mill. Despite lower ore throughput the metallurgical performance of both circuits was better than planned, particularly in the poly-metallic circuit where a better grinding of the ore was achieved. Metal production was within budgeted parameters.
- The copper circuit has operated above target metallurgical parameters in 2011 so far.
 - In the Current Quarter the copper ore head grade was 2.29% (Comparative Quarter – 1.79%); copper concentrate grade was 22% (Comparative Quarter – 21%); and the copper circuit recovery rate was 85% (Comparative Quarter – 82%).
 - In the Current Period the copper ore head grade was 2.21% (Comparative Period – 1.84%); copper concentrate grade was 22% (Comparative Period – 22%); and the copper circuit recovery rate was 86% (Comparative Period – 84%).
- The poly-metallic circuit results were as follows:
 - Poly ore processed was 179,089 tonnes in the Current Quarter and 387,424 tonnes in the Current Period.
 - Produced 15,236 DMT of zinc concentrate in the Current Quarter and 32,602 DMT of zinc concentrate in the Current Period. The zinc ore head grade was 5.90% in the Current Quarter and 5.91% in the Current Period. Zinc concentrate grade achieved in the Current Quarter was 48% and the zinc recovery rate was 70% (as compared to budget recovery rate of 66%). In the Current Period the zinc concentrate grade was 48% and the zinc recovery rate was 69%.
 - In the Current Quarter copper concentrate production from this circuit was 3,446 DMT with a concentrate grade of 23% and recovery rate of 40%. In the Current Period copper concentrate production was 4,804 DMT with a concentrate grade of 21% and recovery rate of 28%.
 - In the Current Quarter lead concentrate production from this circuit was 5,970 DMT with a concentrate grade of 18% and recovery rate of 34%. In the Current Period lead concentrate production was 16,382 DMT with a concentrate grade of 19% and recovery rate of 43%.
- Concentrate inventory movements:

Concentrate inventory			Copper	Zinc
As at January 1, 2011		DMT	14,352	2,817
First quarter:	Production	DMT	27,408	17,366
	Shipments	DMT	(14,926)	(13,175)
As at March 31, 2011		DMT	26,834	7,008
Second quarter:	Production	DMT	28,300	15,236
	Shipments	DMT	(38,243)	(10,831)
As at June 30, 2011		DMT	16,891	11,413

- On-going projects including status updates are as follows:
 - Earthwork related to the planned raising of the tailings deposit (second phase) has been completed. This work was performed by a contractor under third party QA/QC supervision.
 - The crushing expansion, which consists of the installation of a second, parallel primary crusher and in-line secondary cone crusher, to optimize plant throughput has been commissioned, and is only pending final operating permit. The delay in permitting is due to an unexpected request by authorities to update the site closure plan and submit to public consultation ahead of the 2012 E.U. deadline for waste dump characterization. Approval is expected in Q3. The ROM pad expansion, for better blending of mined production to meet optimal mill feed parameters, was completed in Q1 of 2011.
 - Work is underway to install lead and copper cleaner column cells to improve further copper and lead concentrate grades. Completion occurred in Q2 with commissioning and testing to occur in Q3.

- Sotiel Project and Aguas Tenidas Expansion Project Update:
 - A project manager was hired during Q2 to lead the evaluation of both projects;
 - Engineering and consulting companies have been engaged to undertake a variety of work at Aguas Tenidas in anticipation of making a formal decision regarding production at Sotiel;
 - The primary focus at the Sotiel mine site is de-watering of the existing mine, which will allow access to the underground. A water treatment plant will be installed on site in conjunction with the de-watering of the Sotiel mine.
 - Work has commenced in surveying and geology evaluation which will be necessary to validate historical resources to 43-101 compliant standards.
 - Outside contractors will be undertaking survey work for roads and potential ramp locations. Regional and structural geology are also being compiled to aid in interpretation of the Sotiel deposits.
 - The approved budget for the Sotiel Project and Aguas Tenidas Expansion Project evaluation is \$20 million to be incurred over the remainder of 2011 and early 2012.

CMC

The following are the highlights of CMC for the three and six months ended June 30, 2011 and 2010:

- Ore processed in the Current Quarter exceeded that of the Comparative Quarter by 8%. Ore processed in the Current Period exceeded that of the Comparative Period by 6%. The copper ore grade in the Current Quarter was 1.11% versus a copper ore grade of 1.18% in the Comparative Quarter. For the Current Period the copper ore grade was 1.11% versus 1.14% in the Comparative Period. Contained copper produced in the Current Quarter exceeded the Comparative Quarter by 2%. For the Current Period the contained copper production exceeded the Comparative Period by 5%. The increases in contained copper production are primarily due to higher volumes of processed ore partially off-set by lower copper ore grade.
- Operating statistics for the three and six months ended June 30, 2011 and 2010 were:

Periods ended June 30,	Unit	Three months		Six months	
		2011	2010	2011	2010
Ore mined	t	591,530	552,706	1,179,485	1,104,033
Ore processed	t	593,290	550,708	1,172,028	1,102,391
Copper ore grade	%	1.11	1.18	1.11	1.14
Concentrate grade	%	24	25	24	25
Copper recovery rate	%	90	90	90	89
Copper concentrate	DMT	24,491	23,014	47,878	44,296
Copper contained in concentrate	FMT	5,931	5,829	11,699	11,164
Gold contained in concentrate	oz	3,626	4,020	7,031	7,279
Silver contained in concentrate	oz	83,424	65,662	161,264	131,708
Payable copper contained in concentrate	FMT	5,658	5,571	11,164	10,668
Payable gold contained in concentrate	oz	3,283	3,318	6,366	6,269
Payable silver contained in concentrate	oz	74,706	63,821	144,412	122,966
Cash Operating Cost per lb of payable copper	USD	\$ 1.08	\$ 1.02	\$ 1.09	\$ 1.04

- Cash Operating Cost for the Current Quarter was \$1.08 per payable pound of copper (Comparative Quarter – \$1.02). In the Current Period the Cash Operating Cost was \$1.09 per payable pound of copper (Comparative Period - \$1.04). Contributing to the increased costs were ore and waste transportation costs and higher consumables costs in the processing plant.
- A capital project to expand secondary crushing capacity was approved in the first quarter of 2010 at an expected cost of \$3.30 million to be funded from operating cash flows. The secondary crushing capacity expansion was completed in the second quarter of 2011 at an actual cost of \$3.90. The additional crushing provides added flexibility and reliability in the processing plant.
- In late 2010 a project to expand the processing plant by 10% commenced with expected ramp-up to 6,600 tpd of ore processed in Q3 of 2011. The objective of the plant expansion is to maintain current levels of copper metal production in light of decreasing average copper ore head grade in the mine. The expansion was funded through leasing arrangements and operating cash flows. Major project works were completed in Q2 2011 such that the processing plant reached 6,600 tpd of ore processed in June 2011. The actual cost of the expansion is expected to be \$14.2 million, including the secondary crushing project above.
- Current exploration activities are being carried out at Condestable Norte, Vinchos Centro, Vinchos Sur and the old Progreso open pit.

6. Non-IFRS measures

The Company has included certain non-IFRS measures including “Cash Operating Cost per pound of payable copper” and “cash flow from operating activities before changes in non-cash working capital” in this MD&A. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures presented by other companies. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for indicators prepared in accordance with IFRS.

The Cash Operating Cost per pound of payable copper includes cash operating costs, including treatment and refining charges (“TC/RC”), freight and distribution costs, and is net of by-product metal credits (zinc, gold and silver). The Cash Operating Cost per pound of payable copper indicator is consistent with the widely accepted industry standard established by Brook Hunt and is also known as the C1 cash cost.

7. Liquidity and capital resources

The Company monitors factors that could impact on its liquidity as part of the Company's overall capital management strategy. Factors that are monitored include but are not limited to the market price of copper, zinc, lead, gold and silver, foreign currency rates, production levels, operating costs, capital costs and administrative costs.

The following is a summary of the Company's cash position and cash flows as at June 30, 2011 and December 31, 2010 and for the six months ended June 30, 2011 and 2010:

<i>(thousands of U.S. Dollars)</i>	As at June 30, 2011	As at Dec. 31, 2010
Cash	32,808	12,964
Restricted cash	23,241	21,606
Working capital (deficiency)	(230,909)	(396,528)

For the period ended June 30,	Six months 2011	2010
Cash flows		
Cash flow from operating activities after changes in working capital items	(7,512)	(15,772)
Cash flow from operating activities before changes in working capital items	20,797	12,555
Cash flow from financing activities	46,156	45,574
Cash used by investing activities	(20,013)	(24,639)

Cash and cash equivalents as at June 30, 2011 increased to \$32.81 million from \$12.96 million at December 31, 2010. The net increase was due to the combined impact of cash generated from operations and financing activities net of capital expenditures for the year to date 2011 of \$80.01 million and loan repayments of \$7.53 million in the first six months of 2011.

Iberian reported working capital deficiency of \$230.91 million at June 30, 2011 compared with \$396.53 million at December 31, 2010. The \$165.62 million decrease in working capital deficiency is primarily due to the combined impact of:

- \$23.62 million increase in trade and other receivables;
- \$10.42 million increase in inventories;
- \$34.36 million increase in trade and other payables (includes deferred revenue of \$34.90 million);
- \$60.00 million decrease in contingent consideration liability; and
- \$91.02 million decrease in derivative instruments liability.

Financial Capability

The Company's long term success and ability to service its ongoing debt obligations and cover projected corporate costs is dependent on the mining operations ability to generate positive cash flow. At this time, based on current metal prices (inclusive of the Company's existing commodity hedge positions), production forecasts and the availability of a \$20 million standby debt facility, the Company believes it has the financial capability to meet its debt obligations, capital expenditures, operational and corporate activities for the next twelve months.

Operating cash flow

Cash flow provided by operations before changes in non-cash working capital items for the Current Period was \$20.78 million compared to cash provided by operations of \$12.56 million for the Comparative Period. Cash flow used in operations after changes in working capital items for the Current Period was \$7.51 million, compared to \$15.77 million for the Comparative Period.

Financing activities

CMC

In May 2011 Condestable amended its senior, secured debt facility with sole lead arranger Societe Generale S.A. The amended facility provided an additional \$15.00 million to the prior \$55.00 million facility. Upon drawdown under the amended facility terms, the aggregate principal amount outstanding was \$60.00 million and the maturity date was extended by six months to September 30, 2013. Principal repayments under the amended facility are as follows: \$4.00 million on December 31, 2011 followed by quarterly repayments of \$8.00 million commencing on March 31, 2012 to the new maturity date.

MATSA

During the six month period ended June 30, 2011 MATSA repaid \$2.03 million in short-term loans on its banking lines with local Spanish banks. These loans were originally advanced in Q4 of 2010 and the proceeds were used for general working capital purposes.

In accordance with the terms of the Senior Facility (as defined in note 9d to the condensed consolidated financial statements), MATSA is required to maintain certain financial covenants. As at December 31, 2010 MATSA did not meet its debt service coverage and Iberian, as the Guarantor under the Senior Facility, did not maintain a minimum consolidated tangible net worth of \$150.00 million. 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 \$140.00 million. As a result, the \$47.00 million outstanding under the Senior Facility was classified as current as at June 30, 2011 and \$50.00 million as at December 31, 2010. As of the date of this MD&A, MATSA and the senior lenders continue working towards a waiver agreement to remedy the covenant violations. A draft waiver letter has been presented to MATSA. Final execution of the waiver is pending final credit approval of the banking syndicate. In the absence of an executed waiver agreement as at June 30, 2011 the Company presented the \$47.00 million outstanding on the Senior Facility as a current liability in the unaudited condensed consolidated financial statements. The Company expects that this matter will result in a satisfactory outcome. As at June 30, 2011 no further covenant breaches under the Senior Facility have occurred. Additionally MATSA met its mandatory reduction requirement in re-paying \$3.00 million in principal to the lenders in April 2011.

Corporate

On June 25, 2010 the Company issued a 7% convertible debenture due December 31, 2011 (the "Private Debentures") in the aggregate principal amount of CA\$ 3.61 million to certain insiders of Iberian. The Debentures are convertible into registered shares of Iberian (the "Shares") at a conversion rate of CA\$ 0.56 per share 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 TSXV 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 Debentures upon delivery of written notice to the holders. The Private Debentures are unsecured. The proceeds from the

Private Debentures were used for the corporate and administrative function of the Company. This is a related party transaction. During the first quarter of 2011, the Private Debentures were converted into 6,445,983 registered shares of the Company as per the term disclosed above. Accrued interest up to the date of issuance of the registered shares in the amount of CA\$ 0.03 million was paid to the holders. The Private Debentures were retired.

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 with the remaining funds to pay for Iberian's work program at its Sotiel property and for general working capital purposes. 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.

Cash provided by financing activities for the Current Period was \$46.16 million compared to \$45.57 million in the Comparative Period.

Investing activities

Capital expenditures for the Current Period were \$20.01 million (Comparative Period - \$11.89 million). In the Current Period, property plant and equipment expenditures were \$13.70 million by MATSA primarily relating to the tailings expansion project (second phase), crushing expansion and long-term mine development, and \$4.97 million incurred by CMC related to its plant expansion activities. The Company also spent \$1.47 million in the Current Period on evaluation of the Sotiel property and related MATSA plant expansion study.

8. Capitalization

Equity as at June 30, 2011 was \$284.42 million compared to \$124.28 million as at December 31, 2010.

The following table sets out the registered shares, warrants, options and other dilutive instruments outstanding as at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Registered shares issued and outstanding	452,502,899	360,055,865
Stock options	14,005,000	10,930,000
Warrants	52,283,209	52,283,209
Potential dilution of convertible debenture	-	6,445,983
Total	518,791,108	429,715,057

Share Capital

As at June 30, 2011, the Company had 452,502,899 registered shares outstanding (December 31, 2010 – 360,055,865). The basic weighted average number of registered shares outstanding for the six month period ended June 30, 2011 was 367,924,145 shares (2010 – 338,055,865 shares).

The Company issued 6,445,983 registered shares when the Private Debentures were converted in February 2011. The underlying conversion price was CA\$ 0.56.

In connection with the aforementioned Offering, the Company issued 84,444,500 registered shares on June 24, 2011 at an issue price of CA\$ 0.90 per registered share. Gross proceeds of the Offering were CA\$ 76.00 million. The Company paid a commission to the Underwriters in the amount of CA\$ 1.97 million.

As partial consideration for the NPI Buy-out, Iberian issued to Trafigura 1,236,551 registered shares at a deemed issue price of CA\$ 0.90 on June 30, 2011.

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\$ 0.18 million.

Warrants

As at June 30, 2011, the Company had a total of 52,283,209 share purchase warrants outstanding (December 31, 2010 – 52,283,209). Expiry dates range from December 2011 to June 2013, and exercise prices range from CA\$ 0.56 to CA\$ 1.30.

Stock Options

The following table summarizes the stock option plan for the period ended June 30, 2011:

	Number of Stock options	Weighted average exercise price (CA\$)
Balance , December 31, 2010	10,930,000	0.92
Exercised	(320,000)	(0.56)
Cancellations/expiries	(1,730,000)	(1.20)
Granted	5,125,000	0.90
Balance, June 30, 2011	14,005,000	0.89
Exercisable, June 30, 2011	7,319,988	0.99

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.

9. Transactions with Related Parties

The Company had the following transactions with related parties:

Trafigura provides management, operational, mining and administrative services to CMC. Included in payables at June 30, 2011 is \$nil due to Trafigura (2010 – \$0.01).

Trafigura has lent the Company €10.67 million (\$15.35 million at June 30, 2011) to cover various social and environmental remediation guarantees at MATSA. 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 \$0.53 million included in interest payable at an interest rate of 4.19%.

MATSA previously entered into certain foreign exchange forward contracts with Trafigura as counterparty. The fair value of all foreign exchange contracts held by Trafigura, as counter-party as at June 30, 2011 was a liability of \$0.24 million (December 31, 2010 –\$14.34 million). The foreign exchange forward contracts held by MATSA with Trafigura as counter-party total \$31.21 million as at June 30, 2011.

Included in receivables is \$51.66 million as at June 30, 2011 (December 31, 2010 - \$32.50 million), of which \$12.98 million (2010 - \$4.09 million) is due from Trafigura for copper, zinc and lead concentrates produced by MATSA and \$38.68 million (2010 - \$28.41 million) from a subsidiary of Trafigura, Consorcio Minero S.A., for copper concentrates produced by CMC.

The Company's Private Debentures were placed with certain insiders of the Company.

The Company purchased the NPI from Trafigura for \$60 million in June 2011. The terms of the NPI Buy-out were negotiated pursuant to a share purchase agreement dated November 20, 2007 when Iberian agreed to purchase its initial 92% interest in CMC from Trafigura.

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

10. Foreign exchange

Foreign exchange rate movement can have a significant effect on the Company's operations, financial position and results. The Company's sales are denominated in U.S. dollars while the Company's operating expenses, income taxes and other expenses are denominated in Euros ("EUR"), U.S. dollars, Peruvian New Soles ("PEN") and to a lesser extent Canadian dollars and Swiss Francs ("CHF"). Accordingly, fluctuations in the exchange rates can significantly impact the results of operations and carrying value of assets and liabilities on the balance sheet.

During the second quarter of 2011 the Company recognized foreign exchange loss of \$0.02 million (Q2 2010 – loss of \$6.44 million). During the six months ended June 30, 2011 the Company recognized foreign exchange loss of \$3.16 million (2010 – gain of \$6.22 million).

The Company previously entered into certain hedge contracts where the value of the EUR has been fixed against the U.S. dollar. For further detail see section 11 of this MD&A.

The following tables summarize the movement in key currencies versus the U.S. dollar:

For the periods ended June 30,	Three months		Six months	
	2011	2010	2011	2010
Average exchange rate				
CAD-USD	0.9670	1.0276	0.9770	1.0342
EUR-USD	0.6945	0.7851	0.7135	0.7538
CHF-USD	0.8714	1.1077	0.9065	1.0824
PEN-USD	2.7603	2.8065	2.7517	2.8117

As at,	June 30,	Dec. 31,
	2011	2010
Period-end exchange rate		
CAD-USD	0.9765	0.9980
EUR-USD	0.6949	0.7495
CHF-USD	0.8329	0.9354
PEN-USD	2.7470	2.7711

11. Financial instruments - derivatives

The Company recorded an unrealized gain on derivative financial instruments of \$65.36 million in the second quarter of 2011 compared with an unrealized gain of \$131.11 million in the second quarter of 2010. During the six months ended June 30, 2011 the Company recorded an unrealized gain on derivative financial instruments of \$128.44 million (2010 – gain of \$118.96 million). These unrealized gains and losses on derivative financial instruments were discussed in section 4 of this MD&A.

As at June 30, 2011, the derivative instruments liability was \$170.76 million (December 31, 2010 – \$299.20 million). The \$128.44 million decrease in the liability in the period is primarily due to the impact of copper and zinc hedge positions that matured in the first half of 2011. Upon maturity the Company records the eventual realized gain or loss on derivative instruments in its sales. During the first half of 2011 the realized loss on commodity hedging contracts was \$118.60 million (2010 - \$45.24 million).

Hedging activity and monitoring is overseen by the Company's Hedging Committee. In accordance with derivative accounting rules, the Company has opted not to apply hedge accounting. As a result, the fair value of the financial instruments is reflected in current earnings from period to period. This accounting results in fluctuations in net earnings from period to period until such time as the contracts are closed. The unrealized mark-to-market gain or loss represents the value on notional cancellation of these contracts based on market values as at June 30, 2011. Future gains or losses to be realized upon settlement of the commodity derivative contracts may differ materially.

Commodity hedging

The following summarizes the details of the commodities hedging program as at June 30, 2011:

MATSA

Metal	Period	Contract type	Volume	Unit	Strike price per unit (U.S.\$)
Copper	2011	Forward	10,021	Fine metric t	4,777
Copper	2012	Forward	17,496	Fine metric t	7,396
Copper	January - March 2013	Forward	1,800	Fine metric t	7,319
Zinc	2011	Forward	9,375	Fine metric t	1,604
Zinc	2012	Forward	13,446	Fine metric t	2,042
Zinc	January - March 2013	Forward	1,125	Fine metric t	2,272
Lead	2011	Forward	1,125	Fine metric t	2,580
Silver	2011	Forward	115,062	Fine ounces	39.66

As part of its positions MATSA has hedged its one month quotational period pricing exposure and is included in the positions reported above.

CMC

Metal	Period	Contract type	Volume	Unit	Strike price per unit (U.S.\$)
Copper	2011	Forward	10,350	Fine metric t	3,408
Copper	January 2012	Forward	1,750	Fine metric t	3,408
Gold	2011	Forward	1,200	Fine ounces	741.50
<u>Collar hedging ranges</u>					
Copper	February 2012 - March 2013	Put options purchased	7,000	Fine metric t	6,500
		Call options sold		Fine metric t	8,760
Copper	February 2012 - March 2013	Put options purchased	1,050	Fine metric t	7,500
		Call options sold		Fine metric t	10,450
Copper	February 2012 - March 2013	Put options purchased	1,960	Fine metric t	8,000
		Call options sold		Fine metric t	10,970
Copper	February 2012 - March 2013	Put options purchased	3,990	Fine metric t	8,000
		Call options sold		Fine metric t	10,950
Silver	July 2011 - September 2013	Put options purchased	229,500	Fine ounces	40.00
		Call options sold		Fine ounces	50.10

All commodity hedging is in accordance with the conditions of the MATSA Senior Facility and the CMC Facility.

Currency hedging

The following foreign exchange forward contracts are in effect at MATSA as at June 30, 2011:

Foreign exchange contracts - sell - Euro/US\$				
Period	Contract type	Amount US\$	Forward rate	
2011	Forwards	12,321,000	1.3690	
2012	Forwards	41,191,000	1.4064	
January - March 2013	Forwards	6,446,000	1.4324	

As at June 30, 2011, the mark to market unrealized gain position of the foreign exchange forward contracts was \$1.12 million. Trafigura is the counter-party to certain of these foreign exchange forward contracts in the amount of \$31.21 million, and represents 52% of total U.S. dollar value of these forward contracts.

12. Income taxes

The Company recorded income tax expense of \$6.52 million for the Current Quarter as compared to income tax expense of \$25.13 million in the Comparative Quarter. The income tax provision for the Current Quarter is made up of a current income tax expense of \$0.24 million and future income tax expense of \$6.28 million. In the Comparative Quarter the income tax provision was made up of a current income tax expense of \$1.26 million and a future income tax expense of \$23.88 million.

The Company recorded income tax expense of \$6.04 million for the Current Period as compared to income tax expense of \$35.59 million in the Comparative Period. The income tax provision for the Current Period is made up of a current income tax expense of \$1.08 million and future income tax expense of \$4.96 million. In the Comparative Period the income tax provision was made up of a current income tax expense of \$2.68 million and a future income tax expense of \$32.91 million.

The current income tax expense in both periods primarily reflects the current taxes incurred at CMC in the Peruvian tax jurisdiction. The future tax expense in the Current Period and Current Quarter was primarily due to the tax effect of unrealized hedging gains described above. This was partially off-set by unrealized foreign exchange gains on non-monetary tax balances at MATSA denominated in Euros.

13. Contingencies

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 including the approval of the TSXV, in registered shares. The Company has the right until June 30, 2011 to purchase the NPI for \$60.00 million.

As previously discussed the Company completed the buy-out of the NPI on June 30, 2011.

In accordance with IFRS the NPI was recorded as a liability in the balance sheet. The liability was determined using a discounted cash-flow approach. As at June 30, 2011 the liability recorded was \$nil (December 31, 2010 - \$60.00 million).

14. Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

15. Subsequent events

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

- i. 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;
- ii. 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).

16. Risk factors

Due to the nature of the Company's business in the mining industry it is subject to various risks that could materially impact the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Readers are encouraged to read and consider the risk factors detailed in the Company's AIF for the year ended December 31, 2010 which has been filed with the appropriate securities regulatory authorities.

17. International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, IFRS became Canadian GAAP for publicly accountable enterprises. As a result, the Company's condensed consolidated financial statements for the first and second quarters of 2011 are reported in accordance with IFRS, with comparative information for 2010 restated.

The Company developed and executed a changeover plan in order to begin reporting in accordance with IFRS from January 1, 2011. The changeover plan included an assessment phase, a design phase and an implementation phase, resulting in the Company's first interim reporting under IFRS for the three months ended March 31, 2011.

The final phases of the changeover plan will be completed over the course of 2011 which will include possible changes to internal controls and the embedding of IFRS processes in the activities of the subsidiaries. The Company will continue to monitor accounting and regulatory developments and evaluating impacts on the Company's financial reporting, and continuing to fulfill presentation and reporting requirements.

Reconciliations from Canadian GAAP to IFRS

The condensed consolidated financial statements for the first quarter of 2011 include reconciliations from previous Canadian GAAP reporting to IFRS for the Company's opening balance sheet as at January 1, 2010, and balance sheet as at December 31, 2010 and the statements of loss for the three months ended March 31, 2010 and the year ended December 31, 2010. Also included are reconciliations of equity as at January 1, 2010, as at March 31, 2010 and as at December 31, 2010.

The condensed consolidated financial statements for the second quarter of 2011 include reconciliations from previous Canadian GAAP reporting to IFRS of net income and comprehensive income for the three and six months ended June 30, 2010. Also included is a reconciliation of equity as at June 30, 2010.

IFRS accounting policies

The Company's significant accounting policies under IFRS are disclosed in our condensed consolidated financial statements for the first quarter of 2011, and resulting accounting changes are highlighted in the reconciliations from previous Canadian GAAP reporting. The exemptions from full retrospective application elected by the Company in accordance with IFRS 1 "First time adoption of International Financial Reporting Standards" are also disclosed in the condensed consolidated financial statements for the first quarter of 2011.

18. Critical accounting policies, estimates and accounting changes

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is a full discussion and description of the Company's critical accounting policies in the condensed consolidated financial statements for the three months ended March 31, 2011.

For a discussion of recent accounting pronouncements please refer to Note 2 of the accompanying condensed consolidated financial statements for the three and six months ended June 30, 2011.

19. Other Information

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