Consolidated financial statements of

Ivanhoe Mines Ltd.

(formerly Ivanplats Limited)

December 31, 2013 and 2012

(Stated in U.S. dollars)

Ivanhoe Mines Ltd.
(formerly Ivanplats Limited)

December 31, 2013

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Independent Auditor's Report

To the Shareholders of
Ivanhoe Mines Ltd. (formerly Ivanplats Limited)

We have audited the accompanying consolidated financial statements of Ivanhoe Mines Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

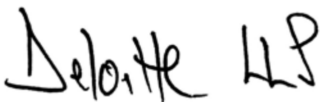
Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ivanhoe Mines Limited as at December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012, in accordance with International Financial Reporting Standards.



Chartered Accountants
March 28, 2014
Vancouver, British Columbia

Ivanhoe Mines Ltd.

(formerly Ivanplats Limited)

Consolidated statements of comprehensive loss
for the year ended December 31, 2013

(stated in thousands of U.S. dollars, except for share and per share amounts)

	Notes	2013	2012
		$	$
Expenses			
Exploration and project expenditure	5	**173,943**	128,435
Salaries and benefits		**15,187**	9,282
Legal settlement		**10,000**	-
Share-based payments	15	**8,308**	6,265
Office and administration		**5,961**	3,831
Foreign exchange loss		**2,898**	527
Travel		**2,581**	2,397
Professional fees		**2,349**	2,120
Legal		**523**	2,979
Impairment of mineral property, goodwill and other	5 (c)	**334,338**	-
Other expenditure		**1,577**	779
Gain with amendment of purchase contract		**-**	(1,015)
Loss from operating activities		**557,665**	155,600
Other income		**(159)**	(51)
Interest income		**(3,436)**	(3,067)
Finance costs	18	**1,644**	26,670
Loss before income taxes		**555,714**	179,152
Income tax			
Deferred tax recovery	13	**(75,701)**	-
Current	13	**4**	9
		(75,697)	9
LOSS FOR THE YEAR		**480,017**	179,161
Other comprehensive loss			
Items that may subsequently be reclassified to loss:			
Exchange losses on translation of foreign operations		**4,278**	476
Other comprehensive loss for the year, net of tax		**4,278**	476
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**484,295**	179,637
Loss attributable to:			
Owners of the Company		**369,671**	166,017
Non-controlling interest		**110,346**	13,144
		480,017	179,161
Total comprehensive loss attributable to:			
Owners of the Company		**373,720**	166,485
Non-controlling interest		**110,575**	13,152
		484,295	179,637
Basic and diluted loss per share	19	**0.69**	0.38
Weighted average number of basic and diluted shares outstanding (including common shares from special warrants)	19	**542,355,938**	436,036,577

Ivanhoe Mines Ltd.

(formerly Ivanplats Limited)

Consolidated statements of financial position as at December 31, 2013

(stated in thousands of U.S. dollars)

	Notes	**December 31, 2013**	December 31, 2012	January 1, 2012
		$	$	$
ASSETS				
Non-current assets				
Property, plant and equipment	4	**35,433**	23,506	16,278
Mineral properties	5	**6,940**	259,277	259,277
Goodwill	6	**-**	67,358	75,701
Long-term loan receivable	8	**-**	23,024	7,324
Other assets		**5,092**	504	248
Total non-current assets		**47,465**	373,669	358,828
Current assets				
Trade and other receivables	9	**5,691**	3,545	6,272
Prepaid expenses		**10,367**	9,638	1,164
Short-term deposits	10	**80,264**	80,000	80,039
Cash and cash equivalents	10	**143,789**	259,830	185,891
Total current assets		**240,111**	353,013	273,366
Total assets		**287,576**	726,682	632,194
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	15	**900,866**	793,657	260,272
Warrant reserve	15	**7,949**	7,949	46,069
Share option reserve	15	**27,695**	20,066	23,136
Currency translation reserve	16	**(7,405)**	(3,356)	(2,888)
Accumulated deficit		**(612,634)**	(252,182)	(94,452)
Equity attributable to owners of the Company		**316,471**	566,134	232,137
Non-controlling interest	17	**(89,233)**	47,465	69,037
Total equity		**227,238**	613,599	301,174
Non-current liabilities				
Advances payable to Gecamines	11	**-**	6,553	5,991
Non-current borrowings	12	**19,892**	-	-
Deferred tax liabilities	13	**2,082**	77,783	77,783
Convertible bond		**-**	-	112,480
Purchase consideration payable		**-**	-	41,366
Total non-current liabilities		**21,974**	84,336	237,620
Current liabilities				
Advances payable to Gecamines	11	**-**	4,685	4,273
Current borrowings	12	**3,905**	3,873	3,786
Trade and other payables	14	**34,390**	19,994	10,394
Current tax liabilities		**69**	195	209
Purchase consideration payable		**-**	**-**	74 738
Total current liabilities		**38,364**	28,747	93,400
Total liabilities		**60,338**	113,083	331,020
Total equity and liabilities		**287,576**	726,682	632,194

Continuing operations (Note 1)
Prior period amounts have been restated (Note 3)
Commitments and contingencies (Note 25)

(Signed) Oyvind Hushovd
Oyvind Hushovd, Director

(Signed) Charles Russell
Charles Russell, Director

Ivanhoe Mines Ltd.

(formerly Ivanplats Limited)

Consolidated statements of changes in equity

(stated in thousands of dollars, except for share amounts)

	Share capital									
	Number of shares	Amount	Number of warrants	Warrant reserve	Share option reserve	Currency translation reserve	Accumulated deficit	Equity attributable to owners	Non-controlling interest	Total
		$		$	$	$	$	$	$	$
Balance at January 1, 2012	**381,588,670**	**260,272**	**40,551,500**	**46,069**	**23,136**	**(2,888)**	**(94,452)**	**232,137**	**69,037**	**301,174**
Net loss for the year	-	-	-	-	-	-	(166,017)	(166,017)	(13,144)	(179,161)
Other comprehensive loss	-	-	-	-	-	(468)	-	(468)	(8)	(476)
Total comprehensive loss	-	-	-	-	-	(468)	(166,017)	(166,485)	(13,152)	(179,637)
Transactions with owners										
Sale of non-controlling interest in subsidiary										
(Note 17)	-	-	-	-	-	-	8,287	8,287	(8,287)	-
Accretion of common share investment funded										
on behalf of non-controlling interest	-	-	-	-	-	-	-	-	(133)	(133)
Share based payments								-		
charged to operations (Note 15)	-	-	-	-	6,265	-	-	6,265	-	6,265
Shares issued, net of issue cost (Note 15)	64,358,000	288,884	-	-	-	-	-	288,884	-	288,884
Conversion of convertible bond	40,716,332	185,639	-	-	-	-	-	185,639	-	185,639
Options exercised (Note 15)	11,694,727	16,230	-	-	(9,555)	-	-	6,675	-	6,675
Warrants expired	-	-	(1,082,060)	(220)	220	-	-	-	-	-
Warrants converted to shares (Note 15)	30,284,250	42,632	(25,527,500)	(37,900)	-	-	-	4,732	-	4,732
Balance at December 31, 2012	**528,641,979**	**793,657**	**13,941,940**	**7,949**	**20,066**	**(3,356)**	**(252,182)**	**566,134**	**47,465**	**613,599**
Net loss for the year	-	-	-	-	-	-	(369,671)	(369,671)	(110,346)	(480,017)
Other comprehensive income	-	-	-	-	-	(4,049)	-	(4,049)	(229)	(4,278)
Total comprehensive loss	-	-	-	-	-	(4 049)	(369,671)	(373,720)	(110,575)	(484,295)
Transactions with owners										
Change in non-controlling interest in subsidiary										
(Note 17)	-	-	-	-	-	-	9,219	9,219	(27,535)	(18,316)
Accretion of common share investment funded										
on behalf of non-controlling interest	-	-	-	-	-	-	-	-	(134)	(134)
Impairment of common share investment funded										
on behalf of non-controlling interest	-	-	-	-	-	-	-	-	1,546	1,546
Share based payments										
charged to operations (Note 15)	-	-	-	-	8,308	-	-	8,308	-	8,308
Bonus shares issued (Note 15)	783,500	1,457	-	-	-	-	-	1,457	-	1,457
Shares issued, net of issue cost (Note 15)	54,000,000	104,424	-	-	-	-	-	104,424	-	104,424
Options exercised (Note 15)	997,733	1,328	-	-	(679)	-	-	649	-	649
Balance at December 31, 2013	**584,423,212**	**900,866**	**13,941,940**	**7,949**	**27,695**	**(7,405)**	**(612,634)**	**316,471**	**(89,233)**	**227,238**

Ivanhoe Mines Ltd.

(formerly Ivanplats Limited)

Consolidated statements of cash flows years ended December 31,

(stated in thousands of U.S. dollars)

	Notes	**2013**	2012
		$	$
Cash flows from operating activities			
Loss before income taxes		**(555,714)**	(179,152)
Items not involving cash			
Impairment of mineral property, goodwill and other	5 (c)	**334,338**	-
Share-based payments	15	**8,308**	6,265
Depreciation and amortization		**4,206**	1,863
Unrealized foreign exchange loss		**2,748**	90
Bonus shares issued		**1,457**	-
Loss on disposal of property, plant and equipment		**332**	147
Interest income and finance costs		**(1,792)**	23,603
Gain with amendment of purchase contract		**-**	(1,015)
		(206,117)	(148,199)
Change in non-cash working capital items	21	**11,521**	3,850
Income taxes paid		**(91)**	(23)
Interest received		**1,313**	2,373
Interest paid		**(246)**	(286)
Net cash used in operating activities		**(193,620)**	(142,285)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**240**	57
Property, plant and equipment acquired		**(18,133)**	(9,402)
Proceeds from the sale of other assets		**95**	-
(Increase) decrease in investment in short-term deposits		**(264)**	39
Payment of purchase consideration payable		**-**	(105,000)
Advancement of social development loan		**-**	(20,000)
Other assets acquired		**(4,810)**	(257)
Net cash used in investing activities		**(22,872)**	(134,563)
Cash flows from financing activities			
Issue of shares, net of issue costs		**104,424**	288,884
Receipt of non-current borrowings		**1,324**	-
Repayment of current borrowings		**(60)**	
Transaction costs paid on change of non-controlling interest in subsidiary		**(589)**	-
Options exercised		**649**	6,675
Issuance of convertible bonds		**-**	53,389
Transaction costs paid on convertible bond		**-**	(2,523)
Warrants exercised for common shares		**-**	4,732
Receipt of non-current borrowings		**-**	87
Net cash generated by financing activities		**105,748**	351,244
Effect of foreign exchange rate changes on cash		**(5,297)**	(457)
Net cash (outflow) inflow		**(116,041)**	73,939
Cash and cash equivalents, beginning of year		**259,830**	185,891
Cash and cash equivalents, end of year		**143,789**	259,830
Cash and cash equivalents consists of			
Cash		**141,349**	213,320
Short-term fixed deposits		**2,440**	46,510
		143,789	259,830

Supplemental cash flow information (Note 21)

1. Basis of presentation and continuing operations

Ivanhoe Mines Ltd. is a Canadian mining exploration company incorporated in Canada which, together with its subsidiaries (collectively referred to as the Company), is focused on the exploration, development and recovery of minerals and precious gems from its property interests located primarily in Africa and Australia. On August 28, 2013, the Company changed its name to Ivanhoe Mines Ltd. from Ivanplats Limited.

The registered and records office of the Company are located at Suite 654 - 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1.

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are also prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company has incurred losses since inception and has an accumulated deficit of $612.6 million at December 31, 2013. Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future, in which case, the Company may be unable to meet its obligations as they come due in the normal course of business. In the event the Company was unable to continue as a going concern, then material adjustments would be required to the carrying value of the assets and liabilities and the statement of financial position.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with IFRS and International Accounting Standards ("IAS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2013. The Company has not early adopted any new or amended standards which are not yet effective.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in all investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that vindicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to the owners of the Company.

2. Significant accounting policies (continued)

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. Significant accounting policies (continued)

(c) Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Significant accounting policies (continued)

(e) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

2. Significant accounting policies (continued)

(f) Significant accounting estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions concerning the future. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates 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.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the fair value of assets and liabilities acquired in business combinations, the assumptions used in accounting for share-based payments and recoverability of assets.

Recoverability of assets

(i) Goodwill and intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life and goodwill are tested for impairment annually. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, known as cash-generating units ("CGU"), for which management has assessed these as being individual mine sites, which are the lowest level for which cash inflows are largely independent of other assets. If the recoverable amount of the cash-generating unit is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Impairment losses recognized for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value for mineral properties is generally determined as the present value of estimated future cash flows arising from continued use of the asset, which includes estimates, and using assumptions that an independent market participant would take into account. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. Significant accounting policies (continued)

(f) Significant accounting estimates (continued)

Recoverability of assets (continued)

(ii) Property, plant and equipment and finite lived intangible assets

Property, plant and equipment and finite lived intangible assets are assessed at each reporting period to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

(g) Significant accounting judgements

Significant accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

Determination of functional currency

In determining the functional currency of the Company the following was considered:

- the currency that primarily affect the selling prices of goods and services,
- the currency in the country whose competitive forces and regulations mainly determine the selling prices of their goods and services,
- the currency that mainly influences on the cost of labour, materials and other costs of producing goods or providing service,
- the currency in which the funds are generated from financing activities, i.e. that corresponds to debt instruments and equity securities issued and
- the currency used to maintain the amounts charged by operating activities were considered.

The Company's functional currency is U.S. dollar. The Company's subsidiaries have a variety of functional currencies that include, but is not limited to, South African Rand ("ZAR"), Canadian dollar ("C$") and Australian dollar ("AUD").

2. Significant accounting policies (continued)

(g) Significant accounting judgements (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Significant accounting policies (continued)

(g) Significant accounting judgements (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

(h) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and highly liquid investments with original maturities of three months or less.

(i) Mineral properties

Direct costs related to the acquisition of mineral properties are capitalized on a property by property basis. Exploration costs are charged to operations in the period incurred, until such time as the pre-feasibility study of the property has been completed, at which time subsequent costs incurred on the property are capitalized.

Development costs are capitalised as property, plant and equipment and are costs incurred to obtain access and to provide facilities for extracting, treating, gathering, transporting and storing the minerals. Development expenditures are capitalised to the extent that they are necessary to bring the property to commercial production.

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 discounted net cash flows. An impairment loss is recognized when the carrying value of those assets are not recoverable and exceeds their fair value.

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.

(j) Financial instruments

All financial instruments are initially recorded at fair value. Financial assets are designated upon inception as either (i) held-to-maturity, (ii) at fair value through profit or loss, (iii) available-for-sale, or (iv) loans and receivables. The designation determines the method by which the financial assets are measured on the statement of financial position subsequent to inception and how changes in value are recorded.

2. Significant accounting policies (continued)

(j) Financial instruments (continued)

All of the Company's financial assets, other than available-for-sale securities, have been designated as loans and receivables and are carried on the statements of financial position 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). The Company does not have any financial assets other than cash and cash equivalents and trade and other receivables that are designated as loans and receivables.

Financial liabilities are designated as either (i) at fair value through profit or loss or (ii) other liabilities. All of the Company's financial liabilities have been designated as other liabilities and are carried on the statements of financial position at amortized cost.

Transaction costs associated with fair value through profit or loss 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.

(k) Property, plant and equipment

All property, plant and equipment are initially recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation commences once the asset is available for use and is calculated on the straight line method to write off the cost of each asset less residual values over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. Any changes are accounted for prospectively as a change in accounting estimate. Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The expected lives applicable to each category of fixed assets are as follows:

- Office equipment and furniture and fixtures 3 – 6 years
- Motor vehicles 5 years
- Plant, equipment and buildings 5 – 20 years

The Company reviews the carrying values of its property, plant and equipment 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 discounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit and loss.

Freehold land is not depreciated.

2. Significant accounting policies (continued)

(k) Property, plant and equipment (continued)

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(m) Decommissioning liabilities

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 a decommissioning liability is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset 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 decommissioning liability, 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, 2013 and December 31, 2012, there was no material rehabilitation provision.

2. Significant accounting policies (continued)

(n) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(o) Taxation

Current tax

The tax currently payable is based on taxable income for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting deficit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant accounting policies (continued)

(o) Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(p) Share-based payments

Equity settled share-based payments to employees providing services are measured at the fair value of the equity instruments at the grant date.

The fair value of all equity settled share-based payments is estimated as of the date of the grant using a Black-Scholes option valuation model and are recorded in profit and loss over their vesting periods. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

When the share options are ultimately exercised, the amount in the share-based payment reserve is moved to share capital.

2. Significant accounting policies (continued)

(q) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2013:

- IFRS 7 (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (iii)
- IAS 19 (Amendment): Clarification on the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. (iv)
- IAS 32 (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities. (ii)
- IAS 36 (Amendment): Clarification of the recoverable amount disclosures for nonfinancial assets. (ii)
- IAS 39 (Amendment): Clarification of the novation of derivatives and continuation of hedge accounting. (ii)
- IFRIC 21: Levies. (ii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012. (iv)
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013. (iv)

(i) Effective for annual periods beginning on or after January 1, 2015
(ii) Effective for annual periods beginning on or after January 1, 2014
(iii) The mandatory effective date has been removed from the standard and will be announced when all phases of IFRS 9 have been completed
(iv) Effective for annual periods beginning on or after 1 July 2014

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

3. Application of new and revised standards

(a) Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company adopted these standards and they did not have a material impact on its consolidated financial statements, except as discussed in Note 3 (b).

- *IFRS 7, Financial Instruments: Disclosures:* IFRS 7 enhanced the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- *IFRS 10, Consolidated Financial Statements:* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities.*

3. Application of new and revised standards (continued)

(a) Newly adopted accounting standards (continued)

- *IFRS 11, Joint Arrangements:* IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

- *IFRS 12, Disclosure of Interests in Other Entities:* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. In general, the application of it resulted in more extensive disclosures in the annual consolidated financial statements, but did not have a material impact on the financial statements.

- *IFRS 13, Fair Value Measurements:* IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. This IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. This resulted in additional disclosures for condensed interim and annual consolidated financial statements.

- *IAS 1, Presentation of Financial Statements:* In June 2011, the IASB issued amendments to IAS 1 that require an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012 and resulted in changes to the presentation of financial statements.

- *IAS 19 – Employee Benefits:* On June 16, 2011 the IASB issued amendments to IAS 19. The amendments improved the recognition and disclosure requirements for defined benefit plans.

- I*AS 27, Separate Financial Statements:* IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

- *IAS 28, Investments in Associates and Joint Ventures:* IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures.

3. Application of new and revised standards (continued)

(a) Newly adopted accounting standards (continued)

- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.

(b) *Application of new and revised Standards on consolidation, joint arrangements, associates and disclosures*

The Company adopted IFRS 11, “Joint Arrangements” effective January 1, 2013. This standard replaces IAS 31, “Interests in Joint Ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers”. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. In terms of IFRS 11, there are two types of joint arrangements:

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to be when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Corporation’s share of assets, liabilities, revenues, and expenses incurred jointly.

Upon the application of IFRS 11, the Company reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Company’s investments in joint arrangements. The application of IFRS 11 has changed the classification and subsequent accounting of the Company’s investments in each of Rhenfield Limited and the RK1 consortium, which were classified as joint ventures under the previous standard and were accounted for using the equity method. Under IFRS 11, Rhenfield Limited and the RK1 consortium are treated as the Company’s joint operations and are accounted for such that each joint operator recognises and measures the assets and liabilities (and the related revenues and expenses) in relation to its interest in the arrangement in accordance with the applicable standards.

3. Application of new and revised standards (continued)

(b) *Application of new and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)*

The change in accounting of the Company's investment in Rhenfield Limited and the RK1 consortium has been applied in accordance with the relevant transitional provisions. Such a change in accounting has affected the amounts reported in the Company's consolidated financial statements (see the tables below).

(c) Impact on profit (loss) for the period of the application of the above new and revised standards

	December 31, 2013	December 31, 2012
	$	$
Increase in office and administration expenditure	290	209
Decrease in share of losses from joint ventures	(380)	(339)
Loss from operating activities	(90)	(130)
Increase in finance costs	90	130
Loss for the period	-	-
Increase in exchange differences on translation of foreign operations	1,320	99
Decrease in share of other comprehensive (income) loss of joint ventures	(1,320)	(99)
Other comprehensive loss for the period	-	-
Increase (decrease) in profit for the year	-	-
Increase (decrease) in profit for the year attributable to:		
Owners of the Company	-	-
Non-contolling interests	-	-
	-	-

3. Application of new and revised standards (continued)

(d) *Impact on net assets and equity as at January 1, 2012 of the application of the above new and revised standards*

	As at January 1, 2012 as previously reported	IFRS 11 adjustments	As at January 1, 2012 as restated
	$	$	$
Property, plant and equipment	9,329	6,949	16,278
Mineral properties	259,277	-	259,277
Goodwill	75,701	-	75,701
Investment in joint ventures	3,609	(3,609)	-
Long-term loan receivable	7,324	-	7,324
Other assets	248	-	248
Trade and other receivables	5,865	407	6,272
Prepaid expenses	1,118	46	1,164
Short-term deposits	80,039	-	80,039
Cash and cash equivalents	185,787	104	185,891
Total assets	628,297	3,897	632,194
Advances payable to Gecamines	(10,264)	-	(10,264)
Convertible bond	(112,480)	-	(112,480)
Purchase consideration payable	(116,104)	-	(116,104)
Deferred tax liabilities	(77,783)	-	(77,783)
Current borrowings	-	(3,786)	(3,786)
Trade and other payables	(10,283)	(111)	(10,394)
Current tax liabilities	(209)	-	(209)
Total liabilities	(327,123)	(3,897)	(331,020)
Impact on net assets	**301,174**	**-**	**301,174**
Impact on equity	**(301,174)**	**-**	**(301,174)**

3. Application of new and revised standards (continued)

(e) *Impact on net assets and equity as at December 31, 2012 of the application of the above new and revised standards*

	As at December 31, 2012 as previously reported	IFRS 11 adjustments	As at December 31, 2012 as restated
	$	$	$
Property, plant and equipment	16,515	6,991	23,506
Mineral properties	259,277	-	259,277
Goodwill	67,358	-	67,358
Investment in joint ventures	3,608	(3,608)	-
Long-term loan receivable	23,024	-	23,024
Other assets	504	-	504
Trade and other receivables	3,534	11	3,545
Prepaid expenses	9,575	63	9,638
Short-term deposits	80,000	-	80,000
Cash and cash equivalents	259,389	441	259,830
Total assets	722,784	3,898	726,682
Advances payable to Gecamines	(11,238)	-	(11,238)
Deferred tax liabilities	(77,783)	-	(77,783)
Current borrowings	-	(3,873)	(3,873)
Trade and other payables	(19,969)	(25)	(19,994)
Current tax liabilities	(195)	-	(195)
Total liabilities	(109,185)	(3,898)	(113,083)
Impact on net assets	**613,599**	**-**	**613,599**
Impact on equity	**(613,599)**	**-**	**(613,599)**

4. Property, plant and equipment

	Land	Office equipment	Furniture and fixtures	Motor vehicles	Plant, equipment and buildings	Assets under construction	Total
	$	$	$	$	$	$	$
2013							
Cost							
Beginning of the year	5,657	3,238	1,295	5,700	16,822	-	32,712
Additions	-	1,709	558	905	10,167	4,794	18,133
Disposals	-	(55)	-	(100)	(579)	-	(734)
Foreign exchange translation	(913)	(519)	(84)	(219)	(8)	(62)	(1,805)
End of the year	4,744	4,373	1,769	6,286	26,402	4,732	48,306
Accumulated depreciation and impairment							
Beginning of the year	616	1,612	439	3,043	3,496	-	9,206
Depreciation	-	1,051	208	815	2,132	-	4,206
Disposals	-	(57)	(7)	(55)	(44)	-	(163)
Foreign exchange translation	3	(266)	(27)	(53)	(33)	-	(376)
End of the year	619	2,340	613	3,750	5,551	-	12,873
Carrying value							
Beginning of the year	5,041	1,626	856	2,657	13,326	-	23,506
End of the year	4,125	2,033	1,156	2,536	20,851	4,732	35,433

	Land	Office equipment	Furniture and fixtures	Motor vehicles	Plant, equipment and buildings	Assets under construction	Total
	$	$	$	$	$	$	$
2012							
Cost							
Beginning of the year	4,462	2,524	1,129	4,517	11,909	-	24,541
Additions	1,179	1,303	198	1,420	5,302	-	9,402
Disposals	-	(476)	(29)	(188)	(432)	-	(1,125)
Foreign exchange translation	16	(113)	(3)	(49)	43	-	(106)
End of the year	5,657	3,238	1,295	5,700	16,822	-	32,712
Accumulated depreciation and impairment							
Beginning of the year	616	1,605	311	2,466	3,265	-	8,263
Depreciation	-	520	134	761	448	-	1,863
Disposals	-	(473)	(29)	(136)	(284)	-	(922)
Foreign exchange translation	-	(40)	23	(48)	67	-	2
End of the year	616	1,612	439	3,043	3,496	-	9,206
Carrying value							
Beginning of the year	3,846	919	818	2,051	8,644	-	16,278
End of the year	5,041	1,626	856	2,657	13,326	-	23,506

Assets pledged as security

Buildings with a carrying amount of $9.3 million (December 31, 2012 - $6.2 million) have been pledged to secure borrowings of the Company (see note 12). The buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

5. Mineral properties and exploration expenditures

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

	December 31, 2013	December 31, 2012
	$	$
Platreef property, South Africa (b)	**6,940**	6,940
Kipushi properties, DRC (c)	**-**	252,337
	6,940	259,277

The following table summarizes the exploration expenditures for the year ended December 31, 2013 and 2012, as well as the accumulated aggregate exploration expenditures from inception which have been charged to operations:

	December 31, 2013	December 31, 2012
	$	$
Exploration and project expenditure		
Salaries and benefits	**28,889**	17,052
Studies	**28,370**	23,978
Drilling	**26,091**	47,162
Office and administration	**17,970**	6,105
Utilities	**11,294**	6,989
Consulting	**9,745**	2,303
Travel	**5,017**	5,133
Camp costs	**4,274**	1,745
Depreciation	**3,358**	1,476
Legal	**3,248**	1,945
Assay and sampling	**1,478**	1,641
Licenses	**1,177**	760
Other	**33,032**	12,146
	173,943	128,435
Accumulated aggregate exploration and project expenditures		
DRC properties (a)	**274,111**	191,791
Platreef property (b)	**165,228**	136,546
Kipushi properties (c)	**87,560**	28,663
Syerston properties (d)	**10,135**	9,951
Gabon properties (e)	**10,338**	6,763
Limpopo properties (f)	**4,797**	4,593
Other	**4,888**	4,807
	557,057	383,114

5. Mineral properties and exploration expenditures (continued)

(a) DRC properties, DRC

Kamoa property

The Kamoa Project is located within the Central African Copperbelt in Katanga Province, DRC. The Kamoa Project lies approximately 25 km west of the town of Kolwezi, and about 270 km west of the provincial capital of Lubumbashi. Pursuant to the DRC mining code, the Company transferred for no consideration a 5%, non-dilutable interest in Kamoa to the DRC government on September 11, 2012 (note 17), as a condition of the granting of the mining licences. The Company also has offered to sell an additional 15% interest to the DRC government on commercial terms.

Title to the Kamoa Project resides with Kamoa Copper SPRL, a subsidiary of Ivanhoe Mines, who is the holder of the Kamoa Exploitation Licences. The Kamoa Exploitation Licenses, approved August 20, 2012, grant the Company the right to explore for, develop and exploit copper and other metals, for an initial 30 year term, expiring August 19, 2042.

Those portions of exploration permits 702, 703 and 705 not covered by the application for the Kamoa Exploitation Licences remain as exploration permits. The current exploration permits are in good standing and will expire on May 10, 2015. Under the DRC Mining Code, the Company is entitled to one further renewal for a five year term, subject to surrendering 50% of the area of each exploration permit concurrent with the renewal.

DRC regional properties

In addition to the permits covering the Kamoa Project and the Kipushi Project, the Company currently holds more than 6,000 km² of exploration permits in Katanga Province, around the perimeter of the historical limits of the Central African Copperbelt. These permits are in all major geological provinces within Katanga Province and are prospective for a number of different types of base metal deposits, including Kamoa, Mines Subgroup, and Zambian-type stratiform copper and copper-cobalt deposits, Kipushi-type zinc-copper-lead-silver-germanium deposits, Kansanshi-type copper-gold deposits and basement-hosted copper deposits. The permits in the Lufupa region are considered prospective for diamond-bearing kimberlites.

Fifty permits were originally granted in 2003 and 2005 covering an area of almost 20,000 km². The permits have been through the first of two stages of renewal, which required dropping 50% of the original permit area. A portion of the second renewal, which resulted in another 50% permit area reduction, occurred in 2013 and the remainder comes due in 2015, after which the Company will have five years of tenure remaining on these exploration permits.

5. Mineral properties and exploration expenditures (continued)

(b) Platreef property

The Platreef Project is located in the northern limb of the Bushveld Complex approximately 11 km from Mokopane and 280 km northeast of Johannesburg, South Africa.

Platreef Resources (Pty) Ltd ("Platreef"), a 90% subsidiary of the Company, holds the right to prospect for base and precious metals on the Turfspruit and Macalacaskop properties, which comprise substantially all of the Platreef Project. The prospecting right expires on May 31, 2014. Itochu, together with other Japanese-based investors, holds an effective 10% interest in the Platreef Project.

In June 2013, the Company filed a Mining Right Application ("MRA") for the Platreef Project with the Department of Mineral Resources ("DMR"). A Mining Right allows a company to mine and process minerals optimally from the mining area for a period of 30 years, which may be extended upon application.

In conjunction with the MRA for Platreef, and in compliance with South African ownership requirements under the Mining Charter, the Company modified the Platreef ownership structure to include a Broad-Based Black Economic Empowerment ("BBBEE") partner that represents local communities, women, children and employees (see note 20).

(c) Kipushi properties

The Kipushi Project is a past-producing, high-grade underground zinc–copper mine in the Central African Copperbelt, in Katanga Province, DRC. The Kipushi Project lies adjacent to the town of Kipushi and the border with Zambia, and about 30 km southwest of the provincial capital of Lubumbashi.

Ivanhoe Mines and La Générale des Carrières et des Mines SARL ("Gecamines") own, respectively, 68% and 32% of the Kipushi Project, through their holdings in Kipushi Corporation SPRL ("Kipushi"), the mining rights holder. Ivanhoe Mines' interest in Kipushi was acquired in November 2011 and comprises mining rights for copper and cobalt as well as the underground workings and related infrastructure, inclusive of a series of vertical mine shafts.

As at December 31, 2013, the Company recorded an impairment charge of $334.3 million, upon completion of its annual assessment of the carrying value of its CGUs. The impairment charge, which was recorded within a separate line in the consolidated statement of comprehensive loss, included the following:

Kipushi mineral properties	252,337
Goodwill recognised upon the acquisition of Kipushi (note 6)	67,358
Long-term loan receivable (note 8)	25,147
Advances payable to Gecamines (note 11)	(12,050)
Common share investment funded on behalf of non-controlling interest (note 17)	1,546
	334,338

As a result of the impairment charge related to the Kipushi mineral properties, a deferred tax recovery of $75.7 million was recognised in the consolidated statement of comprehensive loss.

5. Mineral property and exploration expenditures (continued)

(c) Kipushi properties (continued)

Significant judgements and assumptions are required in making estimates of determining the recoverable amount (fair value less costs to sell). This is particularly so in the assessment of long life assets. It should be noted that the valuations are subject to variability in key assumptions including, but not limited to, long-term commodity prices, capital expenditures, discount rates, transport costs and the cost of production and operating costs.

The assumptions made included, but were not limited to, the following:
- A life of mine of 15 years;
- A zinc price of $0.98 per pound;
- A copper price of $2.99 per pound; and
- Discount rates ranging from 7.5% to 8%.

A change in one or more of the assumptions used to estimate recoverable amount could result in a reduction or an increase in a CGU's recoverable amount.

(d) Syerston properties

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.

(e) Gabon properties

During late 2010 and early 2011 the Company attained exploration rights to two properties in Gabon referred to as Makokou and Ndangui both covering Achaean greenstone belts. Both permits are associated with recently defined soil geochemistry anomalies and are were initially valid for a period of three years after which they can be extended for an additional three years on two occasions. The first extension is currently being finalised.

(f) Limpopo properties

The Company's exploration program in South Africa, other than work at the Platreef Project, consists of diamond exploration, conducted by its wholly-owned subsidiary African Consolidated Mineral Exploration (Proprietary) Limited ("ACME"). The Company has requested relinquishment of all the exploration permits held by ACME.

6. Goodwill

	December 31, 2013	December 31, 2012
	$	$
Goodwill with the acquisition of Kipushi	**-**	67,358
	-	67,358

The goodwill arose on the acquisition of 68% of the voting shares of Kipushi Corporation SPRL ("Kipushi"), a Zinc-Copper project in the Democratic Republic of Congo, on November 28, 2011, and is carried at cost as established at the date of acquisition less accumulated impairment losses, if any.

For the purposes of impairment testing, the goodwill is allocated to the Kipushi cash-generating unit and is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

The recoverable amount of the Kipushi cash-generating unit is determined based on a fair value less cost to sell calculation which is determined as the present value of estimated future cash flows arising from continued use of the asset.

The goodwill allocated to the Kipushi cash-generating unit was deemed fully impaired when the annual test for impairment was completed during November 2013 (see note 5(c)).

7. Joint operations

The Company has a 50% interest in Rhenfield Limited, a British Virgin Islands registered company. Rhenfield Limited purchased buildings in London, England which the Company uses for office space.

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 remainder of which is held 50% by Aquarius Platinum Limited and 25% by Sylvania Resources Limited, operating at the Aquarius Kroondaal platinum mine on the western limb of the Bushveld Complex in South Africa's North West Province. The RK1 Consortium is managed and operated by a subsidiary of Aquarius Platinum Limited and processes PGE bearing tailings dumps and tailing streams of neighbouring chromite mines in the Kroondal area at its chromite tailings retreatment plant.

8. Long-term loan receivable

The social development loan of $10 million was ceded to the Company on completion of the purchase agreement for Kipushi on November 28, 2011, by the seller. An additional $20 million was requested and advanced to Gecamines during November 2012.

The loan receivable is unsecured and repayment will be made by offsetting the loan against future royalties and dividends payable to Gecamines from future profits earned in Kipushi. The fair value of the receivable at acquisition date has been estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.2%, which is deemed to be as follows:

	December 31, 2013	December 31, 2012
	$	$
Social development loan	**-**	23,024
	-	23,024

A provision was recognised against the loan receivable in the current year upon completion of the Company's annual assessment of the carrying value of the Kipushi CGU (see note 5(c)).

9. Trade and other receivables

	December 31, 2013	December 31, 2012
	$	$
Trade receivables	**128**	95
Refundable taxes	**4,452**	2,842
Advances	**1,044**	527
Other	**67**	81
	5,691	3,545

Refundable taxes are net of value-added taxes incurred in foreign jurisdictions where recoverability of those taxes are uncertain.

10. Cash and cash equivalents and short-term deposits

As at December 31, 2013, the cash and cash equivalents of $143.8 (December 31, 2012 - $259.8 million) included $81.5 million (December 31, 2012 - $121.3 million) which are subject to contractual restrictions for the Platreef property and were not available for the Company's general corporate purposes. The short-term deposits of $80.3 million (December 31, 2012 - $80.0 million) are subject to the same contractual restrictions.

11. Advances payable to Gecamines

Advances payable to Gecamines are unsecured and bear interest at LIBOR plus 4% and represent the liabilities assumed on the acquisition of Kipushi.

	December 31, 2013	December 31, 2012
	$	$
Current	**-**	4,685
Non-current	**-**	6,553
	-	11,238

The advances payable are to be paid from future profits earned in Kipushi. As a result and upon completion of the assessment of the carrying value of the Kipushi CGU (see note 5(c)), the advances payable at year-end has been deemed as zero.

12. Borrowings

	December 31, 2013	December 31, 2012
	$	$
Unsecured - at amortised cost		
(a) Loans from other entities	**18,450**	-
Secured - at amortised cost		
(b) Citi bank loan	**3,905**	3,873
(c) Citi bank loan	**1,442**	-
	23,797	3,873
Current	**3,905**	3,873
Non-current	**19,892**	-
	23,797	3,873

12. Borrowings (continued)

(a) On June 6, 2013, the Company became party to a $28.0 million loan payable to ITC Platinum Development Limited, through its subsidiary Platreef Resources (Pty) Ltd ("Platreef") (see note 17). The loan is repayable only once Platreef has residual cashflow, which is defined in the loan agreement as gross revenue generated by Platreef, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalised. Using prevailing market interest rates for an equivalent loan of LIBOR plus 7%, the fair value of the loan as at December 31, 2013, is estimated at $18.5 million. The difference of $10.3 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan. Interest expenses of $0.7 million were recognised during the year ended December 31, 2013.

(b) The Citi bank loan of $3.9 million (£2.36 million) is secured by the Rhenfield property acquired during May, 2007 (see note 4), is repayable on demand and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears.

(c) The Citi bank loan of $1.4 million (£0.87 million) is a five year mortgage bond, in which the first three years only interest will be payable. The loan is secured by the Rhenfield property purchased in June, 2013 (see note 4) and incurs interest at a rate of LIBOR plus 2.5% payable monthly in arrears.

13. Income taxes

(a) Rate reconciliation

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

	2013	2012
	$	$
Loss before income taxes	**555,714**	179,152
Statutory tax rate	**25.75%**	25.00%
Expected recovery of income taxes based on combined Canadian and provincial statutory rates	**(143,096)**	(44,788)
Add (deduct):		
Different effective tax rates in foreign jurisdictions	**(19,071)**	(5,500)
Tax effect of tax losses and temporary differences not recognized	**33,957**	47,106
Non-deductible expenses	**8,925**	2,356
Permanent difference for goodwill impairment	**16,850**	-
Effect of change in future tax rates	**382**	-
Amendments to prior year tax submissions	**14,616**	-
Effect of foreign exchange on temporary differences not recognized	**11,740**	835
Income tax recovery	**(75 697)**	9

13. Income taxes (continued)

(b) Deferred tax balances

The Company's deferred income tax liabilities are as follows:

	2013	2012
	$	$
Property, plant and equipment	**(2,082)**	(2,082)
Mineral properties	**-**	(75,701)
Deferred income tax liabilities	**(2,082)**	(77,783)

(c) Unrecognized and taxable temporary differences

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2013	2012
	$	$
Non-capital loss carryforwards	**590,739**	490,882
Investment in RK1 (Note 7)	**11,289**	11,289
Foreign exploration expenses and share issuance costs	**17,736**	23,729
Capital assets	**155**	157
Unrecognized deductible temporary differences	**619,919**	526,057

The Company's unrecognized taxable temporary difference relating to the joint operations, consists of the following amount:

	2013	2012
Investment in Rhenfield (Note 7)	**2,075**	2,075
Unrecognized taxable temporary differences	**2,075**	2,075

13. Income taxes (continued)

(d) Loss carryforwards

The Company's unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

		Local currency	U.S. dollar equivalent	Expiry dates
			$	
South African rand	R	1529,940	145,782	(a)
Congolese franc	CDF	321,969,693	351,208	(b)
Gabonese franc	XAF	5,029,477	10,563	(a)
Canadian dollar	$	44,927	44,927	2013 to 2032
Australian dollar	$	26,935	24,047	(a)
Zambian kwacha	ZMK	11,267	2	2013 to 2017
English Pound	£	1,360	2,254	(a)
Barbados	BBD	21,989	11,050	(a)
Luxembourg (EURO)	€	359	495	(a)
Namibian dollar	NAD	4,304	411	(a)
			590,739	

(a) These losses can be carried forward indefinitely, subject to continuity of trading.
(b) These losses are capitalized and set-off against future taxable income when mining operations commence.

14. Trade and other payables

	December 31, 2013	December 31, 2012
	$	$
Trade payables	**11,712**	14,552
Indirect taxes payable	**10,715**	823
Trade accruals	**4,416**	4,360
Other payables	**7,547**	259
	34,390	19,994

During the year ended December 31, 2013, the Company agreed on a settlement of claims against the Company and its assets. The total amount payable in terms of the settlement agreement was $10 million, of which $6 million is still outstanding and included in other payables. The outstanding amount is payable upon the granting of the Platreef mining right or on December 31, 2014, whichever comes first.

15. Share capital

(a) Shares issued

In October 2013, the Company closed a private placement of 54,000,000 Class A common shares raising gross proceeds of C$108 million ($105 million). Each share was priced at C$2.00 per share. Transaction costs directly attributable to the placement amounted to $0.2 million.

On October 23, 2012 the Company concluded an IPO for 63,327,000 Class A common shares at C$4.75 per share raising gross proceeds of C$300 million ($307 million), excluding the over-allotment option. Issue costs of $19 million were paid. As a result of the offering, convertible bonds, converted into 40,716,332 Class A common shares.

In November 2012, the underwriters exercised a portion of their over-allotment option and bought 1,031,000 Class A common shares at the listing price of C$4.75 per share raising gross proceeds of C$4.9 million ($4.9 million).

(b) Bonus shares

During December 2013, a total of 783,500 common shares were issued to senior executives as a performance reward in the form of bonus shares, with a deemed market value of $1,457,316. No bonus shares were granted during 2012.

(c) 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.

As at December 31, 2013, 38,141,000 share options have been granted and exercised, and 31,479,000 have been granted and are outstanding.

15. Share capital (continued)

(c) Options (continued)

All share options granted prior to December 31, 2012, 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 Company has established a new amended and restated equity incentive plan. Options granted under this plan shall vest in four equal parts, representing 25% of the options, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. All options granted during 2013 had been granted under the amended equity incentive plan.

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

		2013		2012
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance, beginning of year	**21,497,000**	**2.21**	36,945,000	1.78
Granted	**11,520,000**	**2.54**	4,725,000	3.00
Exercised	**(1,356,000)**	**1.54**	(20,080,000)	1.61
Forfeited	**(182,000)**	**2.96**	(93,000)	2.40
Balance, end of year	**31,479,000**	**2.36**	21,497,000	2.21

An expense of $14.7 million for the options granted during the year ended December 31, 2013 (2012: $7.6 million) will be amortized over the vesting period, of which $3.4 million was recognized in the year ended December 31, 2013 (2012: $2.7 million).

The weighted average grant-date fair value of share options granted during 2013 was $1.28 (2012: $1.60). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions for the share option grant:

	2013	2012
Risk free interest rate	**1.17%**	1.13%
Expected volatility (i)	**69%**	78%
Expected life	**3.75 years**	5 years
Expected dividends	**$Nil**	$Nil
Forfeiture rate	**1.0%**	1.0%

(i) Expected volatility for the year was based on the historical volatility of a peer company analysis.

15. Share capital (continued)

(c) Options (continued)

The following table summarizes information about share options outstanding and exercisable as at December 31, 2013:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
April 30, 2014	100,000	1.33	100,000	1.33
May 28, 2014	845,000	1.33	845,000	1.33
August 12, 2014	909,000	1.33	909,000	1.33
November 10, 2014	1,250,000	1.80	1,250,000	1.80
March 1, 2015	100,000	1.80	100,000	1.80
April 8, 2015	750,000	1.80	600,000	1.80
May 28, 2015	625,000	1.80	500,000	1.80
September 9, 2015	3,425,000	1.80	2,650,000	1.80
February 17, 2016	7,380,000	2.40	4,428,000	2.40
February 24, 2017	125,000	3.00	50,000	3.00
March 22, 2017	100,000	3.00	40,000	3.00
April 1, 2017	1,000,000	3.00	400,000	3.00
April 20, 2017	2,500,000	3.00	1,000,000	3.00
September 1, 2017	1,000,000	3.00	200,000	3.00
January 11, 2018	1,800,000	4.90	-	4.90
February 1, 2018	200,000	4.81	-	4.81
February 6, 2018	100,000	4.90	-	4.90
April 1, 2018	530,000	4.45	-	4.45
May 17, 2018	30,000	2.44	-	2.44
June 1, 2018	300,000	2.46	-	2.46
August 14, 2018	100,000	1.44	-	1.44
August 16, 2018	750,000	1.45	-	1.45
December 13, 2018	7,560,000	1.86	-	1.45
	31,479,000	2.36	13,072,000	2.09

(d) Warrants

As at December 31, 2013, the Company has 13,941,940 warrants outstanding exercisable into 15,336,133 common shares. Each warrant entitles the holder to purchase 1.1 common shares for every warrant held at the IPO price for a period of two years following the IPO. These warrants became exercisable into common shares on October 23, 2012, the date of the offering, and will expire on October 22, 2014 if not exercised by this date.

1,082,060 warrants outstanding exercisable into 1,082,060 common shares were not exercised and expired on November 6, 2012. In October 2012, 487,500 warrants were exercised into 536,250 common shares for C$4.75 per warrant.

15. Share capital (continued)

(d) Warrants (continued)

In January 2012, 23,540,000 special warrants were exercised into 28,248,000 common shares at no additional cost to the holder. In June 2012, 1,500,000 warrants were exercised into 1,500,000 shares at $1.60 per share.

16. Currency translation reserve

	2013	2012
	$	$
Balance at the beginning of the year	**(3,356)**	(2,888)
Exchange differences arising on translating the foreign operations	**(4,049)**	(468)
Balance at the end of the year	**(7,405)**	**(3,356)**

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

17. Non-controlling interest

	2013	2012
	$	$
Balance at beginning of the year	**47,465**	69,037
Share of comprehensive losses for the year	**(110,575)**	(13,152)
Common share investment in Kipushi funded on behalf of non-controlling interest	**(134)**	(133)
Decrease in non-controlling interest arising from change in percentage ownership in Beales SARL and Platreef Resources (Pty) Ltd	**(27,535)**	-
Impairment of common share investment funded on behalf of non-controlling interest	**1,546**	-
Non-controlling interest arising on disposal of interest in Kamoa Copper SPRL	**-**	(8,287)
Balance at the end of the year	**(89,233)**	47,465

On June 6, 2013, the Company exchanged 8% of its interest in Platreef Resources (Pty) Ltd for 8% of its interest in Beales SARL, holding company of Platreef Resources (Pty) Ltd, for a loan payable to ITC Platinum Development Limited of $28 million (see note 12). The transaction increased the Company's effective shareholding of Beales SARL to 97%, while the effective shareholding in Platreef Resources (Pty) Ltd remained 90%. An amount of $27.5 million, being the proportionate share of the carrying amount of the net assets of Beales SARL, has been transferred from non-controlling interest. The difference between the decrease in non-controlling interest of $27.5 million and the value of the loan payable on the date of the exchange of $17.7 million (see note 12), has been credited to retained earnings together with the transaction costs of $0.6 million.

17. Non-controlling interest (continued)

The common share investment funded on behalf of non-controlling interest has been provided for in the current year upon completion of the Company's annual assessment of the carrying value of the Kipushi CGU (see note 5(c)).

On September 11, 2012, the Company disposed of 5% of its interest in Kamoa Copper SPRL for no consideration, reducing its continuing interest to 95%. An amount of $8.3 million (being the proportionate share of the carrying amount of the net liabilities of Kamoa Copper SPRL) has been transferred to non-controlling interests. The amount of $8.3 million which is the sum of the non-controlling interests and the consideration received has been debited to accumulated deficit.

18. Finance costs

The finance costs of the Company can be broken down as follows:

	December 31, 2013	December 31, 2012
	$	$
Interest on advances to Gecamines (Note 11)	**811**	974
Interest on non-current borrowings (Note 12)	**726**	-
Interest on current borrowings (Note 12)	**102**	130
Interest on convertible bonds	**-**	22,294
Interest on Kipushi purchase consideration payable	**-**	3,248
Other financing costs	**5**	24
	1,644	26,670

19. Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The outstanding special warrants are included in the weighted average number of common shares outstanding as there are no restrictions outstanding preventing the special warrants from being exercised. The diluted loss per share reflects the potential dilution of common share equivalents, such as preference shares, outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All outstanding stock options and share purchase warrants were anti-dilutive for the year ended December 31, 2013 and 2012.

20. Related party transactions

The financial statements include the financial statements of Ivanhoe Mines Ltd. and its subsidiaries listed in the following table:

Name	Country of Incorporation	% equity interest as at December 31, 2013	% equity interest as at December 31, 2012
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%
Beales SARL	Luxembourg	**97%**	90%
Ivanplats Finance Limited	Ireland	**100%**	100%
Rhenfield Limited	British Virgin Islands	**50%**	50%
Gabon Holding Company Ltd.	Barbados	**100%**	100%
Kamoa Copper SPRL	Democratic Republic of Congo	**95%**	95%
Ivanhoe (Zambia) Ltd.	Zambia	**100%**	100%
Kamoa Holding Limited	Barbados	**100%**	100%
Ivanhoe DRC Holding Company Ltd.	Barbados	**100%**	100%
Ivanplats DRC Holding Company Ltd.	Barbados	**100%**	100%
Kipushi Corporation SPRL	Democratic Republic of Congo	**68%**	68%
Ivanhoe Mines Energy DRC SPRL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines Exploration DRC SPRL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines DRC SPRL	Democratic Republic of Congo	**100%**	100%
Africa Consolidated Mineral Exploration (Pty) Ltd.	South Africa	**100%**	100%
Platreef Resources (Pty) Ltd.	South Africa	**90%**	100%
Ivanplats SA (Pty) Ltd.	South Africa	**100%**	100%
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	**100%**	100%
RK Mining (SA) (Pty) Ltd.	South Africa	**100%**	100%
Ivanplats Holding Company (Pty) Ltd.	Australia	**100%**	100%
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	**100%**	100%
RK1 Consortium	South Africa	**25%**	25%
Ivanplats Syerston (Pty) Ltd.	Australia	**100%**	100%
Ivanplats Uranium (Pty) Ltd.	Australia	**100%**	100%
Ivanhoe Gabon SA	Gabon	**100%**	100%
Ivanplats Services (Pty) Ltd.	Australia	**100%**	100%

In conjunction with the Mining Right Application for Platreef Resources (Pty) Ltd ("Platreef"), and in compliance with South African ownership requirements under the Mining Charter, the Company modified the Platreef ownership structure to include a BBBEE partner that represents local communities, women, children and employees.

Upon receipt of the Mining Right, the BBBEE partner will acquire a 26% interest in Platreef through a private company incorporated in South Africa, Platreef BEE (Pty) Ltd, that will represent the interests of the Platreef Communities Umbrella Trust, the Platreef Women's and Children's Trust and the Platreef Equity Participation Trust. Host communities directly affected by the Platreef Project will be the initial beneficiaries of the Platreef Communities Umbrella Trust.

The Company will finance the transaction, to take effect upon Platreef's receipt of the Mining Right, and retain a 49% minority share in Platreef BEE (Pty) Ltd.

Upon receipt of the Mining Right, the Company will have an effective interest in Platreef of 77% and Platreef BEE (Pty) Ltd will own a direct interest of 26%.

20. Related party transactions (continued)

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:

	December 31, 2013	December 31, 2012
	$	$
Global Mining Management Corporation (a)	**4,150**	3,774
Ivanhoe Capital Aviation LLC (b)	**825**	1,200
Global Mining Services Ltd. (c)	**715**	390
Ivanhoe Capital Services Ltd. (d)	**673**	652
HCF International Advisers (e)	**369**	552
Ivanhoe Capital Pte Ltd (f)	**131**	-
Ivanhoe Capital Corporation (UK) Limited (g)	**139**	569
I2MS.net PTE LTD (h)	**-**	603
Chinova Resources Pty Ltd (i)	**-**	60
Turquoise Hill Resources Ltd. (j)	**-**	45
	7,002	7,845
Salaries and benefits	**5,412**	5,195
Office and administration	**337**	732
Travel	**843**	1,222
Consulting	**410**	696
	7,002	7,845

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, 2013, trade and other payables included $0.2 million (2012: $1.0 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation ("Global") is a private company based in Vancouver. The Company holds an equity interest in Global, and has each of a director and significant shareholder in common therewith. 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) 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.

20. Related party transactions (continued)

(d) Ivanhoe Capital Services Ltd. ("Services") is a private company 100% owned by a director of the Company. Services provide for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.

(e) HCF International Advisers ("HCF") is a corporate finance adviser specialising in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. HCF has a director in common with the Company and provides financial advisory services to the Company on an arm's length basis.

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

(g) 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 Singapore on a cost-recovery basis.

(h) I2MS.net PTE LTD ("I2MS") is a private company 100% owned by Turquoise Hill Resources Ltd., formerly Ivanhoe Mines Ltd. I2MS provides IT services to the Company on a cost-recovery basis. I2MS ceased to be a related party on May 10, 2013, when Turquoise Hill Resources Ltd. no longer had a director or significant shareholder in common with the Company.

(i) Chinova Resources Pty Ltd, formerly Ivanhoe Australia Ltd., and more recently Inova Resources Limited, is an Australian-based resource company which provided consulting and other services to the Company on a cost-recovery basis. Inova Resources Limited had a director in common with the Company until April 19, 2012.

(j) Turquoise Hill Resources Ltd., is a Canadian-based, TSX listed resource company which provides consulting and other services to the Company on a cost-recovery basis. Turquoise Hill Resources Ltd. has a director and a significant shareholder in common with the Company until May 10, 2013.

21. Cash flow information

Net change in non-cash working capital items:

	December 31, 2013	December 31, 2012
	$	$
Net (increase) decrease in		
Trade and other receivables	**(2,146)**	2,726
Prepaid expenses	**(729)**	(8 474)
Net increase in		
Trade and other payables	**14,396**	9,598
	11,521	3,850

22. Financial instruments

(a) *Fair value of financial instruments*

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification
Financial assets	
Cash and cash equivalents	Loans and receivables
Short-term deposits	Loans and receivables
Trade and other receivables	Loans and receivables
Long-term loan receivable	Loans and receivables
Financial liabilities	
Trade and other payables	Other liabilities
Borrowings	Other liabilities
Advances to Gecamines	Other liabilities

IAS 32 - "*Financial Instruments: Presentation"*, requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and established a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtain from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

The Company does not have any assets or liabilities on the statement of financial position which are measured within the fair value hierarchy.

The Company's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, long-term loan receivable, borrowings, advances payable to Gecamines and trade and other payable.

The initial fair value of the long-term loan receivable and advances payable to Gecamines were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using a 9.2% discount rate (see note 11).

22. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

The fair value of borrowings are determined in accordance with generally accepted pricing models based on discounted future cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited (note 12 (a)) is determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%. The carrying value of borrowings is equal to their fair value.

The fair value of the Company's remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments.

(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 and liabilities at the respective statement of financial position dates are as follows:

	December 31, 2013	December 31, 2012
	$	$
Assets		
Canadian dollar	**53,404**	6,700
Australian dollar	**90**	183
South African rand	**14,546**	11,349
British pounds	**521**	78
Liabilities		
Canadian dollar	**(396)**	(105)
Australian dollar	**(230)**	(528)
South African rand	**(2,498)**	(2,411)

22. Financial instruments (continued)

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

(i) Foreign exchange risk (continued)

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.

	December 31, 2013	December 31, 2012
	$	$
Decrease in loss for the year	**3,272**	763

(ii) 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 trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position 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 long-term loan receivable is due from Gecamines per the Kipushi purchase agreement. The repayment of these loans will be made by offsetting against future royalties and dividends (see note 11).

22. Financial instruments (continued)

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

(ii) Credit risk (continued)

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, 2013					
Trade and other receivables	-	5,691	-	-	**5,691**
	-	5,691	-	-	**5,691**
As at December 31, 2012					
Trade and other receivables	-	3,545	-	-	**3,545**
Long-term loan receivable	-	-	-	23,024	**23,024**
	-	3,545	-	23,024	**26,569**

(iii) 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.

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.

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total undiscounted cash flows**
	$	$	$	$	**$**
As at December 31, 2013					
Trade and other payables	-	34,390	-	-	**34,390**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	29,848	**29,848**
Current borrowings	3,905	-	-	-	**3,905**
As at December 31, 2012					
Trade and other payables	-	19,994	-	-	**19,994**
Current income tax liabilities	195	-	-	-	**195**
Current borrowings	3,873	-	-	-	**3,873**
Advances payable to Gecamines	4,685	-	-	7,997	**12,682**

23. Capital risk management

The Company includes as capital common shares, warrant reserve and share option reserve. 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. 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.

24. Key management personnel compensation

The remuneration of directors and other members of key management were as follows:

	December 31, 2013	December 31, 2012
	$	$
Short-term benefits	**11,479**	6,412
Share-based payments	**5,842**	5,690
	17,321	12,102

25. Commitments and contingencies

The tax affairs of GB Mining and Exploration SA (Pty) Ltd ("GBSA") and Gardner & Barnard UK Limited ("GBUK") were 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 assessment for the taxes prior to June 30, 2006 issued by the South African Receiver of Revenue ("SARS") amounted to R15 million ($1.8 million). The vendors objected to the assessment and their appeal was successful for R11 million ($1.3 million), but dismissed for taxes payable of R4 million ($0.5 million). The vendor is planning to appeal the ruling on the R4 million ($0.5 million) in the Supreme Court of Appeal of South Africa.

25. Commitments and contingencies (continued)

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements for the Company.

As at December 31, 2013, the Company's commitments that have not been disclosed elsewhere in the consolidated financial statements are as follows:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$	$	$	$	$
Operating leases	375	622	-	-	997
Advancement of interest free loan	1,801	-	-	-	1,801
	2,176	622	-	-	2,798

The lease expense for the current year amounted to $0.4 million (2012: $0.5 million)

26. Segmented information

At December 31, 2013, the Company has three reportable segments, being the Platreef property, Kamoa property and Kipushi properties.

A reportable segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

For these three reportable segments, the Company receives discrete financial information that is used by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

The reportable segments are principally engaged in the exploration and development of mineral properties in South Africa, the Democratic Republic of Congo ("DRC") and the restoration of a mine in the DRC respectively. The following is an analysis of the non-current assets by geographical area and reconciled to the Company financial statements:

	South Africa	DRC	Other	Total
	$	$	$	$
Non-current assets				
As at December 31, 2013	16,108	39,865	16,639	72,612
As at December 31, 2012	13,427	351,501	5,358	370,286

26. Segmented information (continued)

	Platreef Property	Kamoa Property	Kipushi Properties	Unallocated (i)	Consolidated Total
	$	$	$	$	$
Segment Assets					
As at December 31, 2013	185,559	5,478	14,293	82,246	287,576
As at December 31, 2012	216,543	6,846	351,273	152,020	726,682
Segment Liabilities					
As at December 31, 2013	25,498	18,036	11,400	5,404	60,338
As at December 31, 2012	1,460	8,618	93,578	9,427	113,083
Segment Losses					
For the year ended December 31, 2013	29,634	66,940	312,289	71,154	480,017
For the year ended December 31, 2012	36,106	67,846	31,317	43,892	179,161
Capital expenditures					
For the year ended December 31, 2013	5,641	1,485	6,973	4,034	18,133
For the year ended December 31, 2012	1,735	1,691	5,155	821	9,402
Exploration expenditure					
For the year ended December 31, 2013	28,682	66,993	55,099	23,169	173,943
For the year ended December 31, 2012	33,623	64,207	26,847	3,758	128,435
Interest Income					
For the year ended December 31, 2013	(411)	(1)	(2,257)	(767)	(3,436)
For the year ended December 31, 2012	(1,496)	-	(828)	(743)	(3,067)
Finance Costs					
For the year ended December 31, 2013	693	-	811	140	1,644
For the year ended December 31, 2012	22	-	4,223	22,425	26,670
Depreciation					
For the year ended December 31, 2013	482	1,274	1,534	916	4,206
For the year ended December 31, 2012	269	1,107	81	406	1,863

(i) The Company's Corporate Division and other divisions that do not meet the quantitative thresholds of IFRS 8 Operating segments, are included in the segmental analysis under the unallocated column.

27. Subsequent event

On March 21, 2014, the Company concluded a financing agreement with La Société Nationale d'Electricité ("SNEL"), the DRC's state-owned power company, for the rehabilitation and modernisation of two hydroelectric power plants. In terms of the agreement, the Company will finance a maximum amount of $250 million which bears interest at LIBOR plus 3% and will be repaid through a deduction from the Company's monthly power bills incurred.

28. Approval of the financial statements

The Consolidated Financial Statements of Ivanhoe Mines Ltd., for the year ended December 31, 2013 were approved and authorized for issue by the Board of Directors on March 28, 2014.

IVANHOE MINES
NEW HORIZONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

DATED: MARCH 28, 2014

INTRODUCTION

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements of Ivanhoe Mines Ltd., formerly Ivanplats Limited ("Ivanhoe" or the "Company"), for the years ended December 31, 2013, 2012 and 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). On August 28, 2013, the Company changed its name to Ivanhoe Mines Ltd. from Ivanplats Limited. All dollar figures stated herein are in U.S. dollars, unless otherwise specified.

The effective date of this MD&A is ***March 28, 2014***. Additional information relating to the Company is available on SEDAR. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, including without limitation, the timing and results of: (i) a development study at the Kamoa Project which contemplates the declaration of a mineral reserve estimate ("Development Study"); (ii) plans to start the first underground mine-access decline at the Kamoa Project in 2014; (iii) a grant of a mining right for the Platreef Project by May 2014; (iv) the creation of a Broad-Based Black Economic Empowerment structure for the Platreef Project; (v) the completion of a pre-feasibility study ("PFS") at the Platreef Project by the second half of 2014; (vi) the commencement of the design and engineering of the main production shaft (Shaft #2) at the Platreef Project in Q2 2014; (vii) the collection of a mineralized bulk sample at the Platreef Project by the first half of 2016 (viii) plans to start Shaft #2 development works in Q1 2015; (ix) efforts to upgrade historical resource estimates at the Kipushi Project; and (x) the de-watering program at the Kipushi Project. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect the Company's current expectations regarding future events, performance and results and speak only as of the date of this MD&A.

As well, the results of the preliminary economic assessments of the Kamoa Project and the Platreef Project constitute forward-looking information, including estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward looking information concerning the development of the Kamoa and Platreef Projects, the Company has based its assumptions and analyses on certain factors which are inherently uncertain. Uncertainties include among others: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper, nickel, platinum, palladium, rhodium and gold; (vi) the availability of equipment and facilities necessary to complete development, (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the Company's projects, the anticipated tonnages and grades that will be mined and the

estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, platinum group elements (PGE), gold, zinc or other mineral prices; (ii) results of drilling, (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risk Factors", as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the Company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below in the "Risk Factors" section beginning on page 36 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

The Company is a mineral exploration and development company. The Company's financial performance is primarily affected by ongoing exploration and development activities being conducted at its three material properties. The Company has no producing properties and does not have operating revenues, subject to any amounts it may earn from its investment in the RK1 Consortium, which are not material to its operations. The Company expects to fund all of its exploration and development activities through debt and equity financing until operating revenues commence. The Company's material properties consist of:

- The Kamoa copper discovery in a previously unknown extension of the Central African Copperbelt in the DRC's Province of Katanga. (See "*Kamoa Project*".)

- The Platreef Discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa. (See "*Platreef Project*".)

- The historic, high-grade Kipushi zinc-copper mine, also on the Copperbelt in the DRC and now being drilled and upgraded, following a care-and-maintenance program conducted between 1993 and 2011. (See "*Kipushi Project*".)

Ivanhoe is evaluating other opportunities as part of its objective to become a broadly based, international mining company.

Kamoa Project

Kamoa is world's largest undeveloped high-grade copper discovery

The Kamoa Project is a newly discovered, very large, stratiform copper deposit with adjacent prospective exploration areas within the Central African Copperbelt, approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of the Katangan provincial capital of Lubumbashi. Ivanhoe holds its 95% interest in the Kamoa Project through a subsidiary company, Kamoa Copper SPRL. A 5%, non-dilutable interest in Kamoa Copper SPRL was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Ivanhoe also has offered to sell an additional 15% interest to the DRC government on commercial terms to be negotiated.

Kamoa is the world's largest undeveloped, high-grade copper deposit. On January 17, 2013, an updated mineral resource estimate was announced that increased Kamoa's Indicated Mineral Resources to a total of 739 million tonnes grading 2.67% copper and containing 43.5 billion pounds of copper. This was an increase of 115% over the previous estimate in September 2011 of 348 million tonnes grading 2.64% copper and containing 20.2 billion pounds of copper. Both estimates used a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

In addition to the Indicated Mineral Resources, the updated estimate included Inferred Mineral Resources of 227 million tonnes grading 1.96% copper and containing 9.8 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

The latest Kamoa resource estimate was prepared by AMEC, based on core from 555 holes drilled to December 10, 2012, in accordance with CIM Guidelines and directed by AMEC's Technical Director Dr. Harry Parker.

At a higher, 2.0% copper cut-off grade, Kamoa's Indicated Resources now total 550 million tonnes grading 3.04% copper and containing 36.9 billion pounds of copper. At the 2.0% cut-off, Kamoa also has 93 million tonnes of Inferred Resources grading 2.64% copper, which contain an estimated 5.4 billion pounds of copper.

Phased approach to the development of a large mine and smelter

An updated preliminary economic assessment (PEA) was published in November 2013 that reflects a phased approach to development of the Kamoa Project. The first phase of mining would target high-grade copper mineralization from shallow, underground resources to yield a high-value concentrate. The second phase would entail a major expansion of the mine and mill and construction of a smelter to produce blister copper.

Highlights of the Kamoa PEA:

- A large mine and smelter would be developed using a two-phased approach;
- A smaller-scale start-up would establish an operating platform to support expansion;
- Early cash flows would be generated from the sale of high-grade copper concentrate;
- Low pre-production capital requirement of approximately $1.4 billion;
- Steady-state production target of 300,000 tonnes per year of blister copper, which would establish Kamoa as one of the world's largest copper mines, with the highest grade;
- Cash costs of $1.19 per pound of copper would rank Kamoa near the bottom of the global cash-cost curve;
- Pre-tax Net Present Value, at an 8% discount rate, of $4.3 billion;
- After-tax Net Present Value, at an 8% discount rate, of $2.6 billion; and
- Pre-tax internal rate of return of 18.4%; after-tax IRR of 15.3%.

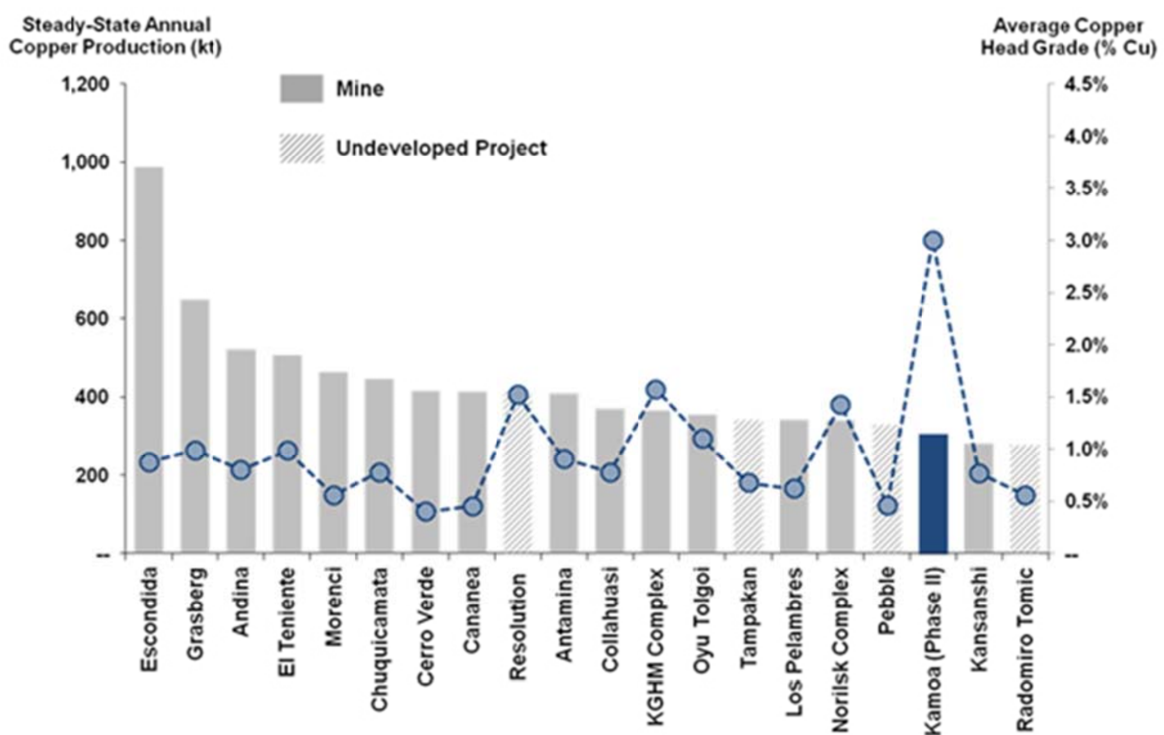
The initial mining rate and concentrate feed capacity of three million tonnes per year would be followed in Year 5 by an additional expansion of eight million tonnes per year in concentrator capacity and the construction of an on-site smelter with a capacity to produce 300,000 tonnes per year of blister copper. In

addition, an estimated 1,600 tonnes of sulphuric acid per day would be produced as a by-product in the copper smelting process. The PEA contemplates that the sulphuric acid produced at Kamoa would be sold to copper-oxide mining operations on the Central African Copperbelt that currently purchase acid from Zambia or from overseas.

The production scenario schedules 326 million tonnes to be mined and milled at an average copper grade of 3.0% copper over a 30-year mine life, producing 7.8 million tonnes of payable blister copper (plus 0.5 million tonnes of payable copper in concentrate in the initial concentrate phase) over the life of the project.

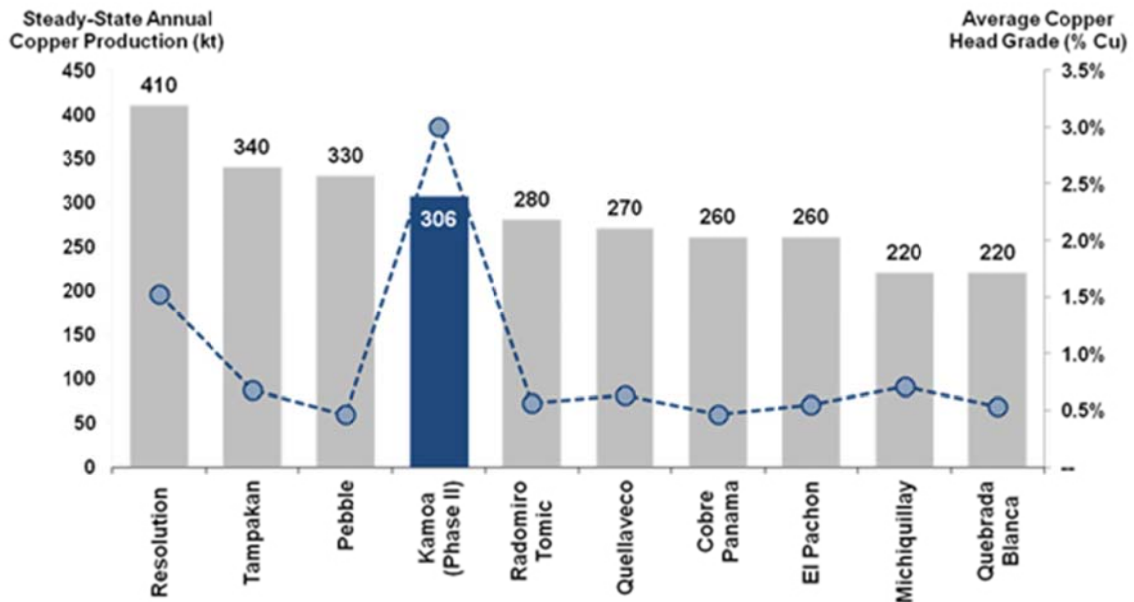
Steady-state production from Year 6 onward of 306,000 tonnes per year of blister copper would establish Kamoa as one of the world's largest copper mines. Kamoa also would have the highest average grade among the 20 largest copper mines currently in production or expected to be in production, according to data from Wood Mackenzie, an international industry research and consulting group.

Figure 1: Annual copper production for top 20 mines and undeveloped projects globally.



Source: Wood Mackenzie

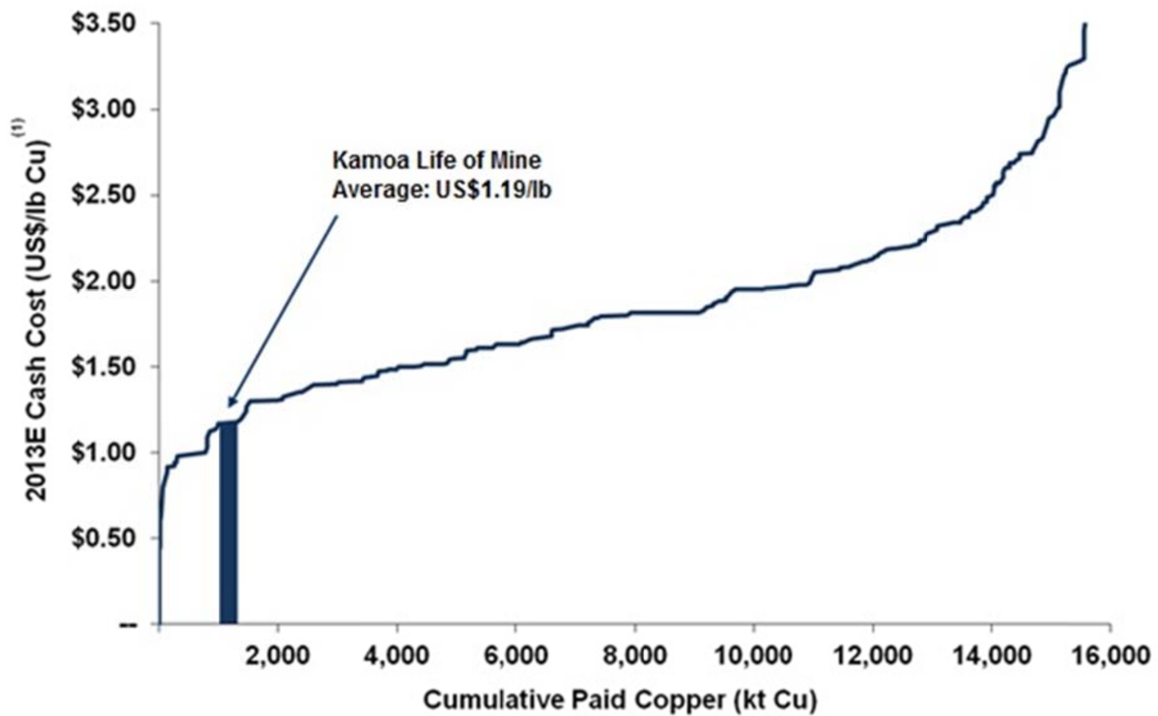
Figure 2: Annual copper production for all undeveloped projects globally.



Source: Wood Mackenzie

Average cash costs of US$1.19 per pound of copper (after sulphuric acid credit), over the life of the mine, rank the Kamoa Project near the bottom of the 2013 cash-cost curve for copper mines globally.

Figure 3: 2013E copper cash costs.



(1) Represents C1 cash costs that reflect the direct cash costs of producing paid metal incorporating mining, processing and offsite realization costs, having made appropriate allowance for the co-product revenue streams.
Source: Wood Mackenzie

Work on underground mine-access decline at Kamoa planned to begin in 2014

Preparations are underway to start the first mine-access decline at Kamoa. The decline would provide access to the high-grade, near-surface copper resources that would be targeted for the planned first phase of production using the room-and-pillar mining method.

The Development Study is underway to advance the geotechnical, engineering and metallurgical understanding of Kamoa. Phase 6 of the metallurgical testwork program is underway at the XPS laboratories in Sudbury, Canada, and the Mintek laboratories in Johannesburg, South Africa. Phase 6A testwork considers the first four years of mining during which time flotation concentrate will be sold. The phase 6B testwork considers the next 15 years of mining, from year five onward, during which time blister copper would be produced. The mining areas for phases 6A and 6B are different and representative samples from these areas were collected during Q4 2013.

Drilling during the fourth quarter of 2013 was focused on resource infill and metallurgical studies. In total 8,450 metres in 56 holes were completed for the quarter. A combined 6,483 metres were drilled for resource evaluation – 5,555 metres on the Kansoko Sud area and 928 metres on the Kansoko Centrale area; 1,619 metres were drilled for metallurgical testing in the Kamoa Sud, Kansoko Central, Kansoko Sud and Makalu areas. In addition, 348 metres of hydrogeology drilling was completed in the Kansoko East, Kansoko Nord and Kansoko Sud areas. Total drilling costs during the fourth quarter were $4.7 million.

Agreement signed to upgrade existing hydroelectric power plants

In March 2014, a financing agreement was signed between Ivanhoe and the DRC's La Société Nationale d'Electricité (SNEL). Ivanhoe is working with SNEL to upgrade two existing hydroelectric power plants at a first stage, Mwadingusha and Koni, to feed up to 113 megawatts into the national power supply grid. SNEL will provide the Kamoa Project with up to 100 megawatts from the grid, which would be sufficient to operate the initial Kamoa mine. A third hydroelectric power plant – Nzilo 1 – would follow under the same financing agreement. Nzilo 1 will have a capacity of about 108 megawatts upon its completion, entitling Kamoa to receive another 100 megawatts from the grid. The upgrading of technology which will be applied on these power plants will allow up to 10% more to the initial capacity of these power plants. A combined total of 200 megawatts from the grid would provide sufficient power for Kamoa's 300,000 tonnes per year smelter and the associated future mine expansions.

Platreef Project

The Platreef Project, in South Africa's Limpopo province, is 90%-owned by Ivanhoe and 10%-owned by a Japanese consortium of Itochu Corporation; ITC Platinum, an Itochu affiliate; Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. The Japanese consortium's 10% interest in the Platreef Project was acquired in two tranches for a total investment of $290 million.

The Platreef Project includes the underground Flatreef Deposit of thick, platinum-group elements, nickel, copper and gold mineralization in the Northern Limb of the Bushveld Complex, approximately 280 kilometres northeast of Johannesburg.

In the Northern Limb, such mineralization primarily is hosted within the Platreef, a mineralized sequence that is traced more than 30 kilometres along strike. Ivanhoe's Platreef Project, within the southern sector of the Platreef, is comprised of three contiguous properties: Turfspruit, Macalacaskop and Rietfontein. The northernmost property, Turfspruit, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of properties and mining operations.

Since 2007, Ivanhoe has focused its exploration activities on defining and advancing the down-dip extension of its original Platreef discovery, now known as the Flatreef Deposit, which potentially is amenable to highly mechanized, underground mining methods. The Flatreef area lies entirely on the Turfspruit and Macalacaskop properties.

Platreef also is planning a phased approach to a large, mechanized mine

An independent preliminary economic assessment was released in March 2014 that reflects a phased approach to development of the Platreef Project. Initiating production with a four-million-tonne per year first phase would establish an operating platform to support future expansions. Subsequent phases would see production expanded to eight million tonnes per year, and then to 12 million tonnes per year.

Highlights of the Platreef PEA:

- A large, mechanized, underground mine is planned to be developed through a phased approach.
- Three run-of-mine production scenarios were examined – 4 million tonnes per year (Mtpa); a base case of 8 Mtpa; and 12 Mtpa.
- An initial 4 Mtpa scenario would establish an operating platform.
- Expansions, to the base-case 8 Mtpa scenario, and also to the 12 Mtpa scenario, can be accelerated as the market dictates.
- Opportunities exist for additional phases of development beyond 12 Mtpa, subject to further study.

Key features of the 8 million tonnes/year base-case scenario include:

- Annual production target of 785,000 ounces of platinum, palladium, rhodium and gold. (At an expanded operating scenario of 12 million tonnes per year, the annual production target would be 1.1 million ounces of platinum, palladium, rhodium and gold (3PE+Au));
- Platreef, with the highest concentration of base metals among Africa's producers of platinum-group metals, would rank at the bottom of the cash-cost curve, at an estimated $341 per ounce of 3PE+Au, net of by-products;
- An estimated pre-production capital requirement of approximately $1.7 billion, including $381 million in contingencies;
- An after-tax Net Present Value of $1.6 billion, at an 8% discount rate; and
- An after-tax internal rate of return of 14.3%.

The base case for the Platreef PEA analysis is the 8 Mtpa production scenario. The scenarios describe a staged approach, where there is opportunity to expand the operation depending on demand, smelting and refining capacity and capital availability. As the 4 Mtpa production scenario (Phase 1) is developed and placed into production, there is opportunity to modify and optimize the subsequent phases, allowing for changes to the timing or expansion capacity to suit the conditions at the time. Opportunities for additional expansion beyond 12 Mtpa (Phase 3) may be available, but require additional investigation.

Phase 1 would include the construction of a concentrator and other associated infrastructure to establish an operating platform to support the start of production at a nominal plant capacity of 4 Mtpa by 2020. Phase 2 includes a ramp-up to a plant capacity of 8 Mtpa by 2024; Phase 3 envisages a further ramp-up to a steady-state plant capacity of 12 Mtpa by 2028.

The Platreef preliminary economic assessment technical report has been filed on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com.

Mining Right approval pending

A Mining Right Application (MRA) for the Platreef Project was filed with the Department of Mineral Resources (DMR) in June 2013 to permit the Company to mine and process minerals from the mining area for a period of 30 years, and which may be extended upon application.

The application review process involves a thorough assessment of Ivanhoe's Environmental Management Program (EMP), Social and Labour Plan, Mining Works Program and Broad Based Black Economic

Empowerment structure. The Environmental and Social Impact Assessment will engage with all interested stakeholders, including local communities and governments. A complete EMP must be filed with the DMR within 180 days of its acceptance of the MRA. The entire application process is being administered by the DMR.Ivanhoe has received feedback from the DMR on all of these items and now expects to receive approval of its Mining Right in May 2014. Based on legal consultation, it has been established that if Ivanhoe does not receive the Mining Right by May 31, 2014, the Company will be required to suspend all operational work on the Platreef Project until the Mining Right is granted by the DMR.

Development work focused on resources in Flatreef underground discovery

The Flatreef Mineral Resource, with a strike length now extended to 6.5 kilometres, predominantly lies within a flat to gently dipping portion of the Platreef mineralized belt at relatively shallow depths of approximately 700 to 1,100 metres below surface.

The Flatreef Deposit is characterized by its very large vertical thicknesses of high-grade mineralization and a platinum-to-palladium ratio of approximately 1:1, which is significantly higher than other recent PGM discoveries on the Bushveld's Northern Limb. The grade shells used to constrain mineralization in the Flatreef Indicated Mineral Resource area have average true thicknesses of approximately 24 metres at a cut-off grade of 2.0 grams per tonne (g/t) of 2PE+Au (platinum-palladium-gold) while the indicated Mineral Resource grade at equivalent 2.0 gram-per-tonne 3PE cut off is 4.1 g/t 3PE+Au (platinum-palladium -rhodium-gold), 0.34% nickel and 0.17% copper. Flatreef's Indicated Mineral Resources of 214 million tonnes contain an estimated 28.5 million ounces of platinum, palladium, gold and rhodium, 1.6 billion pounds of nickel and 0.8 billion pounds of copper.

At the same cut-off of 2.0 g/t 3PE+Au, the latest Flatreef estimate includes Inferred Mineral Resources of 415 million tonnes grading 3.5 g/t 3PE+Au, 0.33% nickel and 0.16% copper, containing an estimated additional 47.2 million ounces of platinum, palladium, gold and rhodium, 3.0 billion pounds of nickel and 1.5 billion pounds of copper. Inferred Mineral Resource estimates, under CIM guidelines, do not have demonstrated economic viability and may never achieve the confidence to be Mineral Reserve estimates or to be mined.

Development of bulk-sample shaft proceeding

Surface construction work is underway for Shaft #1, the 7.25-metre-diameter bulk-sample shaft. The vertical shaft is planned to be sunk to a depth below surface of 800 metres and enable the collection of a mineralized bulk sample, expected in the first half of 2016, to complete the company’s development assessment of the Flatreef. South Africa-based Aveng Mining, the sinking contractor for Shaft #1, is continuing surface preparation work at the site and excavation of the box-cut access has begun. Upgrading of hoisting equipment, to be installed in the shaft headframe, is underway and excavations for concrete foundations of the shaft collar and ventilation casing recently began.

Shaft #1, including some initial lateral, underground development work, is expected to be fully funded from dedicated funds remaining in Ivanhoe's treasury from the US$280 million received in 2011 for the sale of an 8% interest in the Platreef Project to the Itochu-led Japanese consortium.

Ivanhoe will begin the design and engineering of Shaft #2, the main production shaft, in Q2 2014. This will enable the company to start Shaft #2 development works in Q1 2015, subject to necessary approvals and funding.

A pre-feasibility study (PFS) also is underway and completion is targeted for the second half of 2014. The PFS currently focuses on the Phase 1, 4 Mtpa production case, based on selling or tolling concentrate at local smelters. Studies will continue on the Phase 2, base case 8 Mtpa and Phase 3, 12 Mtpa production scenarios, with the intention of presenting an integrated development plan for the project incorporating the Phase 1 PFS.

Exploration and development drilling

Diamond drilling of 53 holes totalling 23,054 metres was completed during Q4 2013, including 18 deflections. Geotechnical and metallurgical development drilling totalled 8,020 metres in 35 holes, while exploration drilling totalled 15,033 metres in 18 holes. Exploration drilling focused on expanding the Indicated Mineral Resources around the planned initial mining area (Mine 1 area) and on defining the 400-metre Inferred Mineral Resources grid at the Ga-Madiba extension zone. Drilling costs for Q4 2013 amounted to $3.4 million.

A total of 40,336 metres of diamond drilling was completed during all of 2013. The initial focus was completion of the development-drilling program to support the ongoing pre-feasibility study: a total of 24,625 metres of development drilling was completed in 88 holes including deflections. Exploration drilling for the year was split between the Ga-Madiba prospect and the expansion of Indicated Mineral Resources to the north, west and south of the initial Mine 1 area. A total of 11,938 metres of exploration drilling was completed in 14 holes, including deflections on Ga-Madiba. Ten holes remain outstanding on the Inferred Mineral Resources grid. Exploration drilling is focused on expanding the Indicated Mineral Resource to allow for a pre-feasibility study of eight-million-tonne per year mining scenario.

2014 exploration program

Ivanhoe is planning more than 90,000 metres of diamond drilling in 2014 at a budgeted cost of $16.2 million. The 2014 exploration and expansion program will focus on four areas: Northern Zone 1, Zone 3, Zone 2 and the Ga-Madiba 400-metre grid. The goal is to delineate additional Indicated Mineral Resources in the immediate vicinity of Zone 1 that would support an eight million tonne per year (phase 2) pre-feasibility study and allow for the potential declaration of an initial Inferred Mineral Resource estimate on the Ga-Madiba extension zone.

Kipushi Project

The Kipushi copper-zinc-germanium-lead mine, in southern Katanga province, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of the provincial capital of Lubumbashi. It also is on the Central African Copperbelt, southeast of the Company's Kamoa Project, and less than one kilometre from the Zambian border. Ivanhoe acquired its 68% interest in the Kipushi Project in November 2011; the balance of 32% is held by La Générale des Carrières et des Mines (Gécamines), the DRC's state-owned mining company.

Successful dewatering program opens underground access for drill rigs

Work began in early March 2014 on the Company's planned 20,000-metre diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing, successful dewatering program directed by Ivanhoe during the past two years after it acquired a 68% interest in Kipushi in November 2011.

The mine, which had been placed on care and maintenance in 1993, flooded in early 2011 due to a lack of pump maintenance over an extended period. Water reached 851 metres below surface at its peak. A major turning point was reached in December 2013 when access was restored to the mine's principal working level at 1,150 metres below the surface.

The planned upgrading of the mine had succeeded in clearing water to the 1,267-metre level as of March 26, 2014.

100 holes planned in underground drilling program

Ivanhoe's 2014 drilling program is scheduled to complete approximately 100 holes totalling more than 20,000 metres, which has been budgeted at $9.8 million. The drilling is designed to confirm and update Kipushi's estimated historical resources and to further expand the resources on strike and at depth.

Specific objectives are to:

- Conduct confirmatory drilling to validate the historical resources within Kipushi's Big Zinc zone and Fault zone;
- Conduct extension drilling to test and upgrade the deeper portions of the Big Zinc and Fault zones, below the 1,500-metre level, which previously were classified as Inferred Resources;
- Conduct exploration drilling to test areas that have not been previously evaluated, such as the deeper portions of the Fault Zone and extensions to the high-grade copper mineralization of the mine's Northern zone; and
- Obtain large-diameter drill core from the Big Zinc zone for confirmatory metallurgical test work.

New, underground drill holes also may provide a platform for geophysical exploration of Kipushi's deep mineral potential, leveraging the Ivanhoe group's proprietary, in-house expertise. Kipushi has never been evaluated using modern geophysical techniques.

Most of the drilling will be conducted from sites on the hanging-wall development drift at the 1,270-metre level and from the footwall ramp below the 1,150-metre level.

The first hole was started on the 1,225-metre level at an inclination of -67 degrees and is designed to test the depth continuity of the Big Zinc zone and the down-dip extension of the adjacent, copper-rich Fault zone. The hole is expected to be drilled for approximately 600 metres to a depth of greater than 1,800 metres below surface. It also will provide sample material for ongoing metallurgical studies.

The second rig is underground at the 1,125-metre level staging area, awaiting preparation of the drill station and is expected to start drilling from March 31, 2014. The third rig arrived at site on March 25 and is being tested on surface before being lowered to the staging area. A 280-metre step-back extension of the hanging-wall drift will be driven to enable the drill rigs to test deep extensions of the Big Zinc and Fault zones.

Independent consulting engineering firm MSA Group, of Gauteng, South Africa, has been appointed to prepare a current estimate of the Big Zinc resources to CIM standards following completion of the confirmation drilling program.

Previous drilling at Kipushi

Previous mining at Kipushi was conducted to a below-surface depth of 1,207 metres on the Kipushi Fault, a deposit of high-grade, copper-zinc-lead mineralization that has a strike length of 600 metres. The Fault zone mineralization is known to extend to at least 1,800 metres below surface, based on previous drilling reports prepared by state-owned mining company, Gécamines.

The Big Zinc zone, adjacent to the Fault Zone on the footwall side, was discovered shortly before the mine ceased production in 1993 and never has been mined. From its top at approximately the 1,200-metre level, the Big Zinc zone extends down dip to at least the 1,640-metre level, as indicated by Gécamines' drilling reports.

Accessible from existing underground workings, the Big Zinc has a strike length of at least 100 metres, a true thickness calculated at 40 to 80 metres and is open to depth. Gécamines also reported that multiple, steeply-dipping, Big Zinc exploratory holes intersected exceptionally high-grade zinc mineralization, grading 42% to 45% zinc, between the 1,375-metre and 1,600-metre levels, with estimated, apparent thicknesses of between 60 and 100 metres.

Production history at Kipushi

From its start-up in 1924 as the Prince Léopold Mine, Kipushi produced a total of 6.6 million tonnes of zinc and 4.0 million tonnes of copper – from 60 million tonnes of ore grading 11% zinc and approximately 7% copper – until operations were halted in 1993 due to political instability. The mine also produced 278 tonnes of germanium between 1956 and 1978. Underground workings flooded during Kipushi's 18 years of care-and-maintenance before Ivanhoe Mines acquired a 68% interest in the Kipushi Project in 2011; Gécamines retained a 32% interest.

In addition to the recorded production of copper, zinc, lead and germanium, historical Gécamines mine-level plans for Kipushi also reported the presence of precious metals. There is no formal record of gold and silver production; the concentrate was shipped to Belgium and any recovery of precious metals was not disclosed.

Historical resources

IMC Group Consulting, which prepared the current Kipushi Technical Report, considers the historical estimate prepared by Techpro Mining and Metallurgy (Techpro) in 1997 to be the most reliable. Techpro reported the following resources:

Resource Category	Tonnes	Copper %	Zinc %
Measured	8,899,979	2.53	9.99
Indicated	8,029,127	2.09	24.21
Total	16,929,106	2.32	16.76
Inferred	9,046,352	1.93	23.32
Totals shown above include the following Big Zinc resources:			
Measured	793,086	1.16	33.52
Indicated	3,918,366	0.68	39.57
Measured & Indicated	4,711,452	0.76	38.55

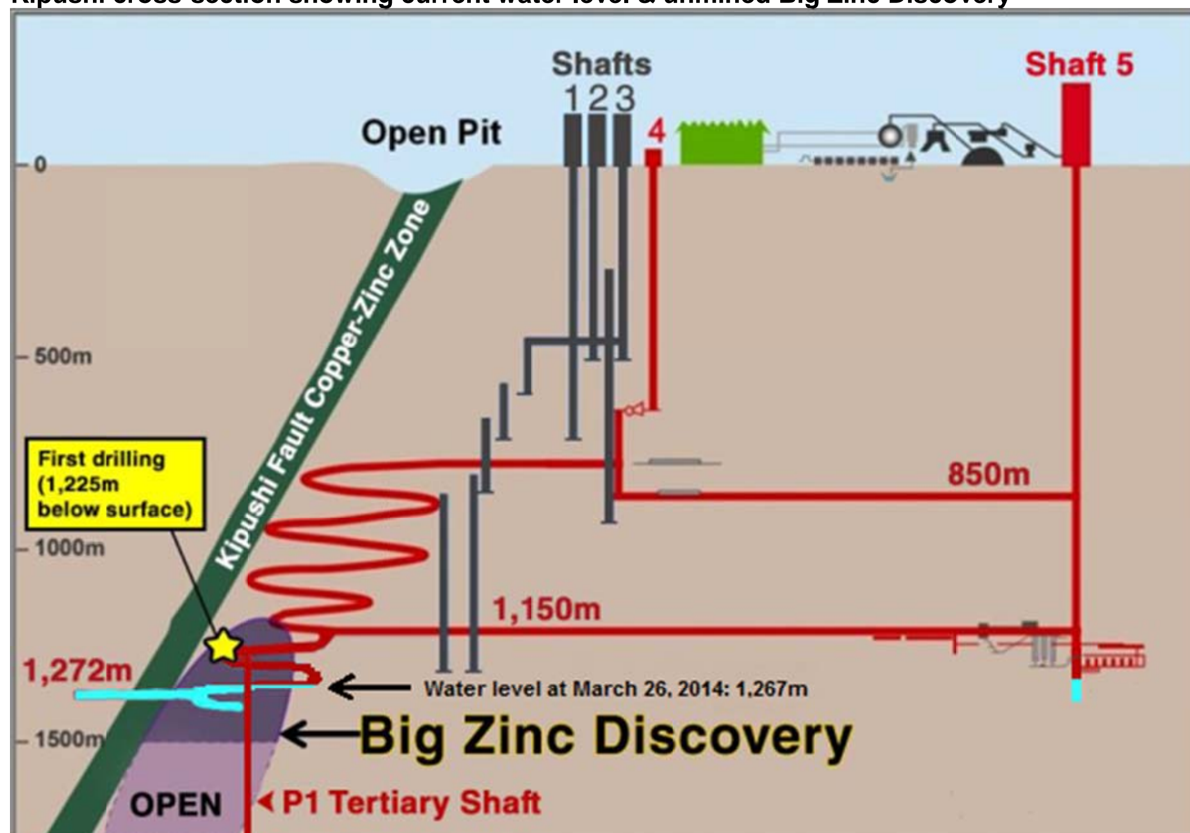
IMC is of the opinion that the Techpro estimate generally is fair and reasonable for demonstrated measured plus indicated resources and that inferred mineral resources largely represent the projection of Kipushi's Fault zone mineralization from the 1,500-metre level to the 1,800-metre level.

Although Gécamines' drilling confirmed that the Big Zinc continues down to at least the 1,640-metre level, the historical measured plus indicated resources for the Big Zinc are stated only to 1,500 metres.

Gécamines principally was interested in the copper content of the Kipushi mine, not its zinc content. Ivanhoe considers that the density estimation factor used by Gécamines to calculate resources was only an approximation and may be inappropriate for the estimation of zinc in high-grade, iron-poor sphalerite, such as occurs in the Big Zinc, and therefore potentially understates the Big Zinc's historical resources.

A Qualified Person has not done sufficient work to classify the historical estimates as current Mineral Resources and Ivanhoe Mines is not treating such estimates as current Mineral Resources. The Techpro estimate was prepared in accordance with the JORC Code. Ivanhoe Mines will need to validate previous work through new drilling, sampling, assaying and other procedures to produce a mineral resource that is current for CIM purposes.

Kipushi cross-section showing current water level & unmined Big Zinc Discovery



Other exploration projects

Katanga Province, DRC

The 2013 field season wrapped up during the fourth quarter at the onset of the rainy season. During the year, the Company drilled a total of 6,150 metres in 43 holes using contractor and company-owned rigs. Contractor drilling at the Nzilo project, a Kamoa-style stratiform copper prospect, amounted to 3,654 metres in nine holes. The Company's in-house rigs completed 2,496 metres in 34 holes at the Lufupa project west of Kamoa, and the Kale prospect north of Tenke-Fungurume. Other 2013 activities included soil sampling, prospecting, mapping, ground magnetics and AMT surveys. Licence renewals filed in August 2013 were confirmed in Q4 2013.

Gabon

Ivanhoe holds two exploration licences in Gabon at Ndangui and Makokou, areas prospective for greenstone gold deposits. Eight diamond boreholes totalling 1,774 metres were completed at Ndangui in Q3 2013 and early Q4 2013. Gold and sulphide mineralization was encountered in most holes. Auger drilling at Makokou was completed to better define gold-in-soil anomalies. The Ndangui and Makokou licences were successfully renewed during Q4 2013, and are valid through 2016.

SELECTED ANNUAL FINANCIAL INFORMATION

This selected financial information is in accordance with IFRS as presented in the annual consolidated financial statements. Other than its share of revenue from the RK1 Consortium, Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	For the year ended December 31,		
	2013	2012	2011
	$'000	$'000	$'000
Exploration and project expenditure	173,943	128,435	96,594
Impairment of mineral property, goodwill and other	334,338	-	-
Legal settlement	10,000	-	-
General administrative expenditure	39,384	28,180	24,584
Finance costs	1,644	26,670	4 560
Deferred tax recovery	(75,701)	-	-
Total comprehensive loss attributable to:			
Owners of the Company	373,720	166,485	122,457
Non-controlling interest	110,575	13,152	4,280
Loss per share (basic and diluted)	0.69	0.38	0.30
Total assets	287,576	726,682	632,194
Non-current liabilities	21,974	84,336	237,620

DISCUSSION OF RESULTS OF OPERATIONS

Review of the year ended December 31, 2013 vs. December 31, 2012

The Company's total comprehensive loss for the year ending December 31, 2013 was $304.7 million higher than for the same period in 2012: $484.3 million in 2013 compared to $179.6 million in 2012. The increase was attributable mainly to the impairment of the Kipushi mineral property, goodwill and related loans and advances which had a post-tax effect of $258.6 million. The remainder of the increase resulted from the $45.5 million year on year increase in the exploration and project expenditure, and the one-time legal settlement expense recognized in Q3 2013 of $10.0 million. This was partially offset by the decrease in finance costs of $25.0 million.

As at December 31, 2013, the Company recorded an impairment charge of $334.3 million, upon completion of its annual assessment of the carrying value of goodwill, mineral properties and related loans and advances. The impairment charge, which was recorded within a separate line in the consolidated statement of comprehensive loss, included $252.3 million relating to Kipushi mineral properties, $67.4 million relating to goodwill recognized upon acquisition of Kipushi, $25.1 million relating to the long term loan receivable from Gécamines and $1.5 million relating to a common share investment funded on behalf of a non-controlling interest. The advances payable to Gécamines have been assessed as zero in the current year and resulted in a reduction of the impairment by $12.1 million. A tax recovery of $75.7 million was recorded as a result of the impairment charge on the Kipushi mineral property.

Significant judgments and assumptions were required in making estimates of the recoverable amount of cash generating units. This was particularly so in the assessment of long life assets such as Kipushi. It should be noted that the valuations are subject to variability in key assumptions including, but not limited

to, long-term commodity prices, capital expenditures, discount rates, transport costs, the cost of production and operating costs.

A change in one or more of the assumptions used to estimate the recoverable amount could result in a reduction or an increase in the recoverable amount.

All current exploration and refurbishment costs incurred on the Kipushi Project are expensed in accordance with the accounting policy of the Company.

During Q3 2013 the Company agreed on a settlement of claims against the Company and its assets. The total amount payable in terms of the settlement agreement was $10 million, of which $6 million is still outstanding and included in other payables. The outstanding amount is payable upon the granting of the Platreef mining right or on December 31, 2014, whichever comes first.

The decrease in finance cost is as a result of the conversion of the Pre-IPO Bonds into Class A Shares, on October 23, 2012, as a result, and upon completion of the IPO, as well as the settlement of the Kipushi purchase consideration in full during 2012.

Salaries and benefits (2013: $15.2 million versus 2012: $9.3 million) were impacted by the increase in executive and administrative staff during the past year which also resulted in an increase in office and administrative expenditure (2013: $6.0 million versus 2012: $3.8 million). The share-based payments expense increased by $2.0 million, from $6.3 million in 2012 to $8.3 million in 2013, due to an increase in the weighted average grant-date fair value of share options granted early in the year. Legal fees for 2013 amounted to $0.5 million and were $2.5 million less than in 2012, due to the legal expenditure incurred in preparation for the IPO that year.

Foreign exchange losses also increased by $2.4 million, from $0.5 million in 2012 to $2.9 million in 2013, due to the weakening of the Canadian Dollar against the United States Dollar.

The increase in exploration and project expenditures resulted from increases in expenditure of $32.1 million at the Kipushi Project and $7.4 million at the Kamoa Project, which were partially offset by the decrease in expenditure at the Platreef Project by $4.9 million. There also was an increase in expenditure on regional exploration in the year ended December 31, 2013, compared to the same period in 2012. The main classes of expenditure on the Company’s material projects in the two preceding financial years are set out in the following table:

	Year ended December 31, 2013	Year ended December 31, 2012
	$'000	$'000
Kamoa Project		
Drilling	17,530	32,206
Studies	16,317	4,736
Salaries and benefits	10,862	11,358
Indirect taxes	7,706	208
Travel	2,490	2,315
Other expenditure	16,707	13,384
Total project expenditure	71,612	64,207
Platreef Project		
Studies	9,417	8,742
Drilling	6,906	14 916
Salaries and benefits	3,738	4,470
Assaying and sampling	377	876
Other expenditure	8,244	4,619
Total project expenditure	28,682	33,623
Kipushi Project		
Repair and maintenance	11,599	907
Electricity	11,007	6,727
Contracting work	10,349	9,527
Salaries and benefits	10,059	774
Indirect taxes	4,464	461
Equipment rental	2,268	2,125
Travel	1,483	2,006
Other expenditure	7,668	4,320
Total project expenditure	58,897	26,847

Financial position as at December 31, 2013, vs. December 31, 2012

The Company's total assets decreased to $287.6 million as at December 31, 2013, from $726.7 million as at December 31, 2012. This mainly was due to the impairment of the Kipushi mineral property, goodwill and long term loan receivable of $252.3 million, $67.4 million and $25.1 million respectively as well as a decrease in cash and cash equivalents of $116.0 million.

The Company utilized $193.6 million of its cash resources in its operations and earned interest income of $1.3 million on cash balances. A total of $22.9 million was spent to acquire property, plant and equipment and other non-current assets.

Of the $22.9 million spent to acquire non-current assets, $2.6 million related to Ivanhoe's share of the acquisition of an additional office building in London through Rhenfield Ltd., one of Ivanhoe's joint operations. The remainder of the additions to property, plant and equipment mainly related to the procurement of assets required at the projects.

The Company's total liabilities decreased from $113.1 million as at December 31, 2012, to $60.3 million as at December 31, 2013. This was due to a decrease in deferred tax liability of $75.7 million and a decrease in advances payable to Gécamines of $11.2 million, offset by an increase in non-current borrowings of $19.9 million as well as an increase in trade and other payables of $14.4 million.

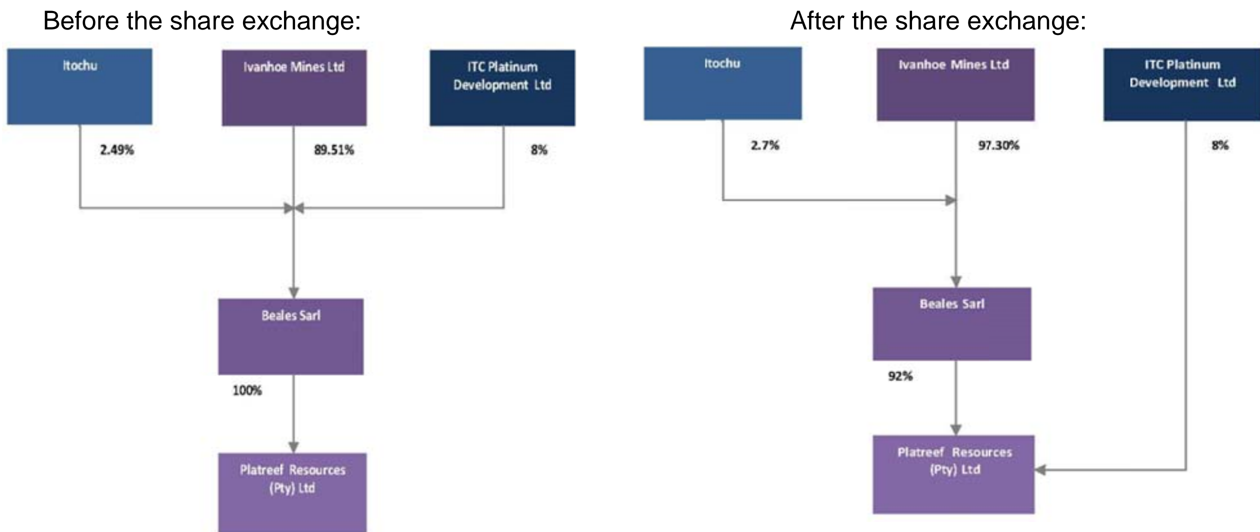
The decrease in the deferred tax liability of $75.7 million was as a direct result of the tax recovery caused by the impairment of the Kipushi mineral property.

$18.5 million of the increase in non-current borrowings was as a result of a share exchange agreement that took effect on June 6, 2013, in which the Company became party to a $28.0 million loan payable to ITC Platinum Development Limited which had a carrying value of $18.5 million as at December 31, 2013. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalised. Using prevailing market interest rates for an equivalent loan of LIBOR plus 7%, the fair value of the loan is estimated at $18.5 million on December 31, 2013 with the contractual amount due $28.4 million. The difference of $10.3 million between the contractual amount due and the fair value of the loan is the benefit derived from the low interest rate.

Furthermore, as part of the share exchange agreement, the Company exchanged 8% of its interest in the Platreef Project for an 8% interest in Beales SARL, holding company of the Platreef Project, with ITC Platinum Development Limited in return for the loan payable to ITC Platinum Development Limited of $28 million. The transaction increased the Company's effective shareholding of Beales SARL to 97.3%, while its effective shareholding in Platreef Resources (Pty) Ltd remained unchanged.

The change in the Platreef Project's organizational structure can be illustrated as follows:

Before the share exchange: After the share exchange:



An amount of $27.5 million, being the proportionate share of the carrying amount of the net assets of Beales SARL, has been transferred from non-controlling interest. The difference between the decrease in non-controlling interest of $27.5 million and the value of the loan payable on the date of the exchange of $17.7 million has been credited to retained earnings together with the transaction costs of $0.6 million.

The five year mortgage bond, obtained for the purchase of Ivanhoe's share of the Rhenfield property, purchased in June 2013, resulted in an increase of $1.4 million to non-current borrowings.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected financial information for the prior eight quarters. Other than its share of revenue from the RK1 Consortium, Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	3 Months ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	$'000	$'000	$'000	$'000
Exploration and project expenditure	60,738	39,793	41,281	32,131
Impairment of mineral property, goodwill and other	334,338	-	-	-
Legal settlement	-	10,000	-	-
General administrative expenditure	13,596	8,157	8,413	9,218
Finance costs	559	543	319	223
Deferred tax recovery	(75,701)	-	-	-
Total comprehensive loss attributable to:				
Owners of the Company	240,262	51,787	43,804	37,867
Non-controlling interest	92,606	6,248	7,198	4,523
Loss per share (basic and diluted)	0.41	0.10	0.08	0.07

	3 Months ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	$'000	$'000	$'000	$'000
Exploration and project expenditure	31,314	29,368	34,666	33,087
General administrative expenditure	9,887	5,586	8,340	4,180
Finance costs	2,069	8,653	9,074	6 822
Deferred tax recovery	-	-	-	-
Total comprehensive loss attributable to:				
Owners of the Company	37,949	38,368	51,514	38,654
Non-controlling interest	4,771	3,315	2,745	2,321
Loss per share (basic and diluted)	0.07	0.09	0.12	0.10

Review of the Three Months Ended December 31, 2013 vs. 2012

The Company's total comprehensive loss for Q4 2013 of $332.9 million, was $290.1 million higher than for the same period in 2012 ($42.7 million). The increase mainly was due to the impairment of the Kipushi mineral property and goodwill which had a post-tax effect of $258.6 million, as well as a $29.4 million increase in exploration and project expenditure.

The decrease in finance costs was attributable to the conversion of the convertible bonds issued by the Company in late 2011 and early 2012 (Pre-IPO Bonds) into Class A Shares on October 23, 2012, as a result, and upon completion of the Company's IPO.

Exploration and project expenditures for the three months ending December 31, 2013 was $29.4 million higher than that of the same period in 2012. This was due to increases in expenditure of $11.7 million at the Kamoa Project of, $8.7 million at the Kipushi Project and $5.3 million at the Platreef Project. There also was an increase in expenditure on regional exploration in Q4 2013 compared to the same period in 2012. The main classes of expenditure on the Company's material projects in Q4 2013 and 2012 are set out in the following table:

	Three months ended December 31, 2013	Three months ended December 31, 2012
	$'000	$'000
Kamoa Project		
Drilling	4,737	3,925
Studies	3,742	1,519
Salaries and benefits	3,454	4,388
Travel	555	709
Other expenditure	13,027	3,311
Total project expenditure	25,515	13,852
Platreef Project		
Studies	3,925	2,459
Drilling	3,364	1,131
Salaries and benefits	1,196	995
Assaying and sampling	200	69
Other expenditure	2,739	1,669
Total project expenditure	11,424	6,323
Kipushi Project		
Repair and maintenance	8,583	366
Salaries and benefits	3,941	237
Indirect taxes	1,471	383
Electricity	1,057	3,079
Contracting work	677	3,740
Equipment rental	433	189
Travel	240	740
Other expenditure	2,679	1,642
Total project expenditure	19,081	10,376

Foreign exchange losses also increased by $1.9 million in Q4 2013 versus 2012 due to the weakening of the Canadian Dollar against the United States Dollar. Salaries and benefits for corporate and administrative staff increased by $1.3 million (2013: $6.6 million versus 2012: $5.3 million) due to the increase in executive and administrative staff during the past year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's sole source of funding prior to its IPO had been the issuance of equity securities and the Pre-IPO Bonds, for cash, primarily through private placements to sophisticated investors and institutions. Prior to its IPO, the Company had issued equity securities in each of the previous few years pursuant to private placement financings and on the exercise of warrants and options. In Q4 2012, the Company completed its IPO to a broad range of investors, raising gross proceeds of approximately C$305 million ($312 million) and on October 4, 2013, the Company closed a non-brokered private placement for C$108 million ($105 million) through the issuance of 54 million new Class A Shares at C$2.00 per share.

The Company had $143.8 million in cash and cash equivalents and $80.3 million in short-term deposits as at December 31, 2013. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of $161.8 million, are subject to contractual restrictions as to their use. Based on current planned work programs, these restricted funds should be sufficient to advance the Platreef Project until early 2015.

As at December 31, 2013, the Company had consolidated working capital of approximately $201.7 million, compared to $324.3 million at December 31, 2012. The Platreef Project working capital is restricted and amounted to $161.6 million at December 31, 2013, and $204.2 million at December 31, 2012. Excluding the Platreef Project working capital, the resultant working capital was $40.1 million at December 31, 2013, and $120.1 million at December 31, 2012. The Company believes it has sufficient resources to cover its short-term cash requirements. However, the Company's access to financing is always uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

The Company's main objectives for 2014 are the Bulk Sample Shaft development at the Platreef Project, which will be funded from the restricted funds available to Platreef only, the commencement of the underground mine-access decline at the Kamoa Project and the underground drilling program at the Kipushi Project. The Company will continue to consider various sources of funding, including the capital markets. However, the Company does not have sufficient funds to meet these objectives at Kamoa or Kipushi without further funding by Q2 2014.

The Company has a three-year mortgage bond outstanding on one of its offices in London, United Kingdom, of £2.4 million ($3.9 million) that is fully repayable during May 2015, secured by the property, that incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears. During June, 2013, the Company committed to an additional five year mortgage bond, for the purchase of an additional office building in London, of £0.9 million ($1.4 million) in which the first three years only interest will be payable. The loan is secured by the Rhenfield property purchased in June 2013, and incurs interest at a rate of LIBOR plus 2.5% payable monthly in arrears.

On June 6, 2013, the Company became party to a $28.0 million loan payable to ITC Platinum Development Limited which had a carrying value of $18.5 million as at December 31, 2013 as a result of a share exchange agreement, as previously described. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalised.

The Company signed an agreement with SNEL, by which the parties agreed to rehabilitate two existing hydropower plants. The cost for the rehabilitation is expected to be financed by the Company through a loan to SNEL. Pursuant to an initial agreement, $4.5 million of the cost of the initial studies will be financed by the Company through an interest free loan to SNEL. The loans will be repaid by SNEL through a deduction from the Company's monthly power bills incurred.

In March 2014, the Company signed an additional financing agreement with SNEL, for the rehabilitation of three hydroelectric power plants. In terms of the agreement, the Company will finance a maximum

amount of $250 million which bears interest at LIBOR plus 3% and will be repaid through a deduction from the Company's monthly power bills incurred.

The Company has an implied commitment in terms of spending on work programs submitted to regulatory bodies to maintain the good standing of exploration and exploitation permits at its mineral properties. The following table sets forth the Company's long-term obligations:

	Payments Due By Period				
Contractual Obligations as at December 31, 2013	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	33,753	3,905	216	1,226	28,406
Operating Leases	997	375	622	-	-
Advancement of interest free loan	1,801	1,801	-	-	-
Total Contractual Obligations	**36,551**	**6,081**	**838**	**1,226**	**28,406**

USE OF PROCEEDS

The below table describes how the proceeds from the IPO have been used to date, against how the proceeds were expected to be used as disclosed in the final prospectus.

		Use of proceeds		
Principal Purpose	**Intended** (1) $'million	**Q4 2012** $'million	**Q1-Q4 2013** $'million	**Total used** $'million
Kamoa Project				
Drilling	55	12	35	47
Project Studies	8	2	13	15
Power Supply	7	-	5	5
Subtotal	70	14	53	67
Kipushi Project				
Dewatering	15	11	36	47
Refurbish Infrastructure	15	-	6	6
Drilling & Studies	5	-	-	-
Subtotal	35	11	42	53
Other				
Kipushi Project Acquisition Milestone Payment and Related Obligations	125	125	-	125
Regional Exploration and General & Administrative Expenses	57	5	37	42
Subtotal	182	130	37	167
TOTAL	287	155	132	287

(1) As at October 16, 2012

More than initially estimated was spent at the Kipushi Project due to the higher than anticipated power requirements and additional pumping capacity that was put in place. For this purpose, funds were reallocated from Regional Exploration and General & Administrative Expenditure to the Kipushi Project. Of the funds to be spent at the Kamoa Project, some were reallocated from Drilling toward Project Studies.

The proceeds received from the non-brokered private placement that closed on October 4, 2013, for C$108 million ($105 million) will be used for the advancement of, and pre-development activities at, the Kamoa and Kipushi Projects, and for general corporate purposes. To date the funds have been used as follows:

	$'million
Funds received from non-brokered private placement closed on October 4, 2013	**105**
Advancement of, and pre-development activities at:	
The Kamoa Project	**(19)**
The Kipushi Project	**(16)**
Funds used for regional exploration	**(4)**
Funds used for general corporate purposes	**(11)**
Balance remaining as at December 31, 2013	**55**

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements for the periods under review.

TRANSACTIONS WITH RELATED PARTIES

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 significant shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	2013	2012
	$'000	$'000
Global Mining Management Corporation (a)	**4,150**	3,774
Ivanhoe Capital Aviation LLC (b)	**825**	1,200
Global Mining Services Ltd. (c)	**715**	390
Ivanhoe Capital Services Ltd. (d)	**673**	652
HCF International Advisers (e)	**369**	552
Ivanhoe Capital Pte Ltd (f)	**131**	-
Ivanhoe Capital Corporation (UK) Limited (g)	**139**	569
I2MS.net PTE LTD (h)	-	603
Chinova Resources Pty Ltd (i)	-	60
Turquoise Hill Resources Ltd. (j)	-	45
	7,002	7,845
Salaries and benefits	**5,412**	5,195
Travel	**843**	1,222
Office and administration	**337**	732
Consulting	**410**	696
	7,002	7,845

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, 2013, trade and other payables included $0.2 million (December 31, 2012: $1.0 million) with related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and has a significant shareholder in common therewith. 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) Global Mining Services Ltd. (Mining) is a private company incorporated in Delaware and is 100% owned by Global. Mining provides administration and other services to the Company 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 administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.

(e) HCF International Advisers (HCF) is a corporate finance adviser specialising in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. HCF has a director in common with the Company and provides financial advisory services to the Company.

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

(g) 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.

(h) I2MS.net PTE LTD (I2MS) is a private company 100% owned by Turquoise Hill Resources Ltd. I2MS provides IT services to the Company on a cost-recovery basis. I2MS ceased to be a related party on May 10, 2013, when Turquoise Hill Resources Ltd. no longer had a director or significant shareholder in common with the Company.

(i) Chinova Resources Pty Ltd, formerly Ivanhoe Australia Ltd., and more recently Inova Resources Limited, is an Australian-based resource company which provided consulting and other services to the Company on a cost-recovery basis. Inova Resources Limited had a director in common with the Company until April 19, 2012.

(j) Turquoise Hill Resources Ltd., is a Canadian-based, TSX listed resource company which provides consulting and other services to the Company on a cost-recovery basis. Turquoise Hill Resources Ltd. had a director and a significant shareholder in common with the Company until May 10, 2013.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 to the consolidated financial statements for the year ended December 31, 2013. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during said reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) Impairment Analysis of Assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. 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.

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

Changes in any of the assumptions used to determine impairment testing could materially affect the results of the analysis.

At December 31, 2013, the Company reviewed the carrying value of its assets and recognized an impairment loss of $334.3 million on the Kipushi mineral property, goodwill and related long term loan receivable and advances payable.

(ii) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statements of financial position and their corresponding tax values, generally using the substantively enacted or enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource-related pools and other deductions. A deferred tax asset is only

recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

A deferred tax liability is generally recognized for all taxable temporary differences. The Company recognizes net deferred tax liabilities as it believes it does not control the timing of the reversal of these temporary differences even though management has made the judgment that the reversal is not expected to occur in the foreseeable future.

(iii) Mineral Property and Exploration Costs

All direct costs related to the acquisition of mineral property interests are capitalized by property or project. Exploration costs are charged to operations in the period incurred, until such time as a positive pre-feasibility study of the property has been completed, at which time subsequent costs incurred on the property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, scoping studies, accessible facilities, existing permits and life of mine plans.

(iv) Business Combinations

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. If an acquired set of assets and liabilities includes goodwill, the set of assets and liabilities is presumed to be a business.

(v) Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determine the primary economic environment.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company adopted these standards and they did not have a material impact on its consolidated financial statements, except as discussed below.

- *IFRS 7, Financial Instruments: Disclosures:* IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

- *IFRS 10, Consolidated Financial Statements:* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities.*

- *IFRS 11, Joint Arrangements:* IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

- *IFRS 12, Disclosure of Interests in Other Entities:* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. In general, the application of this resulted in more extensive disclosures in the annual consolidated financial statements, but did not have a material impact on the financial statements.

- *IFRS 13, Fair Value Measurements:* IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. This IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. This resulted in additional disclosures for condensed interim and annual consolidated financial statements.

- *IAS 1, Presentation of Financial Statements:* In June 2011, the IASB issued amendments to IAS 1 that require an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012 and resulted in changes to the presentation of financial statements.

- *IAS 19 – Employee Benefits:* On June 16, 2011 the IASB issued amendments to IAS 19. The amendments were issued to improve the recognition and disclosure requirements for defined benefit plans.

- *IAS 27, Separate Financial Statements:* IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

- *IAS 28, Investments in Associates and Joint Ventures:* IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures.

- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.

Application of new and revised Standards on consolidation, joint arrangements, associates and disclosures

Joint Arrangements

The Company adopted IFRS 11, “Joint Arrangements” effective January 1, 2013. This standard replaces IAS 31, “Interests in Joint Ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers”. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of

the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. In terms of IFRS 11, there are two types of joint arrangements:

(i) *Joint Ventures*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to be when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

(ii) *Joint Operations*

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

Upon the application of IFRS 11, the Company reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Company's investments in joint arrangements. The application of IFRS 11 has changed the classification and subsequent accounting of the Company's investments in each of Rhenfield Limited and the RK1 consortium, which were classified as joint ventures under the previous standard and were accounted for using the equity method. Under IFRS 11, Rhenfield Limited and the RK1 consortium are treated as the Company's joint operations and are accounted for such that each joint operator recognises and measures the assets and liabilities (and the related revenues and expenses) in relation to its interest in the arrangement in accordance with the applicable standards.

The change in accounting of the Company's investment in Rhenfield Limited and the RK1 consortium has been applied in accordance with the relevant transitional provisions. Such a change in accounting has affected the amounts reported in the Company's consolidated financial statements (see the tables below).

Impact on profit (loss) for the period of the application of the above new and revised standards

	2013	2012
	$'000	$'000
Increase in office and administration expenditure	290	209
Decrease in share of losses from joint ventures	(380)	(339)
Loss from operating activities	(90)	(130)
Increase in finance costs	90	130
Loss for the period	-	-
Increase in exchange differences on translation of foreign operations	1,320	99
Decrease in share of other comprehensive (income) loss of joint ventures	(1,320)	(99)
Other comprehensive loss for the period	-	-
Increase (decrease) in profit for the year	-	-
Increase (decrease) in profit for the year attributable to:		
Owners of the Company	-	-
Non-contolling interests	-	-
	-	-

Impact on net assets and equity as at January 1, 2012 of the application of the above new and revised standards

	As at January 1, 2012 as previously reported	IFRS 11 adjustments	As at January 1, 2012 as restated
	$'000	$'000	$'000
Property, plant and equipment	9,329	6,949	16,278
Mineral properties	259,277	-	259,277
Goodwill	75,701	-	75,701
Investment in joint ventures	3,609	(3,609)	-
Long-term loan receivable	7,324	-	7,324
Other assets	248	-	248
Trade and other receivables	5,865	407	6,272
Prepaid expenses	1,118	46	1,164
Short-term deposits	80,039	-	80,039
Cash and cash equivalents	185,787	104	185,891
Total assets	628,297	3,897	632,194
Advances payable to Gécamines	(10,264)	-	(10,264)
Convertible bond	(112,480)	-	(112,480)
Purchase consideration payable	(116,104)	-	(116,104)
Deferred tax liabilities	(77,783)	-	(77,783)
Current borrowings	-	(3,786)	(3,786)
Trade and other payables	(10,283)	(111)	(10,394)
Current tax liabilities	(209)	-	(209)
Total liabilities	(327,123)	(3,897)	(331,020)
Impact on net assets	**301,174**	**-**	**301,174**
Impact on equity	**(301,174)**	**-**	**(301,174)**

Impact on net assets and equity as at December 31, 2012 of the application of the above new and revised standards

	As at December 31, 2012 as previously reported	IFRS 11 adjustments	As at December 31, 2012 as restated
	$'000	$'000	$'000
Property, plant and equipment	16,515	6,991	23,506
Mineral properties	259,277	-	259,277
Goodwill	67,358	-	67,358
Investment in joint ventures	3,608	(3,608)	-
Long-term loan receivable	23,024	-	23,024
Other assets	504	-	504
Trade and other receivables	3,534	11	3,545
Prepaid expenses	9,575	63	9,638
Short-term deposits	80,000	-	80,000
Cash and cash equivalents	259,389	441	259,830
Total assets	722,784	3,898	726,682
Advances payable to Gécamines	(11,238)	-	(11,238)
Deferred tax liabilities	(77,783)	-	(77,783)
Current borrowings	-	(3,873)	(3,873)
Trade and other payables	(19,969)	(25)	(19,994)
Current tax liabilities	(195)	-	(195)
Total liabilities	(109,185)	(3,898)	(113,083)
Impact on net assets	**613,599**	**-**	**613,599**
Impact on equity	**(613,599)**	**-**	**(613,599)**

Accounting standards issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued but were not effective during the year ended December 31, 2013:

- IFRS 7 (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (iii)
- IAS 19 (Amendment): Clarification on the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. (iv)
- IAS 32 (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities. (ii)
- IAS 36 (Amendment): Clarification of the recoverable amount disclosures for nonfinancial assets. (ii)
- IAS 39 (Amendment): Clarification of the novation of derivatives and continuation of hedge accounting. (ii)
- IFRIC 21: Levies. (ii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012. (iv)
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013. (iv)

(i) Effective for annual periods beginning on or after January 1, 2015
(ii) Effective for annual periods beginning on or after January 1, 2014

(iii) The mandatory effective date has been removed from the standard and will be announced when all phases of IFRS 9 have been completed
(iv) Effective for annual periods beginning on or after 1 July 2014

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification	**December 31, 2013**	December 31, 2012
		$'000	$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	**143,789**	259,830
Short-term deposits	Loans and receivables	**80,264**	80,000
Trade and other receivables	Loans and receivables	**5,691**	3,545
Long-term loan receivable	Loans and receivables	**-**	23,024
Financial liabilities			
Trade and other payables	Other liabilities	**34,390**	19,994
Borrowings	Other liabilities	**23,797**	3,873
Advances to Gécamines	Other liabilities	**-**	11,238

IAS 32 - "*Financial Instruments: Presentation*", requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establishes a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore requires an entity to develop its own assumptions.

The Company does not have any assets or liabilities on the statement of financial position which are measured within the fair value hierarchy.

The Company's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, long-term loan receivable, borrowings, advances payable to Gécamines and trade and other payables.

A provision was recognised against the loan receivable in the current year upon completion of the Company's annual assessment of the carrying value of the Kipushi cash generating unit. The advances payable are to be paid from future profits earned in Kipushi. As a result and upon completion of the assessment of the carrying value of the Kipushi cash generating unit, the advances payable at year-end have been deemed as zero.

The fair value of borrowings is determined in accordance with generally accepted pricing models based on discounted cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited is determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%.

The fair value of the Company's remaining financial instruments was estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments.

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 in a timely and effective manner.

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 and liabilities at the respective statement of financial position dates are as follows:

	December 31, 2013	December 31, 2012
	$'000	$'000
Assets		
Canadian dollar	**53,404**	6,700
Australian dollar	**90**	183
South African rand	**14,546**	11,349
British pounds	**521**	78
Liabilities		
Canadian dollar	**(396)**	(105)
Australian dollar	**(230)**	(528)
South African rand	**(2,498)**	(2,411)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% 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.

	2013	2012
	$'000	$'000
Decrease in loss for the period	**3,272**	763

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 trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position 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 long-term loan receivable is due from Gécamines per the Kipushi purchase agreement. The repayment of these loans will be made by offsetting against future royalties and dividends. A provision was recognised against the loan receivable in the current year upon completion of the Company's annual assessment of the carrying value of the Kipushi cash generating unit.

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**
	$'000	$'000	$'000	$'000	**$'000**
As at December 31, 2013					
Trade and other receivables	-	5,691	-	-	**5,691**
	-	5,691	-	-	**5,691**
As at December 31, 2012					
Trade and other receivables	-	3,545	-	-	**3,545**
Long-term loan receivable	-	-	-	23,024	**23,024**
	-	3,545	-	23,024	**26,569**

Liquidity risk

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

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.

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total undiscounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at December 31, 2013					
Trade and other payables	-	34,390	-	-	**34,390**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	29,848	**29,848**
Current borrowings	3,905	-	-	-	**3,905**
As at December 31, 2012					
Trade and other payables	-	19,994	-	-	**19,994**
Current income tax liabilities	195	-	-	-	**195**
Current borrowings	3,873	-	-	-	**3,873**
Advances payable to Gécamines	4,685	-	-	7,997	**12,682**

The advances payable are to be paid from future profits earned in Kipushi. As a result and upon completion of the assessment of the carrying value of the Kipushi cash generating unit, the advances payable at year-end have been deemed as zero.

DESCRIPTION OF CAPITAL STOCK

As at March 28, 2014, the Company's capital structure consists of an unlimited number of Class A common shares without par value (the "**Class A Shares**"), an unlimited number of Class B common shares without par value (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"), an unlimited number of preferred shares without par value, warrants and options. At this date 8,493,120 Class B Shares, 575,964,092 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted 11,520,000 options to certain officers, employees and consultants during 2013 per the amended and restated employees' and directors' equity incentive plan (the Equity Incentive Plan). Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at March 28, 2014, there were 20,075,000 options, from individual stock option agreements exercisable into 20,075,000 Class A Shares and 11,370,000 options issued in terms of the Equity Incentive Plan exercisable into 11,370,000 Class A Shares.

The Company has warrants outstanding to several investors, each of which entitles the holder thereof to purchase equity securities in the capital of the Company. As at March 28, 2014: (i) 6,041,665 certificated warrants, issued on November 17 and 19, 2010, and January 7, 2011, are outstanding, exercisable into 6,645,831 Class B Shares and (ii) 7,900,275 warrants, issued pursuant to a warrant indenture dated November 12, 2009, are outstanding, exercisable into 8,690,302 Class B Shares.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design and operating effectiveness of the Company's DC&P and ICFR as of December 31, 2013 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed and operate to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design and operation of the Company's ICFR as of December 31, 2013 and have concluded that these controls and procedures have been designed and operated effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the year ended December 31, 2013, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

The risk factors are discussed in the Company's Annual Information Form filed with Canadian provincial regulatory authorities and available at www.sedar.com.

DISCLOSURE OF TECHNICAL INFORMATION

Disclosures of a scientific or technical nature in this MD&A has been reviewed and approved by Stephen Torr, who is considered, by virtue of his education, experience and professional association, a Qualified Person under the terms of NI 43-101. Ivanhoe has prepared a NI 43-101 compliant technical report for each of the Kamoa Project, the Platreef Project and the Kipushi Project, which are available under the Company's SEDAR profile at www.sedar.com. These technical reports include relevant information regarding the effective date and the assumptions, parameters and methods of the mineral resource estimates on the Kamoa Project and Platreef Project cited in this MD&A, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this MD&A in respect of the Kamoa Project, Platreef Project and Kipushi Project. The Development Study being undertaken at the Kamoa Project will be prepared to a pre-feasibility level of confidence as defined by NI 43-101.