

Condensed Interim Consolidated Financial Statements



Six Months Ended June 30, 2014

(Expressed in Canadian dollars)

(Unaudited - prepared by management)

NOTICE TO READER

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

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

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

IBERIAN MINERALS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars - Unaudited)

	Notes	June 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		\$ 164,162	\$ 643,603
Receivables	4	-	20,114
Prepays		42,500	4,417
Total current assets		206,662	668,134
Non-current assets			
Restricted cash	5	75,514	-
Exploration and evaluation assets	5	5,222,657	4,701,565
Total non-current assets		5,298,171	4,701,565
TOTAL ASSETS		\$ 5,504,833	\$ 5,369,699
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 204,328	\$ 170,956
TOTAL LIABILITIES		204,328	170,956
EQUITY			
Share capital	7	26,446,663	24,483,666
Subscription advances	7	-	781,711
Reserves	8	6,643,667	6,200,783
Deficit		(27,789,825)	(26,267,417)
TOTAL EQUITY		5,300,505	5,198,743
TOTAL LIABILITIES AND EQUITY		\$ 5,504,833	\$ 5,369,699

Nature and continuance of operations (Note 1)

Subsequent event (Note 14)

On behalf of the Board:

"Rick Gliege"

Director

"Greg Pendura"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

IBERIAN MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars - Unaudited)

	Notes	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Expenses					
Consulting fees	10	\$ 49,177	\$ 15,000	\$ 117,033	\$ 38,000
Investor relations		8,545	62,592	13,577	76,732
Management fees	10	82,500	63,000	145,500	126,000
Office and general		58,819	14,931	74,628	31,462
Professional fees		489,749	9,693	664,509	13,360
Project investigation	5	-	22,719	-	61,252
Share-based payments	8	15,155	11,768	431,892	311,172
Transfer agent and filing fees		3,818	14,104	20,511	24,603
Travel		13,896	17,857	38,112	35,314
		721,659	231,664	1,505,762	717,895
Loss before other items		(721,659)	(231,664)	(1,505,762)	(717,895)
Other items					
Foreign exchange gain (loss)		(9,156)	2,801	(10,890)	(4,258)
Write-down of exploration and evaluation assets	5	(3,476)	-	(5,756)	-
Loss and comprehensive loss for the period		(734,291)	(228,863)	(1,522,408)	(722,153)
Basic and diluted loss per common share	9	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		143,921,028	119,459,791	141,602,298	115,711,175

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

IBERIAN MINERALS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars - Unaudited)

	Share Capital		Subscription Advances	Reserves	Deficit	Total
	Number of Shares	Amount				
Balance at December 31, 2012	108,342,715	\$ 22,922,186	\$ -	\$ 5,017,415	\$ (23,890,879)	\$ 4,048,722
Private placements	11,979,164	875,000	-	-	-	875,000
Share issuance costs	-	(26,110)	-	-	-	(26,110)
Exercise of warrants	200,000	20,000	-	-	-	20,000
Share-based payments	-	-	-	311,172	-	311,172
Loss for the period	-	-	-	-	(722,153)	(722,153)
Balance at June 30, 2013	120,521,879	23,791,076	-	5,328,587	(24,613,032)	4,506,631
Private placements	7,000,000	671,407	-	-	-	671,407
Exercise of warrants	172,500	21,183	-	-	-	21,183
Warrants issued to Glencore Xstrata plc (Note 5)	-	-	-	839,165	-	839,165
Share subscription advances	-	-	781,711	-	-	781,711
Share-based payments	-	-	-	33,031	-	33,031
Loss for the period	-	-	-	-	(1,654,385)	(1,654,385)
Balance at December 31, 2013	127,694,379	24,483,666	781,711	6,200,783	(26,267,417)	5,198,743
Private placements	14,791,667	1,690,000	(781,711)	-	-	908,289
Share issuance costs	-	(103,831)	-	10,992	-	(92,839)
Exercise of warrants	2,510,000	376,828	-	-	-	376,828
Share-based payments	-	-	-	431,892	-	431,892
Loss for the period	-	-	-	-	(1,522,408)	(1,522,408)
Balance at June 30, 2014	144,996,046	\$ 26,446,663	\$ -	\$ 6,643,667	\$ (27,789,825)	\$ 5,300,505

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

IBERIAN MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars - Unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,522,409)	\$ (722,153)
Items not affecting cash:		
Share-based payments	431,892	311,172
Write-down of exploration and evaluation assets	5,756	-
Changes in non-cash working capital items:		
Receivables	20,114	8,455
Prepays	(38,082)	(6,552)
Accounts payable and accrued liabilities	(71,513)	(31,562)
	<u>(1,174,242)</u>	<u>(440,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(421,963)	(366,285)
Restricted cash	(75,514)	-
	<u>(497,477)</u>	<u>(366,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	908,289	875,000
Share issuance costs	(92,839)	(26,110)
Exercise of warrants	376,828	20,000
	<u>1,192,278</u>	<u>868,890</u>
Change in cash and cash equivalents for the period	(479,441)	61,965
Cash and cash equivalents, beginning of the period	643,603	22,851
Cash and cash equivalents, end of the period	\$ 164,162	\$ 84,816

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

1. Nature and continuance of operations

Solid Resources Ltd. (the “Company”) was incorporated under the laws of the Province of Alberta, Canada. On June 12, 2014, the Company changed its name from Solid Resources Ltd. to Iberian Minerals Ltd. Its shares are listed for trading on the TSX Venture Exchange where its common shares trade under the symbol “IML”. The Company is involved in the exploration and development of mineral resource properties and does not currently have a recurring revenue stream. The registered head office and principal address and records office of the Company are located at Suite 600, 815 – 8th Avenue SW, Calgary, AB T2P 3P2.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The condensed interim consolidated financial statements were approved for issue on August 29, 2014 by the Board of Directors of the Company.

2. Significant accounting policies

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “*Interim Financial Reporting*” (“IAS 34”) as issued by the International Financial Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

Basis of presentation

The financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended December 31, 2013, except for the impact of the adoption of the accounting standard described below. These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value and are presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2013.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

2. Significant accounting policies (cont'd)

Basis of consolidation

The condensed interim consolidated financial statements include, on a consolidated basis, the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiaries, Solid Mines Espana S.A., Magnetitas del Cehegin, SLU., and Cehegin Iron Ore Holdings, all incorporated in Spain.

A subsidiary is consolidated from the date on which control is transferred to the Company. It is deconsolidated from the date on which control ceases.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below

- i) IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- ii) IFRS 32 '*Financial Instruments: Presentation*' - effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

The Company has not yet begun the process of assessing the impact that the new and amended standards, that are effective for annual periods beginning on or after January 1, 2014, will have on its financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changes on the consolidated financial statements to be material, although additional disclosure may be required.

4. Receivables

	June 30, 2014	December 31, 2013
Sales taxes receivables	\$ -	\$ 20,114
Total		20,114

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

	Cehegin, Spain	Doade- Presqueira, Spain	Peru Gold & Copper	Total
Balance, December 31, 2012	\$ -	\$ 3,959,945	\$ 136,768	\$ 4,096,713
Additions:				
Geological fees and expenses	-	301,824	16,525	318,349
Mining rights and taxes	-	23,545	-	23,545
Drilling, sampling and assay	-	416,251	-	416,251
Total additions	-	741,620	16,525	758,145
Write-off of exploration and evaluation assets	-	-	(153,293)	(153,293)
Balance, December 31, 2013	-	4,701,565	-	4,701,565
Additions:				
Geological fees and expenses	89,474	71,884	5,756	167,114
Mining rights and taxes	226,948	-	-	226,948
Drilling, sampling and assay	-	132,786	-	132,786
Total additions	316,422	204,670	5,756	526,848
Write-off of exploration and evaluation assets	-	-	(5,756)	(5,756)
Balance, June 30, 2014	\$ 316,422	\$ 4,906,235	\$ -	\$ 5,222,657

Doade-Presqueira, Spain

The Company has 100% interest in this concession which is located in northwestern Spain and is 4,902 hectares (12,108 acres) in size. This property is under exploration for Lithium, Tantalum, Tin, Rubidium, and Cesium.

The surrounding schist also contains significant quantities of Lithium, Rubidium, and Cesium. The mineralized pegmatites are located in a northerly trending belt approximately 0.6 km wide and 15 km in length

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

5. Exploration and evaluation assets (cont'd)

Peru Gold & Copper Property

The Company entered into a binding option agreement with an arm's length third party (the "Optionor") pursuant to which it acquired the option to purchase a metallic mining license, covering an area of 1,000 hectares, located in Northwest Peru. Under the terms of the option agreement, the Company has the right to purchase the license by paying the Optionor a total of US\$500,000. The first cash payment of US\$4,000 has already been paid to the Optionor. Although the agreement expired on December 31, 2012, by mutual consent it has remained in force.

During the year ended December 31, 2013, the Company has changed its focus on exploring and developing the Doade-Presqueira and the Cehegín Iron Ore Concessions in Spain; accordingly, all related capitalized costs of \$153,293 were considered to be fully impaired and written-down to zero.

During the six months ended June 30, 2014, costs of \$5,756 were also written-down.

The Cehegín Iron Ore Concession, Spain

On October 21, 2013, The Company signed a definitive and exclusive Co-operation Agreement (the "Agreement") with a wholly owned subsidiary of Glencore Xstrata plc ("Glencore"), for joint due diligence of the Cehegin Project. The Agreement also provides for the potential formation of a joint venture company to progress development of the formerly producing Cehegin Iron Ore Mine located in the Province of Murcia, south-eastern Spain

Under the terms of the Joint Venture Agreement (the "JVA"), Glencore would be granted a 20% interest in the Cehegin Project, with the Company retaining an 80% interest. The joint venture would progress exploration and phased development studies with the objective of identifying and constructing a new iron ore mine.

The proposed Project would be carried out in 4 Phases. In the Agreement, during Phase 1, the Company and Glencore would determine the potential feasibility of the Project. Following the completion of the due diligence during Phase 1, Glencore would then either elect to proceed with Phase 2, in which case the parties would enter into the JVA, or terminate the Agreement.

Set out in the JVA, during Phase 2, the parties would form a joint venture company (the "JV Company") to carry out the Project, which would initially be owned 80% by the Company and 20% by Glencore. The ownership of the JV Company would be subject to change based on the terms of the JVA, which would depend on further funding requirements. The Company would transfer all of its rights in the Cehegin Iron Ore concessions in south-eastern Spain to the JV Company. During Phase 2, the parties would prepare an Exploration and Concept Study. During Phase 3, the parties would prepare a Pre-Feasibility Study. During Phase 4, the parties would prepare a Feasibility Study and raise funding for the Project.

Significant terms of the potential JVA are:

- Glencore to hold a 20% interest, with the Company maintaining an 80% interest.
- Glencore to exclusively purchase all production.
- Agreement to jointly pursue third party financing when required.
- Dilution of non-financing partner(s) at fair market value.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

5. Exploration and evaluation assets (cont'd)

The Cehegín Iron Ore Concession, Spain (cont'd)

In addition, upon execution of the Agreement, the Company has also issued to Glencore 12,000,000 purchase warrants to purchase an equivalent number of common shares in the capital of the Company, at an exercise price of \$0.19 during the period from the date of issuance until October 18, 2014 and \$0.26 during the period from October 19, 2014 until the expiry date of October 18, 2015. The warrants will only vest and be exercisable as to 50% on the signing of the Agreement and as to 50% on Glencore contributing its share of costs for the initial exploration and study phase of the development programme.

The Company expensed a fair value of \$839,165 to project investigations, which represents 50% of the warrants issued upon signing of the Agreement. The fair value of these warrants was determined using the Black-Scholes option pricing model weighted average assumptions with volatility of 157%, average risk free interest rate of 1.18%, expected life of 2 years, forfeiture rate of 0% and a dividend rate of 0%.

On March 13, 2014, the Company's wholly-owned subsidiary, Solid Mines España, S.A.U. ("SME"), acquired all of the issued and outstanding shares of Lorente y Pallares, S.L. ("LYP"), a private Spanish company, in an arm's length transaction.

LYP holds all of the rights and interests associated with the Cehegin 62 iron ore concessions in south-eastern Spain and subsequent to the acquisition the company name was changed to Magnetitas del Cehegin, SLU.

The purchase price for the acquisition was €135,000 (\$208,237 CAD), plus the repayment of mortgage debt in the amount of €45,000 (69,412 CAD). In addition a security payment in the amount of €45,861 (\$70,741 CAD) was given to a financial institution for future environmental restoration purposes and is now registered as an asset to SME. These amounts were paid on the closing representing a total price of €225,861 (\$348,391 CAD).

The allocation of the purchase price for net assets acquired based on estimates of fair value at the acquisition date are as follows:

Cash	\$	30,791
Restricted Cash		79,962
Exploration and evaluation assets		326,245
Accounts payable and accrued liabilities		(19,195)
Mortgage payable		(69,412)
Net identifiable assets acquired	\$	348,391

SME will be required to pay an additional amount of up to €2,700,000 (\$3,976,290 CAD) once a mining permit is submitted and granted for all 62 concessions, an improvement over the previously announced cost of €3,000,000 (\$4,418,100 CAD). If SME proceeds with the new magnetite mining project, this additional payment would be made within four months from the decision notice date on which the permits or licenses are issued. This additional amount will be reduced to €1,800,000 (\$2,650,860 CAD) if SME proceeds with the project, but does not obtain all mining permits for the total 62 concessions in its initial submission for permitting. No net royalties will be due on any proceeds from commercialization of the project to the previous owners.

On May 6, 2014, the Company announced that Glencore Xstrata plc has exercised its option to take 20% equity in the Cehegin Iron Ore Project. Iberian and Glencore will now proceed to finalize and sign the Joint Venture Agreement.

The JVA (Iberian 80%, Glencore 20%) will now commence progression of exploration and phased development studies with the ultimate objective of developing a new iron ore mine.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

6. Accounts payables and accrued liabilities

	June 30, 2014	December 31, 2013
Accounts payables	\$ 204,328	\$ 42,650
Accrued liabilities	-	128,306
	\$ 204,328	\$ 170,956

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At June 30, 2014, there were 144,996,046 issued and fully paid common shares (December 31, 2013 - 127,694,379).

Please refer to the Consolidated Statements of Changes in Equity for a summary of changes in share capital and reserves for the six months ended June 30, 2014. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

For the six months ended June 30, 2014

- i) On January 7, 2014, the Company completed a non-brokered private placement of 10,541,667 units representing gross proceeds of \$1,265,000. Each unit consists of one share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one (1) common share in the share capital of the Corporation at an exercise price of \$0.20 per Common Share during the first year following the date of closing and at \$0.26 per Common Share during the subsequent year up to a period of two years following the date of closing. The warrants are subject to an accelerated expiry stating that if at any time after the standard four month hold period the closing price of the Company's common shares on the TSX Venture Exchange exceeds \$0.40 for any 10 consecutive trading days,

Finders acting in connection with the Offering received aggregate fees of \$71,589 and 218,050 finder's warrants, with each finder's warrant entitling the holder to purchase one (1) common share in the share capital of the Corporation at an exercise price of \$0.20 per Common Share during the first year following the date of closing and at \$0.26 per Common Share during the subsequent year up to a period of two years following the date of closing.

The fair value of the finders' warrants, being \$10,992 was determined using the Black-Scholes option pricing model weighted average assumptions with volatility of 93.4%, average risk free interest rate of 1.25%, expected life of 2 years, forfeiture rate of 0% and a dividend rate of 0%.

On February 20, 2014, the Company completed a non-brokered private placement for a total of 4,250,000 common shares in the capital of the Corporation representing gross proceeds of \$425,000. The Offering did not include any share purchase warrants. In connection with this offering, finders' fees of \$21,250 in cash were paid.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

7. Share capital (cont'd)

Other issuance

- ii) The Company issued 2,510,000 common shares as a result of warrant exercises.

Year ended December 31, 2013

- i) On January 24, 2013, the Company closed the non-brokered private placement of 4,166,664 units at a price of \$0.06 per unit for aggregate gross proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.15 at any time prior twenty four months from the date of the issuance of the units, subject to earlier termination in the event that the closing price (or closing bid price on days when there are no trades) of the common shares on the TSX Venture Exchange exceeds \$0.25 for 20 consecutive trading days, then upon the Company sending subscribers written notice of such date and issuing a news release announcing such date, the Warrant will only be exercisable for a period of 30 days following the date on which such written notice is sent to the subscribers.

- ii) On March 22, 2013, the Company closed the first tranche of its previously announced non-brokered private placement consisting of up to 6,250,000 units ("Units") at a price of \$0.08 per unit for gross proceeds of up to \$500,000. Each unit is comprised of one common share of the Company and one share purchase warrant.

The Company issued 3,837,500 units for total gross proceeds of \$307,000 pursuant to the first tranche. The securities issued pursuant to the first tranche are subject to a four month hold period from the date of closing and the warrants are exercisable to acquire an additional common share at a price of \$0.15 until March 22, 2015. The warrants are subject to an accelerated expiry stating that if at any time, after the standard 4 month hold period, the closing price of the Company's common shares on the TSX Venture Exchange exceeds \$0.25 for any 20 consecutive trading days, the warrant holder will be given notice that the warrants will expire 30 days following the date of such notice. The Company paid finders' fees of \$13,930 cash.

- iii) On April 22, 2013, the Company completed of the second tranche of its previously announced non-brokered private placement for a total of 3,975,000 units representing gross proceeds of \$318,000. Each unit consists of one share and one share purchase warrant, with each warrant exercisable to acquire an additional share until April 22, 2015. The warrants are subject to an accelerated expiry stating that if at any time, after the standard 4 month hold period, the closing price of the Company's common shares on the TSX Venture Exchange exceeds \$0.25 for any 20 consecutive trading days, the warrant holder will be given notice that the warrants will expire 30 days following the date of such notice. The Company paid a finders' fee of \$12,180 cash

On closing and when combined with the previous tranche, the Company will have issued a total of 7,812,500 units for gross proceeds of \$625,000.

- iv) On August 14, 2013, the Company completed a non-brokered private placement of 7,000,000 units at a subscription price of \$0.10 per unit for total gross proceeds of \$700,000. Each unit consists of one share and one share purchase warrant, with each warrant exercisable to acquire an additional share until August 14, 2015. The warrants are subject to an accelerated expiry stating that if at any time, after the standard 4 month hold period, the closing price of the Company's common shares on the TSX Venture Exchange exceeds \$0.25 for any 10 consecutive trading days, the warrant holder will be given notice that the warrants will expire 30 days following the date of such notice. The Company paid finder's fees of \$33,285 cash.

The fair value of the finders' warrants, being \$34,293 was determined using the Black-Scholes option pricing model weighted average assumptions with volatility of 131%, average risk free interest rate of 1.21%, expected life of 2 years, forfeiture rate of 0% and a dividend rate of 0%.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

7. Share capital (cont'd)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance outstanding, December 31, 2012	44,262,533	\$ 0.13	
Granted on private placement	4,166,664	0.15	January 21, 2015
Granted on private placement	3,837,500	0.15	March 22, 2015
Granted on private placement	3,975,000	0.15	April 22, 2015
Granted on private placement	7,000,000	0.15	August 14, 2015
Issued to Glencore (Note 5)	12,000,000	0.19	October 18, 2015
Exercised	(372,500)	(0.12)	
Expired or cancelled	(20,133,333)	(0.10)	
Balance outstanding, December 31, 2013	54,735,864	\$ 0.16	
Granted on private placement	10,759,717	0.20	January 7, 2016
Exercised	(2,510,000)	(0.15)	
Expired or cancelled	(21,767,250)	(0.15)	
Balance outstanding, June 30, 2014	41,218,331	\$ 0.17	
Balance exercisable, June 30, 2014	41,218,331	\$ 0.17	

Finders' warrants

Finders' warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2012	626,500	\$ 0.15	
Expired or cancelled	(101,500)	-	
Balance, December 31, 2013	525,000	0.15	May 10, 2014
Granted	218,050	0.20	January 7, 2016
Expired or cancelled	(525,000)	(0.15)	
Balance outstanding, June 30, 2014	218,050	\$ 0.20	
Balance exercisable, June 30, 2014	218,050	\$ 0.20	

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

7. Share-based payments

Stock options

The Company follows the policies of the TSX Venture Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

The changes in options are as follows:

	Six months ended June 30, 2014		Year ended December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	13,250,000	\$ 0.13	10,200,000	\$ 0.14
Options granted	4,150,000	0.13	4,100,000	0.11
Options cancelled/expired	(1,200,000)	(0.16)	(1,050,000)	(0.20)
Options outstanding, end of period	16,200,000	\$ 0.13	13,250,000	\$ 0.13
Options exercisable, end of period	15,950,000	\$ 0.13	12,975,000	\$ 0.13

During the six months ended June 30, 2014:

- On January 2, 2014, the Company granted 3,950,000 stock options to directors, officers, employees and various consultants of the Company. The options are at an exercise price of \$0.13 per share and valid for a period of five years from the date of the grant. The 3,425,000 options vest upon grant and 525,000 vest in quarterly installments thereafter.
- On March 27, 2014, the Company granted 200,000 stock options to an officer of the Company. The options are at an exercise price of \$0.13 per share and valid for a period of five years from the date of the grant. The options vest upon grant.

During the year ended December 31, 2013:

- On February 15, 2013, the Company granted 3,650,000 stock options to directors, officers, employees and various consultants of the Company. The options are at an exercise price of \$0.10 per share and valid for a period of five years from the date of the grant. The options vest 25% upon grant and 25% quarterly thereafter.
- On September 12, 2013, the Company granted 250,000 stock options to a consultant of the Company. The options are at an exercise price of \$0.17 per share and valid for a period of five years from the date of the grant. The options vest 25% upon grant and 25% quarterly thereafter.
- On October 1, 2013, the Company granted 200,000 stock options to a consultant of the Company. The options are at an exercise price of \$0.18 per share and valid for a period of five years from the date of the grant. The options vest 25% upon grant and 25% quarterly thereafter.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

8. Share-based payments (cont'd)

Stock options (cont'd)

The stock options outstanding and exercisable at June 30, 2014 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
200,000	200,000	\$ 0.10	August 27, 2014
250,000	250,000	\$ 0.10	October 7, 2014
300,000	300,000	\$ 0.165	November 24, 2014
1,500,000	1,500,000	\$ 0.29	February 11, 2015
3,100,000	3,100,000	\$ 0.10	December 17, 2015
100,000	100,000	\$ 0.135	January 7, 2016
200,000	200,000	\$ 0.12	March 24, 2016
450,000	450,000	\$ 0.10	September 1, 2016
2,250,000	2,250,000	\$ 0.10	March 12, 2017
250,000	250,000	\$ 0.10	November 20, 2017
3,650,000	3,650,000	\$ 0.10	February 15, 2018
3,750,000	3,500,000	\$ 0.13	January 2, 2019
200,000	200,000	\$ 0.13	March 27, 2019
16,200,000	15,950,000		

Reserves

The reserves record items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

The total share-based payments recognized during the six months ended June 30, 2014, under the fair value method was \$435,549 (2013 - \$317,189) for the options granted during the period. The Company expensed during the six months period was \$431,892 (2013 - \$311,172) leaving an unamortized balance of \$11,657 (December 31, 2013 - \$25,573).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six months ended June 30, 2014 and 2013:

	2014	2013
Risk-free interest rate	1.25%	1.13%
Expected life of options	5 years	5 years
Annualized volatility	142%	190%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

8. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended June 30, 2014 was based on the loss attributable to common shareholders of \$ 1,522,408 (2013 - \$722,153) and the weighted average number of common shares outstanding of 141,602,298 (2013 - 115,711,175).

Diluted loss per share did not include the effect of 16,200,000 stock options, 41,218,331 share purchase warrants and 218,050 finders' warrants as the effect would be anti-dilutive.

9. Related party transactions

The Company entered into the following transactions with related parties:

Key management personnel compensation

	Six months ended	
	June 30, 2014	June 30, 2013
Short-term employee benefits - management	\$ 145,500	\$ 126,000
Short-term employee benefits – directors	40,995	20,000
Share-based payments – officers	126,016	131,720
Share-based payments – directors	63,008	94,086
Total	\$ 375,519	\$ 371,806

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable as at June 30, 2014 is \$13,291 (December 31, 2013 - \$380) in amounts due to officers and directors.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

10. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2014. The Company is not subject to externally imposed capital requirements.

11. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is classified as Level 1.

At June 30, 2014, the carrying values of cash, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

12. Financial risk management (cont'd)

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from Canadian and Spanish government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At June 30, 2014, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At June 30, 2014, the Company had a cash balance of \$164,162 (December 31, 2013 - \$643,603) to settle current liabilities of \$204,328 (December 31, 2013 - \$170,956).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At June 30, 2014, the Company was not exposed to significant interest rate risk.

The Company has significant operating expenditures which are denominated in Euro ("EUR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities. The Company is principally engaged in the acquisition, exploration and development of mineral properties in Spain and Peru.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

12. Financial risk management (cont'd)

Financial assets

The Canadian dollar equivalent of the amounts denominated in foreign currencies as at June 30, 2014 and December 31, 2013 are as follows:

June 30, 2014		EUR
Cash	\$	128,669
Receivables		-
		128,669

December 31, 2013		EUR
Cash	\$	13,983

Financial liabilities

The exposure of the Company's financial liabilities to currency risk are as follows:

June 30, 2014		EUR
Accounts payable and accrued liabilities	\$	104,048
		EUR
December 31, 2013		
Accounts payable and accrued liabilities	\$	103,307

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in Euro. At June 30, 2014, net financial liabilities totalling \$24,622 were held in Euro.

Based on the above net exposure as at June 30, 2014 and assuming all other variables remain constant, a 2% depreciation or appreciation of the Euro against the Canadian dollar would result in an increase or decrease of approximately \$492 in the Company's loss and comprehensive loss.

b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

IBERIAN MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars - Unaudited)

For the six months ended June 30, 2014

12. Supplemental disclosure with respect to cash flows

The Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Six months ended	
	June 30, 2014	June 30, 2013
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

During the six months ended June 30, 2014, the no significant non-cash transactions were as follows:

- a) Issued 218,050 finder's warrants having a fair value of \$10,992 in connection with the private placement of January 7, 2014 described in Note 7.

During the six months ended June 30, 2013, the significant non-cash transaction was as follows:

- a) Exploration and evaluation assets of \$21,386 included in accounts payable and accrued liabilities.

13. Subsequent event

Subsequent to the quarter-end:

On August 15, 2014, the Company announced the closing of the non-convertible secured debentures in the principal amount of \$350,000. The debentures mature on January 31, 2015 and bear interest at the rate of 15% per annum. The Company can redeem the debentures at any time upon ten days prior written notice. The payment of the debentures is secured by a security interest granted by the Company in respect of all present and after-acquired personal property of the Company, excluding the shares held of its foreign subsidiaries.

The debenture holders shall be entitled to convert the principal amount into common shares at a conversion price as follows: (i) if the Company completes a public financing, the conversion price will be equal to the public financing price; and (ii) if the Company does not complete a public financing, the holder may convert following the expiry of the resale restriction period with a conversion price equal to the last closing price of the common shares on the TSX Venture Exchange before the expiry of the resale restriction period.

The subscribers will also receive a bonus of an aggregate of 350,000 common shares. The bonus shares are subject to resale restrictions in Canada that expires four months plus one day from the closing date.

Finders acting in connection with the Offering received aggregate fees of \$14,000.