Consolidated financial statements of

Ivanhoe Nickel & Platinum Ltd.

December 31, 2008 and 2007
(Stated in U.S. dollars)

Ivanhoe Nickel & Platinum Ltd.
December 31, 2008 and 2007

Table of contents

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Auditors' report

To the Shareholders of
Ivanhoe Nickel & Platinum Ltd.

We have audited the consolidated balance sheets of Ivanhoe Nickel & Platinum Ltd. as at December 31, 2008 and 2007 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
March 17, 2009

Ivanhoe Nickel & Platinum Ltd.

Consolidated statement of operations
years ended December 31, 2008 and 2007

(stated in U.S. dollars)

	2008	2007
	$	$
Revenue	**3,399,248**	3,493,230
Cost of sales	**1,463,875**	1,481,318
	1,935,373	2,011,912
Expenses (Note 11)		
Exploration (Schedule)	**23,705,126**	17,439,335
Stock-based compensation	**3,233,145**	3,675,559
Salaries and benefits	**2,802,481**	2,189,642
Legal	**2,416,702**	437,037
Travel	**1,904,390**	1,434,760
Office and administration	**1,308,011**	1,297,530
Consulting	**542,215**	357,097
Depreciation	**390,539**	226,229
Accounting	**215,820**	139,472
Insurance	**99,043**	74,631
Investor relations	**19,943**	36,410
Profit on disposal of other assets	**(693)**	-
Foreign exchange (gain) loss	**(2,273,751)**	717,675
	34,362,971	28,025,377
Other (income) expenses		
Interest income	**(558,266)**	(2,726,445)
Write-down of mineral property interest (Note 6 (a))	**17,028,438**	-
Write-down of other capital assets (Note 4 (b))	**-**	279,893
Loss before income taxes	**48,897,770**	23,566,913
Income tax expense (recovery) (Note 8)		
Current	**779,668**	847,441
Future	**(5,139,392)**	(406,232)
	(4,359,724)	441,209
Net loss	**44,538,046**	24,008,122
Basic loss per common share	**0.60**	0.34
Weighted average number of common shares outstanding (including common shares from special warrants)	**74,009,847**	70,816,639

Ivanhoe Nickel & Platinum Ltd.

Consolidated statements of shareholders' equity

(stated in U.S. dollars)

	Share capital		Special warrants			Accumulated other comprehensive income				
	Number of shares	Amount	Number of warrants	Amount	Contributed surplus	Cumulative translation adjustment	Unrealized gain (loss) on available-for-sale securities	Total	Deficit	Total
		$		$	$	$	$	$	$	$
Balances, December 31, 2006	50,504,266	84,067,886	8,774,999	58,647,923	5,727,496	54,142	-	54,142	(117,972,268)	30,525,179
Net loss	-	-	-	-	-	-	-	-	(24,008,122)	(24,008,122)
Other comprehensive income	-	-	-	-	-	33,854	1,159,619	1,193,473	-	1,193,473
Comprehensive loss										(22,814,649)
Stock-based compensation charged to operations	-	-	-	-	3,675,559	-	-	-	-	3,675,559
Stock options exercised	1,177,500	4,089,425	-	-	(1,289,425)	-	-	-	-	2,800,000
Special warrants issued (Note 10)	-	-	10,492,500	82,803,750	-	-	-	-	-	82,803,750
Balances, December 31, 2007	51,681,766	88,157,311	19,267,499	141,451,673	8,113,630	87,996	1,159,619	1,247,615	(141,980,390)	96,989,839
Net loss	-	-	-	-	-	-	-	-	(44,538,046)	(44,538,046)
Other comprehensive income	-	-	-	-	-	(454,000)	(3,109,320)	(3,563,320)	-	(3,563,320)
Comprehensive loss										(48,101,366)
Stock-based compensation charged to operations	-	-	-	-	2,799,595	-	-	-	-	2,799,595
Bonus shares issued (Note 9 (c))	65,000	433,550	-	-	-	-	-	-	-	433,550
Special warrants converted to shares (Note 10)	3,150,000	20,975,000	(2,625,000)	(20,975,000)	-	-	-	-	-	-
Balances, December 31, 2008	54,896,766	109,565,861	16,642,499	120,476,673	10,913,225	(366,004)	(1,949,701)	(2,315,705)	(186,518,436)	52,121,618

Ivanhoe Nickel & Platinum Ltd.

Consolidated balance sheets
as at December 31, 2008 and 2007

(stated in U.S. dollars)

	2008	2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	**21,882,371**	63,514,202
Accounts receivable (Note 5)	**907,373**	2,103,823
Prepaid expenses	**1,751,132**	1,251,455
	24,540,876	66,869,480
Available-for-sale securities (Note 14)	**707,972**	3,817,292
Mineral properties (Note 6)	**6,939,547**	23,967,985
Intangible asset (Note 4)	**12,370,146**	13,077,012
Other capital assets (Note 7)	**17,894,026**	13,232,373
Other assets	**201,680**	298,411
	62,654,247	121,262,553
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,763,453**	2,075,466
Purchase consideration owing (Note 4)	**-**	4,409,812
Income taxes payable (Note 8)	**440,260**	880,992
	3,203,713	7,366,270
Future income tax liabilities (Note 8)	**3,783,330**	12,015,248
Long-term debt (Note 4)	**3,545,586**	4,891,196
	10,532,629	24,272,714
Shareholders' equity		
Share capital		
Authorized		
Unlimited preferred shares without par value		
Unlimited common shares without par value		
Issued and outstanding common shares	**109,565,861**	88,157,311
Special warrants (Note 10)	**120,476,673**	141,451,673
Contributed surplus (Note 9)	**10,913,225**	8,113,630
Accumulated other comprehensive (loss) income	**(2,315,705)**	1,247,615
Deficit	**(186,518,436)**	(141,980,390)
	(188,834,141)	(140,732,775)
	52,121,618	96,989,839
	62,654,247	121,262,553

Approved by the Board

(Signed) Peter Meredith

Peter Meredith, Director

(Signed) Charles Russell

Charles Russell, Director

Ivanhoe Nickel & Platinum Ltd.

Consolidated statements of cash flows
years ended December 31, 2008 and 2007

(stated in U.S. dollars)

	2008	2007
	$	$
Operating activities		
Net loss	**(44,538,046)**	(24,008,122)
Items not involving cash		
Depreciation and amortization	**1,639,499**	1,454,799
Stock-based compensation	**3,233,145**	3,675,559
Write-down of mineral property interest (Note 6 (a))	**17,028,438**	-
Write-down of other capital assets (Note 4)	**-**	279,893
Future income tax expense (recovery)	**(5,139,392)**	(406,232)
Unrealized foreign exchange (gain) loss	**(2,251,819)**	1,310,673
Loss on disposal of other assets	**9,161**	43,777
Loss on sale of investment	**-**	438
	(30,019,014)	(17,649,215)
Change in non-cash working capital items (Note 12 (a))	**(1,370,597)**	(277,869)
	(31,389,611)	(17,927,084)
Investing activities		
Proceeds from sale of investment	**-**	392
Proceeds from sale of other assets	**54,184**	60,529
Purchase of investments	**-**	(884)
Expenditures on other capital assets	**(6,002,873)**	(5,908,659)
Recovery (expenditures) on other assets	**64,000**	(106,214)
Acquisition of joint venture, net of cash acquired (Note 12 (b))	**(4,335,599)**	(2,329,335)
	(10,220,288)	(8,284,171)
Financing activities		
Stock options exercised for cash	**-**	2,800,000
Special warrants issued	**-**	82,803,750
	-	85,603,750
Effect of foreign exchange rate changes on cash	**(21,932)**	(592,998)
Net cash (outflow) inflow	**(41,631,831)**	58,799,497
Cash and cash equivalents, beginning of year	**63,514,202**	4,714,705
Cash and cash equivalents, end of year	**21,882,371**	63,514,202
Cash and cash equivalents consists of		
Cash	**8,923,486**	6,675,096
Short-term fixed deposits	**12,958,885**	56,839,106
	21,882,371	63,514,202

Supplemental cash flow information (Note 12)

1. Nature of operations and basis of presentation

Ivanhoe Nickel & Platinum Ltd. is a Canadian mining exploration company which, together with its subsidiaries, is focused on the exploration, development and recovery of minerals and precious gems from its property interests located primarily in Africa and Australia.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of Ivanhoe Nickel & Platinum Ltd. and all of its subsidiaries. The principal subsidiaries of the Company are Platreef Resources (Pty) Ltd. (South Africa), Africa Consolidated Mineral Exploration (Pty) Ltd. (South Africa), GB Mining and Exploration SA (Pty) (South Africa), RK Mining SA (Pty) Ltd. (South Africa), African Minerals (Barbados) Ltd. s.p.r.l. (DRC), Ivanhoe (Zambia) Ltd. (Zambia), Rhenfield Limited (BVI) and Ivanplats Syerston Pty Ltd. (Australia). Ivanhoe Nickel & Platinum Ltd. and its subsidiaries are individually and collectively referred to in these financial statements as the “Company”.

In 2007, the Company acquired a 50% interest in Rhenfield Limited (Note 4 (a)). Rhenfield Limited (“Rhenfield”) is subject to joint control and is consolidated on a proportionate basis whereby the Company includes in these consolidated financial statements its proportionate share of the assets, liabilities, revenues and expenses of Rhenfield.

In 2006, the Company acquired a 25% interest in the RK1 consortium (Note 4 (b)) through the acquisition of Gardner & Barnard Mining (UK) Limited and RKR Mining (UK) Ltd. and their subsidiaries, GB Mining and Exploration SA (Pty) and RK Mining SA (Pty) Ltd. The Company’s investment in the RK1 consortium (25% owned), which is subject to joint control, is consolidated on a proportionate basis whereby the Company includes in these consolidated financial statements its proportionate share of the assets, liabilities, revenues and expenses of the RK1 consortium.

All intercompany transactions and balances have been eliminated.

Variable Interest Entities (“VIEs”), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, *Consolidation of Variable Interest Entities*, are entities in which equity investors do not have the characteristics of a “controlling financial interest” or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities’ expected losses and/or expected residual returns. The Company has not identified any VIEs at December 31, 2008.

(b) Measurement uncertainties

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

2. Significant accounting policies (continued)

(b) Measurement uncertainties (continued)

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, future income tax assets and investments, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties and other capital assets, the carrying value of the intangible asset, the fair values of stock options and the allocation of the purchase price on acquisition.

(c) Foreign currencies

The functional currency of the Company and its subsidiaries is the U.S. dollar since it is the transaction currency of the primary economic environment in which the Company and its subsidiaries operate.

Monetary assets and liabilities denominated in foreign currencies have been translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses denominated in foreign currencies have been translated at rates approximating exchange rates in effect at the time of the transactions. All exchange gains and losses are included in operations.

Self-sustaining operations are accounted for using the current rate method. The current rate method provides that all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the period. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain/(loss) on the Company's net investment in the foreign operation, are recorded in accumulated other comprehensive income within shareholders' equity. The Company's 25% interest in the RK1 Consortium is self-sustaining.

(d) Cash and cash equivalents

Cash includes short-term fixed deposits with terms to maturity, at the date of acquisition, not exceeding 90 days.

(e) Mineral properties

Direct costs related to the acquisition of mineral properties are capitalized on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred, until such time as it has been determined that a property has economically recoverable reserves, at which time subsequent costs incurred to develop the property are capitalized.

The Company reviews the carrying values of its mineral properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

2. Significant accounting policies (continued)

(e) Mineral properties (continued)

On the commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

Where the Company's exploration and development activities are conducted jointly with others, these consolidated financial statements reflect only the Company's interests in such activities.

(f) Financial instruments

All financial instruments are initially recorded at fair value. Financial assets are designated upon inception as either (i) held-to-maturity, (ii) held-for-trading, (iii) available-for-sale, or (iv) other loans and receivables. The designation determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded.

All of the Company's financial assets, other than available-for-sale securities, have been designated as other loans and receivables and are carried on the balance sheet at amortized cost. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company does not have any financial assets other than cash and cash equivalents that are designated as held-to-maturity or held-for-trading.

Financial liabilities are designated as either (i) held-for-trading or (ii) other liabilities. All of the Company's financial liabilities have been designated as other liabilities and are carried on the balance sheet at amortized cost.

Transaction costs associated with held-for-trading financial instruments are expensed as incurred, while transaction costs associated with all other financial instruments are added to the initial carrying amount of the asset or liability.

(g) Other capital assets

Other capital assets are stated at cost and depreciated using the straight-line method over the following periods:

Office equipment, furniture and fixtures	3-5 years
Plant, equipment, buildings and mobile equipment	5-20 years

Assets under construction are stated at cost and are not depreciated until they are put into use.

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

2. Significant accounting policies (continued)

(h) *Intangible asset*

The RK1 consortium has an offtake arrangement for the supply of tailings for retreatment and a refining contract to sell platinum group metals concentrate. The arrangement is being amortized over 20 years, the current expected life of mine. During the year ended December 31, 2008, $0.7 million (2007 - $0.8 million) was recorded as amortization. An evaluation of the carrying value is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(i) *Asset retirement obligations*

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2008 and 2007, there was no material asset retirement obligation.

(j) *Income taxes*

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from loss carry-forwards and other deductions available to the Company and its subsidiaries. The value of future income tax assets is reviewed on a regular basis and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

(k) *Revenue recognition*

Revenue from the sale of metals is recognized, net of related royalties and sales commissions, when: (i) persuasive evidence of an arrangement exists; (ii) the risks and rewards of ownership pass to the purchaser including delivery of the product; (iii) the selling price is fixed or determinable; and (iv) collectibility is reasonably assured.

(l) *Stock-based compensation*

The Company accounts for stock options granted using the fair value based method of accounting for stock-based compensation. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

2. Significant accounting policies (continued)

(m) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares and common shares arising from the special warrants outstanding during the year. As the Company has incurred losses in each of the years presented, the impact of any potential dilutive items, such as options, are anti dilutive.

(n) Future accounting changes

(i) Goodwill

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets by profit-oriented enterprises. The section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008 and is not expected to have a material impact on the Company's financial condition or operation results.

(ii) In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations* ,and Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operation results.

(iii) Conversion of accounting policies to International Financial Reporting Standards

In 2007, the CICA Accounting Standards Board ("ASB") announced its plan for Canadian companies to report in accordance with International Financial Reporting Standards ("IFRS"). Canadian publicly accountable entities will need to issue their financial statements in accordance with IFRS by January 1, 2011. However, there are a number of other steps with respect to the adoption of IFRS which need to be addressed before 2011.

While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Change in accounting policies

On January 1, 2008, the Company adopted the following provisions of the CICA Handbook. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of these new standards:

(a) Section 3862, *Financial Instruments - Disclosures*, which replaces Section 3861 and provides expanded disclosure requirements that provide additional information by financial asset and liability categories.

(b) Section 3863, *Financial Instruments - Presentation*, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

(c) Section 3031, *Inventories*, which establishes standards for the measurement and disclosure of inventories. It provides the Canadian equivalent to International Accounting Standard IAS 2, *Inventories*.

(d) Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose the following, based on the information provided internally to the Company's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(e) Section 1400, *General Standards of Financial Statement Presentation*, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

4. Joint ventures

(a) In May 2007, the Company subscribed for common shares in the capital of Rhenfield, a British Virgin Isles registered company, constituting a 50% interest in Rhenfield at the nominal value of the shares $522 (£252). The other 50% interest is held by Ivanhoe Capital Pte Ltd., a related party by way of a director and majority shareholder in common. Rhenfield purchased a building in London, England for $14.6 million (£7.0 million) that was partly funded via a loan from both shareholders of $2.4 million each (£1.05 million each) as well as a mortgage bond of $9.8 million (£4.9 million). The shareholders of Rhenfield further funded transaction costs, capital improvements and operating costs on a 50:50 basis. The building will be partly used as the London offices of the Company. The 50% interest in Rhenfield is accounted for according to the Company's joint venture accounting policy.

(Stated in U.S. dollars)

4. Joint ventures (continued)

(a) (continued)

These consolidated financial statements include the Company's proportionate share of Rhenfield's assets, liabilities, revenues, expenses, income after taxes and cash flows as follows:

	2008	2007
	$	$
Income statement		
Expenses	**(29,015)**	(30,742)
Depreciation	**(130,150)**	(29,114)
Interest expense on long-term debt	**(342,568)**	(182,198)
Foreign exchange gain	**1,308,841**	301,503
Income before taxes	**807,108**	59,449
Balance sheet		
Cash	**12,831**	104,353
Receivables	**364**	522
Prepaid expenses	**4,632**	3,893
Other capital assets		
Buildings	**8,269,328**	8,180,691
Office equipment	**77,439**	59,780
Furniture and fittings	**323,083**	155,754
Accounts payable	**(5,098)**	(23,327)
Shareholders loan	**(4,269,934)**	(3,530,499)
Long-term debt (i)	**(3,545,586)**	(4,891,196)
Retained earnings	**(866,537)**	(59,449)
Investment in Rhenfield Ltd. eliminated	**522**	522

	2008	2007
	$	$
Cash flow statement		
Opening balance	**104,353**	-
Cash outflow from operating activities	**(92,970)**	(287,286)
Cash flow received from investing activities	**(403,776)**	-
Cash flow received from financing activities	**405,224**	391,639
	12,831	104,353

(i) The long-term debt of $3,545,586 (£2,450,000) is a five year mortgage bond, fully repayable at the end of the term, secured by the property, that incurs interest at a rate of LIBOR plus 1.2% (2007 - LIBOR plus 1.2%) payable quarterly in arrears.

4. Joint ventures (continued)

(b) The Company has a 25% interest in the RK1 consortium ("RK1") through its subsidiaries Gardner and Barnard Mining (UK) Limited ("GBUK") and RKR Mining (UK) Ltd. and their subsidiaries. The 25% interest in RK1 constitutes a joint venture and is accounted for according to the Company's joint venture accounting policy.

RK1 is an unincorporated joint venture and operates the RK1 chromite tailings retreatment project located at the Aquarius Kroondaal Platinum Mine near Rustenberg, South Africa. The RK1 plant is managed and operated by a subsidiary of Aquarius Platinum Limited, which holds a 50% interest in RK1. Sylvania Resources Limited holds a 25% interest in the consortium.

The effective date of the acquisition was July 1, 2006, and the purchase price was £6.5 million (US$12.3 million including transaction costs of $245,000), payable in cash in three installments, of which the last was due January 2007.

Due to a delay by the vendors of GBUK in meeting certain of the warranties in the sale of shares agreement, payment of the second and third installments was initially delayed on a rolling basis by mutual consent. The outstanding balance represented 50% of the purchase price owing to the shareholders of GBUK that owned 62% of the 25% interest in the RK1 consortium. In 2008 the vendors of GBUK filed for arbitration. The dispute was settled by mutual consent and the terms of settlement were:

- The outstanding capital balance of $4,335,599 (£2,208,875) together with interest of $530,976 (£264,772) was paid to the vendors of GBUK;
- The vendors of GBUK were awarded all the costs of the arbitration which amounted to $1,170,040 (£772,918), payable by the Company;
- The Company was awarded a counterclaim on cost of $298,049 payable by GBUK's vendors within 14 days after assessment and is expected to be received in the first quarter of 2009;
- The vendors of GBUK undertook to pay any tax liabilities as finally determined by a court of competent jurisdiction in South Africa for the period up to June 30, 2006 in respect of GBUK and its subsidiaries; and
- The total potential assessment is estimated to be between an insignificant amount, up to $4,282,958 (R40,136,426) as determined by South African tax experts as part of the arbitration proceedings.

(Stated in U.S. dollars)

4. Joint ventures (continued)

(b) (continued)

These consolidated financial statements include the Company's proportionate share of RK1's assets, liabilities, revenues, expenses, income after taxes and cash flows as follows:

	2008	2007
	$	$
Income statement		
Sales	**3,399,248**	3,493,230
Cost of sales	**(1,463,875)**	(1,481,318)
	1,935,373	2,011,912
Expenses	**(288,676)**	(247,213)
Interest income	**328,166**	86,161
Write-down of other capital assets	**-**	(279,893)
Income before taxes	**1,974,863**	1,570,967
Balance sheet		
Cash	**3,549,154**	1,766,671
Other current assets	**517,759**	1,816,605
Intangible asset (i)	**12,370,146**	13,077,012
Other capital assets	**881,272**	1,270,599
Intercompany advances	**1,060,259**	1,210,287
Accounts payable	**(746,634)**	(1,118,301)
Future income tax liability	**(2,607,601)**	(3,934,580)
Accumulated other comprehensive income	**366,004**	(87,996)
Retained earnings	**(3,083,852)**	(1,693,790)
Investment in RK1 eliminated on consolidation	**12,306,507**	12,306,507

(i) The Company's initial investment in RK1 exceeds its proportionate share of the net assets of RK1 by $14.1 million, which is included in intangible asset. This amount is being amortized over 20 years with $706,866 recorded for the year ended December 31, 2008 (2007 - $809,361).

	2008	2007
	$	$
Cash flow statement		
Opening balance	**1,766,671**	712,775
Cash flow received from operating activities	**1,795,094**	1,318,311
Cash flow paid from investing activities	**(12,611)**	(264,415)
Cash flow received from financing activities	**-**	-
	3,549,154	1,766,671

Ivanhoe Nickel & Platinum Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Stated in U.S. dollars)

5. Accounts receivable

	2008	2007
	$	$
Trade receivables	**493,459**	1,800,733
Arbitration costs recovery (Note 4 (b))	**298,049**	-
Refundable taxes	**59,749**	71,797
Other	**40,462**	17,211
Receivable from joint venture partner	**15,654**	214,082
	907,373	2,103,823

6. Mineral properties

The following table summarizes the carrying values of the Company's mineral property interests as described below:

	2008	2007
	$	$
Syerston, Australia (a)	**1**	17,028,439
Platreef, South Africa (b)	**6,939,544**	6,939,544
Mufumbwe, Zambia (c)	**1**	1
Democratic Republic of Congo ("DRC") (d)	**1**	1
	6,939,547	23,967,985

The following table summarizes the accumulated aggregate exploration expenditures from inception which have been charged to operations:

	2008	2007
	$	$
Syerston, Australia (a)	**8,614,140**	7,794,126
Platreef, South Africa (b)	**45,862,483**	39,026,520
Mufumbwe, Zambia (c)	**3,445,884**	3,347,003
Democratic Republic of Congo ("DRC") (d)	**39,743,382**	24,212,193
Limpopo, South Africa (e)	**2,826,962**	2,413,543
Other	**1,012,498**	1,006,838
	101,505,349	77,800,223

6. Mineral properties (continued)

(a) Syerston property

The Company entered an agreement on June 30, 2004 to acquire all the issued and outstanding shares of Ivanplats Syerston Pty Ltd., an Australian company. As consideration for this purchase, the Company issued 1.5 million common shares valued at $12 million. Ivanplats Syerston Pty Ltd. owns certain nickel and cobalt mining tenements near Fifield in the central-west region of New South Wales, approximately 350 kilometres north-west of Sydney, Australia. In December 2008, the Syerston Mineral Property was reviewed for impairment. Due to a lack of economics until a significant breakthrough in metallurgical processes is made, it was decided that the mineral property should be impaired by $17,028,438 before tax recovery of $5,108,530.

(b) Platreef properties

The Company has the right to explore over two contiguous farms, Turfspruit 241KR and Macalacaskop 243KR, located in Limpopo Province of South Africa. The farms overlie portions of the Platreef unit within the northern limb of the Bushveld Igneous Complex and the Company refers to its activities on the farms as the Platreef Project.

The Company requires a Prospecting Permit (“PP”) in order to undertake exploration activities on its Platreef Project. In March 2005, the Company submitted an application to renew its PP under the new regulations promulgated under the Mineral and Petroleum Resources Development Act, 2002. Under these so called ‘new order’ rights, a PP will be issued for five years. The Company received its new order PP in February 2006.

In June 2001, the Company was granted the right to earn a 50% participating interest in an additional farm known as Rietfontein 2KS located adjacent to the Platreef Project. This right was granted by Anooraq Resources Corporation (“Anooraq”) in exchange for the Company’s agreement to make an equity investment in Anooraq and for the Company to spend Cdn$750,000 on prospecting on this property in each of the two years commencing November 2001. This amount had been spent by November 2003. However, Anooraq has not transferred title for the 50% interest in the property due to a dispute in respect of the expenditure incurred under the prospecting agreement. Anooraq have submitted the dispute to arbitration as prescribed by the earn-in agreement, and the matter is currently the subject of negotiation between the parties.

(c) Mufumbwe property

The Company took a decision to terminate exploration activities in Zambia, following the expiry of the prospecting licenses in 2007. The licenses have been renewed for the maximum time period permitted in accordance with the Act. In 2006, the carrying value of the mineral property was written down from $215,751 to $1.

(d) DRC properties

Pursuant to an Accord Preliminaire entered into on December 2, 1997, the Company became the registered holder of four Zones Exclusives de Recherches (“ZERs”) permitting it to explore over two principal areas in Katanga Province in the south of the Democratic Republic of Congo (“DRC”). The areas are referred to by the Company as Lufira and Lufupa.

6. Mineral properties (continued)

(d) DRC properties (continued)

Due to political unrest in the DRC and the potential threat to the safety of its personnel, in May 1999 the Company exercised its right to suspend activities under the force majeure provisions within the Accord Preliminaire. During 2002, the Company concluded that, as a result of the lack of exploration activity, the carrying value of the property interest was impaired. As a result, the Company made an impairment provision of $124,651 and the carrying value was written down to $1. Owing to an adequate resolution of national security concerns, the Company decided in 2003 to recommence activity in the DRC.

A new Mining Code was enacted in the DRC in 2002 and new Mining Regulations in 2003. As a result of the new laws in force, the Company had to reapply for the ground it held under the ZERs. This reapplication was duly made, with the Company obtaining, on November 11, 2003, 36 Permits des Recherches ("PR's") (exploration permits) covering approximately (but not entirely) the areas previously held under two of the ZERs. In April, 2005 the Company resolved a long-standing dispute with a third party over certain ground in the DRC previously held by the Company under the remaining two ZER's. Accordingly, a further 14 PR's were awarded to the Company. As a result the Company resumed geological exploration in the DRC on the PR's in 2004 and is exploring the 50 PR's for all minerals and precious stones except for uranium as per the new Mining Code.

The renewal process was initiated mid 2008 due to 36 PR's becoming eligible for renewal in November 2008. Per the requirements of the Mining Code 50% of the area are to be relinquished as part of the renewal process. The remaining 14PR's are due for renewal in March 2010.

(e) Limpopo properties

In 1994, the predecessor of Africa Consolidated Minerals Exploration (Pty) Ltd. ("ACME"), a subsidiary of the Company, signed a Reconnaissance Agreement with the Lebowa Minerals Trust ("LMT") for precious stones on certain farms in the Northern Province (now Limpopo Province) of South Africa. Pursuant to this agreement, the Company had the exclusive right to conduct exploration and to exercise an option to conclude a prospecting and option agreement with the LMT.

Due to lack of exploration activity, the Company wrote down the value of the properties in 2001 by recording an impairment provision of $983,912 against the property. All agreements subsequently lapsed. In 2001 the LMT dissolved and all Mineral Rights were transferred to the State. In 2004, the Company applied for PP's over small portions of the previously held ground due to the indications that these areas were geologically prospective from the work carried out in the 1990's. These new applications are now governed by the new Mineral and Petroleum Resources Development Act, 2002 and the Department of Minerals and Energy ("DME") require the participation of a Black Economic Empowerment ("BEE") company before accepting applications.

ACME signed an agreement with a BEE company, Shanduka Exploration (Pty) Ltd. ("Shanduka") in 2005 on the basis of a shareholding earn-in. The Company has been granted 16 PP's in 2005/6 and exploration has recommenced on these properties.

(Stated in U.S. dollars)

7. Other capital assets

			2008
	Cost	**Accumulated depreciation**	**Net book value**
	$	**$**	**$**
Land	**3,946,060**	**-**	**3,946,060**
Office equipment	**1,479,710**	**905,321**	**574,389**
Furniture and fixtures	**630,146**	**140,473**	**489,673**
Mobile equipment	**3,054,790**	**988,662**	**2,066,128**
Plant, equipment and buildings	**10,636,415**	**477,764**	**10,158,651**
Assets under construction	**659,125**	**-**	**659,125**
	20,406,246	**2,512,220**	**17,894,026**

			2007
	Cost	Accumulated depreciation	Net book value
	$	$	$
Land	1,038,883	-	1,038,883
Office equipment	1,182,458	694,998	487,460
Furniture and fixtures	319,902	78,309	241,593
Mobile equipment	1,599,107	694,536	904,571
Plant, equipment and buildings	10,215,282	405,178	9,810,104
Assets under construction	749,762	-	749,762
	15,105,394	1,873,021	13,232,373

8. Income taxes

A reconciliation of the provision for recovery of income taxes is as follows:

	2008	2007
	$	$
Net loss for the year	**48,897,770**	23,566,913
Statutory tax rate	**31.00%**	34.12%
Expected recovery of income taxes based on combined Canadian and provincial statutory rates	**(15,158,309)**	(8,041,031)
Add (deduct):		
Different effective tax rates in foreign jurisdictions	**(817,560)**	(202,832)
Tax effect of losses not recognized	**13,793,568**	6,444,330
Non-deductible expenses	**(2,878,405)**	863,706
Change in future tax rate	**700,982**	1,377,036
Income tax (recovery) expense	**(4,359,724)**	441,209

(Stated in U.S. dollars)

8. Income taxes (continued)

At December 31, 2008, the Company has income tax payable of $440,260 (2007 - $880,992) for its earnings in respect of its 25% interest in the RK1 Consortium.

The Company's future income tax assets and liabilities are as follows:

	2008	2007
	$	$
Future income tax assets		
Non-capital loss carryforwards	**45,581,392**	35,986,407
Capital loss carryforwards	**2,652,518**	3,312,523
Investments	**414,576**	10,763
Capital assets	**75,030**	1,836,679
Foreign exploration expenses	**522,539**	793,943
Total future income tax assets	**49,246,055**	41,940,315
Valuation allowance	**(49,246,055)**	(41,940,315)
Net future income tax assets	**-**	-
Future income tax liabilities		
Capital assets	**1,175,730**	8,080,668
Intangible asset	**2,607,600**	3,934,580
Net future income tax liabilities	**3,783,330**	12,015,248

At December 31, 2008, the Company and its subsidiaries have unrecognized non-capital losses for income tax purposes of approximately $102,855,000 (2007 - $84,279,000) that may be used to offset future taxable income. These losses are as follows:

		Local currency	U.S. dollar equivalent	Expiry dates
			$	
South African rand	R	402,298,000	43,068,000	(a)
Congolese franc	CDF	10,880,263,000	40,070,000	2009 to 2011
Canadian dollar	$	33,973,000	27,742,000	2009 to 2028
Australian dollar	$	14,860,000	10,375,000	(a)
Zambian kwacha	ZMK	13,866,116,000	2,774,000	2009 to 2015
Namibian dollar	NAD	1,098,000	113,000	(a)
			124,142,000	

(a) These losses can be carried forward indefinitely, subject to continuity of trading.

At December 31, 2008, the Company also has unrecognized Canadian capital losses for tax purposes of approximately $20,434,000 (Cdn$24,987,000) that are available indefinitely to offset any future net realized capital gains.

(Stated in U.S. dollars)

9. Share capital

(a) *Options*

Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant.

The share options granted vest in five equal stages with the first stage vesting on the date of the grant, and the remainder in four equal annual stages commencing on the first anniversary of the date of the grant. The maximum term of options awarded is five years. The share options are exercisable at the prices described below until the date the Company completes a public offering. After such date, any outstanding options will be re-priced to the public offering price.

As at December 31, 2008, 10,000,000 shares were reserved for the future exercise of stock options, of which 2,260,000 have been granted and exercised and a further 6,980,000 have been granted and are outstanding.

A summary of changes in the Company's outstanding stock options is presented below:

		2008		2007
Expiry date	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance, beginning of year	**6,680,000**	**7.60**	5,335,000	5.85
Granted	**675,000**	**8.00**	4,320,000	8.00
Exercised (i)	**-**	**-**	(1,655,000)	4.00
Forfeited	**(375,000)**	**7.55**	(1,320,000)	6.35
	6,980,000	**7.64**	6,680,000	7.60

(i) During the year ended December 31, 2007, the Company issued 477,500 shares to optionees on the exercise of 955,000 share options as share appreciation rights for no consideration.

A compensation cost of $1,447,051 for the options granted during the year ended December 31, 2008 (2007 - $10,301,714) will be amortized over the vesting period, of which $562,451 was recognized in the year ended December 31, 2008 (2007 - $2,952,769).

(Stated in U.S. dollars)

9. Share capital (continued)

(a) Options (continued)

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2008:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
January 1, 2009	1,250,000	6.00	1,250,000	6.00
January 1, 2009	25,000	8.00	25,000	8.00
January 14, 2009	100,000	8.00	100,000	8.00
February 9, 2009	110,000	8.00	110,000	8.00
June 1, 2009	350,000	8.00	350,000	8.00
July 18, 2011	180,000	8.00	108,000	8.00
May 1, 2012	1,000,000	8.00	400,000	8.00
May 10,2012	500,000	8.00	200,000	8.00
August 8, 2012	100,000	8.00	40,000	8.00
September 9, 2012	2,700,000	8.00	1,080,000	8.00
January 1, 2013	500,000	8.00	100,000	8.00
March 18, 2013	165,000	8.00	33,000	8.00
	6,980,000	7.64	3,796,000	7.34

The options that were due to expire on January 1, 2009, January 14, 2009 and February 9, 2009 all expired unexercised.

The weighted average grant-date fair value of stock options granted during 2008 was $2.14 (2007 - $2.38). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions for the 2008 stock option grant:

	2008	2007
Risk free interest rate	**3.06%**	4.53%
Expected volatility	**23.12%**	22.80%
Expected years of option life	**5 years**	5 years
Expected dividends	**$Nil**	$Nil

(b) Warrants

In prior years, the Company issued 541,031 warrants to purchase common shares at an exercise price of $5.08 per share. The warrants are exercisable upon the completion of a public offering by the Company. No value was allocated to these warrants upon issuance.

(c) Bonus shares

During the year a total of 65,000 shares were issued to senior executives as a performance reward in the form of bonus shares with a deemed market value of $433,550.

(Stated in U.S. dollars)

10. Special warrants

During the year ended December 31, 2007, the Company issued 10,492,500 special warrants for $8 per special warrant and proceeds of $82,803,750, net of issue costs of $1,136,250. Each special warrant is exercisable to acquire, for no additional consideration, one common share of the Company if exercised on or before June 30, 2007, 1.1 common share of the Company if exercised after June 30, 2007 but before December 31, 2007, and 1.2 common shares if exercised after December 31, 2007.

In May 2008, 2,500,000 special warrants were exercised into 3,000,000 common shares and in August 2008, 125,000 special warrants were exercised into 150,000 common shares. At December 31, 2008, there were 16,642,499 special warrants outstanding exercisable into 19,145,998 common shares.

11. Other related party transactions

The following tables summarize related party expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	2008	2007
	$	$
Global Mining Management Corporation (a)	**571,458**	387,363
Ivanhoe Capital Aviation LLC (b)	**1,025,000**	900,000
Ivanhoe Capital Pte. Ltd. (c)	**451**	60,475
Ivanhoe Capital Services Ltd. (d)	**238,525**	240,128
Global Mining Services Ltd. (e)	**167,973**	-
Ivanhoe Capital Corporation (UK) Limited (f)	**327,605**	315,255
I2MS.net PTE LTD (g)	**63,075**	155,106
Shanduka (h)	**-**	3,941
	2,394,087	2,062,268
Salaries and benefits	**528,158**	233,192
Office and administration	**738,422**	836,848
Travel	**1,114,153**	988,221
Consulting	**13,354**	4,007
	2,394,087	2,062,268

The above noted 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.

As at December 31, 2008, accounts payable included $107,529 (2007 - $37,523), accounts receivable $15,654 (2007 - $214,082) and other long-term assets included $75,319 (2007 - $75,319) with related parties by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(Stated in U.S. dollars)

11. Other related party transactions (continued)

(a) Global Mining Management Corporation ("Global") is a private company based in Vancouver. Global has a director in common with the Company. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC ("Aviation") is a private company 100% owned by a director of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.

(c) Ivanhoe Capital Pte. Ltd. ("Ivanhoe Capital") is a private company 100% owned by a director of the Company. Ivanhoe Capital provides administration, accounting and other services in Singapore and London on a cost-recovery basis.

(d) Ivanhoe Capital Services Ltd. ("Services") is a private company 100% owned by a director of the Company. Services provide for salaries associated with certain employees of the Company in Singapore on a cost-recovery basis.

(e) Global Mining Services Ltd. ("Mining") is a private company incorporated in Delaware 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.

(f) Ivanhoe Capital Corporation (UK) Ltd. ("UK") is a private company 100% owned by a director of the Company. UK provides administration, accounting and other services in London on a cost-recovery basis.

(g) I2MS.net PTE LTD ("I2MS") is a privately owned company of which the majority is owned by a director of the Company. I2MS provides IT services from Singapore on a cost-recovery basis.

(h) The Company, through its subsidiary, ACME, has entered into an agreement with Shanduka in order to facilitate the granting of certain new order prospecting rights within South Africa. Shanduka is ultimately owned by a company that has a director in common with the Company.

12. Cash flow information

(a) Net change in non-cash working capital items

	2008	2007
	$	$
Net decrease (increase) in		
Accounts receivable	**1,196,450**	(1,304,754)
Prepaid expenses	**(499,677)**	(572,150)
Net (decrease) increase in		
Income taxes payable	**(440,732)**	847,441
Accounts payable and accrued liabilities	**(1,626,638)**	751,594
	(1,370,597)	(277,869)

(Stated in U.S. dollars)

12. Cash flow information (continued)

(b) *Acquisition of joint venture (Note 4 (b))*

In 2008, an amount of $4,335,599 was paid to the vendors of Gardner and Barnard Mining (UK) Limited as settlement of the amount owing to them.

(c) *Net interest received*

	2008	2007
	$	$
Interest received	**1,428,139**	2,772,712
Interest paid	**(873,096)**	(182,444)
Net interest received	**555,043**	2,590,268

(d) *Non-cash investing and financing activities*

	2008	2007
	$	$
Acquisition of other capital assets through issuance of long-term debt	**-**	4,891,196
Transfer of contributed surplus upon exercise of share options	**-**	1,289,425

13. Segment disclosures

(a) The Company operates in one industry segment but different operating segments (Note 1).

(b) *Mineral properties at the end of the period*

	2008	2007
	$	$
Australia	**1**	17,028,439
South Africa	**6,939,544**	6,939,544
Zambia	**1**	1
DRC	**1**	1
	6,939,547	23,967,985

(Stated in U.S. dollars)

13. Segment disclosures (continued)

(c) *Intangible asset and other capital assets at the end of the period*

	2008	2007
	$	$
United Kingdom	**8,669,850**	8,396,224
South Africa	**15,415,946**	15,969,855
DRC	**3,500,079**	1,829,629
Zambia	**11,358**	109,273
Canada	**4,128**	3,659
Australia	**2,662,811**	745
	30,264,172	26,309,385

(d) All of the Company's revenues are earned in South Africa. The Company's revenue is generated through two customers who account for 35% (2007 - 54%) and 65% (2007 - 46%) of revenue, respectively. The Company's revenue is generated by the sale of Platinum Group Metals ("PGM's") produced through the treatment of Chrome Tailings by the RK1 Plant. The Company is not economic dependent on its current customers as PGM's have an active market worldwide.

14. Financial instruments

(a) *Fair value of financial instruments*

The fair value of the Company's investments was determined by reference to published market quotations. The investment in Pan Palladium Ltd. (Pan Palladium) is accounted for as an available-for-sale financial asset.

	2008				2007
	Equity interest	**Cost**	**Quoted market value**	**Unrealized (loss) value**	Quoted market value
	%	**$**	**$**	**$**	$
Pan Palladium	**19.40**	**2,657,673**	**707,972**	**(1,949,701)**	3,817,292

The Company's other financial instruments include cash and cash equivalents, accounts receivable, available-for-sale securities, purchase consideration owing and accounts payable. Due to the demand and short-term maturity of these financial instruments, the fair value approximates the carrying amount.

Long-term debt is market rate based and thus the carrying value approximates the fair value.

(Stated in U.S. dollars)

14. Financial instruments (continued)

(b) Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations, however, management monitors foreign exchange exposure.

The carrying amount of the Company's foreign currency denominated monetary assets at the respective balance sheet dates are as follows:

	2008	2007
	$	$
Assets		
Canadian dollar	**2,459,366**	2,959,831
Australian dollar	**56,141**	80,978
South African rand	**5,343,955**	5,685,770
British pounds	**17,463**	6,476,086
Liabilities		
Canadian dollar	**50,237**	20,672
Australian dollar	**211,315**	108,433
South African rand	**1,051,836**	1,848,677
British pounds	**3,572,113**	9,324,707

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	2008	2007
	$	$
Decrease in		
Loss for the year	**393,846**	760,133

(Stated in U.S. dollars)

14. Financial instruments

(b) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The Company is exposed to cash flow interest rate risk with respect to the variable rate of interest incurred on the amounts due under long-term debt. The Company currently does not have any cash flow interest rate risk exposure. The fair value interest rate risk on bank deposits is insignificant as the amounts are short-term. The average interest rate received on short term deposits for 2008 were 2.55% (2007 - 3.82%).

(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with accounts receivable and cash equivalents.

In addition, the Company reviews the recoverable amount of their receivables at each balance sheet date to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk on cash equivalents is limited because the cash equivalents are composed of financial instruments issued by major banks and companies with high credit ratings assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

The following table details the Company's aging of accounts receivable:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total**
	$	$	$	$	**$**
As at December 31, 2008					
Accounts receivable	-	907,373	-	-	**907,373**
As at December 31, 2007					
Accounts receivable	-	2,103,823	-	-	**2,103,823**

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

(Stated in U.S. dollars)

14. Financial instruments

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	Total undiscounted cash flows
	%	$	$	$	$	$
As at December 31, 2008						
Trade and other payables	-	-	2,763,452	-	-	2,763,452
Purchase consideration owing	-	-	-	-	-	-
Long-term debt	LIBOR + 1.2	-	-	-	3,545,586	3,545,586
		-	2,763,452	-	3,545,586	6,309,038
As at December 31, 2007						
Trade and other payables	-	-	2,075,466	-	-	2,075,466
Purchase consideration owing	-	-	4,409,812	-	-	4,409,812
Long-term debt	LIBOR + 1.2	-	-	-	4,891,196	4,891,196
		-	6,485,278	-	4,891,196	11,376,474

15. Capital risk management

The Company includes as capital common shares, special warrants and contributed surplus. The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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. Currently the Company has cash flows from their RK1 operations, to maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current fiscal year.

16. Commitments and contingencies

The tax affairs of GB Mining and Exploration SA (Pty) Ltd ("GBSA") and Gardner & Barnard UK Limited ("GBUK") are currently under investigation by the South African Revenue Authorities. As part of the consent award in the arbitration between the Company and the vendors of GBUK, the vendors of GBUK undertook to pay any tax liabilities as finally determined by a court of competent jurisdiction in South Africa for the period up to June 30, 2006 in respect of GBUK and its subsidiary, GBSA. The total potential assessment is estimated to be between an insignificant amount and up to $4,282,958 (R40,136,426) as determined by South African tax experts as part of the arbitration proceedings.

Ivanhoe Nickel & Platinum Ltd.

Consolidated schedules of exploration expenses
years ended December 31, 2008 and 2007

(stated in U.S. dollars)

	2008	2007
	$	$
Drilling	8,633,224	6,014,067
Consulting	4,059,519	2,830,687
Project management	2,724,910	2,203,031
Other	544,250	307,651
Geophysics	289,014	1,775
Geology	277,627	232,138
Geochemical	98,087	45,488
Surveying	97,453	10,202
Metallurgical	28,178	6,459
Engineering	-	23,943
Salaries and benefits	3,839,204	2,094,037
Office and administration	996,897	929,959
Motor vehicle running cost	836,451	193,768
Assay	702,411	495,957
Licenses	634,901	667,632
Depreciation	542,095	407,675
Repairs and maintenance	449,413	260,863
Camp costs	447,131	326,868
Legal	429,965	779,646
Travel	424,519	478,645
Site security and safety	409,629	278,792
Community liaison	384,824	467,292
Rent	217,050	135,949
Communications	180,563	154,343
Insurance	150,956	54,716
Sampling	139,474	301,257
Accounting	123,489	211,341
Property expenses	23,530	23,455
Regulatory and filing fees	22,701	33,463
Storage	17,019	5,467
Hydrological	15,000	-
Investor relations	12,267	9,980
Loss on disposal of other assets	9,854	43,777
Maps and photos	7,986	5,961
Environmental	2,602	-
Membership cost (recovery)	(7,548)	233,738
	23,705,126	17,439,335

Democratic Republic of Congo	15,531,189	12,968,472
South Africa	7,255,042	3,722,942
Australia	820,014	451,077
Zambia	98,881	296,844
	23,705,126	17,439,335