



IBERIAN

M I N E R A L S



Iberian Minerals Corp.

Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
Three months ended March 31, 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. The significant accounting policies of the Company are summarized in *note 2* to the condensed consolidated financial statements.

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	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
<i>Current Assets</i>				
Cash and cash equivalents		\$ 31,204	\$ 12,964	\$ 14,703
Restricted cash	3	7,820	3,809	6,636
Trade and other receivables	8 (a)	40,041	40,939	26,445
Prepays and deposits		3,657	1,715	1,210
Inventories, net	4	56,788	36,264	21,267
		139,510	95,691	70,261
Restricted cash	3	18,681	17,797	16,957
Investment	5	87	137	163
Property, plant and equipment	6	619,706	637,112	684,782
Other assets		201	201	195
		\$ 778,185	\$ 750,938	\$ 772,358
Liabilities				
<i>Current Liabilities</i>				
Trade and other payables	8 (b)	\$ 131,745	\$ 71,935	\$ 63,883
Loans and borrowings	9,14	72,537	71,076	55,627
Contingent consideration	7	60,000	60,000	–
Derivative instruments	12	198,237	239,434	174,038
Warrant liabilities	10	16,954	15,972	–
Debentures	10	25,726	28,278	–
		505,199	486,695	293,548
Loans and borrowings	9	52,129	57,501	26,571
Rehabilitation provisions	11	21,233	20,181	22,498
Contingent consideration	7	–	–	54,767
Derivative instruments	12	37,880	59,764	88,685
Warrant liabilities	19	1,105	1,053	–
Debentures	10	–	–	23,095
Deferred tax liabilities		226	1,466	37,142
		617,772	626,660	546,306
Equity				
Share capital	17	268,951	262,589	250,498
Contributed surplus		11,283	11,162	9,420
Warrants	19	–	–	4,235
Equity portion of debentures		–	–	1,681
Retained deficit		(153,945)	(39,941)	(39,941)
Income / (loss) for the period		29,733	(114,004)	–
Accumulated other comprehensive income		3,663	4,173	162
Equity attributable to Iberian Minerals Corp. Shareholders		159,685	123,979	226,055
Non-controlling interest		728	299	(3)
Total liabilities and equity		\$ 778,185	\$ 750,938	\$ 772,358

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 (Loss) and Comprehensive Income (Loss)***(expressed in thousands of U.S. dollars)**(unaudited)*

Three months ended	Notes	March 31, 2011	March 31, 2010
Revenues			
Sales	23	\$ 37,230	\$ 55,799
<i>Costs and expenses of mining operations</i>			
Operating costs and mine site administrative expenses	23	30,014	43,999
Mine site amortization	23	29,787	30,650
Gross loss		(22,571)	(18,850)
Expenses			
Administrative expenses		1,307	1,139
Foreign exchange (gain) / loss		3,141	(12,658)
Share-based compensation		129	77
Unrealized (gain) / loss on derivative instruments	23	(63,078)	12,159
Fair value increase in contingent consideration		–	5,233
Corporate amortization		10	19
Total expenses		(58,491)	5,969
Operating income / (loss)		35,920	(24,819)
Finance income		–	(57)
Finance costs		1,310	2,041
Unrealized loss on warrants		4,381	–
Debenture interest and accretion		540	512
Net finance costs		6,231	2,496
Income / (loss) before taxation		29,689	(27,315)
Current income tax expense	13	843	1,422
Future income tax expense	13	(1,316)	9,030
Net Income / (loss)		\$ 30,162	\$ (37,767)
Other comprehensive income / (loss)			
Change in fair value of available-for-sale asset		–	(7)
Unrealized foreign currency translation differences		(461)	3,969
Other comprehensive income / (loss)		(461)	3,962
Total comprehensive income / (loss) for the period		29,701	(33,805)
Net income / (loss) attributable to:			
Shareholders of the Company		29,733	(37,803)
Non-controlling interests		429	36
Net income / (loss)		30,162	(37,767)
Comprehensive income / (loss) attributable to:			
Owners of the Company		29,272	(33,841)
Non-controlling interests		429	36
Comprehensive income / (loss)		29,701	(33,805)
Basic earnings (loss) per share		\$ 0.08	\$ (0.11)
Diluted earnings (loss) per share		\$ 0.08	\$ (0.11)
Weighted average number of registered shares outstanding – basic		363,499,056	338,055,865
Weighted average number of registered shares outstanding – diluted		392,583,012	338,055,865

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)

Three months ended	Notes	March 31, 2011	March 31, 2010
Cash provided by (used in) operations			
Net income / (loss) for the period		\$ 30,162	\$ (37,767)
Items not involving cash:			
Stock option compensation		129	77
Contingency consideration liability		—	5,233
Debenture accretion	10	85	311
Decommissioning liabilities		110	277
Amortization		29,797	30,668
Unrealized (gain) / loss on derivative financial instruments		(63,078)	12,159
Unrealized foreign exchange gain		429	(8,600)
Unrealized loss on warrants		4,381	—
Future income tax recovery	13	(1,316)	9,029
Cash provided by (used in) operations		\$ 699	\$ 11,387
Changes in working capital balances			
Changes in working capital balances		38,243	(13,554)
Restricted cash	3	(4,895)	3,005
Cash provided by (used in) changes of working capital		34,047	\$ 838
Investing activities			
Capital expenditures		(11,108)	(3,497)
Purchase of Raul Mine		—	(27,878)
Cash provided by / (used in) investing activities		\$ (11,108)	\$ (31,375)
Financing activities			
Issue of convertible debenture		—	2,937
Repayment of convertible debenture		—	(724)
Proceeds from long term term debt		—	54,594
Long term debt repayments		(4,500)	(31,928)
Finance lease payments		(485)	
Cash provided by / (used in) financing activities		\$ (4,985)	\$ 24,879
Effect of exchange rate changes on cash held in foreign currencies		286	33
Net change in cash and cash equivalents		18,240	(5,625)
Cash and cash equivalents, beginning of the period		12,964	14,703
Cash and cash equivalents, end of period		\$ 31,204	\$ 9,078

See accompanying notes to the condensed consolidated financial statements.

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

Notes	March 31, 2011	December 31, 2010	March 31, 2010
Share capital			
Balance at beginning of period	\$ 262,589	\$ 250,498	\$ 250,498
Private convertible debenture	6,504	—	—
Share issuance costs	(120)	—	—
Exercise of stock option	(22)	—	—
Exercise of warrants	—	12,091	—
17(a)			
Balance at end of the period	\$ 268,951	\$ 262,589	\$ 250,498
Contributed surplus			
Balance at beginning of period	\$ 11,162	\$ 9,420	\$ 9,420
Stock option compensation	129	476	77
Exercise of stock option	(8)	—	—
Expiry of Dundee Debenture	—	1,266	—
10			
Balance at end of the period	\$ 11,283	\$ 11,162	\$ 9,497
Warrants			
Balance at beginning of period	\$ —	\$ 4,235	\$ 4,235
Exercise of warrants	—	(4,235)	—
Balance at end of the period	\$ —	\$ —	\$ 4,235
Equity portion of convertible debentures			
Balance at beginning of period	\$ —	\$ 1,681	\$ 1,681
Reclassification of Dundee Debenture	—	(1,681)	—
10			
Balance at end of the period	\$ —	\$ —	\$ 1,681
Retained earnings (deficit)			
Balance at beginning of period	\$ (153,945)	\$ (39,941)	\$ (39,941)
Income / (loss) for the period	29,733	(114,004)	(37,803)
Balance at end of the period	\$ (124,212)	\$ (153,945)	\$ (77,744)
Accumulated other comprehensive loss			
Balance at beginning of period	\$ 4,173	\$ 162	\$ 162
Change in unrealized gain (loss) on long term investment	(26)	24	(7)
Change in unrealized foreign currency translation gain (loss)	(484)	3,987	3,969
Balance at end of period	\$ 3,663	\$ 4,173	\$ 4,124
Total equity attributable to Iberian Minerals Shareholders	\$ 159,685	\$ 123,979	\$ 192,291
Non-controlling interest			
Balance at beginning of period	\$ 299	\$ (3)	\$ (3)
Income / (loss) for the period	429	302	36
Balance at end of the period	\$ 728	\$ 299	\$ 33
Total equity	\$ 160,413	\$ 124,278	\$ 192,324

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 corporation continued under the laws of Switzerland 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 sells its concentrates 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 48.1% 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

The consolidated financial statements were prepared in accordance with IAS 34 *Interim Financial Statements* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. These are the Company's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated condensed financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. 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.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 26, Transition to IFRS.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on June 27, 2011.

Basis of preparation

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

Operating companiesMATSA
CMC***Ownership interest***100%
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 set out in the Summary of Significant Accounting Policies, below. 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 the following estimates, which are expected to be the same as those in the first annual consolidated financial statements:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i. Valuation of mining properties

Long-lived assets, including the capitalized costs of mining properties in Peru and Spain, are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company also assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Common indicators of impairment in the mining industry include, but are not limited to:

- deterioration in expected future commodity prices;
- adverse movement in foreign exchange rates;
- increase in production costs;
- large cost overrun during the development and construction of a new mine;
- increase in the expected cost of dismantling assets and restoring the site;
- reduction in the mineral content of ore reserves/resources;
- serious mine accidents;
- increase in market interest rates; and
- adverse changes in government regulations and environmental law, including a significant increase in the taxes payable by the mine.

As at March 31, 2011 the Company determined that there were no indicators of impairment in the valuation of the mining properties.

ii. Useful economic life of property, plant and equipment

The cost less the residual value of each item of property, plant and equipment is amortized over its useful life. The useful life of an asset may be shorter than its economic life. Amortization is charged to operating costs over the shorter of the estimated lives of the individual assets or the life of mine using the straight line method. Amortization commences when assets are available for use. Land is not amortized. The assets useful lives and methods of amortization are reviewed and adjusted if appropriate at each fiscal year end.

iii. Rehabilitation provision

The Company records the fair value of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. In 2009 the Company engaged external, third party consultants to estimate the future costs of such obligation for MATSA.

iv. Calculation of share-based compensation expense

The amount expensed for share-based compensation is based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past share trading data. Actual volatility may be significantly different. While the estimate of share-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's cash position or future cash flows.

v. Valuation of derivatives and embedded derivatives

In the valuation of the Company's outstanding derivatives and embedded derivatives, management makes estimates regarding future commodity prices and counterparty risk at each balance sheet date. Since the Company recognizes the fair value of these financial instruments on the balance sheet date and records changes in fair value in the current period earnings, these estimates have a direct impact on the Company's net earnings for the period.

vi. Determination of reserves and resources

The Company uses the services of experts to estimate the reserves and resources of its mines in Peru and Spain. These experts express an opinion on certain technological and legal information as prepared by management as being current, complete and accurate as of the date of their calculations and in compliance with National Instrument 43-101.

The most current report for CMC was dated January 2009 and that of MATSA was dated June 2009. These reserves and resources are used in the evaluation of the carrying values, amortization rates and the timing of cash flows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

vii. Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized.

Actual results may differ significantly from these estimates.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS. Refer to Note 26 for the IFRS 1 exemptions taken in applying IFRS for the first time.

Principles of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed where necessary to align them with the policies adopted by the Company. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interest, including losses which may cause the non-controlling interest to have a deficit balance.

ii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Segment reporting

The Company is engaged in the exploration, development and mining of mineral properties. The Company has two reportable segments that have been identified by geographic area of operation for which discrete financial information is available. The reportable segments are Peru and Spain. No operating segments have been aggregated to form these reportable segments.

Detailed measures of operating profit and total assets are based on the information provided to the chief operating decision maker for purposes of making decisions about allocation of resources to the reportable segments and for assessing their performance. Operating profit is defined as profit before tax, financial income and expense. The amounts of additions to total assets are disclosed for each reportable segment.

Both reportable segments sell concentrates to the same single customer that accounted for 100% of revenues.

Foreign currency transactions and translation

i. Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates prevailing in the month of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency, classified as available-for-sale, are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit and loss, and other changes in carrying amount are recognized in equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ii. Group companies

The results and financial position of all the entities within the group, none of which has the currency of a hyper-inflationary economy, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity occurring after January 1, 2010 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

iii. Functional and presentation currency

Effective April 1, 2010, the United States dollar ("U.S. dollar") was adopted as the unit of measure of the Company's operations to reflect significant operational exposure to the U.S. dollar. Concurrent with this change in functional currency, the Company adopted the U.S. dollar as its reporting currency. The Company restated all amounts presented for comparative purposes into U.S. dollars using the current rate method, whereby all revenues, expenses and cash flows (except for non-routine material transactions which are translated at the transaction date rate) are translated at the average rates that were in effect during these periods and presented at their U.S. dollar transactional amount. All assets and liabilities are translated at the prevailing closing rate in effect at the end of these periods. The resulting net translation adjustment was credited to the cumulative translation account in accumulated other comprehensive income.

Prior to April 1, 2010 foreign currency transactions were translated into Canadian dollars as follows:

- At the transaction date, each asset and liability was translated into Canadian dollars by the use of the exchange rate in effect at that date. Revenues and expenses were translated at quarterly average exchange rates. At the balance sheet date, monetary assets and liabilities were translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses were included in operations in the current period.
- MATSA accounts: Monetary items were translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items were translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses were translated at rates in effect at the time of the transaction. Foreign exchange gains and losses were included in operations in the current period.
- CMC accounts: Translated into Canadian dollars at year end exchange rates, and revenues and expenses and cash flows were translated at the average exchange rates. Gains and losses arising from these translations were recorded in accumulated other comprehensive income as a foreign currency translation adjustment until they were realized by a reduction in the investment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments and Financial Risk

The Company's activities are exposed to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's lenders may impose an obligation on the Company to minimize exposure to financial risks, particularly to mitigate certain risk exposures.

Risk management is the responsibility of the Company's hedging committee. The hedging committee identifies, evaluates and, where appropriate, mitigates financial risks. Material risks are monitored and are regularly discussed with the Board of Directors.

The fair values of derivative financial instruments reflect the estimated amount that the Company would have been required to pay if forced to settle all unfavorable outstanding contracts or the amount that would be received if forced to settle all favorable contracts at the end of a reporting period. The fair value represents a point-in-time estimate that may not be relevant in predicting the Company's future earnings or cash flows.

The fair values of the Company's foreign exchange derivative financial instruments are provided by the counterparties to these contracts and are reviewed by management for reasonableness based on actual foreign exchange rate movements during the period and are then adjusted to take into consideration the Company's own credit risk and/or counterparty credit risk.

The Company determines the fair value of its financial instruments based on the following hierarchy:

- Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant fluency and volume to provide pricing information on an ongoing basis.
- Level 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transaction, and comparisons to current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, credit and volatility are used.
- Level 3 – Valuations in this level are those with inputs that are not based on observable market data.

The Company's cash and cash equivalents are classified as *Level 1*, with all other financial assets and liabilities classified as *Level 2*. Assessment of the significance of a particular input to the fair value measurement requires judgment; any changes in assumptions may affect the reported fair value of financial instruments.

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company designates non-derivative financial assets into four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition related transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less are classified at fair value through profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, loans and borrowings and debentures.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the due date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities in either the liabilities designated at fair value through profit and loss or the other financial liabilities category. Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Liabilities designated at fair value through profit and loss include bank overdrafts and trade and other payables.

Other financial liabilities include loans and borrowings.

Share capital

Registered shares are classified as equity. Incremental costs directly attributable to the issue of registered shares and share options are recognized as a deduction from equity, net of any tax effects.

Any mandatorily redeemable preference shares are classified as liabilities. The company has not issued any preference shares.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is transferred to/from retained earnings.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of registered shares to be issued does not vary with changes in the fair value.

The equity component of a compound financial instrument is recognized initially at fair value using a recognized option pricing valuation model (Black Scholes). The liability component is then derived by deducting the fair value of the equity component from the face value of the convertible note. As the share capital of the Company is denominated in Canadian dollars, which is not the Company's functional currency, the equity component is classified as a derivative liability due to the foreign exchange variability of the conversion feature or warrant price. Any directly attributable transaction costs are allocated to the liability and derivative liability components in proportion to their initial carrying amounts. The transaction costs allocated to the liability component are deducted from the carrying value of the liability component whereas the transaction costs allocated to the derivative liability component are expensed.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The derivative liability component of a compound financial instrument is remeasured at each subsequent reporting date using the option pricing valuation model and gains or losses are recorded in profit or loss.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its commodity and foreign exchange exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separate embedded derivatives are recognized immediately in profit or loss.

The Company does not designate any derivative financial instruments as being in a qualifying hedge relationship for the purpose of applying hedge accounting. Consequently, when a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit and loss.

The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

Periods ended	March 31, 2011	December 31, 2010	January 1, 2010
Fair value through profit and loss (a)	\$(336,658)	\$ (358,169)	\$ (311,903)
Available-for-sale (b)	87	137	163
Loans and receivables (c)	40,041	40,939	26,445
Other financial liabilities (d)	150,392	156,855	105,293

(a) Includes cash and cash equivalents, derivative instrument liabilities and trade and other payables

(b) Includes investment designated as available-for-sale

(c) Includes accounts receivables

(d) Includes loans and borrowings and debentures

The carrying values of the Company's financial instruments held-for-trading are at fair value. The estimated fair value of other financial liabilities approximates its carrying value except as noted in Note 10.

Additional details of the Company's gains, losses, income and expenses with respect to its financial instruments are as follows:

Periods ended March 31	2011	2010
Unrealized loss / (gain) on financial liabilities held for trading	(63,078)	12,159
Realized loss on financial liabilities held for trading (a)	58,639	20,849
Net finance costs on financial liabilities not held for trading	6,231	2,496

(a) Realized loss is netted against sales and is reflected in the sales line in the consolidated statement of loss

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company, through its financial assets and liabilities, is exposed to various risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost incurred in bringing each product to its present location and conditions are accounted for as follows:

- Finished goods and work in process: at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
- Supplies: at purchase cost using the weighted average costs.

Net realizable value is the sales price obtainable in the ordinary course of business, less estimated cost to completion and the estimated cost necessary to make the sale.

The accrual for obsolescence is based on an item-by-item analysis completed by the Company's management and related amounts are charged to expense in the period in which the obsolescence is deemed to have occurred.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization and any impairment charges.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment and amortized separately.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of the property, plant and equipment are recognized in profit or loss as incurred.

Amortization of property, plant and equipment is based on the following estimated useful lives (in years) or over the remaining life of the mine if shorter:

Buildings and constructions	Between 7 and 10
Machinery and equipment	Between 5 and 7
Vehicles	5
Furniture, fixtures and computer equipment	Between 5 and 10
Various other equipment	Between 5 and 10

Estimates of residual values and useful lives are reassessed at least at each financial year-end, and any change in estimate is taken into account in the determination of future amortization charges.

Construction in progress

Assets in the course of construction are capitalized as a separate component of property, plant and equipment. Upon completion, the cost of construction is transferred to the appropriate category.

During a construction phase third party borrowing costs are capitalized as incurred. After commencement of commercial production, borrowing costs are expensed as incurred. Construction in progress is not amortized.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments and included within property, plant and equipment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are amortized over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

i. Embedded leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. Contractual arrangements are reviewed for indicators of a lease on inception. Whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset are indicators of a lease.

Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest, including the costs of acquiring licenses, are expensed as incurred on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project and a decision by the Board of Directors to develop a mine.

The technical feasibility and commercial viability of extracting a mineral resource is resolved when proven reserves are determined to exist. Subsequent to determination of proven reserves, further exploration and evaluation costs are capitalized as development expenditure.

The capitalized costs are presented as either tangible or intangible development assets according to the nature of the assets acquired. When a license is relinquished or a project abandoned the related costs are recognized in profit or loss immediately.

Development expenditures

Development expenditures incurred by or on behalf of the Company are accumulated separately for each area of interest in which economically recoverable reserves have been identified. Such expenditures comprise costs directly attributable to the construction of a mine and the related infrastructure.

General and administrative costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant area of interest.

Once a development decision has been taken, development expenditures are classified under property, plant and equipment as 'development properties'.

A development property is reclassified as 'mining interests' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No amortization is recognized in respect of development properties until they are classified as 'mining interests'.

Each development property is tested for impairment in accordance with the policy note 'Impairment of assets'.

Mining interests

When further development expenditures are incurred in respect of a mining interest after the commencement of production, such expenditures are carried forward as part of the mining interests when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditures are classified as a cost of production.

Amortization is charged using the units of production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortization charge proportional to the depletion of proven and probable reserves.

Mining interests are tested for impairment in accordance with the policy in note 'Impairment of assets'.

Decommissioning and site rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk (i.e. the expected future cash flows have been risk adjusted). The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The obligation is attributable to development when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

Foreign exchange changes in the decommissioning liability are considered a change in estimate and are added to or subtracted from the liability and related asset.

The periodic unwinding of the discount is recognized in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

For closed sites, changes to estimated costs are recognized immediately in the statement of comprehensive income.

Intangible assets

Capitalized development expenditures are carried at cost and amortized using a units-of-production method based on the reserves that exist in the location that has access to such rights. Other identifiable intangible assets with a finite life are amortized on a straight-line basis over their expected useful life, or over remaining life of the mine, if shorter. The Company has no identifiable intangible assets.

Estimates of residual values and useful lives are reassessed at least at each financial year-end, and any change in estimate is taken into account in the determination of future amortization charges.

Intangible assets are tested for impairment in accordance with the policy in note 'Impairment of assets'.

Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalized cost of the those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining interests, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in the income statement in the period in which they are incurred as a finance cost.

Impairment

i. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

ii. Non-financial assets

An impairment indicators assessment is carried out at the end of each reporting period for any goodwill, indefinite lived intangibles and other assets including property, plant and equipment. The Company does not have any goodwill or indefinite lived intangibles.

For the purpose of assessing indicators of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If any indicators of impairment exist related to a particular asset or cash-generating unit, an impairment assessment is performed by comparing the asset or cash generating unit's recoverable amount with its carrying amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use is calculated as the net present value of expected future cash flows of the relevant cash-generating unit.

The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best available information to reflect the amount the Company could receive for the cash-generating unit in an arm's length sale. In some cases this is estimated using a discounted cash flow analysis. For the purposes of calculating value in use, cash-flow forecasts are based on detailed mine plans and operating budgets, modified as appropriate to meet requirements of IAS 36 *Impairment of Assets*. Future cash flows reflect:

- Future production estimates – which include proven and probable reserves, resource estimates and committed expansions;
- Expected future commodity prices, based on current market price, forward prices and the Company's assessments of the long term average price; and
- Future cash costs of production, capital expenditures and rehabilitation obligations.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the consolidated balance sheet to its recoverable amount. A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognized in the income statement and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in previous periods.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Current tax and deferred tax is recognized in the income statement, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

i. Royalties

Royalties, resource rent taxes and revenue-based taxes are accounted for under taxes when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognized as current provisions and included in cost of sales. The royalties incurred by the Company are considered not to meet the criteria to be treated as part of income tax.

Employee benefits

i. Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of current employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

ii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

i. Share-based payment transactions

Employees (including directors and officers) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company, as consideration cannot be specifically fair valued, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

ii. Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted using the Black-Scholes option-pricing model.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the 'vesting date'). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Provisions

Provisions for environmental restoration and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as accretion expense.

Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement in the same period as the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in property, plant and equipment reducing the net book value of property, plant and equipment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Company policy requires all concentrate production to be sold under contract. Revenue is only recognized on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred in respect of the sale can be measured reliably.

Satisfaction of these conditions depends on the terms of trade with individual customers. Generally the risks and rewards are considered to have transferred to the customer when title and insurable risk of loss transfer.

Certain products are sold on a 'provisional pricing' basis where the initial sale price received by the Company is subject to a final adjustment at the end of a period that may be up to sixty days after delivery to the customer. The final sale price is based on the market price on the quotational date in the contract of sale. Sales are initially recognized when the revenue recognition criteria have been satisfied, using market prices at that date. At each reporting date the provisionally priced shipment is marked to market based on the forward selling price for the quotational point specified in the contract until that point is reached. Revenue is only recognized on this basis where the forward selling price can be reliably measured.

Many of the Company's sales are subject to an adjustment based on inspection of the shipment by the customer. In such cases, revenue is recognized based on the Company's best estimate of the concentrate grade at the time of shipment, and any subsequent adjustments are recorded against revenue when advised. Historically, the differences between estimated and actual grade have not been significant.

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.

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3. RESTRICTED CASH

	March 31, 2011		December 31, 2010		January 1, 2010
Peru (current) (a)	\$ 4,425	\$	3,744	\$	6,574
Spain (current) (b)	3,395		—		—
Canada (current)	—		65		62
Spain (long-term) (c)	18,681		17,797		16,957
Cash deposits held as security	\$ 26,501	\$	21,606	\$	23,593

(a) The cash deposit in Peru in the amount of \$4,425 is held in a debt service reserve account to satisfy a condition of the CMC facility (see note 9 (g)).

(b) The cash deposit in Spain in the amount of \$3,395 is held in a senior facility account for the repayment scheduled in April, 2011 (see note 9 (d)).

(c) As of March 31, 2011, the cash deposit held as security in Spain is comprised of three parts: (i) \$3,642 in relation to a permit for the ore processing plant, bonds posted for several public grants and mandatory bonds for mining concessions; (ii) \$8,476 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) \$6,563 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 equipment and machinery of the concentrate plant and minerals exploitation, respectively. CMC expects to use all the spare parts and supplies in the normal course of its operations. MATSA's inventories consists of spare parts and supplies and concentrates. Inventories recognized in operating costs in the current period are \$31,312 (2010 - \$15,255). As of March 31, 2011 the Company had no provision for obsolescence (December 31, 2010 - \$nil).

	March 31, 2011		December 31, 2010		January 1, 2010
Spare parts and supplies – CMC	\$ 4,076	\$	3,989	\$	3,172
Spare parts and supplies – MATSA	16,941		15,672		12,667
Goods in process – MATSA	728		1,078		-
Copper, Zinc and Lead concentrates – MATSA	35,043		15,525		5,428
	\$ 56,788	\$	36,264	\$	21,267

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).

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6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010	Additions 2011	Reclass- ification	Amortization 2011	Foreign exchange	March 31, 2011
Spain						
Land	\$ 797	\$ -	\$ -	\$ -	-	\$ 797
Mining interests	81,383	-	-	(2,428)	-	78,955
Building and other constructions	99,445	-	-	(4,144)	-	95,301
Machinery and equipment (b)	222,122	71	-	(9,247)	-	212,946
Vehicles	43	-	-	(2)	-	41
Office furniture, fixtures and equipment	2,266	45	-	(96)	-	2,215
Asset retirement obligation <i>note 11</i>	11,876	-	-	(340)	942	12,478
Construction in progress (a)	28,241	7,602	272	-	-	36,115
	\$ 446,173	7,718	\$ 272	\$ (16,257)	942	\$ 438,848
Canada						
Office furniture, fixtures and equipment	\$ 187	\$ (98)	\$ -	\$ (18)	-	\$ 71
Peru						
Land	358	\$ -	\$ -	\$ -	-	\$ 358
Mining interest	134,892	-	-	(10,296)	-	124,596
Mining interest – Raul	24,615	314	-	(1,055)	-	23,874
Building and other constructions	7,329	-	-	(331)	-	6,998
Machinery and equipment (b)	17,602	1,272	1,390	(1,622)	-	18,642
Vehicles	914	(5)	-	(113)	-	796
Office furniture, fixtures and equipment	89	33	-	(47)	-	75
Asset retirement obligation <i>note 11</i>	2,853	-	-	(205)	-	2,648
Construction in progress (a)	2,100	2,090	(1,390)	-	-	2,800
	190,752	3,704	\$ -	\$ (13,669)	\$ -	180,787
	\$ 637,112	11,324	272	(29,944)	942	\$ 619,706

- (a) No interest was capitalized in construction in progress during 2011.
(b) Included in machinery and equipment are \$16,619 under capital leases.

	January 1, 2010	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
Asset retirement obligation <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
Canada							
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
Asset retirement obligation <i>note 11</i>	4,136	-	-	(938)	-	(345)	2,853
Construction in progress (b)	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.

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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 46% 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 has the right until June 30, 2011 to purchase the NPI for \$60.00 million.

As at March 31, 2011 the fair value of the NPI was \$60,000 (December 31, 2010 – \$60,000). The fair value was determined using a discounted cash-flow approach.

8. TRADE AND OTHER RECEIVABLES, TRADE AND OTHER PAYABLES

(a) Trade and other receivables

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables with related party	20	7,778	4,093	4,671
VAT receivable		6,658	5,355	4,049
Other receivables		2,412	720	56
Total MATSA receivables		16,648	10,168	8,776
Trade receivables with related party	20	22,506	28,408	17,053
VAT receivables		–	1,003	239
Other receivables		847	1,332	229
Total CMC receivables		23,353	30,743	17,521
VAT receivable		40	28	21
Other receivables		–	–	127
Total head office receivables		40	28	148
Total accounts receivable		\$ 40,041	\$ 40,939	\$ 26,445

(b) Trade payables and accrued liabilities

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable suppliers		30,585	31,155	37,273
Taxes and social security		3,912	2,926	1,979
Realized losses on hedges - payable		15,942	–	–
Interest payable with related party		2,345	3,070	1,038
Deferred revenue and other		57,785	11,657	5
Total MATSA payables		110,569	48,808	40,295
Accounts payable suppliers		8,056	8,204	4,965
Taxes and social security		–	5,584	12,488
Realized losses on hedges - payable		9,786	8,078	4,311
Interest payable		–	–	65
Other payables		2,035	227	336
Total CMC payables		19,877	\$ 22,093	\$ 22,165
Debenture interest		–	–	618
Accounts payable		644	512	123
Accrued liabilities		655	522	682
Total head office payables		1,299	\$ 1,034	\$ 1,423
Total accounts payable and accrued liabilities		131,745	\$ 71,935	\$ 63,883

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9. LOANS AND BORROWINGS

	March 31, 2011	December 31, 2010	January 1, 2010
MATSA			
Payments due arising from general creditors agreement	\$ 9	\$ 9	\$ 9
Subsidized loan (a)	747	708	685
Fixed assets loan	-	-	1,133
Social and environmental loan (b)	15,038	14,253	15,224
VAT loans with related party	-	-	2,378
Short term banking line (c)	1,831	4,127	-
Bridge facility with related party	-	-	20,805
Senior Facility (d)	50,000	50,000	-
Obligations under capital leases (e)	3,274	3,974	5,229
	\$ 70,899	\$ 73,071	\$ 45,463
CMC			
Syndicated loan	-	-	31,818
Obligations under capital leases (f)	9,132	8,927	4,917
Facility (g)	44,635	46,579	-
	\$ 53,767	\$ 55,506	\$ 36,735
Total long-term debt	\$ 124,666	\$ 128,577	\$ 82,198
Amounts payable within twelve months	(72,537)	(71,076)	(55,627)
	\$ 52,129	\$ 57,501	\$ 26,571

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.

Principal repayment obligations

	Debt	Finance leases	Total
2011	\$ 66,832	\$ 5,705	\$ 72,537
2012	22,144	4,140	26,284
2013	7,500	2,560	10,060
2014 and thereafter	15,785	-	15,785
Total	112,261	12,405	124,666

- (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 Tráfico to MATSA in the amount of €10,670 (\$15,038) to cover various social and environmental remediation guarantees as detailed in note 3 (c) (ii) and (iii). 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 March 31, 2011 was 4.25%. Interest on this loan for the period ended March 31, 2011 was \$383.
- (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 April 30 and Sept 17, 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 \$47,000 after March 2011, \$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. The initial draw-down under the Senior Facility, in the amount of \$37,000 occurred on April 22, 2010. In May 2010, a further drawdown of \$8,000 was made. In August 2010, the final \$5,000 available under the Senior Facility was drawn down. 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.

As at March 31, 2011 the principal balance outstanding on the senior facility is \$50,000 and is classified as a current liability (see Note 14). Interest accrued during the quarter ended March 31, 2011 was \$303 (2010 – \$nil).

As required by the Senior Facility, Trafigura has 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 immediately 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 August 2012 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 March 2013 and are based on annual interest rates between 4.70% 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%.

The Facility has scheduled quarterly repayments commencing June 30, 2010 to December 31, 2011 of \$2,500 and \$7,500 from March 31, 2012 to March 31, 2013. Interest on the Facility for the period ended March 31, 2011 was \$256 (2010 – \$nil).

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 period ended March 31, 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 March 31, 2011 the warrant liabilities had fair value of \$16,954 (December 31, 2010 - \$13,958). An unrealized loss on Warrants of \$2,996 was recorded in the income statement.

The total accrued and actual interest for the period ended March 31, 2011 was \$429 (2010 - \$nil).

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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 \$3,348. Both liability amounts were derecognized upon conversion and new share capital in the amount of \$6,459 was recorded within equity.

During the period ended March 31, 2011 the Company recognized accretion expense of \$83. During the year ended December 31, 2010 the Company recorded accretion expense of \$194. As at March 31, 2011 the Conversion Feature had fair value of \$nil (December 31, 2010 - \$2,015). In the period ended March 31, 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 period ended March 31, 2011 was \$30 (2010 - \$nil).

	March 31, 2011	December 31, 2010	January 1, 2010
Carrying value of debentures:			
New Debentures	\$ 25,726	\$ 25,136	\$ -
Private Debentures	-	3,142	-
Dundee Debenture	-	-	23,095
Debentures	\$ 25,726	\$ 28,278	\$ 23,095
Fair value of warrant liabilities:			
New Debenture Warrants	\$ 16,954	13,958	-
Private Debenture conversion option	-	2,014	-
Warrant liabilities	\$ 16,954	\$ 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 de-recognized 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:

	March 31, 2011	December 31, 2010
Balance, beginning of year	\$ 20,181	\$ 22,498
Revision of estimates – other	–	(1,175)
Payments / settlement	–	(297)
Related foreign exchange	942	(1,115)
Accretion expense/capitalized	110	270
Total	\$ 21,233	\$ 20,181

As at March 31, 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 \$24,701 (December 31, 2010 - \$23,573). This is comprised of approximately \$18,777 (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 (c) (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 March 31, 2011, December 31, 2010 and January 1, 2010, the MATSA derivative instruments (commodity and foreign exchange) were in a net unrealized loss position and recorded as a liability as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Current portion	\$ (94,553)	\$ (116,377)	\$ (113,576)
Long-term portion	(30,066)	(41,181)	(4,957)
	\$ (124,619)	\$ (157,558)	\$ (118,533)

As at March 31, 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
April 2011 – December 2011	Forward	16,599	4,883
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
April 2011 – December 2011	Forward	12,699	1,602
January 2012 – December 2012	Forward	13,446	2,042
January 2013 – March 2013	Forward	1,125	2,272

Silver

Period	Contract type	Foz (Fine ounces)	Strike price US\$/Foz
April 2011 – June 2011	Forward	76,851	34.36

As at March 31, 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\$
April 2011 – December 2011	Forwards	41,768	1.4036
January 2012 – December 2012	Forwards	50,806	1.4113
January 2013 – March 2013	Forwards	6,446	1.4324

As at March 31, 2011, the portion of the derivative instruments liability for MATSA related to the foreign exchange forward contracts is \$894 (December 31, 2010 - \$8,793). Trafigura is the counter-party to certain foreign exchange forward contracts in the amount of \$64,107, and represents 65% of the total U.S. dollar value of these forward contracts. During the period 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 March 31, 2011, December 31, 2010 and January 1, 2010 the CMC derivative instruments were in a net unrealized loss position and recorded as a liability as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Current portion	\$ (103,684)	\$ (123,057)	\$ (60,462)
Long-term portion	(7,814)	(18,583)	(83,728)
	\$ (111,498)	\$ (141,640)	\$ (144,190)

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 March 31, 2011, the hedge contracts in force at CMC are as follows:

Copper

Period	Contract type	FMT (Fine metric tons)	Strike price US\$/FMT
April 2011 – December 2011	Forward	15,550	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
January 2013 – March 2013	Put Options purchased	1,500	6,500
	Call Options sold		8,760
February 2012 – December 2012	Put Options purchased	825	7,500
	Call Options sold		10,450
January 2013 – March 2013	Put Options purchased	225	7,500
	Call Options sold		10,450
February 2012 – December 2012	Put Options purchased	1,540	8,000
	Call Options sold		10,970
January 2013 – March 2013	Put Options purchased	420	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	855	8,000
	Call Options sold		10,950

Gold

Period	Contract type	Foz (Fine ounces)	Strike price US\$/FOZ
April 2011 – December 2011	Forward	1,800	742

Total derivatives

As at March 31, 2011, December 31, 2010 and January 1, 2010 total derivative instruments were in a net unrealized loss position and recorded as a liability as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Current portion of liability	(198,237)	(239,434)	(174,038)
Long-term portion of liability	(37,880)	(59,764)	(88,685)
	\$ (236,117)	\$ (299,198)	\$ (262,723)

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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 (recovery) are as follows:

Periods ended	March 31, 2011	March 31, 2010
Current tax expense	\$ 843	\$ 1,422
Future income tax recovery	(1,316)	9,030
Provision for income tax (recovery) expense	(473)	10,452

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 raised by way of private placements 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:

	March 31, 2011	December 31, 2010	January 1, 2010
Loans and borrowings	\$ 124,666	\$ 128,577	\$ 82,198
Share capital	268,951	262,589	250,498
Debentures	25,726	28,278	23,095

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 \$50,000 outstanding under the Senior Facility was classified as current as at December 31, 2010 and as at March 31, 2011. 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 March 31, 2011 are as follows:

		Assets		Liabilities
Euros	\$	8,919	\$	55,695
New soles		683		5,759

Sensitivity

Based on the financial instruments held at March 31, 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 \$4,678 and in the case of Peruvian new soles to US dollar by \$508 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 March 31, 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 \$10,924 lower due to the hedging program or vice versa.

For MATSA: At March 31, 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 \$12,247 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 operating loan in CMC and the loan facilities at MATSA. 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 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 \$54 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 counterparty 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 March 31, 2011, the Company's sole customer is Trafigura and accounted for 100% of trade receivables. As at March 31, 2011 the Company has not recorded an allowance for doubtful accounts (December 31, 2010 - \$nil). The aging of trade receivable, VAT and other receivable balances as of March 31, 2011 were as follows:

Period ended	March 31, 2011	December 31, 2010	January 1, 2010
Past due 0 – 30 days	\$ 32,077	\$ 38,964	\$ 26,445
Past due 31 – 60 days	7,587	1,774	–
Past due over 61 days	377	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 March 31, 2011, the Company and its subsidiaries were holding cash and cash equivalents of \$31,204 (December 31, 2010 – \$12,964).
- (ii) The contractual maturities of the Company's financial liabilities at March 31, 2011 are as follows:

	Within 1 year	Remainder of 2012	2013	2014	>2015
Trade and other payables	131,745	–	–	–	–
Loans and borrowings	72,537	26,285	10,060	–	15,784
Derivative instruments	198,237	32,426	5,454	–	–
Debentures	25,726	–	–	–	–

16. ECONOMIC DEPENDENCE

The Company's sole customer is Trafigura. Cormin purchased from CMC and Trafigura from MATSA which accounted for 100% of sales of \$37,230 in the period ended March 31, 2011 (March 31, 2010 - \$55,799) and 100% of the trade receivables balance at March 31, 2011 of \$30,284 (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
Exercise of Stock Options (c)	20,000	(22)
Balance, March 31, 2011	366,521,848	\$ 268,951

- 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) During the period employees of the Company exercised stock options resulting in the issuance of 20,000 registered shares by the Company. Total cash proceeds were \$14.

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 March 31, 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	(20,000)	0.70
Balance, March 31, 2011	10,910,000	\$ 0.93

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18. STOCK OPTIONS (continued)

The following table reflects the actual stock options issued and outstanding as at March 31, 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
June 27, 2011	1.20	0.24	0.40	1,725,000	1,725,000	–
September 19, 2011	1.50	0.47	0.47	50,000	50,000	–
December 15, 2011	1.50	0.71	0.87	100,000	100,000	–
June 27, 2012	1.50	1.24	0.99	2,230,000	2,230,000	–
April 16, 2013	1.14	2.04	0.69	1,000,000	1,000,000	–
September 2, 2013	0.91	2.42	0.60	50,000	50,000	–
September 2, 2013	0.91	2.42	0.59	5,000	5,000	–
September 29, 2013	0.80	2.50	0.52	100,000	100,000	–
November 18, 2013	0.80	2.63	0.08	350,000	350,000	–
June 10, 2014	0.55	3.19	0.31	2,725,000	1,641,667	1,083,333
September 21, 2014	0.55	3.48	0.31	100,000	33,333	66,667
June 21, 2015	0.56	4.22	0.29	995,000	–	995,000
July 21, 2015	0.56	4.31	0.25	900,000	600,000	300,000
September 8, 2015	0.56	4.44	0.25	500,000	–	500,000
November 17, 2015	0.56	4.63	0.45	80,000	–	80,000
				10,910,000	7,885,000	3,025,000

The weighted average exercise price of options exercisable at March 31, 2011 is CA\$ 1.07 with outstanding stock option exercise prices ranging from CA\$ 0.55 to CA\$ 1.50.

19. WARRANTS

The following table sets out the warrant activity during the periods ended March 31, 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	March 31, 2011	December 31, 2010	April 1, 2010
Fair value of warrants:			
Trafigura warrants (b)	\$ –	\$ –	\$ 1,812
Investec warrants (c)	1,105	1,053	576
	\$ 1,105	\$ 1,053	\$ 2,388

The following table reflects the actual warrants outstanding as of March 31, 2011:

Expiry date	Number of warrants	Exercise price (CA\$)	Fair value
June 30, 2013 (c)	7,640,353	1.30	1,105

- 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 function 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.

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19. WARRANTS (continued)

- b) 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. 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 March 31, 2011 the Investec warrants had a fair value of \$1,105 (December 31, 2010 - \$1,053).

20. RELATED PARTY TRANSACTIONS

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

Trafigura has lent the Company €10.67 million (\$15.04 million at March 31, 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 March 31, 2011 this loan has \$383 included in interest payable at an interest rate of 4.26% (2010 - \$230).

MATSA previously entered into certain commodity forward and option contracts with Trafigura as counterparty (*see note 10 – 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 March 31, 2011, MATSA did not incur any additional interest (2010 - \$1000). 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 March 31, 2011 was a liability of \$1,638 (December 31, 2010 - \$14,335).

Trafigura is counterparty for certain foreign exchange forward contracts held by MATSA totalling \$64,107 as at March 31, 2011.

Included in receivables is \$30,284 as at March 31, 2011 (December 31, 2010 - \$32,501), of which \$7,778 (2010 - \$4,093) is due from Trafigura for copper, zinc and lead concentrates and \$22,506 (2010 - \$28,408) from Cormin for copper concentrates.

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

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

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 March 31, 2011, the Company and its subsidiaries were committed to future minimum lease payments as follows:

	Spain		Canada		Total
2011	\$	496	\$	423	\$ 919
2012		96		452	549
2013		—		295	295
	\$	592	\$	1,170	\$ 1,763

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22. SUPPLEMENTAL CASH FLOW INFORMATION

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

Periods ended March 31,	2011		2010
Spain			
Interest	746	\$	132
Peru			
Interest	623		410
Taxes (a)	5,529		6,663
Head office			
Interest	458		744
Total interest	1,827	\$	1,286
Total taxes (a)	5,529		6,663

(a) Cash taxes paid is 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.

Three months ended March 31, 2011	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	12,984	24,246	–	37,230
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	11,432	18,582	–	30,014
Mine site amortization	16,257	13,530	–	29,787
Total cost and expenses of mining operations	27,689	32,112	–	59,801
Gross loss	(14,705)	(7,866)	–	(22,571)
Expenses				
Unrealized (gain) / loss on derivative instruments	(32,936)	(30,142)	–	(63,078)
Administrative expenses and other	–	–	1,446	1,446
Operating income	18,231	22,276	(1,446)	39,061
Foreign exchange loss				3,141
Net finance costs				6,231
Profit before taxation				29,689
Property, plant and equipment at March 31, 2011:	438,848	180,787	71	619,706
Total assets at March 31, 2011:	553,717	216,721	7,747	778,185

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23. SEGMENT INFORMATION (continued)

Three months ended March 31, 2010	Operating segments		Non-operating segments	Total
	MATSA	CMC	Corporate and other	
Sales	31,508	24,291	–	55,799
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	27,166	16,833	–	43,999
Mine site amortization	17,818	12,831	–	30,650
Total cost and expenses of mining operations	44,984	29,664	–	74,649
Gross loss	(13,476)	(5,373)	–	(18,850)
Expenses				
Unrealized gain on derivative instruments	11,322	837	–	12,159
Administrative expenses and other	–	–	6,469	6,468
Operating loss	(24,798)	(6,210)	(6,469)	(37,477)
Foreign exchange gain				(12,658)
Net finance costs				2,496
Loss before taxation				(27,315)
Property, plant and equipment at:				
December 31, 2010	446,173	190,752	187	637,112
January 1, 2010	447,449	207,098	235	684,782
Total assets at:				
December 31, 2010	530,458	213,223	7,257	750,938
January 1, 2010	530,464	235,884	6,010	772,358

24. COMPARATIVE FIGURES

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

25. SUBSEQUENT EVENTS

- a) On May 31, 2011 the Company determined that it would exercise its right to purchase from Trafigura the NPI in Condestable for \$60,000 (refer to note 7). In connection with this decision, and in order to finance the purchase, the Company entered into an agreement with a syndicate of investment dealers led by Wellington West Capital Markets Inc. and including Cormark Securities Inc. (collectively the "Underwriters"), which agreed to purchase, on a bought deal basis, 73,430,000 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\$ 66,087 (the "Offering"). The Underwriters have been granted an over-allotment option, exercisable at any time prior to 30 days from and including the closing date of the Offering, to acquire up to an additional 11,014,500 Shares, equal to 15% of the number of Shares sold pursuant to the Offering, at the Offering Price, for additional gross proceeds of up to approximately CA\$ 9,913 million.

On June 24, 2011 the Offering closed and the over-allotment option was fully exercised such that the Company issued a total of 84,444,500 registered shares and received gross proceeds from the Offering of CA\$ 76,000. The Company paid a commission to the Underwriters of CA\$ 1,715 on closing. The Company will use the proceeds from the Offering to fund the purchase of the NPI.

- b) In May 2011, the CMC Facility (note 9(g)) was amended such that the outstanding principal amount was increased from \$45,000 to \$60,000. The maturity date was extended by six months to September 30, 2013. Principal repayments under the amended facility will be as follows: \$4,000 on December 31, 2011 followed by quarterly repayments of \$8,000 commencing on March 31, 2012 to the new maturity date.
- c) In April 2011 the Condestable Mine added the following silver hedge collars from June 2011 to September 2013, inclusive:
- 8,500 Foz per month with floor price of \$40/Foz and ceiling price of \$50.10/Foz.

The counter party to these contracts is Condestable's senior secured lender and is 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.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS is January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time adopters.

Initial elections upon adoption

The Company has applied the following IFRS 1 transition exceptions and exemptions to full retrospective application of IFRS from Canadian GAAP.

Share-based payments – IFRS 2

In accordance with IFRS 1 transitional provisions the Company elected to restate share-based payments related to the Company's stock option plan for stock options that were outstanding at the transition date that had not vested. Under Canadian GAAP the Company had not included an estimate of forfeitures in the calculation of share-based compensation. Doing so under IFRS reduced the carrying amount of the share option reserve account. The deficit was credited for the reduction in share-based compensation. A portion of the reduction was allocated against MATSA's capitalized development costs.

Cumulative translation adjustment – IAS 21

In accordance with IFRS 1 transitional provisions, the Company elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of the transition to IFRS. Accumulated other comprehensive income decreased and the deficit reduced.

Business combinations – IFRS 3

In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS 3, *Business Combinations*, prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date were carried forward without adjustment except where such balances do not meet the transitional requirement to recognize or derecognize assets and liabilities in accordance with IFRS. In that regard, and with respect to the acquisition of CMC in 2008, contingent consideration has been recognized as a liability. Under Canadian GAAP, this contingent consideration did not meet criteria for recognition.

Rehabilitation provision

Similar to Canadian GAAP, when a rehabilitation provision (asset retirement obligation) is established, the Company is required to set up a corresponding asset and depreciate it over the remaining useful life of the asset. Any changes in the rehabilitation provision are added to or subtracted from the cost of the asset to which the obligation relates. In accordance with IFRS 1 transitional provisions, the Company elected to take a simplified approach to calculate and record the asset related to the rehabilitation provision in the opening IFRS consolidated balance sheet. The rehabilitation provision on the transition date calculated in accordance with IFRS is discounted back to the date when the provision first arose, at which date the corresponding asset is set up. This asset is then depreciated to its carrying amount at the transition date.

The rehabilitation provision calculated at the transition date has been increased above the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP. The increase represents accretion and has been charged against the deficit.

The corresponding adjustment to the asset, net of depreciation, has been added to the carrying amount of the asset retirement cost recognized under Canadian GAAP. The increase represents a reversal of depreciation and has been credited against the deficit.

Borrowing costs – IAS 23

IAS 23 'Borrowing Costs' has been applied prospectively from the transition date.

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26. TRANSITION TO IFRS (continued)

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows to prior periods. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income:

Reconciliation of Equity

As at	Notes	January 1, 2010
Shareholders' equity under Canadian GAAP		78,459
<u>Transitional adjustments:</u>		
Differences increasing (decreasing) reported shareholders' equity:		
<u>Contributed surplus:</u>		
Share-based compensation	<i>i</i>	(57)
<u>Accumulated other comprehensive loss:</u>		
Cumulative translation adjustment	<i>ii</i>	(23,470)
<u>Retained deficit:</u>		
Share-based compensation	<i>i</i>	43
Cumulative translation adjustment	<i>ii</i>	23,470
Impairment reversal	<i>iii</i>	265,711
MATSA workforce intangible	<i>iv</i>	(2,315)
Contingent consideration liability	<i>v</i>	(54,767)
Rehabilitation provision	<i>vi</i>	(10,578)
Rehabilitation cost	<i>vi</i>	8,890
Deferred income tax assets and liabilities	<i>vii</i>	(59,395)
Debentures	<i>viii</i>	61
Non-controlling interest	<i>ix</i>	3
Total transitional adjustments		147,596
Total equity under IFRS		226,055

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26. TRANSITION TO IFRS (continued)

Iberian Minerals Corp.

Reconciliation of Consolidated Balance Sheet as of January 1, 2010

(expressed in thousands of U.S. dollars)

Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassificat ions	IFRS balance	IFRS accounts
Assets						Assets
<i>Current assets</i>						<i>Current assets</i>
Cash and cash equivalents		14,703	-	-	14,703	Cash and cash equivalents
Restricted cash		6,636	-	-	6,636	Restricted cash
Trade and other receivables		26,445	-	-	26,445	Trade and other receivables
Prepays and deposits		1,210	-	-	1,210	Prepays and deposits
Inventories, net		21,267	-	-	21,267	Inventories, net
Current portion of future tax assets		18,139	-	(18,139)	-	
		88,400	-	(18,139)	70,261	
Restricted cash		16,957	-	-	16,957	Restricted cash
Long-term investment		163	-	-	163	Investment
Property, plant and equipment	<i>i, iii, vi</i>	410,195	274,587	-	684,782	Property, plant and equipment
Intangibles	<i>iv</i>	2,315	(2,315)	-	-	
Other assets		195	-	-	195	Other assets
Future tax asset	<i>vi</i>	4,114	(22,253)	18,139	-	
		522,339	250,019	-	772,358	
Liabilities						Liabilities
<i>Current liabilities</i>						<i>Current liabilities</i>
Trade payables and accrued liabilities		63,883	-	-	63,883	Trade and other payables
Current portion of long-term debt		55,627	-	-	55,627	Loans and borrowings
Current portion of derivative instruments		174,038	-	-	174,038	Derivative instruments
		293,548	-	-	293,548	
Long-term debt		26,571	-	-	26,571	Loans and borrowings
Asset retirement obligation	<i>vi</i>	11,920	10,578	-	22,498	Rehabilitation provisions
Derivative instruments		88,685	-	-	88,685	Derivative instruments
Convertible debenture	<i>viii</i>	23,156	(61)	-	23,095	Debentures
	<i>v</i>	-	54,767	-	54,767	Contingent consideration
	<i>vi</i>	-	37,142	-	37,142	Deferred tax liabilities
		443,880	102,426	-	546,306	
Shareholders' Equity						Equity
Share capital		250,498	-	-	250,498	Share capital
Equity portion of convertible debenture		1,681	-	-	1,681	Equity portion debentures
Contributed surplus - Shareholders	<i>i</i>	9,477	(57)	-	9,420	Contributed surplus
Warrants		4,235	0	-	4,235	Warrants
Retained deficit		(211,064)	171,123	-	(39,941)	Retained deficit
Accumulated other comprehensive income	<i>ii</i>	23,632	(23,470)	-	162	Accumulated other comprehensive income
		78,459	147,596	-	226,055	Equity attributable to shareholders
Non-controlling interest	<i>ix</i>	-	(3)	-	(3)	Non-controlling interest
Total liabilities and shareholders' equity		522,339	250,019	-	772,358	Total liabilities and equity

Explanatory notes

- i. In accordance with IFRS 1 transitional provisions, the Company elected to restate share-based payments related to the Company's stock option plan for stock options that were outstanding at the transition date and that had not vested. Under Canadian GAAP the Company had not included an estimate of forfeitures in the calculation of share-based compensation. Doing so under IFRS reduces the carrying amount of contributed surplus. On transition this amount was \$57 with \$14 of the reduction allocated against MATSA's capitalized development costs.
- ii. In accordance with IFRS 1 transitional provisions, the Company elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. Accumulated other comprehensive income has been decreased and the deficit has been reduced. The amount of the adjustment was \$23,470.
- iii. An impairment loss recognized in 2008 has been reversed in the amount of \$265,711. Of this impairment reversal, \$108,248 related to CMC and \$157,463 related to MATSA. Canadian GAAP does not permit the reversal of any previous impairment losses where circumstances requiring the impairment charge have changed.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS (continued)

- iv. The workforce intangible asset that was recognized as part of a 2009 asset acquisition has been derecognized. It does not meet the criteria for an intangible asset under IFRS. The carrying value of the intangible asset which was derecognized was \$2,315.
- v. In accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date have been carried forward without adjustment except where such balances do not meet the transitional requirement to recognize or derecognize assets and liabilities in accordance with IFRS. In that regard, and with respect to the 2008 acquisition of CMC, contingent consideration of \$54,767 has been recognized as a liability. Under Canadian GAAP, this contingent consideration was not recognized. For further discussion refer to note 7.
- vi. Similar to Canadian GAAP, when a rehabilitation provision (formerly asset retirement obligation) is established, the Company is required to set up a corresponding asset and amortize it over the remaining useful life of the asset. Any changes in the rehabilitation provision are added to or subtracted from the cost of the asset to which the obligation relates. In accordance with IFRS transitional provisions, the Company elected to take a simplified approach to calculate and record the asset related to the rehabilitation provision in the opening IFRS consolidated balance sheet. The rehabilitation provision on the transition date calculated in accordance with IFRS is discounted back to the date at which the provision first arose, at which date the corresponding asset is set up. The asset is then amortized to its carrying amount at the transition date.

The rehabilitation provisions for CMC and MATSA, calculated at the transition date, were increased above the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP. The increases in the rehabilitation provisions were: CMC - \$1,462; MATSA - \$9,116.

The corresponding adjustments to the assets, net of amortization, were added to the carrying amount of the asset retirement cost recognized under Canadian GAAP. The increases in the assets were: CMC \$1,213; MATSA - \$7,677.
- vii. The adjustments to deferred income tax assets and liabilities principally reflect the tax effects of other IFRS adjustments.
- viii. Under IFRS transaction costs relating to compound financial instruments should be allocated as a reduction in the book value of the debt and equity components. Under Canadian GAAP transaction costs relating to the Dundee Debenture were properly expensed.
- ix. In accordance with IFRS transitional provisions minority interest was recorded on transitional entries relating to the CMC legal entity. Previous minority interest recorded under Canadian GAAP was reset to nil on transition to IFRS.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS (continued)

Restated Iberian financial statements for year ended December 31, 2010

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.

Iberian Minerals Corp.

Reconciliation of Consolidated Statement of Loss and Comprehensive Loss for the Year ended December 31, 2010

(expressed in thousands of U.S. dollars)

Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
Revenues						Revenues
Sales		226,723	-	-	226,723	Sales
<i>Costs and expenses of mining operations</i>						<i>Costs and expenses of mining operations</i>
Operating costs and mine site administrative expenses		183,669	-	-	183,669	Operating costs and mine site administrative expenses
Mine site amortization	iv, viii	72,594	47,160	-	119,754	Mine site amortization
Gross margin		(29,540)	(47,160)	-	(76,700)	Gross profit
Expenses (other income)						Expenses (other income)
Stock option compensation	iii	533	(57)	-	476	Share-based compensation
Administrative expenses		3,135	-	-	3,135	Administrative expenses
Finance charges		6,977	-	(6,977)	-	
Convertible debenture interest and accretion		4,813	-	(4,813)	-	
Foreign exchange gain	vi, ix	(6,059)	(1,130)	-	(7,189)	Foreign exchange gain
Unrealized loss on derivative financial instruments		40,964	-	-	40,964	Unrealized loss on derivative financial instruments
	v	-	5,233	-	5,233	Fair value increase in contingent consideration
Corporate amortization		70	-	-	70	Corporate amortization
Interest income		(312)	-	312	-	
Total expenses		50,121	4,046	(11,478)	42,689	Total expenses
<i>Net loss before the following:</i>		(79,661)	(51,206)	11,478	(119,389)	Operating loss
		-	-	(312)	(312)	Finance income
	ii, vi	-	(1,233)	6,977	5,744	Finance costs
	ii, vii	-	5,941	4,813	10,754	Debentures interest and accretion
	i, ii, xi	-	4,700	-	4,700	Unrealized loss on warrants
		-	9,408	11,478	20,886	Net finance costs
Current income tax expense		7,474	-	-	7,474	Current income tax expense
Future income tax recovery	ix	(2,746)	(31,301)	-	(34,047)	Future income tax recovery
Net loss		(84,389)	(29,313)	-	(113,702)	Net loss
Other comprehensive income (loss)						Other comprehensive income (loss)
Change in unrealized loss on long-term investment		24	-	-	24	Change in unrealized loss on long-term investment
Unrealized foreign currency translation gain		3,987	-	-	3,987	Unrealized foreign currency translation gain
Other comprehensive income for the period		4,011	-	-	4,011	Other comprehensive income for the period
Comprehensive loss for the period		(80,378)	(29,313)	-	(109,691)	Comprehensive loss for the period
						Net profit (loss) attributable to:
					(114,004)	Owners of the Company
					302	Non-controlling interests
					(113,702)	Net loss for the period
						Comprehensive income (loss) attributable to:
					(109,993)	Owners of the Company
					302	Non-controlling interests
					(109,691)	Comprehensive loss for the period
<i>Loss per share</i>						<i>Loss per share</i>
Basic and diluted loss per share		(0.25)	(0.09)	-	(0.33)	Basic and diluted loss per share
Weighted average number of registered shares outstanding - basic and diluted		342,275,043	-	-	342,275,043	Weighted average number of registered shares outstanding - basic and diluted

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

26. TRANSITION TO IFRS (continued)

Iberian Minerals Corp.		
Reconciliation of Equity		
<i>(expressed in thousands of U.S. dollars)</i>		
As at	Notes	December 31, 2010
Shareholders' equity under Canadian GAAP		12,038
Total transitional adjustments - January 1, 2010		147,596
Differences increasing (decreasing) reported shareholders' equity in 2010:		
<u>Share capital</u>		
Other w arrants	<i>i</i>	(2,431)
<u>Equity portion of debenture</u>		
Private debenture	<i>ii</i>	(249)
<u>Contributed surplus:</u>		
Share-based compensation	<i>iii</i>	(57)
Dundee Debenture	<i>xi</i>	(415)
<u>Warrants:</u>		
New debentures	<i>ii</i>	(2,048)
Other w arrants	<i>i</i>	(841)
<u>Retained deficit:</u>		
Amortization	<i>iv</i>	(47,160)
New and Private debentures	<i>ii</i>	(13,305)
Contingent consideration	<i>v</i>	(5,233)
Stock based compensation	<i>iii</i>	57
Rehabilitation provision	<i>vi</i>	430
Warrant fair value	<i>i</i>	2,218
Accretion - Dundee Debenture	<i>vii</i>	(61)
Dundee Debenture	<i>xi</i>	415
Capitalization of borrow ing costs	<i>viii</i>	477
Deferred income tax assets and liabilities	<i>ix</i>	32,850
Non-controlling interest	<i>x</i>	(302)
Total equity under IFRS		123,979

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS (continued)

Iberian Minerals Corp.

Reconciliation of Consolidated Balance Sheet as of December 31, 2010
(expressed in thousands of U.S. dollars)

Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
Assets						Assets
<i>Current assets</i>						<i>Current assets</i>
Cash and cash equivalents		12,964	-	-	12,964	Cash and cash equivalents
Restricted cash		3,809	-	-	3,809	Restricted cash
Trade and other receivables		40,939	-	-	40,939	Trade and other receivables
Prepays and deposits		1,715	-	-	1,715	Prepays and deposits
Inventories, net		36,264	-	-	36,264	Inventories, net
Current portion of future tax assets	<i>ix</i>	39,407	-	(39,407)	-	
		135,098	-	(39,407)	95,691	
Restricted cash		17,797	-	-	17,797	Restricted cash
Long-term investment		137	-	-	137	Investment
Property, plant and equipment	<i>iv, vi, viii</i>	411,636	225,476	-	637,112	Property, plant and equipment
Intangibles		2,173	(2,173)	-	-	Intangibles
Other assets		201	-	-	201	Other assets
Future tax asset	<i>ix</i>	-	(22,253)	22,253	-	Deferred tax assets
		567,042	201,050	(17,154)	750,938	
Liabilities						Liabilities
<i>Current liabilities</i>						<i>Current liabilities</i>
Trade payables and accrued liabilities		71,935	-	-	71,935	Trade and other payables
Current portion of long-term debt		71,076	-	-	71,076	Loans and borrowings
Current portion of derivative instruments		239,434	-	-	239,434	Derivative instruments
Convertible debenture		28,648	(370)	-	28,278	Debentures
	<i>v</i>	-	60,000	-	60,000	Contingent consideration
		-	15,972	-	15,972	Warrant liabilities
		411,093	75,602	-	486,695	
Long-term debt		57,501	-	-	57,501	Loans and borrowings
Asset retirement obligation	<i>vi</i>	12,318	7,863	-	20,181	Rehabilitation provisions
Derivative instruments		59,764	-	-	59,764	Derivative instruments
Convertible debenture		-	-	-	-	Debentures
	<i>i</i>	-	1,053	-	1,053	Warrant liabilities
Future tax liabilities	<i>ix</i>	14,328	4,292	(17,154)	1,466	Deferred tax liabilities
		555,004	88,810	(17,154)	626,660	
Shareholders' Equity						Equity
Share capital		265,020	(2,431)	-	262,589	Share capital
Equity portion of convertible debenture	<i>ii</i>	249	(249)	-	-	Equity portion of debenture
Contributed surplus	<i>iii</i>	11,691	(529)	-	11,162	Contributed surplus
Warrants	<i>i</i>	2,889	(2,889)	-	-	Warrants
Retained deficit		(295,454)	141,509	-	(153,945)	Retained deficit
Accumulated other comprehensive income		27,643	(23,470)	-	4,173	Accumulated other comprehensive income
		12,038	111,941	-	123,979	Equity attributable to shareholders
Non-controlling interest	<i>x</i>	-	299	-	299	Non-controlling interest
Total liabilities and shareholders' equity		567,042	201,050	(17,154)	750,938	Total liabilities and equity

Explanatory notes

- i. 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 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 function currency (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. As at December 31, 2010 warrants outstanding had a fair value of \$1,053.
- ii. The Company adopted the following accounting treatment under IFRS for the New Debentures and Private Debentures issued during 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.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

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 revalued 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.

On inception of the New Debentures, in April 2010, the Company assigned a fair value of \$10,475 to Warrant liabilities. The resulting carrying value of the New Debentures was \$14,491. Transaction costs of \$111 were recognized in finance costs. During 2010 the Company recognized accretion expense of \$10,456. At December 31, 2010 the Warrant liabilities had fair value of \$13,958 resulting in an unrealized loss on Warrants of \$3,483 being recognized in the income statement.

On inception of the Private Debentures, in June 2010, the Company assigned a fair value of \$646 to Warrant liabilities. The resulting carrying value of the New Debentures was \$2,798. Transaction costs of \$10 were recognized in finance costs. During 2010 the Company recognized accretion expense of \$208. At December 31, 2010 the Warrant liabilities had fair value of \$2,015 resulting in an unrealized loss on Warrants of \$1,369 being recognized in the income statement.

A cumulative foreign exchange loss related to both the New Debentures and Private Debentures in the amount of \$33 was recognized in 2010.

- iii. The Company derecognized \$57 in share-based compensation expense in 2010. This is an estimate of expected forfeitures of un-vested stock options.
- iv. 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 year ended December 31, 2010 in the amount of \$46,650 (CMC - \$26,077; MATSA - \$20,573). Additional amortization recorded on the rehabilitation provision assets was \$615 in 2010.
- v. The fair value of the contingent consideration at December 31, 2010 was \$60,000. This amount was not previously recorded under Canadian GAAP as it did not meet the criteria required for recognition. As at December 31, 2010 it is classified as a current liability as it is expected to be settled within one year of the balance sheet date.
- vi. 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 \$849 during 2010 (CMC - \$248; MATSA - \$601).

In accordance with IFRS foreign exchange movements impacting the value of the rehabilitation provision are recorded as a change in estimate against the value of the related rehabilitation cost asset. As such the Company derecognized \$420 foreign exchange gain on the MATSA rehabilitation provision under Canadian GAAP and reduced the carrying value of the rehabilitation cost asset. An additional \$691 foreign exchange amount was recorded to reduce the MATSA rehabilitation provision and related asset due to Euro-U.S. dollar foreign exchange fluctuation.

The Company also recorded the impact of a change in estimate on the rehabilitation provisions due to a change in discount rate. The amount of the change in estimate was a reduction in the rehabilitation provisions of \$1,175 (CMC - \$345; MATSA - \$830) and a reduction of the related assets of the same amounts.

- vii. In relation to the Dundee Debenture (transition explanatory note viii), \$61 was recorded as accretion expense during the year.
- viii. During 2010 the Company capitalized borrowing costs incurred by MATSA in the amount of \$477. Related amortization expense recorded in 2010 was \$37.
- ix. The adjustments to deferred income tax assets and liabilities principally reflect the tax effects of other IFRS adjustments. The Company has elected to present a re-stated 2010 income tax note at the end of this IFRS transition note.
- x. In 2010 the Company recognized a non-controlling interest of \$302 relating to CMC. Minority shareholdings of CMC approximate 1.3%.
- xi. 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).

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS (continued)

Restated Iberian financial statements for period ended March 31, 2010

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.

Iberian Minerals Corp. Reconciliation of Consolidated Statement of Loss and Comprehensive Loss for the Three Months ended March 31, 2010 <i>(expressed in thousands of U.S. dollars)</i>						
Canadian GAAP accounts	Note	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
Revenues						Revenues
Sales		55,799	-	-	55,799	Sales
<i>Costs and expenses of mining operations</i>						<i>Costs and expenses of mining operations</i>
Operating costs and mine site administrative expenses		43,999	-	-	43,999	Operating costs and mine site administrative expenses
Mine site amortization	i	19,073	11,577	-	30,650	Mine site amortization
Gross margin		(7,273)	(11,577)	-	(18,850)	Gross profit
Expenses (other income)						Expenses (other income)
Stock option compensation		77	-	-	77	Share-based compensation
Administrative expenses		1,139	-	-	1,139	Administrative expenses
Finance charges		2,243	-	(2,243)	-	
Convertible debenture interest and accretion		451	-	(451)	-	
Foreign exchange gain	iv	(13,078)	420	-	(12,658)	Foreign exchange gain
Unrealized loss on derivative financial instruments	ii	12,159	-	-	12,159	Unrealized loss on derivative financial instruments
		-	5,233	-	5,233	Fair value increase in contingent consideration
Corporate amortization		19	-	-	19	Corporate amortization
Interest income		(57)	-	-	(57)	
Total expenses		2,953	5,653	(2,637)	5,969	Total expenses
Net loss before the following:		(10,226)	(17,230)	2,637	(24,819)	Operating loss
		-	-	(57)	(57)	Finance income
	iv	-	(202)	2,243	2,041	Finance costs
	iii	-	61	451	512	Convertible debenture interest and accretion
		-	(141)	2,637	2,496	Net finance costs
Current income tax expense		1,422	-	-	1,422	Current income tax expense
Future income tax recovery	v	(1,744)	10,774	-	9,030	Future income tax expense
Net loss		(9,904)	(27,863)	-	(37,767)	Net loss
Other comprehensive income (loss)						Other comprehensive income (loss)
Change in unrealized loss on long-term investment		(7)	-	-	(7)	Change in unrealized loss on long-term investment
Unrealized foreign currency translation gain		3,969	-	-	3,969	Unrealized foreign currency translation gain
Other comprehensive income for the period		3,962	-	-	3,962	Other comprehensive income for the period
Comprehensive loss for the period		(5,942)	(27,863)	-	(33,805)	Comprehensive loss for the period
Net loss attributable to:						
(37,803) Owners of the Company						
36 Non-controlling interests						
(37,767) Net loss for the period						
Comprehensive loss attributable to:						
(33,841) Owners of the Company						
36 Non-controlling interests						
(33,805) Comprehensive loss for the period						
<i>Loss per share</i>						
Basic and diluted loss per share		(0.03)	(0.08)	-	(0.11)	Basic and diluted loss per share
Weighted average number of registered shares outstanding - basic and diluted		338,055,865	-	-	338,055,865	Weighted average number of registered shares outstanding - basic and diluted

Iberian Minerals Corp.
Reconciliation of Equity
(expressed in thousands of U.S. dollars)

As at	Notes	March 31, 2010
Shareholders' equity under Canadian GAAP		72,594
Total transitional adjustments - January 1, 2010		147,596
Differences increasing (decreasing) reported shareholders' equity:		
Retained deficit:		
Amortization	i	(11,577)
Contingent consideration	ii	(5,233)
Accretion - Dundee Debenture	iii	(61)
Rehabilitation provision	iv	(219)
Deferred income tax assets and liabilities	v	(10,773)
Non-controlling interest	vi	(36)
Total equity under IFRS		192,291

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

26. TRANSITION TO IFRS *(continued)*

Explanatory notes

- i. 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 period ended March 31, 2010 in the amount of \$11,474 (CMC - \$6,438; MATSA - \$5,036). Additional amortization recorded on the rehabilitation provision assets was \$106 in Q1 2010.
- ii. The fair value of the contingent consideration at March 31, 2010 was \$60,000. This amount was not previously recorded under Canadian GAAP as it did not meet the criteria required for recognition. The amount of \$5,233 was recorded as a fair value loss in the period to increase the fair value of the contingent consideration liability from \$54,767.
- iii. In relation to the Dundee Debenture (January 1, 2010 transition explanatory note viii), \$61 was recorded as accretion expense during the period.
- iv. 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 \$201 during the period (CMC - \$101; MATSA - \$100).
- v. The adjustments to deferred income tax assets and liabilities principally reflect the tax effects of other IFRS adjustments.
- vi. In the period the Company recognized a non-controlling interest of \$36 relating to CMC. Minority shareholdings of CMC approximate 1.3%.

IBERIAN MINERALS CORP.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS (continued)

Additional Annual Disclosures under IFRS

As a result of the adjustments discussed above, the following IFRS annual disclosure for the year ended December 31, 2010 is included below.

INCOME TAXES

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

Years ended December 31,	2010
Current	
Foreign income tax expense	\$ 7,474
Deferred	
Foreign – Origination and reversal of temporary differences	(28,566)
Benefit arising from previously unrecognized tax loss, or temporary difference	(5,481)
Provision for income tax recovery	\$ (26,573)

The reconciliation of the combined statutory income tax rate to the effective income tax rate is as follows:

Years ended December 31,	2010
Net loss before taxes and non-controlling interest	\$ (140,275)
Income tax provision at the combined Switzerland statutory rates of 7.83% (prior to June 17, 2009 - 33.00% Canadian federal and provincial)	(10,984)
Rate differences attributable to foreign operations	(29,153)
Impact of foreign exchange movements on temporary differences	19,499
Benefits arising from previously unrecognized tax assets	(5,481)
Foreign exchange	(492)
Accretion of convertible debenture	70
Non-deductible stock-option compensation	42
Permanent or other differences	(74)
Provision for income tax (recovery) expense	\$ (26,573)

At June 17, 2009, the Company has approximately CA\$ 6,639 of Canadian non-capital loss carry-forwards which expire between 2009 and 2028. In addition, the Company has approximately CA\$ 1,780 of Canadian resource deductions and CA\$ 5,700 of foreign resource deductions that have unlimited carry-forward periods to reduce future years income for tax purposes. On the re-domiciling from Canada to Switzerland, these loss carry-forwards and resource deductions have ceased to be available to the re-domiciled Swiss Company.

The Company has approximately \$16,595 in Spanish rehabilitation liabilities for which a deferred tax asset has not been recognized on the consolidated balance sheet.

As at December 31, 2010 the Company has Spanish non-capital loss carry forwards of approximately \$356,345 which expire between 2017 and 2024, all of which have been recognized on the consolidated balance sheet.

The components that give rise to deferred tax assets and deferred tax liabilities are as follows:

	Balance sheet	Statement of operations
Years ended December 31,	2010	2010
Deferred income tax assets (liabilities)		
Non-capital loss carry-forwards	\$ 106,903	(42,387)
Hedging (gains) losses	36,860	(39,893)
Property, plant and equipment	(145,230)	46,723
Other	-	(39)
	\$ (1,467)	\$ (35,596)

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Notes to Condensed Consolidated Financial Statements
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(unaudited)

26. TRANSITION TO IFRS *(continued)*

As of December 31, 2010, the Company maintains several administrative procedures with the Peruvian Tax Administration related to (i) income tax and value added tax of 2001, (ii) reference basis for mining royalties of the year 2006 and (iii) income tax advance payments corresponding to January 2008 for Peruvian new soles of 858, 439 and 29, respectively (equivalent to \$351, \$156 and \$11, respectively). In the opinion of management and the Company's legal advisor, these claims will be resolved in favour of the Company and, as a consequence, the final resolution of these contingencies will not represent any additional liability for the Company.

During 2008, the interpretation of certain Peruvian tax laws was such that CMC may not meet the criteria to be able to deduct for tax purposes the realized losses on its derivative instruments. This law was subsequently overturned effective in 2009. As a result of the possible interpretation that the tax authorities can give to the law in effect in 2008, it is uncertain whether or not this would result in tax expense for the Company. Management estimated the potential risk to be approximately \$10,000, including interest and penalties. In the opinion of management and its legal advisors, it is more likely than not that the deductibility of these amounts will be upheld.