

Consolidated Financial Statements



Year ended December 31, 2014

(Expressed in Canadian dollars)

K. R. MARGETSON LTD.

Chartered Accountants

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Report of Independent Registered Public Accounting Firm

To the Shareholders of
Iberian Minerals Ltd.:

We have audited the consolidated statements of changes in financial position of Iberian Minerals Ltd. as at December 31, 2014 and 2013 and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with international financial accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Iberian Minerals Ltd. as at December 31, 2014 and 2013 and the results of its operations changes in shareholders' equity and cash flows and for the years then ended in accordance with International Financial Reporting Standards.

/s/ K. R. Margetson Ltd.

Chartered Accountants

Vancouver, Canada
April 29, 2015

IBERIAN MINERALS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		\$ 52,824	\$ 643,603
Receivables	4	7,130	20,114
Prepays		29,401	4,417
Total current assets		89,355	668,134
Non-current assets			
Restricted cash	5	64,811	-
Exploration and evaluation assets	5	5,490,204	4,701,565
Total non-current assets		5,555,015	4,701,565
TOTAL ASSETS		\$ 5,644,370	\$ 5,369,699
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 461,476	\$ 170,956
Non-convertible secured debentures	7	625,000	-
TOTAL LIABILITIES		1,086,476	170,956
EQUITY			
Share capital	8	26,579,695	24,483,666
Subscription advances	8	-	781,711
Reserves		6,672,505	6,200,783
Deficit		(28,694,306)	(26,267,417)
TOTAL EQUITY		4,557,894	5,198,743
TOTAL LIABILITIES AND EQUITY		\$ 5,644,370	\$ 5,369,699

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

On behalf of the Board:

“Rick Gliege”

Director

“Greg Pendura”

Director

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

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

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Expenses			
Consulting fees	10	\$ 154,268	\$ 180,157
Interest and finance costs		108,588	-
Investor relations		27,138	162,106
Management fees	10	375,259	268,000
Office and general		89,529	70,798
Professional fees		99,059	91,367
Project investigations		47,063	954,748
Share-based payments	9	467,730	344,203
Stock exchange listing project costs		953,786	-
Transfer agent and filing fees		43,105	42,673
Travel		42,785	106,906
		2,408,310	2,220,958
Loss before other items		(2,408,310)	(2,220,958)
Other items			
Foreign exchange gain (loss)		(24,979)	(3,505)
Other income		6,400	1,218
Write-down of exploration and evaluation assets	5	-	(153,293)
Loss and comprehensive loss for the year		(2,426,889)	(2,376,538)
Basic and diluted loss per common share	10	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding		136,751,259	120,844,071

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

IBERIAN MINERALS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars - Unaudited)

	Share Capital		Reserves	Subscription Advances	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	18,979,164	1,575,000	-	-	-	1,575,000
Share issuance costs	-	(59,395)	-	-	-	(59,395)
Exercise of warrants	372,500	45,875	-	-	-	45,875
Warrants issued to Glencore Xstrata plc (Note 5)	-	-	839,165	-	-	839,165
Share subscriptions advances	-	-	-	781,711	-	781,711
Share-based payments	-	-	344,203	-	-	344,203
Comprehensive loss for the year	-	-	-	-	(2,376,538)	(2,376,538)
Balance at December 31, 2013	127,694,379	24,483,666	6,200,783	781,711	(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)
Bonus shares granted to debenture holders (Note 7)	625,001	52,500	-	-	-	52,500
Settlement of debt (Note 8)	800,000	63,860	-	-	-	63,860
Exercise of warrants	2,510,000	376,500	-	-	-	376,500
Exercise of stock options	100,000	17,000	(7,000)	-	-	10,000
Share-based payments	-	-	467,730	-	-	467,730
Comprehensive loss for the year	-	-	-	-	(2,426,889)	(2,426,889)
Balance at December 31, 2014	146,521,047	\$ 26,579,695	\$ 6,672,505	\$ -	\$ (28,694,306)	\$ 4,557,894

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

IBERIAN MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (2,426,889)	\$ (2,376,538)
Items not affecting cash:		
Share-based payments	467,730	344,203
Warrants valuation – Glencore (Note 5)	-	839,165
Write-down of exploration and evaluation assets	-	153,293
Accrued interest	11,075	-
Gain on debt settlement	(6,400)	-
Foreign exchange change on asset acquisition	30,523	-
Fair value of bonus shares in debenture offering	52,500	-
Changes in non-cash working capital items:		
Receivables	12,985	(4,257)
Prepays	138	-
Accounts payable and accrued liabilities	285,797	21,147
	<u>(1,572,541)</u>	<u>(1,022,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(446,330)	(699,452)
Acquisition of subsidiary (Note 5)	(387,783)	-
	<u>(834,113)</u>	<u>(699,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	908,289	1,575,000
Share issuance costs	(92,839)	(59,395)
Subscriptions received in advance	-	781,711
Debenture	613,925	-
Exercise of options	10,000	-
Exercise of warrants	376,500	45,875
	<u>1,815,875</u>	<u>2,343,191</u>
Change in cash for the year	(590,779)	620,752
Cash, beginning of the year	643,603	22,851
Cash, end of the year	\$ 52,824	\$ 643,603

Supplemental disclosure with respect to cash flows (Note 15)

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

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 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” and effective October 31, 2014, the Company additionally commenced trading in the United States on the OTCQB venture marketplace under the symbol “SLDRF”. 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 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.

After sale of Alberta-1, as described in Note 17, for €5 million (approximately \$7 million CAD) subsequent to December 31, 2014, management believes it has adequate funds available to meet its operating and planned exploration and development program requirements for the coming fiscal year

The consolidated financial statements were authorized for issue on April 29, 2015 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of December 31, 2014.

The 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. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Basis of consolidation

The consolidated financial statements include, on a consolidated basis, the assets, liabilities, revenues and expenses and expenses of the Company and its wholly-owned subsidiary, Solid Mines Espana S.A., incorporated in Spain.

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power to, directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiary is fully 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.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates used in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are as follows:

- a) The recoverability of the carrying value of exploration and evaluation assets.

The Company is required to review the carrying value of its exploration and evaluation assets for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds the estimated fair value is charged to the statement of loss and comprehensive loss.

Evaluating the recoverability during the exploration and evaluation phase requires judgements in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and expected future metal process to potential reserves.

- b) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share based payment transactions

Estimating the fair value of granted stock options, warrants issued for finders' fees and the warrant liability required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

- c) Determination that there no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances

The Company make the determination of its obligations for future restoration, rehabilitation and environmental exposure based on factual information, circumstances and documentation provided from mining authorities in the exploration and evaluation asset's mining jurisdiction. Beyond this, if able to, management will attempt to present a reliable estimate of an obligation that is considered necessary.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

- b) The estimated useful lives and residual value of property, plant and equipment

Equipment is depreciated over its useful life. Estimated useful lives are determined based on current facts and past management experience, and take into consideration the anticipated physical life of the asset, the potential for technology obsolescence and regulations.

- c) The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

- d) The categorization of joint arrangements as to joint operations or joint venture

The classification of joint arrangements depends upon an analysis of the terms of the joint arrangement and whether joint control exists and the rights and obligations of the parties as to asset ownership and revenue allocation.

Foreign currency translation

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in loss for the period.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred

Joint arrangements

The Company has entered into joint arrangements in order to assist in the financing of exploration and evaluation expenditures. It accounts for such arrangements as required under IFRS 11 *Joint Arrangements*. This authority requires the Company to determine if the arrangement is one of joint control, and if so, is it a joint operation or a joint venture.

An arrangement determined to be a joint operation require each joint operator to recognize its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly and its expenses, including its share of any expenses incurred jointly. Revenue is recorded according to the terms of the arrangement.

An arrangement determined to be a joint venture, require call for the investment to be recognized using equity accounting.

Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement obligations as of December 31, 2014 or 2013.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

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 risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2014 and 2013, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2014 and 2013, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, deposit on share purchase, and notes payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company's cash is classified as FVTPL.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

2. Significant accounting policies (cont'd)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. New standards, amendments and interpretations

The following new standards were adopted during the year:

IAS 32 – Financial Instruments: Presentation (“IAS 32”)

The amendments to IAS 32 were made to clarify certain aspects because of diversity in application of the offsetting rules. IAS 32 was adopted effective January 1, 2014 and had no significant impact on the Company's financial statements.

IAS 36 – Impairment of Assets (“IAS 36”)

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. IAS 36 was adopted effective January 1, 2014 and had no significant impact on the Company's financial statements.

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below

IFRS 7 – Financial Instruments: Disclosure applies to additional disclosures required on transition from IAS 39 to IFRS 9. The effective date of IFRS 7 is January 1, 2015.

IAS 16 & IAS 38 – Classification of Acceptable Methods of Depreciation and Amortization clarifies that the use of a revenue-based depreciation and amortization method is not appropriated, and provides a rebuttable presumption for intangible assets. The effective date of IAS 16 & IAS 38 is January 1, 2016.

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.

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, 2015, 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.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

4. Receivables

	December 31, 2014	December 31, 2013
Sales and other taxes receivables	\$ 7,130	\$ 20,114

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:				
Acquisition costs	249,075	-	-	249,075
Geological fees and expenses	146,869	157,177	-	304,046
Mining rights and taxes	46,294	-	-	46,294
Drilling, sampling and assay	19,591	169,633	-	189,224
Total additions	461,829	326,810	-	788,639
Balance, December 31, 2014	\$ 461,829	\$ 5,028,375	\$ -	\$ 5,490,204

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 CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

5. Exploration and evaluation assets (cont'd)

Doade-Presqueira, Spain (cont'd)

Subsequent to the year-end, the Company entered into a definitive purchase and sale agreement with an arm's length third party with respect to the Company's 100% interest in the Alberta 1 Project approximately \$7,000,000 CAD (see note 16 for more details of this transaction).

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.

The Cehegín Iron Ore Concession, Spain

On October 21, 2012, the Company entered into a binding option agreement with "Lyp", a private Spanish company, Lorente Y Pallares SL ("Lyp" pursuant to which it acquired the option to purchase 100% of the sixty-two (62) iron ore concessions and metallic mining licenses, covering an area of 1,030 hectares, located in south eastern Spain.

On March 13, 2014 the Company's wholly-owned subsidiary, Solid Mines Espana, S.A.U. ("SME"), completed the transaction by acquiring all of the issued and outstanding shares LyP in an arm's length transaction. The Company has applied for an expansion of the local area creating a continuous area of 6,900 hectares.

The purchase price for the acquisition was €135,000 (CAD - \$208,173), plus the repayment of mortgage debt in the amount of €45,000 (CAD - \$68,580) In addition a security payment in the amount of €45,861 (CAD - \$70,350) 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 (CAD - \$347,103).

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

Cash	\$	27,899	
Restricted cash		70,349	(\$64,811 as at December 31, 2014)
Deposits/ guarantees		27,270	
Exploration and evaluation assets		249,075	
Accounts payable and accrued liabilities		(27,490)	
<hr/>			
Net identifiable assets acquired	\$	347,103	

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

5. Exploration and evaluation assets (cont'd)

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

SME will be required to pay an additional amount of up to €2,700,000 once a mining permit is submitted and granted for all 62 concessions, an improvement over the previously announced cost of €3,000,000. 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 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.

Co-operation Agreement with Glencore

On October 21, 2013, the Company signed a definitive and exclusive Co-operation 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.

Upon the execution of the Agreement, Iberian has also issued to Glencore twelve million (12,000,000) purchase warrants to purchase an equivalent number of common shares in the capital of Iberian, at an exercise price of \$0.19 which expired on 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%.

Joint Venture with Glencore

The Company completed a due diligence study with Glencore which included an analysis of 3D modelling of the historical drilling, the historical production data, logistics, environmental, production capital expenditure and the impact to the region and surrounding communities. Based on the conclusions and recommendations of the study, Iberian Minerals and Glencore signed a definitive and exclusive Joint Venture Agreement (the "JVA"), effective June 20, 2014. The Company plans to submit the documentation to obtain the necessary permits to commence a work program with an objective of increasing our knowledge of the resource potential within the concessions.

The joint arrangement required the formation of a separate entity, Cehegin Iron Ore Holdings, S.L., with offices in the city of Salamanca, Spain. Under the terms of the JVA, the Company has an 80% interest and Glencore 20%. The purpose of the arrangement is to investigate and potentially develop an export iron ore operation. Glencore has exclusive life of mine offtake rights for 100% of the projects products, and accordingly, the arrangement has been accounted for as a joint operation.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

6. Accounts payables and accrued liabilities

	December 31, 2014	December 31, 2013
Accounts payables	\$ 423,662	\$ 42,650
Accrued liabilities	37,814	128,306
	\$ 461,476	\$ 170,956

7. Non-convertible secured debentures

- i) On August 15, 2014, the Company issued first non-convertible secured debentures (“first debentures”) in the principal amount of \$350,000. The debentures mature on October 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. Finders acting in connection with the Offering received aggregate fees of \$14,000.

The subscribers received 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.

- ii) On November 5, 2014, the Company issued second secured non-convertible debentures (“second debentures”) of the Company for aggregate gross proceeds of \$275,001. The debentures will mature on October 31, 2015 and will bear interest at the rate of 15% per annum.

All the terms of the second debentures are the same and will rank equally as that of first debentures discussed above.

On November 17, 2014, the subscribers received a bonus of an aggregate of 275,001 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 \$17,500.

Interest payable on debentures at December 31, 2014 was \$13,287.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2014, there were 146,521,047 issued and fully paid common shares (December 31, 2013 - 127,694,379).

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

7. Share capital (cont'd)

Please refer to the Consolidated Statements of Changes in Equity for a summary of changes in share capital and reserves for the year ended December 31, 2014. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

For the year ended December 31, 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%.

- ii) 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.

Other issuances

- iii) The Company issued 2,510,000 common shares as a result of warrant exercises.
- iv) The Company issued 100,000 common shares as a result of stock option exercises.
- v) As detailed in Note 7, the Company issued an aggregate of 625,001 common shares to non-convertible debenture subscribers.
- vi) On November 21, 2014, the Company settled \$70,260 of debt to arm's length parties by issuing 800,000 shares at a fair market value \$63,860 and a gain on settlement of debt of \$6,400.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

8. Share capital (cont'd)

Private placements (cont'd)

For the 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 CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

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	10,541,667	0.20	January 7, 2016
Exercised	(2,510,000)	(0.15)	
Expired or cancelled	(21,549,200)	(0.15)	
Balance outstanding, December 31, 2014	41,218,331	\$ 0.17	
Balance exercisable, December 31, 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, December 31, 2014	218,050	\$ 0.20	
Balance exercisable, December 31, 2014	218,050	\$ 0.20	

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

9. 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:

	Years ended December 31, 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
Granted	4,150,000	0.13	4,100,000	0.11
Exercised	(100,000)	0.10	-	-
Options cancelled/expired	(1,850,000)	(0.16)	(1,050,000)	(0.20)
Options outstanding, end of period	15,450,000	\$ 0.12	13,250,000	\$ 0.13
Options exercisable, end of period	15,450,000	\$ 0.12	12,975,000	\$ 0.13

During the years ended December 31, 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. All options had vested as at December 31, 2014.
- 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 CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

9. Share-based payments (cont'd)***Stock options (cont'd)***

The stock options outstanding and exercisable at December 31, 2014 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
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 14, 2017
250,000	250,000	\$ 0.10	November 20, 2017
3,650,000	3,650,000	\$ 0.10	February 15, 2018
3,750,000	3,750,000	\$ 0.13	January 2, 2019
200,000	200,000	\$ 0.13	March 27, 2019
15,450,000	15,450,000		

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 year ended December 31, 2014, under the fair value method was \$417,976 (2013 - \$364,406) for the options granted during the year. The Company expensed during the year ended was \$443,549 (2013 - \$344,203) leaving an unamortized balance of \$nil (2013 - \$25,573).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2014 and 2013:

	2014	2013
Risk-free interest rate	1.25%	1.53%
Expected life of options	5 years	5 years
Annualized volatility	142.2%	217.5%
Dividend rate	0.00%	0.00%

10. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2014 was based on the loss attributable to common shareholders of \$2,400,442 (2013 - \$2,376,538) and the weighted average number of common shares outstanding of 136,751,259 (2013 - 120,844,071).

Diluted loss per share did not include the effect of 15,450,000 stock options, 41,218,331 share purchase warrants and 218,050 finders' warrants as the effect would be anti-dilutive.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

11. Related party transactions

The Company entered into the following transactions with related parties:

Key management personnel compensation

	Year ended	
	December 31, 2014	December 31, 2013
Employee benefits - management	\$ 310,500	\$ 268,000
Employee benefits - directors	64,759	32,000
Share-based payments - officers	171,764	126,016
Share-based payments - directors	85,266	63,008
Total	\$ 632,289	\$ 489,024

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.

Related party balances

The amounts due to officers of the Company are as follows:

	December 31, 2014	December 31, 2013
Included in accounts payables and accrued liabilities ⁽ⁱ⁾	\$ 107,937	\$ 380
	\$ 107,937	\$ 380

⁽ⁱ⁾ These amounts are for unpaid management and directors fees. They are unsecured, non-interest bearing and have no fixed terms of repayment.

12. 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 year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

IBERIAN MINERALS LTD.

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(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

13. 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.

As at December 31, 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

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 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 December 31, 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.

As at December 31, 2014, the Company had a cash balance of \$52,824 (2013 - \$643,603) to settle current liabilities of \$1,086,476 (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.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year Ended December 31, 2014

13. Financial risk management (cont'd)

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 December 31, 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.

Financial assets

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

December 31, 2014		EUR
Cash	\$	15,821

December 31, 2013		EUR
Cash	\$	13,983

Financial liabilities

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

December 31, 2014		EUR
Accounts payable and accrued liabilities	\$	54,006

December 31, 2013		EUR
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. As at December 31, 2014, net financial liabilities totalling \$38,185 were held in Euro.

Based on the above net exposure as at December 31, 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 \$764 in the Company's loss and comprehensive loss.

IBERIAN MINERALS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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For the Year Ended December 31, 2014

13. Financial risk management (cont'd)

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.

14. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2014	December 31, 2013
Net loss	\$ (2,426,889)	\$ (2,376,538)
Statutory tax rate	26 – 30 %	26 – 30%
Expected income tax recovery at the statutory tax rate	\$ (622,000)	\$ (617,886)
Effect of changes in enacted tax rates	-	95,058
Expenses not deductible for income tax purposes	330,000	510,172
Finance fees charged to equity	(22,000)	(20,683)
Revision to account estimates	(59,000)	(89,843)
Change in tax assets not recognized	373,000	123,182
Income tax recovery	\$ -	\$ -

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2014	December 31, 2013
Non-capital losses	\$ 2,322,000	\$ 1,806,000
Impairment of note receivable for accounting	819,000	819,000
Other	32,000	38,000
Deferred exploration costs	(205,000)	(68,000)
Valuation allowance	(2,968,000)	(2,595,000)
Net deferred income tax asset	\$ -	\$ -

The Company has non capital loss carry forwards that can be used against future taxable income of \$8,932,557 (2013 - \$6,943,723) expiring beginning 2027.

The Company has not recognized any future benefit for the tax losses as it is not considered likely that they will be utilized. Although the Company's Spanish subsidiary, Solid Mines Espana S.A., sold its Alberta 1 project subsequent to the year end (Note 16) for a price greater than the current book value of that asset, it is not clear that this will eventually create a tax liability to the Government of Spain. Accordingly, no income tax recovery has been recorded.

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15. 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:

	Year ended	
	December 31, 2014	December 31, 2013
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ 226

During the year ended December 31, 2014, the significant non-cash transactions were as follows:

- 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.
- Included in exploration and evaluation assets is \$55,230 which is included in accounts payable and accrued liabilities.
- Transfer of \$7,000 to capital stock from contributed surplus for stock options exercised
- Issued 625,001 common shares to non-convertible debenture subscribers with a fair value of \$46,100.
- Issued 800,000 common shares for debt with a fair value of \$63,860

During the year ended December 31, 2013, the significant non-cash transactions were as follows:

- As described in Note 5, upon execution of the Cehegin Iron Ore Concession agreement, the Company issued 12,000,000 for a fair value of \$839,165 to project investigations.
- Exploration and evaluation assets of \$104,886 included in accounts payable and accrued liabilities.

16. Subsequent events

Subsequent to the year-end, the Company:

- On February 25, the Company announced that 100,000 share purchase options had been granted to a director. The options expire at the end of five years with an exercise price of \$0.10 per share.
- On March 2, 2015, the Company entered into a definitive purchase and sale agreement with an arm's length third party with respect to the Company's 100% interest in the Alberta 1 Project. The Company's Alberta 1 Project is a tin, tantalum and lithium exploration project located in the Region of Galicia, northwest Spain, which is the subject of an exploration permit covering 123 mining units.

Iberian will sell its 100% interest in the Alberta 1 Project, for a total purchase price of EUR5,000,000 or approximately Cdn. \$7,000,000 cash, all of which is payable by closing. On March 17, 2015, the Company received conditional acceptance on the transaction. The Exchange's final acceptance of the transaction is subject to certain limited conditions, including all applicable regulatory approvals. The closing of the sale is expected to occur no later than May 2015. In the unlikely event the purchaser, after using its best efforts and exhausting all legal and regulatory recourse, over a period of many years, is unable to obtain a mining permit for the project, the Company would be required to refund EUR1,000,000 to the purchaser.

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16. Subsequent events (cont'd)

- iii) On March 6, 2015, the Iberian Minerals completed a non-brokered private placement for a total of 12,000,000 Units in the capital of the Company representing gross proceeds of \$600,000.

Each Unit will consist of one common share in the capital of Iberian Minerals and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share in the share capital of the Company (a "Warrant Share") at an exercise price of \$0.07 per Warrant Share during the first year following the date of closing and at \$0.10 per Warrant 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 if: during the period from six months after the closing date to one year after the closing date, the closing price (or closing bid price on days when there are no trades) of the common shares of the Corporation on the TSX Venture Exchange is \$0.09 or greater for any 10 consecutive trading days; or during the period from six months after the closing date to two years after the closing date, the closing price (or closing bid price on days when there are no trades) of the common shares of the Corporation on the TSX Venture Exchange is \$0.125 or greater for any 10 consecutive trading days, then in either case upon the Corporation issuing a news release announcing the Corporation's election to accelerate the expiry of the Warrants, the Warrants will only be exercisable for a period of 30 days following the date of such news release, following which the Warrants will expire.

The securities issued in connection with the private placement will be subject to a four month hold period. Completion of the offering is subject to all required regulatory approvals, including the acceptance of the TSX Venture Exchange. The Company also paid a finder's fee of \$7,000 cash.

- iv) On April 6, 2015, the Company issued an aggregate of 859,090 common shares of the Company at a deemed price of \$0.055 to settle outstanding debt of \$47,250.
- v) On April 15, 2015, the Company announced that on March 3, 2015, the Company has delivered notice for the early redemption of the aggregate principal amount of \$625,000 of non-convertible secured debentures plus accrued interest. The debentures which were previously announced on November 17, 2014 mature on October 31, 2015 and bore an interest at the rate of 15 per cent per year. All interest on the debentures ceased from and after the Redemption Date of March 3, 2015.