Consolidated Financial Statements

IBERIAN Minerals

Year ended December 31, 2016

(Expressed in Canadian dollars)

K. R. MARGETSON LTD.

Chartered Professional Accountant

210, 905 West Pender Street
Vancouver BC V6C 1L6
Tel: 604.641.4450
Fax: (toll free) 1.855-603-3228

Report of Independent Registered Public Accounting Firm

To the Shareholders of
Iberian Minerals Ltd.:

I have audited the consolidated statements of changes in financial position of Iberian Minerals Ltd. as at December 31, 2016 and 2015 and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Iberian Minerals Ltd. as at December 31, 2016 and 2015 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.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicated the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

/s/ K. R. Margetson Ltd.
Chartered Professional Accountant

Vancouver, Canada
April 28, 2017

IBERIAN MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	2	$ 1,039,267	$ 4,166,361
Receivables	4	37,640	312,718
Due from related parties	15	121,153	-
Prepaid expenses and deposits		38,067	110,051
Total current assets		1,236,127	4,589,13052
Non-current assets			
Restricted cash	5	86,602	111,192
Exploration and evaluation assets	5	801,779	980,020
Equipment	6, 7	3,210,716	2,505,115
Intangible assets	6, 8	2,952,777	5,666,233
Total non-current assets		7,051,874	9,262,560
TOTAL ASSETS		$ 8,288,001	$ 13,851,690
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 270,322	$ 512,186
Demand loans payable	10	50,000	255,346
TOTAL LIABILIITES		320,322	767,532
EQUITY			
Share capital	12	36,257,533	34,799,983
Reserves	13	7,551,523	7,317,057
Deficit		(35,841,377)	(29,032,882)
TOTAL EQUITY		7,967,679	13,084,158
TOTAL LIABILITIES AND EQUITY		$ 8,288,001	$ 13,851,690

Nature and continuance of operations (Note 1)
Subsequent event (Note 21)

On behalf of the Board:

"Rick Purdy" 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, 2016	Year Ended December 31, 2015
Expenses			
Consulting fees		$ 327,614	$ 334,022
Interest and finance costs		12,306	17,246
Investor relations		86,287	135,285
Management and employee costs	15	857,595	377,177
Office and general		229,485	200,657
Professional fees		87,913	335,636
Project costs		512,513	210,225
Share-based payments	13	234,466	654,350
Transfer agent and filing fees		26,994	33,156
Travel		292,760	96,222
		2,667,933	2,393,976
Loss before other items		(2,667,934)	(2,393,976)
Other items			
Interest and other income		23,121	23,648
Amortization	7	(915,905)	-
Foreign exchange gain (loss)		(160,884)	119,973
Impairment write-down of technology	8	(2,805,869)	-
Gain (loss) on exploration and evaluation assets	5	(281,024)	1,911,779
Loss and comprehensive loss for the year		(6,808,495)	(338,576)
Basic and diluted loss per common share	15	$ (0.03)	$ (0.00)
Weighted average number of common shares outstanding		247,458,902	159,278,940

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

IBERIAN MINERALS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUIITY

(Expressed in Canadian dollars - Unaudited)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total
		$			
Balance at December 31, 2014	146,521,047	26,579,695	$ 6,672,505	$ (28,694,306)	$ 4,557,894
Units issued for cash at $0.05	12,000,000	600,000	-	-	600,000
Share issuance costs	-	(6,755)	-	-	(6,755)
Share issued for debt settlement	859,090	47,250	-		47,250
Acquisition of Mineworx (Note 6)	83,999,943	7,559,995	-	-	7,559,995
Exercise of stock options	100,000	19,798	(9,798)	-	10,000
Share-based payments	-	-	654,350		654,350
Comprehensive income for the year	-	-	-	(338,576)	(338,576)
Balance at December 31, 2015	243,480,080	$ 34,799,983	$ 7,317,057	$ (29,032,882)	$ 13,084,158
Units issued for cash at $0.05	25,000,000	1,250,000	-	-	1,250,000
Share issuance costs	-	(24,500)	-	-	(24,500)
Share-based payments	-	-	234,466	-	234,466
Exercise of warrants at $0.07	3,315,000	232,050	-	-	232,050
Net loss and comprehensive loss for the year	-	-	-	(6,808,495)	(6,808,495)
Balance at December 31, 2016	271,795,080	$ 36,257,533	$ 7,551,523	$ (35,841,377)	$ 7,967,679

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, 2016	Year ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Gain (loss) for the period	$ (6,808,495)	$ (338,576)
Items not affecting cash:		
Share-based payments	234,466	654,350
(Gain) loss on exploration and evaluation assets	281,024	(1,911,779)
Write down of technology	2,805,869	-
Amortization and depreciation	915,905	-
Foreign exchange	-	(4,465)
Changes in non-cash working capital items:		
Receivables	269,309	(55,379)
Due from related parties	(58,863)	-
Prepaids	71,984	(50,543)
Accounts payable and accrued liabilities	(243,155)	(113,383)
	(2,531,956)	(1,819,775)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(381,349)
Expenditures on exploration and evaluation assets	(158,013)	(757,868)
Sale of exploration and evaluation assets	-	7,114,565
Equipment expenditures	(1,079,470)	(9,206)
Intellectual property expenditures	(634,449)	-
Restricted cash released	24,590	-
	(1,847,342)	5,966,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Units issued for cash	1,250,000	600,000
Share issuance costs paid	(24,500)	(6,755)
Debenture	-	(636,075)
Loan Repayments	(205,346)	-
Exercise of options	-	10,000
Exercise of warrants	232,050	-
	1,252,204	(32,830)
Change in cash for the year	(3,127,094)	4,113,537
Cash, beginning of the year	4,166,361	52,824
Cash, end of the year	$ 1,039,267	$ 4,166,361

Supplemental disclosure with respect to cash flows (Note 19)

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

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Iberian Minerals 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. ("Iberian"). 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 102, 1603 – 91th St, Edmonton, AB T6X 0W8.

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.

On December 21, 2015, the Company diversified its operations by acquiring Mineworx Technologies Inc., a company with a patent pending mining extraction process and a patent pending mineral grinding mill. The Company has not yet had any sales from the Mineworx products

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. The Company reported the follow:

For the Year Ended December 31	2016	2015
	$	$
Net loss for the year	(6,808,495)	(338,476)
Deficit	(35,841,377)	(29,032,882)

The consolidated financial statements were authorized for issue on April 26,2017, 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, 2016.

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.

2. Significant accounting policies (cont'd)

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 evaluation and exploration 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.

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions- cont'd

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.

d) The allocation of fair value to assets obtained on the acquisition of Mineworx Technologies Inc.

The Company estimated fair value of equipment based on replacement value. For patents, the fair value represented the costs incurred in a applying for the patent. The fair value of the technology was recognized as the residual costs after the other identifiable assets were determined. Its value was compared to the future expected discounted cash flows resulting from the application of the technology.

a) Asset acquisition

Management has had to apply judgements with respect to whether the acquisition of Mineworx Technologies Inc. is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the subsidiary in order to reach a conclusion.

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:

b) 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).

c) 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.

d) 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.

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions- cont'd

e) Functional currency

In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the company operates. As no single currency was clearly dominant the Company also considered secondary indicator including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at December 31, 2016, the Company had cash equivalents of $10,000 (2015 - $5,000).

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.

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.

2. Significant accounting policies (cont'd)

Pre-exploration Costs

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

Technology

Technology assets are the cost of intangible assets acquired during the share exchange with Mineworx Technologies Inc. The assets represent the expected cash flows from the application of the proprietary mineral extraction equipment and the Company will amortize it based on it estimated useful life of 10 years. In addition, the asset will be reviewed for impairment, should discounted expected cash flows not support the carrying value.

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, 2016 and 2015.

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.

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.

2. Significant accounting policies (cont'd)

Impairment of assets

At the end of each reporting period the carrying amounts of the Company' 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, 2016 and 2015, 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.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2016 and 2015, 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.

. Significant accounting policies (cont'd)

Financial liabilities- cont'd

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.

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.

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.

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.

(Expressed in Canadian dollars)

2. Significant accounting policies (cont'd)

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.

3. New standards, amendments and interpretations

The following new standards were adopted during the year:

> *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.

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after July 1, 2016, 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

	December 31, 2016	December 31, 2015
Sales and other taxes receivables	$ 37,639	$ 107,312
Deposits refundable from government agencies	-	205,308
Total	$ 37,639	$ 312,620

(Expressed in Canadian dollars)

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	Sierra de Caurío, Spain	Other Property Spain	Doade-Presqueira, Spain	Total
Balance, December 31, 2014	$ 391,477	$ -	$ 26,763	$ 5,071,964	$ 5,490,204
Additions:					
Geological fees and expenses	315,263	14,307	-	348,712	678,282
Mining rights and taxes	11,771	215,065	-	2,233	229,069
Field costs	3,746	1,628	-	6,453	11,827
Total additions	330,780	231,000	-	357,398	919,178
Sale of property	-	-	-	(5,429,362)	(5,248,592)
Balance, December 31, 2015	$ 722,257	$ 231,000	$ 26,763	$ -	$ 980,020
Additions:					
Geological fees and expenses	33,405	1,270	-	-	34,675
Mining rights and taxes	10,243	42,038	-	-	52,281
Field costs	9,111	6,717	-	-	15,828
Total additions	52,759	50,025	-	-	102,785
Option termination	-	(281,025)	-	-	(281,025)
Balance, December 31, 2016	$ 775,016	$ -	$ 26,763	$ -	$ 801,780

The Cehegín Iron Ore Concession, Spain

On October 21, 2012, the Company entered into a binding option agreement with 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 - $70,349) 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:

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

<u>The Cehegín Iron Ore Concession, Spain – cont'd</u>

Cash	$	27,899	
Restricted cash		70,349	($64,981 as at December 31, 2016)
Deposits/ guarantees (classified as restricted)		27,270	($21,621 as at December 31, 2016)
Exploration and evaluation assets		249,075	
Accounts payable and accrued liabilities		(27,490)	
Net identifiable assets acquired	$	347,103	

SME will be required to pay an additional amount of up to EUR2,700,000 once a mining permit is submitted and granted for all 62 concessions, an improvement over the previously announced cost of EUR3,000,000. 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 EUR1,800,000 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 of 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.

During the year ended December 31, 2014, 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%.

In September 2015, the Company regained a 100% interest in Cehegin Iron Ore Holdings, S.L. ("CIOH") the Spanish holding company formed under the terms of the Joint Venture Agreement ("the JVA") with Glencore International AG. ("Glencore"), which was announced on September 26, 2014. By mutual agreement, Iberian Minerals 100% wholly owned Spanish subsidiary Solid Mines Espana ("SME") has acquired Glencore's 20% interest in CIOH for nominal consideration and now maintains 100% ownership in the Cehegin Iron Ore Project located in the Province of Murcia, south-eastern Spain. In connection with the acquisition of Glencore's 20% interest in CIOH, each of the parties have agreed to terminate all agreements related to the JVA, with the exception of Glencore's exclusive off-take agreement, which will remain in effect.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

The Sierra de Caurío Concessions, Spain

On July 29, 2015, the Company acquired 100% of Compañía Minera Sierra de Caurío, S.L., which currently holds an option to purchase nine gold - copper - silver Caurio concessions owned by Carolines del Narcea, S.L. The nine concessions, totalling 3,413 Ha, are located between the El Valle - Boinás and Carles gold mines in the northern province of Asturia. The Company made a cash payment of EUR190,000 (CAD271,415) to Sierra de Caurío to purchase the company and assume the binding option agreement.
The allocation of the purchase price for net assets acquired based on estimates of fair value at the acquisition date are as follows:

Cash	$	3,087
Receivables		37,395
Prepaids		15,868
Exploration and evaluation assets		215,065
Net identifiable assets acquired	$	271,415

On November 19, 2015, the Company re-negotiated the payment terms for an option to purchase nine gold-copper-silver Caurio concessions owned by Carolines del Narcea, S.L. (the "Optionor").

Under the terms of the new option agreement, the Company has the right to option a 95% interest in the property during a three-year term ending December 31, 2018 by paying the Optionor 50% of the original EUR 50,000 for a total of EUR25,000 for the next eight months, effective November 1, 2015 to December 31, 2016 and thereafter payment will be EUR25,000 every Year until the expiry of the option agreement. The terms of the new option agreement will see the exercise price of for the property reduced by 50% of the original amount of EUR7M to EUR3.5M, less amounts paid.

All of the re-negotiated payments in the new option agreement will be adjusted upwards if the price of gold, determined by the London Bullion Market Association, exceeds US$1,350 per ounce and is based on the pre-determined gold price multiplier index set out in the agreement.

In 2016, the company elected to terminate its option to acquire 95% interest of the Caurio concessions due to the findings to date. The company chose not to advance the next option installment payment and has no further continuing obligations with respect to the option agreement. As a result, all costs incurred were written off.

Aroche Wollastonite Concession

On November 10, 2015, the Company entered into a binding option agreement with Explotaciones Aroche, S.L. pursuant to which it acquired the option to purchase the mining rights of the Aroche Wollastonite Concession ("Aroche") consisting of five (5) mining grids totaling approximately 150 hectares or 370 acres, located 2 kms south of the town of Aroche in the province of Huelva, south western Spain.

Under the terms of the three-year option agreement, ending November 6, 2018, the Company will be responsible to pay all exploration, general and administration expenses plus capital expenditures and governmental fees on Aroche. The Company will make a onetime cash payment of EUR100,000 (CAD - $151,260) to the Explotaciones Aroche, S.L once the exploitation permit for Aroche has been obtained. The Company has the right to terminate the agreement at its discretion at any time with no penalties. The Optionor will maintain a 10% interest in Aroche. The option agreement allows for an extension of the three-year term in the event of unintentional causes of delay relating to Iberian completing its due diligence, investigation of mineral extensions, confirmation of historical estimates and exploitation permitting of the wollastonite.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

Doade-Presqueira, Spain

The Company had 100% interest in this concession known as the Alberta 1 Project, 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 project is located in the Region of Galicia, northwest Spain, which is the subject of an exploration permit covering 123 mining units.

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.

During the first quarter of 2015, the Company sold 100% interest in the Alberta 1 Project, for a total purchase price of EUR5,000,000 (CAD - $6,992,500) cash. The Company has received the full proceeds. 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.

6. Acquisition of Mineworx assets

On November 16, 2015, the Company entered into an amalgamation agreement with Mineworx Technologies Inc., a private arms' length mining and technology company ("Mineworx") and a newly incorporated subsidiary of Iberian ("Subco"), pursuant to which Iberian has agreed to acquire all of the outstanding shares of Mineworx by way of a three-cornered amalgamation. Under the terms of the Amalgamation Agreement, Mineworx and Subco amalgamated under the *Business Corporations Act (British Columbia)* and continue as one corporation, which is a wholly-owned subsidiary of Iberian, carrying on the business of Mineworx.

On December 21, 2015, the Company acquired Mineworx and the Mineworx shareholders received approximately 2.53646 common shares of the Iberian Minerals for every one Mineworx common share. In connection with the Transaction, Iberian issued 83,999,943 Iberian Minerals shares to the Mineworx shareholders

Although the acquisition was originally accounted for as a business combination with Iberian being the acquirer, the Company has since revised that judgment to an asset purchase as the requirement for processes proved not to exist. Furthermore, as provided under IFRS 3, the Company has retroactively re-allocated the purchase price to better reflect new information obtained about facts and circumstances that existed as of the acquisition date.

The price of $7,559,995 was determined as that was the fair value of the shares of Iberian that were issued at the acquisition date

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

Cash	$ 54,710	
Receivables	7,506	
Prepaid expenses	34,887	
Equipment	2,488,152	
Intangibles	5,666,233	
Accounts payable and accrued liabilities	(691,493)	(Includes a loan to the Company for $167,731)
Net identifiable assets acquired	$ 7,559,995	

(Expressed in Canadian dollars)

7. Equipment

The December 31, 2015 equipment costs represent the fair value of the equipment portion of the Mineworx asset purchase. As this finalized on December 21, 2015, there was no depreciation charged in 2015 and the costs also represented the net book value.

The Company uses the straight-line method of depreciation at the following rates: Machinery – 10 years; Vehicles – 3 – 5 years; Equipment – 3 – 5 years; Office furniture – 3 – 5 years; Computer hardware – 3 years. The equipment in process representing the X-mill grinding machine and, once ready for operation, will be depreciated over 10 years.

	Machinery	Vehicles	Equipment	Office Furniture	Computer Hardware	Equipment in Process	Total
Costs	$	$	$	$	$	$	$
December 31, 2015 Balance	1,579,450	106,500	787,950	9,007	22,208	-	2,505,115
Additions	-	34,140	135,099	10,209	12,311	902,711	1,094,470
Disposals	-	-	(15,000)	-	-	-	-
December 31, 2016 Balance	1,579,450	140,640	908,049	19,216	34,519	902,711	3,584,585
Amortization							
December 31, 2015 Balance	-	-	-	-	-	-	-
Current	118,459	40,020	200,474	4,595	10,321	-	373,869
Disposals	-	-	-	-	-	-	-
December 31, 2016 Balance	118,459	40,020	200,474	4,595	10,321	-	373,869
Net Book Value	1,460,991	100,620	707,575	14,621	24,198	902,711	3,210,716

8. Intangible assets

The technology costs represent the cost of the intangible assets acquired in the Mineworx acquisition. The asset is amortized over its expected useful life of 10 years, which has expected cash flow accruing to the Company from the business of operating the mineral extraction equipment. The fair value of the asset was reviewed at the yearend and it was determined that the carrying value of the asset was impaired and should be marked down. The impairment processed was based on the requirements of IAS 36 *Impairment of Assets* and represents management's discounted cash flow projections applying reasonable and supportable assumptions. Operational start-up delays, site mobilization timing and lack of a committed site, all reduced present value when compared to the initial projections.

The patent costs represent the costs of applying for a patent on the Company's mineral extraction equipment. The patent has not been issued yet.

The intellectual property represents the development costs of the HM X-leach solution. As discussed in Note 21, *Subsequent events*, the intellectual property was spun out to Enviroleach Technologies Inc., a public company with related management and shareholders, for consideration in excess of the carrying value.

(Expressed in Canadian dollars)

8. Intangible assets (cont'd)

	Technology	Patents	Intellectual Property	Total
Costs	$	$	$	$
Opening Balance	5,640,690	25,543	-	5,666,233
Additions	-	-	634,449	634,449
Write-down	(2,805,869)			(2,805,869)
Closing Balance	2,834,821	25,543	634,449	3,494,813
Amortization				
Opening Balance	-	-	-	-
Current	542,036	-	-	542,036
Closing Balance	542,036	-	-	542,036
Net Book Value	2,292,785	25,543	634,449	2,952,777

9. Accounts payables and accrued liabilities

	December 31, 2016	December 31, 2015
Accounts payables	$ 247,822	$ 450,877
Accrued liabilities	22,500	61,309
	$ 270,322	$ 512,186

10. Demand loans payable

The demand loans payable of $50,000 (December 31, 2015 - $255,346) are non-interest bearing, unsecured and have no fixed term of repayment. During the year ended December 31, 2016, the Company repaid $205,346.

11. Lease Obligations

The company is obligated to pay future lease payments relating to office space used in its operations. The minimum lease payments for the next 5 years are as follows:

2017	42,173
2018	31,700
2019	31,700
2020	29,058
2021	-

12. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2016, there were 271,795,080 issued and fully paid common shares (December 31, 2015-243,480,080).

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, 2016. 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, 2016

On December 13, 2016, the Iberian Minerals completed a non-brokered private placement for a total of 25,000,000 Units at $0.05 per unit representing gross proceeds of $1,250,000.

Each Unit consisted of one common share of Iberian Minerals and one common share purchase warrant. Each warrant entitled the holder thereof to purchase one common share in the share capital of the Company (a "Warrant Share") at an exercise price of $0.10 per Warrant Share up to a period of two years following the date of closing, The Warrants are subject to an accelerated expiry if: 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 $0.15 or greater for any 10 consecutive trading days; then 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 Company also paid a finder's fee of $24,500 in cash.

Other issuance

i) On January 27, 2016, 300,000 warrants were exercised at a price of $0.07 for proceeds of $21,000.

ii) On February 23, 2016, 150,000 warrants were exercised at a price of $0.07 for proceeds of $10,500.

iii) On March 8, 2016, 2,865,000 warrants were exercised at a price of $0.07 for proceeds of $200,550.

For the year ended December 31, 2015

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.

(Expressed in Canadian dollars)

12. Share capital (cont'd)

Private placements

For the year ended December 31, 2015 – cont'd

Each Unit consisted of one common share in the capital of Iberian Minerals and one-half of one common share purchase warrant. Each whole warrant entitled 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 year 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 year 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.

Other issuance

i) 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

ii) On December 21, 2015, the Company the Company issued 83,999,943 common shares of the Company at a deemed price of $0.09 in the acquisition of Mineworx for a total cost of $7,559,995.

iii) On December 21, 2015, 100,000 stock options were exercised at a price of $0.10 for proceeds of $10,000. At the time of granting, their value was determined to be $9,798.

Warrants

The change in warrants during the years December 31, 2016 and 2015 were as follows

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance outstanding, December 31, 2014	41,436,381	$ 0.15	
Granted on private placement	6,000,000	0.085	March 6, 2017
Expired or cancelled	(23,676,664)	0.17	
Balance outstanding, December 31, 2015	23,759,717	$ 0.15	
Exercised	(3,315,000)	0.07	
Finders' warrants expired	(218,050)	0.20	
Granted on private placement	25,000,000	0.10	December 13, 2018
Balance outstanding, December 31, 2016	45,226,667	$ 0.15	
Balance exercisable, December 31, 2016	45,226,667	$ 0.15	

(Expressed in Canadian dollars)

12. Share capital (cont'd)

Warrants

10,541,667 warrants set to expire on January 7, 2016 had their term extended until January 7, 2018.

7,000,000 warrants set to expire on February 14, 2016 had their term extended until February 14, 2017.

A summary of the Company's outstanding warrants as at December 31, 2016 is as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable		Exercise Price	Expiry Date
10,541,667	10,541,667	$	0.26	January 7, 2018
7,000,000	7,000,000	$	0.15	February 14, 2017
2,685,000	2,685,000	$	0.10	March 6, 2017
25,000,000	25,000,000	$	0.10	December 13, 2018
45,226,667	45,226,667	$	0.15	

Subsequent to the year-end, 7,000,000 warrants set to expire on February 14, 2017 had their term extended until February 14, 2018 and 2,685,000 warrants set to expire on March 6, 2017 had their term extended until March 6, 2018.

13. 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:

	Year ended December 31, 2016			Year ended December 31, 2015		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	21,350,000	$	0.11	15,450,000	$	0.12
Granted	3,945,000		0.06	11,150,000		0.10
Exercised	-		-	(100,000)		0.10
Options cancelled/expired	(850,000)		(0.11)	(5,150,000)		(0.16)
Options outstanding, end of period	24,445,000	$	0.10	21,350,000	$	0.11
Options exercisable, end of period	24,445,000	$	0.10	20,562,500	$	0.11

(Expressed in Canadian dollars)

13. Share-based payments (cont'd)

During the Year ended December 31, 2016:

a) On November 28, 2016, the Company granted 3,945,000 stock options to directors, officers, employees and various consultants of the Company. The options are at an exercise price of $0.06 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

During the year ended December 31, 2015:

b) On February 25, 2015, 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.

c) On September 20, 2015, the Company granted 4,250,000 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 3,425,000 options vest upon grant and 825,000 vest in quarterly installments thereafter.

d) On September 8, 2015, the Company granted 500,000 stock options to an officer 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.

e) On December 17, 2015, the Company granted 5,950,000 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.

f) On December 21, 2015, the Company granted 350,000 stock options to employees 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 in quarterly installments.

The stock options outstanding and exercisable at December 31, 2016 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
2,250,000	2,250,000	$ 0.10	March 14, 2017
3,450,000	3,450,000	$ 0.10	February 15, 2018
3,550,000	3,550,000	$ 0.13	January 2, 2019
200,00	200,00	$ 0.10	March 27, 2019
4,250,000	4,250,000	$ 0.10	June 20, 2020
500,000	500,000	$ 0.10	September 8, 2020
5,950,000	5,950,000	$ 0.10	December 17, 2020
350,000	350,000	$ 0.10	December 21, 2020
3,945,000	3,945,000	$ 0.06	November 28, 2021
24,445,000	24,445,000		

The weighted average remaining contractual life is 2.96 years.

(Expressed in Canadian dollars)

13. Share-based payments (cont'd)

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.

The total share-based payments recognized during the year ended December 31, 2016, under the fair value method was $234,466 (2015 - $654,350), $23,223 for options granted during 2015 but vested in 2016 and $211,243 for options granted and vested in 2016.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2016 and 2015:

	2016	**2015**
Risk-free interest rate	0.51%	0.84%
Expected life of options	5 years	5 years
Annualized volatility	138.97%	130.1%
Dividend rate	0.00%	0.00%

14. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $6,808,495 (2015 – loss of $338,576) and the weighted average number of common shares outstanding of 247,458,902 (2015 – 159,278,940).

Diluted loss per share did not include the effect of 24,445,000 stock options, 45,226,667 exercisable share purchase warrants as the effect would be anti-dilutive.

15. Related Parties

to the members of the Board of Directors. The Company's directors receive no compensation for their services (Year ending December 31, 2015 – $35,427) but do receive reimbursement of out-of-pocket expenses to perform their Board of Directors duties. Key Management costs for the year ended December 31, 2016 was $523,685 (2015 - $329,250). Payments of $12,500 were made to companies controlled by board members for consulting services unrelated to their role on the board.

Share Based Compensation for the year ending December 31, 2016 includes $97,879 (2015 - $281,815) relating to management and $68,740 (2015 - $256,432) relating to Directors.

(Expressed in Canadian dollars)

15. Related Parties (cont'd)

Related party balances

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

	December 31, 2016	December 31, 2015
Included in accounts payables and accrued liabilities[i]	$ 12,862	$ 11,341
Included in loans payable	-	48,482
	$ 12,862	$ 59,823

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

Due from related parties includes a receivable of $121,153 for costs incurred for Enviroleach Technologies Inc., a company with common shareholders and management.

16. Management of capital

The Company manages its capital structure and adjusts 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 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 adjusts 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, 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 December 31, 2016. The Company is not subject to externally imposed capital requirements.

17. 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).

17. Financial risk management (cont'd)

Cash is classified as Level 1.

As at December 31, 2016, 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, 2016, 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, considering its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2016, the Company had a cash balance of $1,039,267 (2015 - $4,166,361) to settle current liabilities of $320,322 (2015 - $767,532).

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 December 31, 2016, the Company was not exposed to significant interest rate risk.

17. Financial risk management (cont'd)

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, 2016 and December 31, 2015 are as follows:

December 31, 2016	**USD**	**EUR**
Cash	$ 1,049	$ 538,526
Receivables / prepaid expenses	347	41,008
Total	$ 1,396	$ 579,534

December 31, 2015	**USD**	**EUR**
Cash	$ 100,386	$ 3,838,670
Receivables / prepaid expenses	34,659	353,298
Total	$ 135,045	$ 4,191,968

Financial liabilities

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

December 31, 2016	**USD**	**EUR**
Accounts payable and accrued liabilities	$ 17,146	$ 84,594
Loans Payable	-	-
Total	$ 17,146	$ 84,594

December 31, 2015	**USD**	**EUR**
Accounts payable and accrued liabilities	$ 112,762	$ 53,678
Loans payable	13,864	-
Total	$ 126,626	$ 53,678

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, 2016, net financial assets totalling $494,940 were held in Euro.

Based on the above net exposure as at December 31, 2016 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 $12,196 in the Company's loss and comprehensive loss.

(Expressed in Canadian dollars)

17. 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.

18. 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, 2016	**December 31, 2015**
Net loss	$ (6,808,495)	$ (338,578)
Statutory tax rate	26 – 34 %	26 – 30 %
Expected income tax recovery at the statutory tax rate	$ (1,770,000)	$ (88,000)
Expenses not deductible for income tax purposes	816,000	125,000
Finance fees charged to equity	(10,000)	(10,000)
Revision to account estimates	(66,000)	-
Change in tax assets not recognized, before tax assets purchased	1,030,000	27,000
Income tax recovery	$ -	$ -

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

	December 31, 2016	**December 31, 2015**
Non-capital losses	$ 3,498,000	$ 3,291,000
Impairment of note receivable for accounting	819,000	819,000
Intangible assets	(769,000)	(1,473,000)
Equipment	(255,000)	(326,000)
Other	17,000	25,000
Deferred exploration costs	1,115,000	1,059,000
	4,425,000	3,395,000
Valuation allowance	(4,425,000)	(3,395,000)
Net deferred income tax asset	$ -	$ -

(Expressed in Canadian dollars)

The Company has non-capital loss carry forwards that can be used against future taxable income of approximately $10,228,000 (2015 - $9,017,000) expiring beginning 2024. The Company's subsidiary, Mineworx Technologies Inc, has non-capital losses carried forward of approximately $3,251,000 (2015 - $2,811,945) expiring beginning $2033. The Company's American subsidiary, Mineworx USA Inc. has non-capital losses carry forward of approximately USD 613,000, expiring in 2036.

The Company has not recognized any future benefit for the tax losses as it is not considered likely that they will be utilized.

19. Supplemental disclosure with respect to cash flows

	Year ended	
	December 31, 2016	December 31, 2015
Cash paid for interest	$ 7,971	$ 17,768

During the year ended December 31, 2016, the significant non-cash transactions were as flows:

a) Included in accounts payable were $56,521 that was charged to a related party. Also, charged to a related party was $5,769 in GST.

During the year ended December 31, 2015, the significant non-cash transactions were as follows:

a) Issued 859,090 common shares of the Company at a deemed price of $0.055 to settle outstanding debt of $47,250.

b) Issued 83,999,943 common shares of the Company at a deemed price of $0.09 in the acquisition of Mineworx for a total cost of $7,559,995. Included in the purchase were $8,154,385 in assets and $463,682 in liabilities. Although Mineworx had $54,762 in cash at the time of acquisition, the Company had advanced $227,811, leaving net cash expenditure of $173,101.

c) Purchased Compañía Minera Sierra de Caurío, S.L., for a net cash expenditure of $268,328.

d) Transfer of $9,798 to share capital from reserves for stock options exercised.

e) Included in accounts payable was $9,233 in amounts that were capitalized. $1,475 was in exploration and evaluation assets and $7,757 in equipment.

(Expressed in Canadian dollars)

20. Segmented information

The Company has two operating segments, exploration and development of mineral properties in Spain and mineral extraction through use of its proprietary equipment in North America. For the Year ended December 31, 2016, the non-current assets were as follows:

For the year ended December 31, 2016, the loss for North America operating segment was $6,365,854 and for the Spain operating segment, there was a loss of $468,183.

The Company's non-current assets by geographic location are as follows:

2016	North America	Spain	Total
Restricted cash	$ -	$ 86,602	$ 86,602
Exploration and evaluation assets	-	801,779	801,779
Equipment	3,210,716	-	3,210,716
Intangible assets	2,952,777	-	2,952,777
Total	$ 6,163,493	$ 888,381	$ 7,051,874

2015	North America	Spain	Total
Restricted cash and guarantee deposits	$ -	$ 111,192	$ 111,192
Exploration and evaluation assets	-	980,020	980,020
Equipment	2,505,115	-	2,505,115
Patents	25,543	-	25,543
Technology	4,917,410	-	4,917,410
Deferred tax	723,280	-	723,280
Total	$ 8,171,348	$ 1,091,212	$ 9,262,560

21. Subsequent events

On January 6, 2017, the Company received approval from the exchange to extend the expiry date of the share purchase warrants that were issued as part of non-brokered private placements completed by the Company in August 2013 and March 2015. The expiry date for the 7,000,000 common share warrants previously set to expire on February 14, 2017 has been extended to February 14, 2018. The expiry date for the 2,685,000 common share warrants previously set to expire on March 6, 2017 has been extended to March 6, 2018. All other terms and conditions of the warrants remain unchanged.

In March 2017, the Company issued shares for two Warrant exercises of 2,750,000 and 200,000 shares each and 2,030,000 share options were exercised. These transactions increased the total outstanding shares to 276,775,080.

On March 21, 2017, the company completed a plan of arrangement that involved the spin-out of the Iberian Technology rights to Enviroleach Technologies Inc. that was approved by the shareholders at a Special Meeting held on March 14, 2017 and the Alberta Court of Queen's Bench on March 15, 2017. As part of the arrangement the company received notes payable of $1,600,000, 28,000,000 shares in Enviroleach Technologies Inc., and Mineworx was granted a license to utilize the technology in its operations. 26,000,000 of the shares received in the arrangement were distributed to the company shareholders of record on March 21, 2017 as a return of capital dividend with a deemed price of $0.25 per Enviroleach Technology Inc. share.