

Consolidated financial statements of

Ivanhoe Mines Ltd.

December 31, 2021
(Stated in U.S. dollars)

Ivanhoe Mines Ltd.

Management's responsibility for financial reporting

The accompanying annual consolidated financial statements of Ivanhoe Mines Ltd. (the "Company") have been prepared by management and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management acknowledges its responsibility for the preparation and presentation of the annual consolidated financial statements, which includes designing and implementing internal controls to provide reasonable assurance of the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. 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.

The Board of Directors approves the consolidated financial statements and ensures that management discharges its financial reporting responsibilities. The Board's review is accomplished principally through the Audit Committee, which is composed of non-executive directors. The Audit Committee meets periodically with management and the auditors to review financial reporting and control matters.

(Signed) Marna Cloete

Marna Cloete,
President

(Signed) David van Heerden

David van Heerden
Chief Financial Officer

March 7, 2022

Ivanhoe Mines Ltd.

December 31, 2021

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Independent auditor's report

To the Shareholders of Ivanhoe Mines Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ivanhoe Mines Ltd. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Accounting for convertible notes issued As disclosed in <i>Note 16: Convertible notes</i> in the consolidated financial statements, the Company concluded a private placement offering of \$575 million on March 17, 2021 of 2.50% convertible senior notes maturing in 2026. Due to the conversion feature the convertible notes have an embedded derivative liability that is measured at fair value with changes in value being recorded in profit or loss, as well as the host loan that is accounted for at amortized cost. The key inputs and assumptions in determining the fair value of the embedded derivative liability at initial recognition and at each reporting period are as follows: - Share price - Credit spread - Volatility; and - Borrowing costs Given that the convertible notes were issued during the current year, greater audit emphasis was required to assess the accounting treatment and disclosure thereof. We considered the accounting for the convertible bonds to be a matter of significance to our audit for the year ended due to the judgment and estimation made by management in determining the fair value of the embedded derivative liability and the magnitude of the convertible notes to the consolidated financial statements.	Our audit procedures in respect of the accounting treatment and the valuation of the embedded derivative liability included the following: - We read the offering memorandum relating to the convertible notes to develop an understanding of the terms and conditions associated with the convertible notes including the different conversion options which the holders have; - We assessed management's classification of the convertible notes as a financial liability in accordance with the principles of IAS 32: Financial Instruments - Presentation. The host liability is accounted for at amortized cost and the embedded derivative liability is accounted for as a financial liability at fair value through profit or loss in accordance with the principles of IFRS 9: Financial Instruments. - We made use of our internal valuation specialists to evaluate the appropriateness of the fair value of the embedded derivative liability at initial recognition on March 17, 2021 and for the year ended December 31, 2021. The fair value as calculated by management's expert is within an acceptable range when compared to the results of our internal valuation specialist; - We recalculated the interest for the period in line with the offering memorandum and compared this to management's calculation with no material differences noted; - We verified the validity of the transaction costs associated with the convertible notes issued and recalculated the apportionment between the embedded derivative liability which is immediately expensed in the statement of comprehensive income versus the portion which is capitalized to the host liability and amortized using the effective interest rate method. No exceptions noted; - We have assessed the presentation and disclosure in terms of IFRS 9: Financial Instruments.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Ivanplats streaming transaction As disclosed in <i>Note 17: Deferred revenue</i> in the consolidated financial statements the Company entered into a gold, platinum and palladium supply streaming arrangement. The agreement was entered into with Orion Mine Finance (“Orion”) and Nomad Royalty Company (“Nomad”), together the “Stream Purchases”, in exchange for an upfront advance payment of \$300 million that is split between a \$200 million gold stream and a \$100 million platinum and palladium (“PGE”) stream. The arrangement is accounted for as a deferred revenue transaction in accordance with IFRS 15: Revenue from Contracts with Customers (IFRS 15), which contains a significant financing component. The deferred revenue will be recognised as revenue in the statement of comprehensive income as the metal credits are delivered to the Stream Purchasers. Revenue is recognised as metal credits are delivered relative to the total expected amount of gold and PGE credits to be delivered over the term of the arrangement. The advance payments are split in tranches and the first tranche for each of the two agreements has been received as at the end of December 2021. This advance payment is recognised as a contract liability (deferred revenue) under IFRS 15. The remaining \$225million will be received upon satisfaction of certain conditions precedent. Key inputs used by management in the model to unwind the deferred revenue in future periods at the intrinsic interest rate disclosed into the statement of comprehensive income are as follows: - Estimated financing rate over life of arrangement; - Remaining life of stream;	Our audit addressed the key audit matter as follows: Through discussions with management, we obtained an understanding of the process they followed to assess the accounting treatment of the transaction. In assessing the accounting treatment of the advance payment, our audit procedures included: - Inspected the signed stream agreement between the Group and Orion and Nomad; - Inspected the indicative term sheets and offtake agreements with future customers to ascertain whether the stream agreement would not contravene the existing contractual arrangements and commitments; and - Made use of our internal accounting expertise to evaluate the appropriateness of the accounting treatment applied by management with reference to IFRS 15. In assessing the reasonableness of the deferred revenue recognised, our audit procedures on management’s calculations included: - We inspected the mineral reserves statement for Ivanplats and concluded that the number of ounces to be delivered into the streams are less than the total number of ounces in the reserves statement, validating that there are sufficient ounces to deliver into the stream; - We agreed the gold and PGE entitlement percentages and the monthly cash amounts to the signed stream agreement without exceptions; and - We assessed the estimated financing rate over the life of the arrangement for compliance with IFRS 15 using independent market information and noted no material inconsistencies. We assessed the presentation and disclosure in the consolidated financial statements against the requirements of IFRS 15.



Key audit matter	How our audit addressed the key audit matter
- Gold and PGE entitlement percentage; - Monthly cash amount; and - Forecasted commodity prices on initial recognition. We considered the deferred revenue to be a matter of most significance to the current year audit of the consolidated financial statements due to the complexities involved in determining the accounting treatment of the transaction and the significant judgments applied by management in the inputs used in the deferred revenue calculation. The classification of the stream transaction as deferred revenue required judgment. Determining the total expected production relating and timing of delivery to the stream requires judgment and impact the intrinsic interest rate at which the financing component is accounted for.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required



to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andries Rossouw.

(signed - PricewaterhouseCoopers Inc.)

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor
Johannesburg, South Africa
March 8, 2022

Ivanhoe Mines Ltd.

Consolidated statements of financial position as at December 31, 2021

(Stated in U.S. dollars)

	Notes	December 31, 2021 \$'000	December 31, 2020 \$'000
ASSETS			
Non-current assets			
Investment in joint venture	4	1,641,795	1,289,512
Property, plant and equipment	5	468,272	450,696
Mineral properties	6	264,995	264,438
Deferred tax asset	12	73,162	403
Loans receivable	7	41,768	40,784
Promissory note receivable	8	26,717	23,519
Right-of-use asset	9	9,033	9,992
Other assets	10	3,925	4,704
Investments	11	1,799	2,065
Total non-current assets		2,531,466	2,086,113
Current assets			
Cash and cash equivalents	13	608,176	262,825
Loans receivable	7	61,710	56,556
Other receivables	14	10,695	6,432
Prepaid expenses	15	4,948	3,904
Consumable stores		995	1,017
Current tax assets		216	244
Total current assets		686,740	330,978
Total assets		3,218,206	2,417,091
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	2,316,293	2,302,197
Share option reserve	22	141,099	131,823
Foreign currency translation reserve	23	(62,508)	(37,056)
Accumulated profit		98,937	43,695
Equity attributable to owners of the Company		2,493,821	2,440,659
Non-controlling interests	24	(116,824)	(104,176)
Total equity		2,376,997	2,336,483
Non-current liabilities			
Convertible notes - host liability	16	434,381	—
Convertible notes - embedded derivative liability	16	244,200	—
Deferred revenue	17	69,562	—
Borrowings	18	38,342	36,197
Lease liability	9	11,241	11,554
Cash settled share-based payment liability	19	8,292	4,624
Advances payable	20	2,908	2,788
Rehabilitation provision		327	336
Deferred tax liability	12	—	2,082
Total non-current liabilities		809,253	57,581
Current liabilities			
Trade and other payables	21	26,799	22,677
Convertible notes - host liability	16	3,033	—
Cash settled share-based payment liability	19	1,395	—
Lease liability	9	729	350
Total current liabilities		31,956	23,027
Total liabilities		841,209	80,608
Total equity and liabilities		3,218,206	2,417,091
Continuing operations (Note 1)			
Commitments and contingencies (Note 35)			

(Signed) Peter Meredith

Peter Meredith, Director

(Signed) William Hayden

William Hayden, Director

Ivanhoe Mines Ltd.

Consolidated statements of comprehensive income for the year ended December 31, 2021

(Stated in U.S. dollars)

	Notes	December 31, 2021 \$'000	December 31, 2020 \$'000
Operating income (expenses)			
Share of profit (loss) from joint venture	4	105,742	(26,799)
Exploration and project evaluation expenditure	6	(52,171)	(44,724)
Share-based payments	25	(20,002)	(16,931)
Salaries and benefits		(16,070)	(17,878)
Other expenditure		(8,105)	(6,841)
Travel costs		(6,971)	(5,325)
Professional fees		(4,110)	(1,733)
Legal fees		(3,282)	(980)
Foreign exchange gain (loss)		65	(564)
Loss from operating activities		(4,904)	(121,775)
Finance income	27	102,290	80,755
Other income	28	3,500	4,361
Loss on fair valuation of embedded derivative liability	16	(93,700)	—
Finance costs	26	(32,891)	(1,703)
Transaction costs on convertible notes offering	16	(3,651)	—
(Loss) gain on fair valuation of financial asset	11(i)	(266)	270
Loss before income taxes		(29,622)	(38,092)
Income tax recovery (expense)			
Current tax	12	(107)	(251)
Deferred tax	12	75,041	(249)
		74,934	(500)
Profit (loss) for the year		45,312	(38,592)
Profit (loss) attributable to:			
Owners of the Company		55,242	(19,877)
Non-controlling interests		(9,930)	(18,715)
		45,312	(38,592)
Other comprehensive loss			
Items that may subsequently be reclassified to profit (loss):			
Exchange loss on translation of foreign operations		(28,170)	(6,894)
Other comprehensive loss for the period, net of tax		(28,170)	(6,894)
Total comprehensive income (loss) for the year		17,142	(45,486)
Total comprehensive income (loss) attributable to:			
Owners of the Company		29,790	(26,076)
Non-controlling interests	24	(12,648)	(19,410)
		17,142	(45,486)
Basic profit (loss) per share	29	0.05	(0.02)
Diluted profit (loss) per share	29	0.05	(0.02)

Ivanhoe Mines Ltd.

Consolidated statements of changes in equity for the year ended December 31, 2021

(Stated in U.S. dollars)

	Share capital		Share option reserve	Foreign currency translation reserve	Accumulated profit	Equity attributable to owners	Non- controlling interests	Total
	Number of shares	Amount \$'000						
Balance at January 1, 2020	1,196,109,399	2,286,562	128,531	(30,857)	63,572	2,447,808	(84,954)	2,362,854
Net loss for the year	—	—	—	—	(19,877)	(19,877)	(18,715)	(38,592)
Other comprehensive loss	—	—	—	(6,199)	—	(6,199)	(695)	(6,894)
Total comprehensive loss	—	—	—	(6,199)	(19,877)	(26,076)	(19,410)	(45,486)
<i>Transactions with owners</i>								
Recognition of non-controlling interests in subsidiaries	—	—	—	—	—	—	188	188
Shares issued (Note 22(a))	1,000,000	2,023	—	—	—	2,023	—	2,023
Share-based payments charged to operations (Note 25)	—	—	14,278	—	—	14,278	—	14,278
Restricted share units vested (Note 22(c))	2,722,167	4,139	(4,139)	—	—	—	—	—
Deferred share units settled (Note 22(d))	21,674	116	—	—	—	116	—	116
Bonus shares issued (Note 22(e))	47,528	216	—	—	—	216	—	216
Options exercised (Note 22(b))	5,993,350	9,141	(6,847)	—	—	2,294	—	2,294
Balance at December 31, 2020	1,205,894,118	2,302,197	131,823	(37,056)	43,695	2,440,659	(104,176)	2,336,483
Net profit (loss) for the year	—	—	—	—	55,242	55,242	(9,930)	45,312
Other comprehensive loss	—	—	—	(25,452)	—	(25,452)	(2,718)	(28,170)
Total comprehensive income (loss)	—	—	—	(25,452)	55,242	29,790	(12,648)	17,142
<i>Transactions with owners</i>								
Share-based payments charged to operations (Note 25)	—	—	16,249	—	—	16,249	—	16,249
Restricted share units vested (Note 22(c))	1,216,071	4,025	(4,025)	—	—	—	—	—
Deferred share units settled (Note 22(d))	21,530	168	—	—	—	168	—	168
Bonus shares issued (Note 22(e))	66,336	496	—	—	—	496	—	496
Options exercised (Note 22(b))	2,467,346	9,407	(2,948)	—	—	6,459	—	6,459
Balance at December 31, 2021	1,209,665,401	2,316,293	141,099	(62,508)	98,937	2,493,821	(116,824)	2,376,997

Ivanhoe Mines Ltd.

Consolidated statements of cash flows for the year ended December 31, 2021

(Stated in U.S. dollars)

	Notes	December 31, 2021 \$'000	December 31, 2020 \$'000
Cash flows from operating activities			
Loss before income taxes		(29,622)	(38,092)
Items not involving cash			
Share of (profit) loss from joint venture	4	(105,742)	26,799
Finance income	27	(102,290)	(80,755)
Loss on fair valuation of embedded derivative liability	16	93,700	—
Finance costs	26	32,891	1,703
Share-based payments	25	20,002	15,390
Depreciation		8,696	7,862
Transfer from other assets to working capital items		935	218
Depreciation on right-of-use asset	9	894	492
Loss on disposal of property, plant and equipment		454	71
Unrealized foreign exchange loss		261	191
Decrease (increase) in fair valuation of financial asset	11(i)	266	(270)
Other taxes		3	3
Deferred share units settled		—	116
Expected credit loss provision		—	720
		(79,552)	(65,552)
Proceeds from streaming transaction (net of transaction costs)	17	69,562	—
Interest received	27	2,259	4,570
Change in working capital items	32	811	734
Interest paid		(96)	(91)
Income taxes paid		(74)	(130)
Net cash used in operating activities		(7,090)	(60,469)
Cash flows from investing activities			
Loan advanced to joint venture		(152,652)	(333,317)
Property, plant and equipment acquired		(52,044)	(41,878)
Cash paid on behalf of joint venturer	8	(3,198)	(6,734)
Other assets acquired		(410)	(295)
Purchase of exploration licences	6	(557)	(114)
Proceeds from sale of property, plant and equipment		280	2,104
Advancement of loans receivable	7	—	(75)
Net cash used in investing activities		(208,581)	(380,309)
Cash flows from financing activities			
Proceeds from issuance of convertible bonds (net of transaction costs)	16	564,531	—
Options exercised		6,459	2,294
Settlement of coupon interest on convertible bonds	16	(8,306)	—
Principal portion of lease liability repaid		(716)	(863)
Deferred share units settled in cash		—	(297)
Net cash generated from financing activities		561,968	1,134
Effect of foreign exchange rate changes on cash		(946)	(341)
Net cash inflow (outflow)		345,351	(439,985)
Cash and cash equivalents, beginning of year		262,825	702,810
Cash and cash equivalents, end of year		608,176	262,825

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

1. Basis of presentation and going concern assumption

Ivanhoe Mines Ltd. is a mining, development and exploration company incorporated in Canada which, together with its subsidiaries and joint venture (collectively referred to as the Company), is focused on the exploration, development and recovery of minerals and precious metals from its property interests located primarily in Africa.

The registered and records office of the Company is located at Suite 606-999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1. The Company is listed on the Toronto Stock Exchange ("TSX") under the ticker symbol IVN. The shares of the Company are also traded on the OTCQX Best Market in the United States of America under the symbol IVPAF.

These consolidated financial statements have been prepared on the historical cost basis with the exception of certain financial instruments and share-based payments which are measured at fair value. 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 COVID-19 pandemic has impacted on the global economy and is expected to continue to do so. In response to the government-imposed travel restrictions and emergency protocols introduced worldwide, and specifically in the DRC and South Africa, strict quarantine and lock-down procedures were implemented at the Kamo-a-Kakula, Platreef and Kipushi projects to prevent the virus from spreading to the mine sites. Apart from this, there has been no significant impact on the Company's operations and limited direct impact is expected in the foreseeable future. The impact of COVID-19 was taken into consideration when assessing the carrying amounts of assets and liabilities and has not had any material impact on the results for the year.

The Company has an accumulated profit of \$98.9 million at December 31, 2021 (December 31, 2020: \$43.7 million). As at December 31, 2021, the Company's total assets exceeds its total liabilities by \$2,377.0 million (December 31, 2020: \$2,336.5 million) and current assets exceeds current liabilities by \$654.8 million (December 31, 2020: \$308.0 million).

2. Significant accounting policies

The significant accounting policies used in these consolidated financial statements have been consistently applied to all years presented, unless otherwise stated, and are as follows:

(a) Statement of compliance

The Company's consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting year ended December 31, 2021. The Company has not adopted any new or amended standards which are not yet effective.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Ivanhoe Mines Ltd. and the entities it controls (its subsidiaries).

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.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

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 investees 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 indicate 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 income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive profit and 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 align their accounting policies 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 Company accounts for a change in the Company's share of comprehensive loss of the joint venture in the consolidated statement of comprehensive income. 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. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

When the Company ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(c) *Significant accounting estimates and judgments*

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

Recoverability of assets

Property, plant and equipment, including capitalized development costs 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.

In assessing whether an impairment is required, the carrying value of the asset or cash generating unit ("CGU") is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use. 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.

The Company assesses whether an impairment is required on loan receivables. The loan to HPX (see Note 7(i)) (including the principal amount of the loan and accrued interest) is convertible in whole, or in part, by Ivanhoe at its sole discretion into shares of treasury common stock of HPX. Repayment of the Social development loan (see Note 7(ii)) will be made by offsetting the loan against future royalties and dividends payable to Gécamines from future profits earned at Kipushi.

Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the fair value less costs of disposal for each CGU is estimated based on discounted future estimated cash flows that are expected to be generated from the continued use of the CGUs. They are estimated using market consensus-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including any expansion projects, and its eventual disposal, based on the CGU development plans and latest technical reports. These cash flows were discounted using a discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

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 impaired to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

Recoverability of assets (continued)

The Company has concluded that there is no impairment required to any of its projects. Significant judgments and assumptions are required in making estimates of determining the recoverable amount (fair value less cost of disposal). 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 factors considered by the Company included the following:

- The Platreef discounted cash flow model at the end of the year portrays positive results and there are no indications of impairment. Assumptions made in determining the recoverable amount included, but were not limited to, the following:
 - Life of mine of 28 years;
 - Price forecasts of \$1,050/oz Platinum, \$1,400/oz Palladium, \$1,560/oz Gold, \$5,000/oz Rhodium, \$7.30/lb Nickel, and \$3.10/lb Copper
 - Real discount rate of 8%.
- The Kamoakakula discounted cash flow model at the end of the year portrays very positive results and there are no indications of impairment. Assumptions made in determining the recoverable amount included, but were not limited to, the following:
 - Life of mine of 37 years;
 - Copper price of \$3.10/lb;
 - Real discount rate of 8%.
- The net present value (NPV) of the Kipushi project exceeds the carrying value of its assets. Assumptions made in determining the recoverable amount included, but were not limited to, the following:
 - Life of mine of 14 years;
 - Zinc price of \$1.10/lb;
 - Real discount rate of 8%.
 - Production levels; and
 - Capital and operating costs assumptions.

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, and is limited to 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 income.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

Determination of functional currency

The Company has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and determined that the Company's functional currency is the U.S. dollar. Factors considered in making this determination include:

- The currency that primarily influences the costs of labour, materials and other costs incurred in development of the Company's projects is the U.S. dollar.
- The vast majority of funding provided by Ivanhoe Mines Ltd. to the project companies (including the Kamoa Holding joint venture) to fund the development activities is denominated in U.S. dollar. The repayment of this funding is anticipated to also be in U.S. dollar when the loans are repaid.
- The majority of the funding and cash that is used to develop the Company's projects is held in U.S. dollars and only converted to other currencies if required to be utilized for a specific reason in that particular other currency.
- Although the Company does not yet sell the output that will be produced at its projects, the currency in which the future selling prices are to be determined is the U.S. dollar.
- Although the project companies do not yet remit any funds to the Company, it is anticipated that any such remittance in future periods, in whichever form, will be denominated in U.S. dollar.

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

Technical feasibility and commercial viability of projects

In determining whether an exploration and evaluation property is technically feasible and commercially viable, the Company considers the following elements:

- a technical analysis of the basic geology of the project;
- a mine plan for accessing and exploiting the ore body;
- a process flow sheet for processing the ore generated from mining;
- projections as to the capital cost of constructing the project;
- projections as to the cost of operating the project in accordance with the mine plan;
- projections as to revenues from the concentrate or other mineral product to be generated from operations in accordance with the mine plan; and
- an economic analysis of the project based on the projected capital and operating costs and production revenues.

Classification of Kamoa Holding Limited as a joint venture

- Kamoa Holding Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Kamoa Holding Limited is classified as a joint venture of the Company. See Note 4 for details.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

Determination of inputs into lease accounting

- Lease payments should be discounted using the interest rate implicit in the lease unless that rate cannot be readily determined, in which case the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company has used the risk-free interest rate adjusted for credit risk specific to the lease.
- In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For the rented surface infrastructure (Kipushi), the lease term is the life of mine and therefore the Company reasonably assessed that the lease will not be extended beyond or terminated before the end of that period. For the office buildings the lease cannot be reasonably certain to be extended as the contract has already been extended to July 31, 2024, beyond which there is no certainty of further extension. The lease term for the office building is the length of the contract.

Provisionally priced revenue and remeasurement of contract receivables

Sales in the Kamoa Holding Limited joint venture are provisionally priced at the average market price on the date that the products are delivered to the buyers at the Kamoa-Kakula mine concentrate warehouse or the demarcated holding area at the Lualaba Copper Smelter premises. Revenue from the contract receivables is recognized for all the sales during the period at the average market price for the month in which the sales occurred. Revenue from contract receivables are remeasured with reference to the forward market price at each reporting date and the remeasurement of contract receivables is recognized as revenue in the statement of comprehensive income of the Kamoa Holding Limited joint venture.

Valuation of embedded derivative liability

The Company has used the following key inputs and estimates to determine the fair value of the embedded derivative liability at initial recognition and at the end of the year:

	March 17, 2021	December 31, 2021
Share price	C\$7.00	C\$10.32
Credit spread	630 basis points	356 basis points
Volatility	42%	40%
Borrowing cost	50 basis points	25 basis points

Deferred revenue

The advance payments received under the stream financing agreements (see Note 17) have been accounted for as contract liabilities within the scope of IFRS 15. Under the terms of the agreements, settlement of the contracts will be executed via the delivery of credits to the purchasers. The credits to be delivered are directly linked to the metal contained in concentrate produced at the Platreef mine. The contracts are therefore not financial instruments as the contracts will not be settled in cash or another financial instrument.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

Deferred revenue (continued)

Performance obligations under the contracts will be satisfied through production at the Platreef mine and revenue will be recognized over the duration of the contracts. As the contracts are long term in nature and a portion of the financing was received at inception of the contracts, it has been determined that the contracts contain a significant financing component under IFRS 15.

Deferred tax

Significant judgment is required in determining the deferred tax asset related to the Platreef Project. This includes the probability that there will be sufficient taxable income in the future against which the deferred tax can be utilized. The Company recognized the previously unrecognized deferred tax asset relating to the Platreef Project in the year ended December 31, 2021. Due to the conclusion of the stream-financing agreements and the announcement of the exceptional results of the independent 2022 Feasibility Study, the Company considers it highly probable that the Platreef Project will have future taxable profits that will be available against which the deductible temporary differences can be utilized (see Note 12).

(d) Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of 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.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and the other comprehensive income of the joint venture.

When the Company's share of losses of the joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that in substance form part of the Company's net investment in the joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

When a group entity transacts with a joint venture of the Company, profits and losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(e) *Property, plant and equipment*

All property, plant and equipment are recorded at historical cost net of accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying value or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Company and the cost can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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 to its residual value over their estimated useful life. 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 expected lives applicable to each category of fixed assets are as follows:

• Buildings	5 to 20 years
• Office equipment	3 to 8 years
• Motor vehicles	5 to 7 years
• Plant and equipment	3 to 7 years
• Aircraft	8 years
• Mining Infrastructure	20 to 30 years

Freehold land is not depreciated.

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.

Assets in the course of construction for production, supply or administrative purposes, including development costs, 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 assets are initially categorized in the assets under construction category, and re-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.

(f) *Mineral properties and exploration expenditure*

Direct historical costs related to the acquisition of mineral properties are capitalized on a property by property basis. 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 recoverable amount.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(f) *Mineral properties and exploration expenditure (continued)*

Amortization of mineral properties will commence when commercial production starts. Mineral properties will be amortized over the expected life of mine.

Exploration costs are charged to operations in the period incurred, until such time as the Company determines that a property is technically feasible and commercially viable, whereafter those determined to be development costs are capitalized as property, plant and equipment. In making this determination the Company considers whether a proposed project is capable of being developed at a sufficient return to justify the capital and managerial resources that must be committed to the project. The determination is made on a property by property basis and generally coincides with the finalization of a preliminary economic assessment or pre-feasibility study of the property. Development costs are capitalized 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 capitalized to the extent that they are necessary to bring the property to commercial production.

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.

(g) *Long-term loans receivable*

Long-term loans receivable have been recognized on the date that the Company is contractually entitled to receive the associated cash flows. The long-term loans receivable will be derecognized when the rights to receive cash flows associated with the receivables have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the long-term loans receivable have been measured at fair value, with associated transaction costs being expensed in the statement of comprehensive income and are subsequently measured at amortized cost.

(h) *Leases*

IFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company leases various land, offices, equipment and vehicles.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on the terms contained in the applicable contract or on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(h) Leases (continued)

Right-of-use assets

Right-of-use assets are initially measured at:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

After the lease has commenced the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Company shall use their incremental borrowing rate.

The Company has used its incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The initial measurement of the lease liability includes:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another Standard.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate);
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate); or
- lease modifications (unless they are to be treated as separate leases).

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(h) Leases (continued)

The re-measurements are treated as adjustments to the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The finance cost is included as interest paid in the operating activities section of the consolidated statement of cash flows.

Practical expedients not relied on:

- Election by class of underlying asset, not to separate non-lease components from lease components and instead account for all components as a lease.
- Re-assessment whether a contract is, or contains, a lease at the date of initial application.
- Applying IFRS 16 to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects on the financial statements would not differ materially from applying IFRS 16 to the individual leases within that portfolio.

Recognition exemptions

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment and office furniture.

(i) Promissory note receivable

The Company became party to a non-interest-bearing, 10 year promissory note receivable as the purchase consideration for selling 1% of its share in Kamo Holding Limited (see Note 4).

The promissory note receivable was recognized when the Company became contractually entitled to receive the cash flows associated with it and was initially measured at fair value with associated transaction costs being expensed in the statement of comprehensive income. The promissory note receivable is subsequently measured at amortized cost.

(j) Other assets

Other assets represent prepayments for non-current assets and deposits of the Company. Other assets are cash paid for which the related asset, service or benefit is expected to be received more than 12 months from the end of the reporting period.

(k) Investments

The Company holds investments in equity instruments of listed and unlisted companies (see Note 11) and measures these investments initially at cost and subsequently at fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of investments carried at fair value through profit or loss are expensed in the statement of comprehensive income.

The classification depends on the Company's business model for managing the investments and the contractual terms of the cash flows. These investments are not held for trading. Purchases and subsequent sales of these equity investments are recognized on trade date, being the date on which the Company commits to purchase or sell these equity instruments.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(k) Investments (continued)

The investments are derecognized when the rights to receive the cash flows associated with the equity instruments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Investments in listed shares are subsequently measured at fair value through profit and loss with reference to the prevailing share prices at the end of each reporting period. Gains and losses on the equity instruments are recognized in profit or loss.

Investments in unlisted shares are subsequently measured at fair value through profit and loss.

(l) Financial instruments: Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.
- Fair value through OCI (FVTOCI): Assets that are held for collection of contractual cash flows and for resale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(l) *Financial instruments: Financial assets (continued)*

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables

(m) *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 income 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 or loss nor the accounting profit or loss.

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.

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.

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December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(m) *Taxation (continued)*

Deferred tax (continued)

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

The Company recognized the previously unrecognized deferred tax asset relating to the Platreef Project in the year ended December 31, 2021. Due to the conclusion of the stream-financing agreements and the announcement of the exceptional results of the independent 2022 Feasibility Study, the Company considers it highly probable that the Platreef Project will have future taxable profits that will be available against which the deductible temporary differences can be utilized (see Note 12).

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized 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.

(n) *Cash and cash equivalents*

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

(o) *Prepaid expenses and deposits*

Prepaid expenses is cash paid for which a service or benefit is expected to be derived in the future. The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. Prepaid expenses specific to a particular period will be expensed when the period arrives and the costs will be treated as a period cost for that period. Prepaid costs for an extended period of time are normally written off equally during the period in which the benefit will be derived.

Prepaid expenses are generally classified as current assets unless a portion of the prepayment covers a period longer than twelve months or the prepayment relates to a non-current asset to be received in the future. When payments may be accounted for as prepaid expenses but the payment will be amortized within the current period and is not considered material to the presentation of financial position, such payments may be expensed in the month the payment is made.

(p) *Other receivables*

Other receivables represent accounts receivable, including those receivable from the joint venture as well as indirect taxes refundable from governments. Other receivables are initially recognized at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. Other receivables are subsequently measured at amortized cost less any loss allowances.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(q) *Consumable stores*

Consumable stores are stated at the lower of cost and net realisable value. The costs of consumable items are determined using weighted average cost of the items purchased. Costs of purchased items are determined after deducting rebates and discounts.

(r) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting its liabilities. Equity instruments, which include share capital, are recorded at the proceeds received, net of direct issue costs.

(s) *Financial instruments: Financial liabilities*

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

(t) *Borrowings*

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) *Advances payable*

Advances payable represents an unsecured and interest bearing loan payable by the Company. Advances payable have been initially recognized at fair value, net of transaction costs incurred. The Company has designated this financial liability as an other liability and subsequently measures the advances payable at amortized cost.

Interest incurred on the advances payable is recognized as finance costs in the statement of comprehensive income.

The Company has classified the advances payable as a non-current liability as the advances are only contractually repayable once the Kipushi project has generated a profit as defined in the contract. The generation of profit at Kipushi is only expected to occur more than 12 months after the reporting period.

(v) *Rehabilitation provision*

The Company recognizes provisions 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 provision for rehabilitation is recognized at its fair value in the period in which it is incurred.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(v) *Rehabilitation provision (continued)*

Upon initial recognition of the provision, 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 rehabilitation provision, the carrying amount of the provision 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.

(w) *Trade and other payables*

Trade and other payables is comprised of accounts payable, accrued liabilities and salary related liabilities of the Company for goods and services provided to the Company prior to the end of the reporting period which are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition and are therefore classified as current liabilities.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest rate method.

(x) *Short-term employee obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in trade and other payables in the balance sheet.

(y) *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; 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 loss and accumulated in equity (attributed to non-controlling interests as appropriate).

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(y) *Foreign currencies (continued)*

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.

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.

(z) *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 share options 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. Share 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.

The share-based payment expense relating to the B-BBEE transaction described in Note 25, was determined by using a Monte Carlo simulation of the underlying share, together with its dividends, to estimate the closing share price at vesting date, as well as the remaining funding balance. Cash settled share-based payments are remeasured at each reporting period.

Restricted share units are equity settled share-based payments and are valued using the fair value of a common share at time of grant and are recorded in profit and loss over their vesting periods.

(aa) *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 incurred.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(bb) Profit or loss per share

The basic profit or loss per share is computed by dividing the profit or loss attributable to the owners of the Company from continuing operations and discontinued operations by the weighted average number of common shares outstanding during the year. The diluted profit or loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and restricted share units, in the weighted average number of common shares outstanding during the year, if dilutive.

(cc) 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. The Company has one joint operation, as described in Note 30.

When a group entity undertakes its activities under joint operations, the Company as a joint operator recognizes in relation to its interest in the 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 Company 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 Company'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 Company does not recognize its share of the gains and losses until it resells those assets to a third party.

(dd) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Company's executive management team has been identified as the chief operating decision-makers, and are responsible for allocating resources and assessing performance of the operating segments.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(ee) *Related parties*

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individual or corporate entities.

(ff) *Convertible notes*

The convertible notes comprise a host loan and an embedded derivative liability. The embedded derivative liability arises from the election right of the Company to settle the notes in cash, shares or a combination thereof.

On initial recognition of the convertible notes, the embedded derivative liability was calculated first with the residual value being assigned to the host loan. The host loan is subsequently measured at amortized cost whereas the embedded derivative liability is measured at fair value with changes being recorded in profit or loss.

Transaction costs were apportioned to the host loan and the embedded derivative liability. The portion of the transaction costs attributable to the embedded derivative liability was expensed in the consolidated statements of comprehensive income whereas the transaction costs attributable to the host loan are added to the carrying amount and amortized as part of the effective interest rate.

Interest on the host loan is calculated using the effective interest rate method. The effective interest rate for the host loan is 9.39% which is the rate that is required to discount the contractual cash flows back to the carrying amount, after adjusting for the transaction costs.

The fair value of the embedded derivative liability is obtained from an independent third party financial institution who uses the following key inputs and assumptions at the end of each reporting period:

- Credit spread
- Borrowing costs
- Volatility
- The prevailing price of the Company's shares

(gg) *Deferred revenue*

Deferred revenue of the Company represents advance sales under gold and platinum and palladium streaming agreements and is recognized as a contract liability under IFRS 15. The deferred revenue is recognized at fair value, net of transaction costs as there is reasonable assurance that the Company will comply with the conditions associated with the stream agreements. The Company will recognize a financing component relating to the difference in the timing of the deferred revenue received and the delivery of the metal credits to the Stream Purchasers.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(hh) Revenue

Revenue arises in the Company's Kamoa Holding Limited joint venture through its business of producing copper concentrate and blister copper. Revenue is recognized from the sale of these products when control is transferred to the customer through fulfilment of the contractual performance obligations, which is to deliver the products to the customers.

Delivery occurs, on a free-carrier basis as per INCOTERMS 2020, when the products are loaded onto the customers' trucks at the point of delivery as stipulated in the contract, and after the products have been weighed and assayed. For copper concentrate sales, the point of delivery is the Kamoa-Kakula concentrate warehouse and for blister copper sales, the point of delivery for loading trucks is the demarcated holding area at the Lualaba Copper Smelter. Once delivery has occurred, the control associated with the products will have been transferred to the customer.

Kamoa Holding has concluded that it is the principal in its revenue contracts with customers because it controls the products before it is transferred to the customer.

Contracts with customers for the sale of copper concentrate and blister copper allow for price adjustments based on the market price at the end of the relevant quotation period. These provisional pricing adjustments result in selling prices that are based on the prevailing commodity prices on a specific future date after delivery of the products to customers.

Revenue is measured at the amount of the consideration which Kamoa Holding expects to be entitled to in exchange for those products in terms of the contract and is determined using the quoted market prices of the metals. At the end of a calendar month, all deliveries made during a month are grouped together in a provisional invoice to the customer, and are calculated based on the average quoted market prices over the month of delivery.

At the end of each calendar month, the contract receivables from the customer are remeasured using quoted market forward rates and the remeasurement is recognized as revenue in the statement of comprehensive income.

The contracts with customers require the customers to provide a rolling advance payment facility which can be drawn down every three months at the discretion of the Project. The advance payment facility is set off against the contract receivables from the customer at the end of the reporting period in the statement of financial position.

Kamoa Holding does not expect to have any contracts with customers where the period between the delivery of the products and payment by the customers exceeds 12 months. Consequently, the transaction prices are not adjusted for the time value of money.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

2. Significant accounting policies (continued)

(ii) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended December 31, 2021. The Company has not yet adopted these new and amended standards.

- Amendment to IFRS 3 - Business combinations. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial reporting without changing the accounting requirements for business combinations. (i)

The Company has considered the amendment and assessed that it will have no material impact on adoption.

- Amendment to IFRS 9 – Financial instruments. The amendment clarifies which fees an entity includes when it applies the “10 per cent” test in assessing whether to derecognize a financial liability. (i)

The Company has considered the amendment and assessed that it will have no material impact on adoption.

- Amendment to IAS 1 – Presentation of financial statements. The amendments clarify how to classify debt and other liabilities as current or non-current. Another amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. (ii)

The Company has considered the amendment and assessed that it will have no material impact on adoption.

- Amendment to IAS 16 - Property, plant and equipment. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead an entity recognizes the proceeds from selling such items, and the cost of producing these items, in profit or loss. (i)

The Company has considered the amendment and assessed that it will have no material impact on adoption.

- Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs should be included in an entity’s assessment of whether a contract will be loss making. (i)

The Company has considered the amendment and assessed that it will have no material impact on adoption.

(i) Effective for annual periods beginning on or after January 1, 2022

(ii) Effective for annual periods beginning on or after January 1, 2023

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

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(Stated in U.S. dollars unless otherwise noted)

3. Application of new and revised standards

The following standards became effective for annual periods beginning on or after January 1, 2021. The Company adopted these standards in the current period and they did not have a material impact on its consolidated financial statements unless specifically mentioned below.

- Amendment to IFRS 9, IAS 39 and IFRS 7 – Financial Instruments. These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The Phase 2 amendments are relevant to the Company as the Company has exposure to the variable US dollar London Interbank Overnight Rate (LIBOR) through various financial instruments.

When the contractual terms of the Company's borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Company changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments.

The Company is still assessing its approach to implementing the transition. As at December 31, 2021 no modifications to any of the Company's financial instruments have been made in response to the reform. Negotiations with counterparties on appropriate changes and resetting of rates are expected to continue in the following months. Management expects that the transition will be concluded on an economically equivalent basis.

The following table details the financial instruments as at December 31, 2021, which reference the US LIBOR and which have not yet transitioned to an alternative interest rate benchmark:

	December 31, 2021 \$'000	December 31, 2020 \$'000
Financial assets at amortized cost		
Investment in joint venture – Loan advanced to the joint venture	1,385,535	1,138,992
Loans receivable – Social development loan	41,776	40,792
Financial liabilities at amortized cost		
Borrowings	38,342	36,197
Advances payable	2,908	2,788

- Amendment to IFRS 16 – Leases for COVID-19 related rent concessions. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if there were no lease modifications.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

4. Investment in joint venture

Kamoa Holding Limited ("Kamoa Holding"), a joint venture between the Company and Zijin Mining Group Co., Ltd. ("Zijin"), holds a direct 80% interest in the Kamoa-Kakula Mining Complex ("Kamoa-Kakula"). The Company holds an effective 39.6% interest in the project through its 49.5% shareholding in Kamoa Holding. Zijin holds 49.5% of Kamoa Holding while the remaining 1% share interest is held by privately-owned Crystal River Global Limited ("Crystal River") (see Note 8). Kamoa-Kakula is independently ranked as the world's fourth largest copper deposit by international mining consultant Wood Mackenzie.

The costs associated with mine development at the Kamoa-Kakula's Kansoko and Kakula sites were capitalized as property, plant and equipment in a subsidiary of Kamoa Holding.

Kamoa-Kakula was deemed to have reached production in line with its intended use on July 1, 2021, after achieving a milling rate in excess of 80% of design capacity and recoveries in excess of 70% for a continuous period of seven days. As at December 31, 2021, 105,884 tonnes of copper in concentrate had been produced with 94,655 tonnes of payable copper being sold.

Ivanhoe Mines has pledged to achieve net-zero operational greenhouse gas emissions (Scope 1 and 2) at the Kamoa-Kakula.

Company's share of comprehensive income (loss) from joint venture

The following table summarizes the Company's share of Kamoa Holding's total comprehensive income (loss) for the periods ended December 31, 2021 and December 31, 2020.

	December 31, 2021 \$'000	December 31, 2020 \$'000
Revenue from contract receivables	813,902	—
Remeasurement of contract receivables	17,218	—
Revenue	831,120	—
Cost of sales	(229,516)	—
Gross profit	601,604	—
Finance costs	(150,637)	(79,838)
General and administrative costs	(46,626)	—
Finance income and other	3,044	5,091
Exploration expenses	—	(3,450)
Profit (loss) before taxes	407,385	(78,197)
Current tax expense	(8,289)	(6)
Deferred tax (expense) recovery	(126,026)	16,407
Profit (loss) after taxes	273,070	(61,796)
Non-controlling interest of Kamoa Holding (i)	(59,449)	7,657
Total comprehensive income (loss) for the year	213,621	(54,139)
Company's share of profit (loss) from joint venture (49.5%)	105,742	(26,799)

- (i) The DRC government holds a direct 20% interest in Kamoa-Kakula. A 5%, non-dilutable interest in the project was transferred to the DRC government on September 11, 2012 for no consideration, pursuant to the 2002 DRC mining code. Following the signing of an agreement in November 2016, an additional 15% interest in the project was transferred to the DRC government.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

4. Investment in joint venture (continued)

Net assets of the joint venture

The assets and liabilities of the joint venture were as follows:

	December 31, 2021		December 31, 2020	
	100%	49.5%	100%	49.5%
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	2,000,818	990,405	1,316,708	651,770
Mineral property	802,021	397,000	802,021	397,000
Trade receivables	198,513	98,264	—	—
Long term loan receivable	197,122	97,575	155,815	77,128
Non-current inventory	190,154	94,126	109,516	54,210
Indirect taxes receivable	152,099	75,289	91,862	45,472
Prepaid expenses	127,328	63,027	114,784	56,818
Consumable stores	94,459	46,757	32,883	16,277
Cash and cash equivalents	22,031	10,905	138,805	68,708
Right-of-use asset	21,161	10,475	24,689	12,221
Current inventory	20,978	10,384	—	—
Deferred tax asset	17,904	8,862	143,891	71,226
Non-current deposits	1,689	836	1,689	836
Liabilities				
Shareholder loans	(2,798,282)	(1,385,149)	(2,300,271)	(1,138,634)
Trade and other payables	(219,475)	(108,640)	(131,167)	(64,927)
Equipment finance facility	(72,296)	(35,787)	(57,556)	(28,490)
Rehabilitation provision	(35,742)	(17,692)	(19,916)	(9,858)
Lease liability	(23,287)	(11,527)	(26,318)	(13,027)
Other provisions	(15,681)	(7,762)	(2,365)	(1,171)
Income taxes payable	(8,265)	(4,091)	—	—
Advance payment facility	(5,117)	(2,532)	—	—
Non-controlling interest	(150,436)	(74,465)	(90,987)	(45,039)
Net assets of the joint venture	517,696	256,260	304,083	150,520

Investment in joint venture

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Company's share of net assets of the joint venture	256,260	150,520
Loan advanced to the joint venture	1,385,535	1,138,992
	1,641,795	1,289,512

The Company earns interest at USD 12-month LIBOR plus 7% on the loan advanced to the joint venture (see Note 27). If there is residual cash flow in Kamo Holding, such cash shall be required to be utilized for the repayment of the then outstanding loan amount of each lender, on a pro-rata basis. No repayment is required in the absence of residual cash flow.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

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4. Investment in joint venture (continued)

Commitments in respect of joint venture

The Company is required to fund its Kamoa Holding joint venture in an amount equivalent to its proportionate shareholding interest. The following table summarizes the Company's proportionate share of the joint venture's commitments that is not disclosed in the net assets table above:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Civil construction and supplies	39,360	—	—	—	39,360
Advancement of loan (i)	36,455	—	—	—	36,455
Kakula decline development	21,915	—	—	—	21,915
Engineering, procurement and construction management	12,758	—	—	—	12,758
Site running contracts	8,717	—	—	—	8,717
Logistics and travel	2,402	—	—	—	2,402
Power infrastructure	1,848	—	—	—	1,848
Drilling	1,410	—	—	—	1,410
Mine equipment acquisitions	748	—	—	—	748
Other commitments	17,510	—	—	—	17,510
	143,123	—	—	—	143,123

As at December 31, 2020, the Company's proportionate share of the joint venture's commitments was \$194.5 million.

- (i) On March 21, 2014, a financing agreement was entered into between a subsidiary of Kamoa Holding and La Société Nationale d'Electricité SARL ("SNEL") relating to the first stage upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Kamoa-Kakula Project.

Under the agreement, the subsidiary of Kamoa Holding agreed to provide a loan relating to the power upgrade. The total loan advanced as at December 31, 2021 amounts to \$197.1 million (December 31, 2020: \$155.8 million) comprising of a principal amount of \$176.3 million (December 31, 2020: \$140.1 million) and interest of \$20.8 million (December 31, 2020: \$15.7 million) and is included in the net assets of the joint venture under the heading "Long term loan receivable". The loan is capped at a maximum commitment of \$250 million which, after deducting the loan advanced as at December 31, 2021 of \$176.3 million (December 31, 2020: \$140.1 million), results in a remaining commitment of \$73.7 million. The Company's proportionate share (49.5%) of the remaining maximum commitment amounts to \$36.5 million.

On August 16, 2021, the subsidiary of Kamoa Holding announced an extension of the financing agreement, to upgrade turbine 5 at the existing Inga II hydropower facility on the Congo River. The term for repayment of the principal amount, accrued interest and future costs is estimated to be 25 years, beginning after the expiry of a two year grace period from the signing date of the agreement. The actual repayment period will ultimately depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of 40% of the actual bill as per the loan repayment terms. Interest is earned at a rate of USD 6-month LIBOR + 3%. The Kamoa-Kakula Project has a priority electricity right by which SNEL commits to make available as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the project.

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5. Property, plant and equipment

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Aircraft	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021									
Cost									
Beginning of the year	2,116	15,214	7,505	3,476	43,738	11,091	2,696	395,823	481,659
Additions	—	91	928	1,586	2,146	—	40	47,924	52,715
Borrowing costs capitalized	—	—	—	—	—	—	—	2,162	2,162
Disposals	(117)	(1)	(310)	(77)	(724)	—	—	—	(1,229)
Foreign exchange translation	(162)	(198)	(487)	(66)	(150)	(896)	(221)	(25,797)	(27,977)
End of the year	1,837	15,106	7,636	4,919	45,010	10,195	2,515	420,112	507,330
Accumulated depreciation and impairment									
Beginning of the year	—	2,054	4,906	2,322	20,533	1,053	95	—	30,963
Depreciation	—	535	692	465	7,101	365	192	—	9,350
Disposals	—	—	(195)	(57)	(243)	—	—	—	(495)
Foreign exchange translation	—	(72)	(417)	(33)	(104)	(112)	(22)	—	(760)
End of the year	—	2,517	4,986	2,697	27,287	1,306	265	—	39,058
Carrying value									
Beginning of the year	2,116	13,160	2,599	1,154	23,205	10,038	2,601	395,823	450,696
End of the year	1,837	12,589	2,650	2,222	17,723	8,889	2,250	420,112	468,272

Assets under construction includes development costs capitalized as property, plant and equipment which are costs incurred to obtain access and to provide facilities for extracting, treating, gathering, transporting and storing the minerals. Costs incurred at the Platreef Project are deemed necessary to bring the Project to commercial production and are therefore capitalized. Until December 31, 2019, costs incurred at the Kipushi Project were also deemed necessary to bring the project to commercial production and were therefore capitalized. Since Q1 2020, the Kipushi Project was on reduced activities and incurred limited costs of a capital nature, therefore all costs since January 1, 2020 have been expensed as "Exploration and project evaluation expenditure" on the statements of comprehensive income (see Note 6).

Borrowing costs capitalized includes the finance costs and the low interest loan accretion on the loan payable to ITC Platinum Development Limited (see Note 18 (i)).

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5. Property, plant and equipment (continued)

Assets pledged as security

Buildings with a carrying amount of \$9.5 million (2020: \$9.7 million) have been pledged to secure borrowings of the Company (see Note 18 (ii)). 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.

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Aircraft	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2020									
Cost									
Beginning of the year	2,217	13,561	7,040	3,486	34,095	5,774	—	377,912	444,085
Additions	—	199	726	36	339	4,969	2,402	35,738	44,409
Borrowing costs capitalized	—	—	—	—	—	—	—	2,154	2,154
Disposals	—	(1)	(257)	(524)	(60)	—	—	(1,578)	(2,420)
Transfers	—	1,166	120	524	9,400	—	—	(11,210)	—
Foreign exchange translation	(101)	289	(124)	(46)	(36)	348	294	(7,193)	(6,569)
End of the year	2,116	15,214	7,505	3,476	43,738	11,091	2,696	395,823	481,659
Accumulated depreciation and impairment									
Beginning of the year	—	1,610	4,501	2,019	13,962	850	—	—	22,942
Depreciation	—	426	664	331	6,642	215	86	—	8,364
Disposals	—	(1)	(178)	(11)	(54)	—	—	—	(244)
Foreign exchange translation	—	19	(81)	(17)	(17)	(12)	9	—	(99)
End of the year	—	2,054	4,906	2,322	20,533	1,053	95	—	30,963
Carrying value									
Beginning of the year	2,217	11,951	2,539	1,467	20,133	4,924	—	377,912	421,143
End of the year	2,116	13,160	2,599	1,154	23,205	10,038	2,601	395,823	450,696

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6. Mineral properties and exploration and project evaluation expenditure

Mineral properties

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

	December 31, 2021 \$'000	December 31, 2020 \$'000
Platreef property, South Africa (a)	6,940	6,940
Kipushi Properties, Democratic Republic of Congo (b)	252,337	252,337
Other properties (c)	5,718	5,161
	264,995	264,438

Costs directly related to the acquisition of mineral properties are capitalized as mineral properties on a property by property basis, whereas development costs are capitalized 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 costs are capitalized to the extent that they are necessary to bring the property to commercial production.

(a) Platreef property

Construction of the planned Platreef mine is underway on the Company's discovery of palladium, platinum, rhodium, nickel, copper and gold on the Northern Limb of South Africa's Bushveld Igneous Complex approximately 8 km from Mokopane and 280 km northeast of Johannesburg, South Africa.

In November 2014 the mining right for the development and operation of the Company's Platreef mining project was executed. The mining right authorizes the Company to mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome at its Platreef discovery. The mining right was issued for an initial period of 30 years and may be renewed for further periods, each of which may not exceed 30 years at a time, in accordance with the terms of section 24 of the Mineral and Petroleum Resources Development Act of South Africa.

In November 2020, the Company announced the positive findings of an independent Platreef Integrated Development Plan 2020 for the tier one Platreef palladium, platinum, rhodium, nickel, copper and gold project in South Africa which consists of an updated feasibility study and a preliminary economic assessment.

A Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation holds an effective 10% interest in the Platreef Project. The Company transferred an additional 26% of Platreef to a broad-based black economic empowerment (B-BBEE) special purpose vehicle in compliance with South African ownership requirements.

(b) Kipushi properties

The Kipushi Project is a past-producing, high-grade underground copper-zinc-germanium-silver-lead mine in the Central African Copperbelt, in Haut-Katanga Province, Democratic Republic of Congo ("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 ("Gécamines") own 68% and 32% of the Kipushi Project respectively, through their holdings in Kipushi Corporation SA ("Kipushi"), the mining rights holder.

Ivanhoe Mines' interest in Kipushi was acquired in November 2011 and comprises mining rights for zinc, copper and cobalt as well as the underground workings and related infrastructure, inclusive of a series of vertical mine shafts.

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6. Mineral properties and exploration and project evaluation expenditure (continued)

Mineral properties (continued)

(b) Kipushi properties (continued)

Costs incurred at the Kipushi Project subsequent to the finalization of its PFS in December 2017, have been capitalized as property, plant and equipment until December 31, 2019.

On February 14, 2022 the Company announced that it had signed a new agreement with its partner Gécamines to return the Kipushi Project back into commercial production. The new agreement sets out the commercial terms that will form the basis of a new joint-venture agreement for the operation of the Kipushi Project.

Also on February 14, 2022, the Company announced the positive findings of an independent, feasibility study for the planned resumption of commercial production at Kipushi. The Kipushi 2022 Feasibility Study builds on the results of the prefeasibility study published by the Company in January 2018. The redevelopment of the Kipushi Project is based on a two-year construction timeline, which utilizes the significant existing surface and underground infrastructure to allow for lower capital costs.

(c) Other properties

The Company's DRC exploration group is targeting Kamoa-Kakula style copper mineralization through a regional drilling program on its 100% owned Western Foreland exploration licences, located to the north, south and west of the Kamoa-Kakula Project.

(d) Kamoa-Kakula properties

The Company is a joint venturer in Kamoa-Kakula which is located within the Central African Copperbelt in Lualaba Province, DRC. Kamoa-Kakula lies approximately 25 km west of the town of Kolwezi, and about 270 km west of Lubumbashi (see Note 4).

Exploration and project evaluation expenditure

Exploration costs are expensed in the period incurred, until such time as the Company determines that a property is technically feasible and commercially viable, whereafter costs associated with development are capitalized as property, plant and equipment in the assets under construction category (see Note 5).

The following table summarizes the exploration and project expenditure for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021 \$'000	December 31, 2020 \$'000
Exploration and project expenditure		
Salaries and benefits	(11,970)	(17,148)
Office and administration expenditure	(10,426)	(9,530)
Depreciation	(7,738)	(7,140)
Drilling	(4,986)	(1,728)
Consultants	(3,759)	(1,035)
Site establishment	(3,826)	(53)
Utilities	(3,593)	(3,085)
Site security	(2,210)	(1,754)
Labour hire consultants	(1,937)	(1,227)
Studies	(976)	(1,313)
Travel	(531)	(549)
Other	(219)	(162)
	(52,171)	(44,724)

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6. Mineral properties and exploration and project evaluation expenditure (continued)

Expenditure at the Platreef Project was capitalized as property, plant and equipment in the assets under construction category (See Note 5).

Costs incurred at the Kipushi Project subsequent to the finalization of its PFS in December 2017, were capitalized as property, plant and equipment until December 31, 2019. Subsequently, all costs incurred at the Project have been expensed.

7. Loans receivable

	December 31, 2021 \$'000	December 31, 2020 \$'000
Loan to HPX (i)	61,894	56,740
Loss allowance - Loan to HPX	(184)	(184)
Social development loan (ii)	41,776	40,792
Loss allowance - Social development loan	(523)	(523)
Loan to Nzuri Exploration Holding Company Pty Ltd (iii)	327	327
Other loans receivable	188	188
	103,478	97,340
Non-current loans receivable	41,768	40,784
Current loans receivable	61,710	56,556
	103,478	97,340

- (i) In April 2019, the Company extended a secured loan of \$50 million to High Power Exploration Inc. (HPX). The loan receivable earned interest at a rate of 8% per annum until April 25, 2021. Following the signing of an amendment to the loan facility agreement on June 16, 2021, the scheduled maturity date of the loan was extended to April 25, 2022. In addition, the loan facility agreement was amended such that the rate of interest for the period after April 25, 2021 is fixed at 11% per annum compounded monthly. Interest of \$5.2 million was earned during the year ended December 31, 2021 (December 31, 2020: \$4.0 million) (see Note 27). The principal amount of the loan and accrued interest is convertible in whole, or in part, by Ivanhoe at its sole discretion into shares of treasury common stock of HPX.

The Company recorded an expected credit loss allowance of \$0.2 million as at December 31, 2021 in accordance with IFRS 9 for the loan receivable from HPX.

- (ii) A long term loan receivable from Gécamines of \$10 million was ceded to the Company on completion of the purchase of Kipushi on November 28, 2011, by the seller. An additional \$20 million was requested and advanced to Gécamines during November 2012.

The loan receivable is unsecured and earns interest at USD 12-month LIBOR plus 3%. Repayment will be made by offsetting the loan against future royalties and dividends payable to Gécamines from future profits earned at Kipushi. The fair value of the receivable at acquisition date was estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.2%. The carrying value of the long term loan receivable as at December 31, 2021 is \$41.3 million (December 31, 2020: \$40.3 million). Interest of \$1.0 million was earned during the year ended December 31, 2021 (December 31, 2020: \$1.8 million) (see Note 27).

The Company recorded an expected credit loss allowance of \$0.5 million as at December 31, 2021 in accordance with IFRS 9 for the social development loan.

- (iii) In September 2019, the Company, through its wholly owned subsidiary, Ivanhoe DRC Holding Limited, extended a loan to Nzuri Exploration Holding Company Pty Ltd ("Nzuri"). The loan was advanced to fund exploration activities of a subsidiary of Nzuri in the DRC. The Company has a 10% equity investment in Nzuri (see Note 11).

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8. Promissory note receivable

The Company has the following promissory note receivable:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Promissory note receivable from Crystal River	26,731	23,533
Loss allowance	(14)	(14)
	26,717	23,519

The promissory note receivable with a carrying value of \$26.7 million is a non-interest-bearing, 10 year promissory note, of which \$8.3 million is receivable by the Company as the purchase consideration for selling 1% of its share in Kamoia Holding to Crystal River (see Note 4). The remaining \$18.4 million is receivable for subsequent funding provided to Kamoia Holding on Crystal River's behalf. The promissory note is payable on the earlier of December 8, 2025 or the next business day following the completion of the sale, transfer or disposition of the shares held by Crystal River in Kamoia Holding.

9. Leases

Right-of-use asset

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Rented surface infrastructure and equipment (Kipushi) (i)	8,129	8,641
Office building (ii)	904	1,339
Other properties	—	12
	9,033	9,992

(i) A right-of-use asset is recognized in terms of IFRS 16 for the use of the surface infrastructure and equipment at the Kipushi mine.

(ii) The Company leases an office building in Sandton, South Africa.

Lease liability

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Rented surface infrastructure and equipment (Kipushi) (i)	10,494	10,353
Office building (ii)	747	1,201
Non-current lease liability	11,241	11,554
Office building (ii)	384	328
Rented surface infrastructure and equipment (Kipushi) (i)	345	—
Other properties	—	22
Current lease liability	729	350

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9. Leases (continued)

Lease liability (continued)

- (i) The lease liability was initially measured at the present value of the lease payments payable over the life of mine and has been discounted at an incremental borrowing rate of 8%. The lease payments have been determined in accordance with the contract, which allocates a fixed rate monthly and it has been estimated that the lease will continue for the duration of the life of mine.
- (ii) The Rand denominated lease liability was initially measured at the present value of the lease payments payable over a lease term of six years and has been discounted at an incremental borrowing rate of 10.25%. The lease payments have been determined in accordance with the contract which includes an escalation clause of 7.5% per annum.

Amounts recognized in the consolidated statements of comprehensive income:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Depreciation charge on right-of-use assets (i)	(894)	(194)
Interest on lease liability (ii)	(987)	(1,485)
	(1,881)	(1,679)

- (i) Of the \$0.9 million recognized, \$0.4 million is included in other expenditure while \$0.5 million is included in exploration and project evaluation expenditure on the consolidated statements of comprehensive income. Right-of-use assets are depreciated over the term of the lease on a straight line basis.
- (ii) Included as finance costs on the consolidated statements of comprehensive income.

10. Other assets

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Prepayments related to bulk power supply (i)	2,882	3,135
Deposits	906	1,559
Other non-current prepayments	137	10
	3,925	4,704

- (i) Included in other assets are advances of \$2.9 million (December 31, 2020: \$3.1 million) paid to Eskom, the South African state-owned electricity provider, in preparation for the construction of additional bulk power lines which will provide electricity to the Platreef project.

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11. Investments

	December 31, 2021 \$'000	December 31, 2020 \$'000
<i>Fair value through profit or loss</i>		
Investment in listed entities (i)	1,144	1,410
Investment in unlisted entity (ii)	655	655
	1,799	2,065

- (i) The Company holds listed shares which have been classified as financial assets at fair value through profit or loss. The trading value of the listed shares as at December 31, 2021 is \$1.1 million (December 31, 2020: \$1.4 million). A loss of \$0.3 million on the fair valuation of the financial asset was recognized for the year ended December 31, 2021 (December 31, 2020: gain of \$0.3 million).
- (ii) On September 12, 2019 the Company, through its wholly owned subsidiary, Ivanhoe DRC Holding Limited, subscribed for 10% of the ordinary shares of Nzuri Exploration Holding Company Pty Ltd ("Nzuri"). Nzuri is an Australian company, a subsidiary of which is conducting mining exploration activities in the DRC.

12. Income taxes

- (a) Rate reconciliation

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

	December 31, 2021 \$'000	December 31, 2020 \$'000
Loss before income taxes	(29,622)	(38,092)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery based on combined Canadian federal and provincial statutory rates	7,998	10,285
Add (deduct):		
Previously unrecognized deferred tax asset recognized	75,041	—
Non-taxable income - Share of profit from joint venture	28,550	—
Non-taxable interest on loan advanced to joint venture	25,351	18,997
Different effective tax rates in foreign jurisdictions	4,407	7,358
Non-taxable income - Interest on loan to subsidiary	3,214	3,511
Other non-taxable income	450	531
Amendments to prior year tax submissions	50	(2,760)
Tax effect of tax losses not recognized	(34,572)	(24,556)
Non deductible expenses - unrealized loss on fair valuation of financial liability	(25,299)	—
Non-deductible expenses - Stock based compensation	(5,222)	(4,410)
Other non-deductible expenses	(5,034)	(2,220)
Non-deductible expenses - Share of loss from joint venture	—	(7,236)
Income tax recovery (expense)	74,934	(500)

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12. Income taxes (continued)

(b) Deferred tax balances

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

	December 31, 2021 \$'000	December 31, 2020 \$'000
<i>Deferred tax liability to be recovered after more than 12 months</i>		
Property, plant and equipment	–	(2,082)
Deferred income tax liability	–	(2,082)
<i>Deferred tax asset to be recovered after more than 12 months</i>		
Unrealized foreign exchange losses	34,900	340
Property, plant and equipment and mining capital expenditure	31,148	–
Deferred interest on loans	5,716	–
Tax losses carried forward	754	–
IFRS 16 leases	60	29
<i>Deferred tax asset to be recovered within 12 months</i>		
Provisions and prepayments	584	34
Deferred income tax asset	73,162	403

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company recognized the previously unrecognized deferred tax asset relating to the Platreef Project in the year ended December 31, 2021. Due to the conclusion of the stream-financing agreements and the announcement of the exceptional results of the independent 2022 Feasibility Study, the Company considers it highly probable that the Platreef Project will have future taxable profits that will be available against which the deductible temporary differences can be utilized.

On February 23, 2022, the South African corporate income tax rate changed from 28% to 27%, effective for years of assessment ending on or after March 31, 2023. The change in tax rate is considered to be substantively enacted after year-end. The impact on the deferred tax asset recognized at the Platreef Project as a result of the change in the South African corporate income tax rate is estimated to be \$2.6 million which will be expensed during Q1 2022.

(c) Unrecognized deductible and taxable temporary differences

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

	December 31, 2021 \$'000	December 31, 2020 \$'000
Non-capital loss carryforwards	324,619	244,290
Capital assets	94,597	23,599
Capital loss carryforwards	18,597	–
Investment in RK1	11,289	11,289
Foreign exploration expenses and share issuance costs	8,222	7,524
Unrecognized deductible temporary differences	457,324	286,702

The Company has foreign subsidiaries that have undistributed earnings of \$643.2 million (2020: \$531.6 million). The Company can control the timing of the repatriation and it is probable that these amounts will not be repatriated for the foreseeable future. Therefore, deferred tax has not been provided in respect of these earnings.

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12. 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 '000	U.S. dollar equivalent \$'000
South African rand	R	339,660	21,290 (a)
Congolese franc	CDF	264,318,799	132,712 (b)
United States dollar	\$	122,436	122,436 2028 to 2038
Euro	€	48,370	54,819 (a)
British pound	£	6,441	8,687 (a)
Barbados dollar	BBD	5,993	2,997 (c)
Namibian dollar	NAD	4,390	275 (a)
			343,216

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

(b) These losses are accumulated and set-off against future taxable income when mining operations commence.

(c) These tax losses can be carried forward for 7 years.

13. Cash and cash equivalents

	December 31, 2021 \$'000	December 31, 2020 \$'000
Cash and cash equivalents	608,176	262,825
	608,176	262,825

14. Other receivables

	December 31, 2021 \$'000	December 31, 2020 \$'000
Receivables from joint venture (i)	5,998	3,861
Refundable taxes (ii)	2,084	873
Accounts receivable	1,379	513
Other	1,235	886
Fair value financial asset	—	300
Loss allowance	(1)	(1)
	10,695	6,432

(i) Receivables from joint venture include amounts receivable from the Kamo Holding Limited joint venture for administration consulting services rendered by the Company and for the sale of equipment to the joint venture by Kipushi.

(ii) Refundable taxes are net of an impairment provision for value-added taxes receivable in foreign jurisdictions where recoverability of those taxes are uncertain.

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15. Prepaid expenses

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Prepaid insurance	1,799	1,299
Other prepayments	1,626	1,095
Advance payments to suppliers	1,361	1,288
Deposits	162	222
	4,948	3,904

Prepaid expenses are amounts paid in advance which give the Company rights to receive future goods or services.

16. Convertible notes

	December 31, 2021	December 31, 2020
	\$'000	\$'000
<i>Convertible notes - host liability</i>		
Proceeds on issuance of convertible notes	424,500	—
Transaction costs incurred	(10,469)	—
Initial recognition of host liability	414,031	—
Interest for the year	31,689	—
Repayments of interest during the year	(8,306)	—
	437,414	—
<i>Convertible notes - embedded derivative liability</i>		
Proceeds on issuance of convertible notes	150,500	—
Loss on fair valuation of embedded derivative liability	93,700	—
	244,200	—
Non-current host liability	434,381	—
Current host liability	3,033	—
	437,414	—
Non-current embedded derivative liability	244,200	—
	244,200	—

On March 17, 2021 the Company concluded a private placement offering of \$575 million of 2.50% convertible senior notes maturing in 2026. Upon conversion, the convertible notes may be settled, at the Company's election, in cash, common shares or a combination thereof. Due to this election right and conversion feature, the convertible notes have an embedded derivative liability that is measured at fair value with changes in value being recorded in profit or loss, as well as the host loan that is accounted for at amortized cost.

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16. Convertible notes (continued)

The convertible senior notes are senior unsecured obligations of the Company, which accrue interest payable semi-annually in arrears at a rate of 2.50% per annum. The notes will mature on April 15, 2026, unless earlier repurchased, redeemed or converted. The initial conversion rate of the notes is 134.5682 Class A common shares of the Company per \$1,000 principal amount of notes, or an initial conversion price of approximately \$7.43 (equivalent to approximately C\$9.31) per common share. The initial conversion price of the notes represents a premium of approximately 37.5% over the last reported sale price of the Company's common shares on the date of pricing being March 11, 2021, which was C\$6.77 per share as reported on the Toronto Stock Exchange.

The gross proceeds of \$575 million was apportioned between the host loan and the embedded derivative liability by first determining the fair value of the derivative, which was \$150.5 million on March 17, 2021. Transaction costs of \$10.5 million associated with the host loan was capitalized to the liability whereas transaction costs of \$3.7 million associated with the embedded derivative liability was expensed in the consolidated statements of comprehensive income.

The effective interest rate of the host liability was deemed to be 9.39%. The carrying value of the host liability was \$437.4 million as at December 31, 2021. The fair value of the embedded derivative liability on December 31, 2021 was \$244.2 million. A fair value loss of \$93.7 million was recognized in the consolidated statements of comprehensive income, due to the increase in the fair value of the embedded derivative liability largely due to the increase in the closing share price of the Company's shares as reported on the Toronto Stock Exchange from the date of initial recognition to December 31, 2021.

The following key inputs and assumptions were used in the binomial tree model when determining the fair value of the embedded derivative liability:

	March 17, 2021	December 31, 2021
Share price	C\$7.00	C\$10.32
Credit spread	630 basis points	356 basis points
Volatility	42%	40%
Borrowing cost	50 basis points	25 basis points

17. Deferred revenue

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Gold streaming facility	50,000	—
Palladium and platinum streaming facility	25,000	—
Transaction costs incurred	(5,438)	—
	69,562	—

On December 8, 2021, the Company announced that Ivanplats (Pty) Ltd., its South African subsidiary and owner of the Platreef Project, had concluded stream-financing agreements with Orion Mine Finance ("Orion") and Nomad Royalty Company ("Nomad"), together the "Stream Purchasers", for a \$200 million gold-streaming facility and a \$100 million palladium and platinum-streaming facility.

Under the stream agreements, Orion will provide a total of \$225 million in funding, and Nomad will provide \$75 million in funding. The stream facilities are a prepaid forward sale of refined metals, with prepayments totalling \$300 million, available in two tranches. The first prepayment of \$75 million was received by the Company in December 2021, following the closing of the transaction. The remaining \$225 million will be received upon satisfaction of certain conditions precedent.

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17. Deferred revenue (continued)

Under the terms of the \$200 million gold stream agreement, the Stream Purchasers will receive an aggregate total of 80% of contained gold in concentrate until 350,000 ounces have been delivered, after which the stream will be reduced to 64% of contained gold in concentrate for the remaining life of the facility. The expected life of this facility will extend from the effective date of the stream agreement until the date when 685,280 ounces of gold have been delivered to the Stream Purchasers. The Stream Purchasers will purchase each ounce of gold at a price equal to the lower of the market price of gold or US\$100 per ounce. Delivery of the gold under the stream agreement will be made by delivering gold credits to the Stream Purchasers' metal accounts.

Under the terms of the US\$100 million palladium and platinum stream agreement, Orion Mine Finance will receive an aggregate total of 4.2% of contained palladium and platinum in concentrate until 350,000 ounces have been delivered, after which the stream will be reduced to 2.4% for the remaining life of the facility. The expected life of this facility will extend from the effective date of the stream agreement until the date when 485,115 ounces of palladium and platinum have been delivered to the purchaser, which will pay for each ounce at a price equal to 30% of the market price of palladium and platinum. Delivery of the palladium and platinum under the stream agreement will be made by delivering palladium and platinum credits to the Stream Purchasers' metal accounts.

The advance payment of \$75 million, net of transaction costs of \$5.4 million, is recognized as a contract liability (deferred revenue) under IFRS 15.

IFRS 15 requires the Company to recognize a notional financing charge due to the time delay between receiving the upfront streaming payments and satisfying the related performance obligations. The Company has estimated that the USD-based nominal pre-tax rate is 13%.

18. Borrowings

	December 31, 2021	December 31, 2020
	\$'000	\$'000
<i>Unsecured - at amortized cost</i>		
Loan from ITC Platinum Development Limited (i)	33,991	31,828
<i>Secured - at amortized cost</i>		
Loan from Citi bank (ii)	4,351	4,369
	38,342	36,197

(i) On June 6, 2013, the Company, through its subsidiary Ivanplats (Pty) Ltd, ("Ivanplats") the owner of the Platreef Project, became party to a \$28.0 million loan payable to ITC Platinum Development Limited. The loan is repayable only once Ivanplats has residual cashflow, which is defined in the loan agreement as gross revenue generated by Ivanplats, less all operating costs attributable thereto, including all mining development and operating costs. The loan incurs interest of USD 3-month LIBOR plus 2% calculated monthly in arrears. Interest is not compounded. Using prevailing market interest rates for an equivalent loan of USD 3-month LIBOR plus 7% at June 6, 2013, the carrying value of the loan as at December 31, 2021, is \$34.0 million (December 31, 2020: \$31.8 million) with a contractual amount due of \$35.1 million (December 31, 2020: \$34.5 million). The difference of \$1.1 million (December 31, 2020: \$2.7 million) between the contractual amount due and the carrying value of the loan is the benefit derived from the low-interest loan. Interest of \$0.6 million (2020: \$0.7 million) was recognized during the year ended December 31, 2021 and was capitalized as borrowing costs together with the low interest loan accretion of \$1.6 million (2020: \$1.4 million).

(ii) The Citi bank loan of \$4.4 million (£3.2 million) is secured by the Rhenfield property (see Note 30). The loan is an interest only term loan repayable at August 28, 2025, and incurs interest at a rate of GBP 1-month LIBOR plus 1.90% payable monthly in arrears. Interest of \$0.1 million was incurred for the year ended December 31, 2021 (2020: \$0.1 million).

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19. Cash-settled share-based payment liability

	December 31, 2021	December 31, 2020
	\$'000	\$'000
B-BBEE share-based payment liability (i)	5,286	4,624
Deferred share unit liability	4,401	—
	9,687	4,624
Non-current cash-settled share-based payment liability	8,292	4,624
Current cash-settled share-based payment liability	1,395	—
	9,687	4,624

- (i) On June 26, 2014, the Company sold a 26% interest in the Company's Platreef mining project for which it has recognized a cash-settled share-based payment liability which is estimated to vest over 20 years. The liability is valued using an option pricing model taking into account the terms and conditions on which the right was granted (see Note 25).

20. Advances payable

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Advances payable to Gécamines	2,908	2,788
	2,908	2,788

Advances payable to Gécamines are unsecured and bear interest at USD 12-month LIBOR plus 4% and represent the loan advanced to Kipushi by Gécamines prior to the acquisition of Kipushi by the Company. The advances will be repaid once Kipushi begins to generate and distribute its profit which is defined as the operating surplus less operating charges, general costs and amortizations and profit tax for each fiscal year.

21. Trade and other payables

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Trade payables	11,943	7,487
Trade accruals	10,826	9,708
Payroll tax and other statutory liabilities	3,975	2,952
Other payables	30	191
Indirect taxes payable	25	317
Deferred share unit liability	—	2,022
	26,799	22,677

The Company has policies in place to ensure trade and other payables are paid within agreed terms.

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22. Share capital

(a) Shares issued

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares (together with the Class A Shares, the "common shares") and an unlimited number of Preferred Shares.

As at December 31, 2021, 1,209,665,401 (December 31, 2020: 1,205,894,118) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding. All shares in issue have been fully paid.

On May 11, 2020, the Company concluded a purchase and sale agreement for a Gulfstream Aerospace G-IV aircraft. The Company issued 1,000,000 common shares at a price of C\$2.82 per unit as purchase consideration for the aircraft.

(b) Options

Share options are granted at an exercise price equal to the weighted average price of the shares on the TSX for the five days immediately preceding the date of the grant. As at December 31, 2021, 76,550,842 share options have been granted and exercised, and 17,312,182 have been granted and are outstanding.

All outstanding share options granted before December 2019 vest in four equal parts, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. The maximum term of these options is five years. All share options granted during and after December 2019 vest in three equal parts, commencing on the one year anniversary of the date of grant and on each of the two anniversaries thereafter. The maximum term of these options awarded is seven years.

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

		2021		2020
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at the beginning of year	18,734,807	2.69	17,550,000	1.90
Granted	2,095,280	6.47	10,384,900	3.05
Exercised	(2,744,790)	2.95	(9,098,552)	1.57
Forfeited	(773,115)	2.51	(101,541)	3.02
Balance at the end of the year	17,312,182	3.10	18,734,807	2.69

2,095,280 options were granted in 2021. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of \$5.1 million will be amortized over the entire vesting period for the options granted during the year ended December 31, 2021 (December 31, 2020: \$11.1 million), of which \$1.8 million (December 31, 2020: \$5.9 million) was recognized in the year ended December 31, 2021. An additional expense of \$6.0 million was recognized in the year ended December 31, 2021 (December 31, 2020: \$4.5 million) relating to options granted during prior years.

Ivanhoe Mines Ltd.

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22. Share capital (continued)

(b) Options (continued)

The following weighted average assumptions were used for the share option grants in 2021:

	2021	2020
Risk-free interest rate	0.35%	1.55%
Expected volatility ⁽ⁱ⁾	52.93%	46.73%
Expected life	3.50	3.50
Expected dividends	\$Nil	\$Nil

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

A reconciliation of the number of share options exercised to shares issued for the year ended December 31, 2021 and year ended December 31, 2020 is presented below:

	2021		2020	
	Number of options exercised	Number of shares issued	Number of options exercised	Number of shares issued
Ordinary exercise	2,131,297	2,131,297	4,105,000	4,105,000
Exercised by Share Appreciation Rights (i)	613,493	336,049	4,993,552	1,888,350
Total	2,744,790	2,467,346	9,098,552	5,993,350

- (i) In terms of the equity incentive plan, participants have the right in lieu of receiving the shares to which the options relate, to receive the number of shares calculated by deducting the exercise price from the fair market value of the shares and dividing this result by the fair market value of the shares immediately prior to exercise.

The following table summarizes information about share options outstanding and exercisable as at December 31, 2021:

Expiry date	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
March 31, 2023	3,500,000	2.52	3,500,000	2.52
December 4, 2023	2,000,000	1.98	1,500,000	1.98
January 12, 2024	1,000,000	1.90	500,000	1.90
December 5, 2026	2,000,000	2.59	1,333,332	2.59
January 13, 2027	6,366,902	3.02	1,832,748	3.02
August 17, 2027	250,000	3.85	83,333	3.85
November 1, 2027	100,000	3.84	33,333	3.84
January 22, 2028	952,587	5.52	—	—
March 31, 2028	82,131	5.18	—	—
June 30, 2028	61,597	6.92	—	—
August 10, 2028	879,169	7.49	—	—
September 30, 2028	66,096	6.47	—	—
December 31, 2028	53,700	7.89	—	—
	17,312,182	3.12	8,782,746	2.53

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22. Share capital (continued)

(b) Options (continued)

As at December 31, 2020, the Company had 18,734,807 share options outstanding at a weighted average exercise price of \$2.69 and 7,189,259 share options exercisable at a weighted average exercise price of \$2.56.

(c) Restricted share units

The Company issues restricted share units ("RSUs") as a security based compensation arrangement. Each RSU represents the right of an eligible participant to receive one Class A Share.

RSUs vest in three equal parts, commencing on the initial vesting date established at grant and on each of the two anniversaries thereafter, subject to the satisfaction of any performance conditions.

A summary of changes in the Company's RSUs is presented below.

	2021	2020
Balance at the beginning of the year	2,107,464	3,751,382
RSUs issued	5,478,846	1,140,653
RSUs vested	(1,216,071)	(2,722,167)
RSUs cancelled	(70,190)	(62,404)
Balance at the end of the year	6,300,049	2,107,464

An expense of \$40.1 million will be amortized over the vesting period for the RSUs granted during the year ended December 31, 2021 (December 31, 2020: \$3.5 million), using the fair value of a common share at time of grant. The weighted average fair value of a common share at the time that the RSUs were granted in 2021 was \$7.32 (2020: \$3.06). An expense of \$8.5 million was recognized for the year ended December 31, 2021 relating to RSU's which vested during the year (December 31, 2020: \$4.0 million) (see Note 25).

(d) Deferred share units

The Company issues deferred share units ("DSUs") as a security based compensation arrangement to non-executive directors of the Company. Each DSU represents the right of an eligible participant to receive one Class A Share.

A summary of changes in the Company's DSUs is presented below.

	2021	2020
Balance at the beginning of the year	376,884	182,259
DSUs issued	196,073	307,147
DSUs settled	(27,379)	(95,197)
DSUs cancelled	—	(17,325)
Balance at the end of the year	545,578	376,884

An expense of \$1.1 million (December 31, 2020: \$1.4 million) was recognized for the DSUs granted during the year ended December 31, 2021. A loss of \$1.3 million (December 31, 2020: \$0.4 million) was recognized for DSU's granted during prior years due to the increase in the Company's share price which resulted in an increase in the deferred share unit liability. In accordance with the DSU plan, directors may elect to receive settlement of their DSU's in cash or shares. 27,379 DSUs were settled in 2021 (2020: 95,197) of which 5,849 (2020: 73,523) were settled in cash and 21,530 (2020: 21,674) were settled in shares.

DSU's vest over the calendar year in which they are granted and are settled on December 31st of the calendar year that is three years following the award date of each respective DSU.

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22. Share capital (continued)

(e) Bonus shares

The Company recognized an expense of \$0.5 million during the year ended December 31, 2021 (December 31, 2020: \$0.2 million) relating to 66,336 bonus shares issued (2020: 47,528).

23. Foreign currency translation reserve

	December 31, 2021 \$'000	December 31, 2020 \$'000
Balance at the beginning of the year	(37,056)	(30,857)
Exchange loss arising on translation of foreign operations	(25,452)	(6,199)
Balance at the end of the year	(62,508)	(37,056)

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 loss and accumulated in the foreign currency translation reserve.

24. Non-controlling interests

	December 31, 2021 \$'000	December 31, 2020 \$'000
Balance at the beginning of the year	(104,176)	(84,954)
Share of total comprehensive loss for the year	(12,648)	(19,410)
Recognition of non-controlling interests on incorporation of subsidiaries	—	188
Balance at the end of the year	(116,824)	(104,176)

The total non-controlling interests at December 31, 2021 is \$116.8 million (December 31, 2020: \$104.2 million), of which \$66.3 million (December 31, 2020: \$69.4 million) is attributed to Ivanplats (Pty) Ltd and \$54.7 million (December 31, 2020: \$38.6 million) is attributed to Kipushi Corporation SA. The remainder relates mainly to the non-controlling interest attributable to Ivanplats Holding SARL.

Set out below is the summarized statements of comprehensive income for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

	Ivanplats (Pty) Ltd		Kipushi Corporation SA	
Summarized statements of financial position	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current assets	400,127	304,280	395,944	402,522
Non-current liabilities	(769,703)	(635,627)	(530,666)	(485,453)
Total non-current net liabilities	(369,576)	(331,347)	(134,722)	(82,931)
Current assets	88,251	7,854	3,440	3,270
Current liabilities	(13,362)	(4,298)	(17,893)	(18,867)
Current net assets (liabilities)	74,889	3,556	(14,453)	(15,597)
Net liabilities	(294,687)	(327,791)	(149,175)	(98,528)

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24. Non-controlling interests (continued)

	Ivanplats (Pty) Ltd		Kipushi Corporation SA	
Summarized statements of comprehensive income	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Profit (loss) for the year	58,266	(13,889)	(50,647)	(54,937)
Other comprehensive loss	(27,176)	(6,948)	–	–
Total comprehensive income (loss)	31,090	(20,837)	(50,647)	(54,937)
Total comprehensive income (loss) allocated to non-controlling interests (i)	3,109	(2,084)	(16,207)	(17,580)

- (i) The effective non-controlling interest for Ivanplats (Pty) Ltd is 10% and for Kipushi Corporation SA is 32%.

	Ivanplats (Pty) Ltd		Kipushi Corporation SA	
Summarized statements of cash flow	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities	76,171	(22)	(26,226)	(28,556)
Cash flows from investing activities	(51,186)	(40,291)	(1,262)	(1,088)
Cash flows from financing activities	51,800	40,494	27,718	29,215
Effect of foreign exchange rates	(29)	(13)	–	101
Net increase (decrease) in cash and cash equivalents	76,756	168	230	(328)

25. Share-based payments

The share-based payment expense of the Company is summarized as follows:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
<i>Equity settled share-based payments</i>		
Restricted share unit expense (Note 22(c))	(8,497)	(3,959)
Share options (Note 22(b))	(7,752)	(10,319)
Bonus shares (Note 22(e))	(496)	(216)
	(16,745)	(14,494)
<i>Cash settled share-based payments</i>		
Deferred share unit expense (Note 22(d))	(2,595)	(1,839)
B-BBEE transaction expense	(662)	(598)
	(20,002)	(16,931)

Of the share-based payment expense recognized for the year ended December 31, 2021, \$0.7 million (December 31, 2020: \$0.6 million) related to the Platreef B-BBEE transaction, with the remaining \$19.3 million (December 31, 2020: \$16.1 million) being the expense for share options, restricted share units, bonus shares and deferred share units which have been granted to employees and were recognized over the vesting period.

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26. Finance costs

The finance costs of the Company are summarized as follows:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Interest on convertible notes (see Note 16)	(31,689)	—
Interest on borrowings (see Note 18)	(2,257)	(2,246)
Borrowing costs capitalized (see Note 5)	2,162	2,155
Lease liability unwinding (see Note 9)	(987)	(1,485)
Interest on advances payable (see Note 20)	(120)	(127)
	(32,891)	(1,703)

27. Finance income

Finance income is summarized as follows:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Interest on loan to joint venture (i)	93,892	70,357
Interest on long term loan receivable - HPX (ii)	5,155	4,000
Interest on bank balances	2,256	4,561
Interest on long term loan receivable - Gécamines (iii)	984	1,828
Other	3	9
	102,290	80,755

- (i) The Company earns interest at a rate of USD 12-month LIBOR plus 7% on the loan advanced to the Kamoia Holding joint venture (see Note 4).
- (ii) The Company earned interest at a rate of 8% per annum on the long term loan receivable from HPX until April 25, 2021. Following the signing of an amendment to the loan agreement on June 16, 2021, the interest rate was fixed at 11% per annum compounded monthly for the period after April 25, 2021 (see Note 7 (i)).
- (iii) The Company earns interest at a rate of USD 12-month LIBOR plus 3% on the long term loan receivable from Gécamines (see Note 7 (ii)), although an effective interest rate of 9.2% was applied from initial recognition.

28. Other income

Other income is summarized as follows:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Administration consulting income (i)	3,955	4,556
Other	(455)	(195)
	3,500	4,361

- (i) Administration consulting income is fees charged by the Company to the Kamoia Holding joint venture for administration, accounting and other services performed for the joint venture (see Note 4).

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29. Profit (loss) per share

The basic profit (loss) per share is computed by dividing the profit (loss) attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted profit (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and restricted share units, in the weighted average number of common shares outstanding during the year, if dilutive.

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Basic profit (loss) per share		
Profit (loss) attributable to owners of the Company	55,242	(19,877)
Weighted average number of basic shares outstanding	1,208,351,955	1,201,046,084
Basic profit (loss) per share	0.05	(0.02)
Diluted profit (loss) per share		
Profit (loss) attributable to owners of the Company	55,242	(19,877)
Weighted average number of diluted shares outstanding	1,221,707,575	1,201,046,084
Diluted profit (loss) per share	0.05	(0.02)

The weighted average number of shares for the purpose of diluted profit (loss) per share reconciles to the weighted average number of shares used in the calculation of basic profit (loss) per share as follows:

	December 31, 2021	December 31, 2020
Weighted average number of basic shares outstanding	1,208,351,955	1,201,046,084
Shares deemed to be issued for no consideration in respect of:		
- stock options	9,906,569	—
- restricted share units	3,449,051	—
Weighted average number of diluted shares outstanding	1,221,707,575	1,201,046,084

30. 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 buildings have a carrying value of \$9.5 million (December 31, 2020: \$9.7 million) and are included in property, plant and equipment (see Note 5).

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31. Related party transactions

The financial statements include the financial results of Ivanhoe Mines Ltd., its subsidiaries, joint ventures and joint operations listed in the following table:

Name	Country of Incorporation	% equity interest as at	
		December 31, 2021	December 31, 2020
Direct Subsidiaries			
Ivanhoe Mines (Barbados) Limited	Barbados	100%	100% (i)
African Copperbelt Exploration Ltd.	Barbados	100%	100% (i)
Kengere Holding Limited	Barbados	100%	100% (i)
Gabon Holding Company Ltd.	Barbados	0%	100% (v)
Ivanhoe Mines US LLC	United States of America	100%	100% (i)
Ivanhoe Mines UK Limited	United Kingdom	100%	100% (ii)
Ivanplats Holding SARL	Luxembourg	97%	97% (i)
Ivanhoe Mines Consulting Services (Beijing) Co., Ltd	China	100%	100% (iv)
Indirect Subsidiaries			
Ivanhoe DRC Holding Ltd.	Barbados	100%	100% (i)
Kipushi Holding Limited	Barbados	100%	100% (i)
Ivanhoe Exploration Holding Ltd.	Barbados	100%	0% (i)
Magharibi Holding Ltd.	Barbados	100%	0% (i)
Makoko Holding Ltd.	Barbados	100%	0% (i)
Mwangezi Holding Ltd.	Barbados	100%	0% (i)
Lubudi Holding Ltd.	Barbados	100%	0% (i)
Lueya Holding Ltd.	Barbados	100%	0% (i)
Ivanhoe Newriver Holding Ltd.	Barbados	100%	0% (i)
Ivanhoe Mines DRC SARL	DRC	100%	100% (ii)
Ivanhoe Mines Exploration DRC SARL	DRC	100%	100% (iii)
Lufupa SASU	DRC	100%	100% (iii)
Magharibi Mining SAU	DRC	90%	90% (iii)
Makoko SA	DRC	90%	90% (iii)
Kengere Mining SA	DRC	75%	75% (iii)
Kipushi Corporation SA	DRC	68%	68% (iii)
Namwana Exploration SA	DRC	90%	0% (iii)
Ivanhoe Gabon SA	Gabon	0%	97% (v)
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	100%	100% (iii)
Kamoa Services (Pty) Ltd.	South Africa	0%	100% (v)
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	100%	100% (iv)
Ivanhoe Mines SA (Pty) Ltd.	South Africa	100%	100% (ii)
Ivanplats (Pty) Ltd.	South Africa	64%	64% (iii)
Kico Services (Pty) Ltd.	South Africa	100%	100% (ii)
Ivanhoe (Zambia) Ltd.	Zambia	100%	100% (iii)
Joint ventures			
Kamoa Holding Limited	Barbados	49.50%	49.50% (vi)
Joint operations			
Rhenfield Limited	British Virgin Islands	50%	50% (iv)

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31. Related party transactions (continued)

- (i) This company acts as an intermediary holding company to other companies in the Group.
- (ii) This company provides administration, accounting and other services to the Group on a cost-recovery basis.
- (iii) This company is incorporated with the intention of engaging in exploration, development and mining activities.
- (iv) This is a special purpose entity that has been incorporated for a particular purpose.
- (v) This company was disposed during the year.
- (vi) This company is a joint venture of the Group. See Note 4 for information regarding the shareholding of this company.

The following table summarizes related party expenses incurred and income earned by the Company, primarily on a cost-recovery basis, with companies related by way of directors or shareholders in common. Amounts in brackets denote expenses.

	December 31, 2021 \$'000	December 31, 2020 \$'000
Kamoa Holding Limited (a)	93,892	70,357
High Power Exploration Inc. (b)	5,169	4,206
Kamoa Services (Pty) Ltd (c)	3,943	–
Kamoa Copper SA (d)	2,098	8,701
Ivanhoe Mines Energy DRC SARL (e)	152	361
Ivanhoe Capital Aviation Ltd (f)	(4,483)	(3,652)
Global Mining Management Corporation (g)	(571)	(2,418)
Ivanhoe Capital Services Ltd. (h)	(479)	(418)
CITIC Metal Africa Investments Limited (i)	(308)	(226)
Ivanhoe Capital Pte Ltd (j)	(19)	(114)
GMM Tech Holdings Inc. (k)	–	(453)
Global Mining Services Ltd. (l)	–	(446)
HCF International Advisers Limited (m)	–	(333)
Ivanhoe Capital Corporation (UK) Limited (n)	–	(2)
	99,394	75,563
Finance income	99,047	74,357
Cost recovery and management fee	6,193	9,062
Travel	(4,517)	(3,644)
Salaries and benefits	(537)	(2,770)
Directors fees	(308)	(226)
Consulting	(272)	(778)
Office and administration	(212)	(287)
Maintenance of aircraft	–	(151)
	99,394	75,563

The transactions summarized above 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, 2021, trade and other payables included \$0.1 million (December 31, 2020: \$1.1 million) with regards to amounts due to parties related by way of director, officers or shareholder in common. These amounts are unsecured and non-interest bearing.

Amounts included in other receivables due from parties related by way of director, officers or shareholder in common as at December 31, 2021 amounted to \$6.1 million (December 31, 2020: \$4.0 million).

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

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(Stated in U.S. dollars unless otherwise noted)

31. Related party transactions (continued)

- (a) Kamoa Holding Limited ("Kamoa Holding") is a company registered in Barbados. The Company has an effective 49.5% ownership in Kamoa Holding. The Company earns interest on the loans advanced to Kamoa Holding (see Note 4).
- (b) High Power Exploration Inc. ("HPX") is a private company incorporated under the laws of Delaware, USA. A director of the Company is a director and member of executive management of HPX. The Company extended a secured loan of \$50 million to HPX. The loan receivable earned interest at a rate of 8% per annum until April 25, 2021. Following the signing of an amendment to the loan facility agreement on June 16, 2021, the scheduled maturity date of the loan was extended to April 25, 2022. In addition, the loan facility agreement was amended such that the rate of interest for the period after April 25, 2021 is fixed at 11% per annum compounded monthly (see Note 7).
- (c) Kamoa Services (Pty) Ltd. ("Kamoa Services") is a company registered in South Africa. On March 31, 2021 the Company sold its 100% interest in Kamoa Services to Kamoa Holding. The Company now has an effective 49.5% ownership in Kamoa Services. The Company provides administration, accounting and other services to Kamoa Services on a cost-recovery basis.
- (d) Kamoa Copper SA ("Kamoa Copper") is a company incorporated in the DRC. The Company has an effective 39.6% ownership in Kamoa Copper (see Note 4). The Company provides administration, accounting and other services to Kamoa Copper on a cost-recovery basis.
- (e) Ivanhoe Mines Energy DRC Sarl ("Energy") is a company incorporated in the DRC. The Company has an effective 49.5% ownership in Energy (see Note 4). The Company provides administration, accounting and other services to Energy on a cost-recovery basis.
- (f) Ivanhoe Capital Aviation Ltd. ("Aviation") is a private company owned indirectly by a director of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.
- (g) Global Mining Management Corporation ("Global") is a private company based in Vancouver, Canada. The Company and a director of the Company hold an indirect equity interest in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.
- (h) Ivanhoe Capital Services Ltd. ("Services") is a private company owned indirectly by a director of the Company. Services provides for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (i) Citic Metal Africa Investments Limited ("Citic Metal Africa") is a private company incorporated in Hong Kong. Citic Metal Africa is a shareholder in the Company and nominates two directors who serve of the Company's Board of Directors.
- (j) Ivanhoe Capital Pte Ltd. ("Capital") is a private company owned indirectly by a director of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.
- (l) GMM Tech Holdings Inc. ("GMM Tech") is a private company incorporated in British Columbia, Canada and is 100% owned by Global. GMM Tech provides information technology services to the Company on a cost-recovery basis.
- (l) Global Mining Services Ltd. ("GMS") is a private company incorporated in Delaware and is 100% owned by Global. GMS provides administration and other services to the Company on a cost-recovery basis.
- (m) HCF International Advisers Limited ("HCF") is a corporate finance adviser specializing 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.
- (n) Ivanhoe Capital Corporation (UK) Ltd. ("ICC") is a private company 100% owned by a director of the Company. ICC provides administration, accounting and other services in the United Kingdom on a cost-recovery basis.

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32. Cash flow information

Net change in working capital items:

	December 31, 2021 \$'000	December 31, 2020 \$'000
Net (increase) decrease in		
Other receivables	(4,263)	1,604
Prepaid expenses	(1,044)	(565)
Consumable stores	22	43
Net increase (decrease) in		
Trade and other payables	4,122	(348)
Deferred share unit liability	1,974	—
	811	734

(b) Net debt reconciliation

The following tables set out an analysis of net debt and the movements in net debt for each of the periods presented.

	December 31, 2021 \$'000	December 31, 2020 \$'000
Cash and cash equivalents	608,176	262,825
Investment in listed entities	1,144	1,410
Convertible notes - host liability	(437,414)	—
Convertible notes - embedded derivative liability	(244,200)	—
Borrowings	(38,342)	(36,197)
Lease liabilities	(11,970)	(11,904)
Net debt	(122,606)	216,134

	Liabilities from financing activities				Other assets	Total
	Borrowings	Host liability	Embedded derivative	Leases		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net surplus (debt) as at January 1, 2020	(33,904)	—	—	(15,851)	703,950	654,195
Cash flows	—	—	—	863	(439,644)	(438,781)
Foreign exchange	(139)	—	—	38	(341)	(442)
Other changes (i)	(2,154)	—	—	3,046	270	1,162
Net surplus (debt) as at December 31, 2020	(36,197)	—	—	(11,904)	264,235	216,134
Cash flows	—	(405,725)	(150,500)	716	346,297	(209,212)
Foreign exchange	17	—	—	357	(946)	(572)
Other changes (i)	(2,162)	(31,689)	(93,700)	(1,139)	(266)	(128,956)
Net surplus (debt) as at December 31, 2021	(38,342)	(437,414)	(244,200)	(11,970)	609,320	(122,606)

- (i) Other changes include non-cash movements, including accrued interest expense which will be presented appropriately as operating cash flows or financing cash flows in the statement of cash flows when paid.

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33. Financial instruments

(a) Fair value of financial instruments

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

Financial instrument	Level	December 31, 2021 \$'000	December 31, 2020 \$'000
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entities	Level 1	1,144	1,410
Investment in unlisted entity	Level 3	655	655
<i>Amortized cost</i>			
Loan advanced to joint venture	Level 3	1,385,535	1,138,992
Cash and cash equivalents (c)		608,176	262,825
Loans receivable	Level 3	103,478	97,340
Promissory note receivable	Level 3	26,717	23,519
Other receivables (a) (c)		8,611	5,559
Financial liabilities			
<i>Financial liabilities at fair value through profit or loss</i>			
Convertible notes - embedded derivative liability	Level 3	244,200	—
<i>Amortized cost</i>			
Convertible notes - host liability (d)	Level 3	437,414	—
Borrowings	Level 3	38,342	36,197
Trade and other payables (b) (c)		22,769	19,217
Advances payable	Level 3	2,908	2,788

- (a) Other receivables in the above table excludes refundable taxes receivable.
- (b) Trade and other payables in the above table excludes payroll tax, other statutory liabilities, indirect taxes payable and other payables.
- (c) Cash and cash equivalents, other receivables and trade and other payables are not assigned a fair value hierarchy due to their short-term nature.
- (d) The estimated fair value is \$519.8 million based on market-related year-end rates.

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Notes to the consolidated financial statements

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(Stated in U.S. dollars unless otherwise noted)

33. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

IFRS 13 - Fair value measurement, 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 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 and therefore require an entity to develop its own assumptions.

Investment in listed entity

The fair value is the market value of the listed shares at the end of the period.

Investment in unlisted entity

The Company acquired these shares on September 12, 2019. No significant changes occurred between acquisition date and December 31, 2021 and the Company has therefore determined that the purchase price approximates the fair value.

Loan advanced to the joint venture

Carrying amount is a reasonable approximation of fair value. The loan incurs interest at a variable rate of USD 12-month LIBOR plus 7% which approximates the current market interest rate.

Long-term loans receivable (Loan to HPX)

Carrying amount is a reasonable approximation of fair value. The loan is repayable within the next 12 months and the interest rate is considered to be an arm's length rate. Country risk is considered to be low and the loan is secured by the shares of HPX.

Long-term loans receivable (Social development loan)

Carrying amount is a reasonable approximation of fair value. The fair value of the receivable at acquisition date was estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.2%.

Promissory note receivable

Carrying amount is a reasonable approximation of fair value. The creditworthiness of the promissory note holder is considered to be high (see Note 33(b)(ii)). The promissory note is payable on the earlier of December 8, 2025 or the next business day following the completion of the sale, transfer or disposition of the shares held by Crystal River in Kamo Holding.

Other receivables

Carrying amount is a reasonable approximation of fair value due to the short term nature of the receivable (less than 1 month).

Convertible notes (host liability)

The fair value of the liability on initial recognition was estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.39%. The fair value of the liability at year-end was estimated by the Company by calculating the present value of the contractual cash flows using a market related interest rate.

Convertible notes (embedded derivative liability)

The fair value of the liability is determined at the end of each reporting period and the fair value gain or loss is recognized in the consolidated statements of comprehensive income.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

33. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

Borrowings (Loan from ITC Platinum Development Limited)

Carrying amount is a reasonable approximation of fair value. The fair value of the loan is determined using a discounted future cashflow analysis based on an interest rate of USD 3-month LIBOR plus 7% and the loan is carried at this value (see Note 18(i)).

Borrowings (Loan from Citi bank)

Carrying amount is a reasonable approximation of fair value. The loan incurs interest at a variable rate of GBP 1-month LIBOR plus 1.9% which approximates the current market interest rate.

Trade and other payables

Carrying amount is a reasonable approximation of fair value due to the short term nature of the receivable (less than 1 month).

Advances payable

Carrying amount is a reasonable approximation of fair value. This loan bears interest at USD 12-month LIBOR plus 4% which approximates the current market interest rate.

(b) Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies 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.

(i) Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. The Company also has foreign currency denominated monetary assets and liabilities. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company enters into derivative instruments to manage foreign exchange exposure as deemed appropriate.

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, 2021 \$'000	December 31, 2020 \$'000
Assets		
South African rand	104,110	22,809
Canadian dollar	12,247	25,289
British pounds	4,259	4,116
Australian dollar	917	1,410
Liabilities		
South African rand	(10,635)	(6,338)
British pounds	(3,971)	(3,400)
Canadian dollar	(1,493)	(1,978)
Australian dollar	(283)	(56)

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December 31, 2021

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33. Financial instruments (continued)

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

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% increase or decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary 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.

	Year ended December 31,	
	2021	2020
	\$'000	\$'000
Canadian dollar	538	1,166
Australian dollar	32	68
South African rand	(182)	(72)
British pounds	(24)	(3)

(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 the loan to the joint venture, promissory note receivable, long term loans receivable, other receivables and cash and cash equivalents.

The Company reviews the recoverable amount of their financial assets at each statement of financial position date to ensure that adequate impairment losses are made for irrecoverable amounts. The Company has considered the requirement of IFRS 9 to recognize a loss allowance for expected credit losses on financial assets. The general approach was applied to these financial assets, where the 12 month expected credit losses are calculated. The Company did not apply lifetime expected credit losses as there has not been a significant increase in credit risk in 2021.

A significant increase in credit risk would include:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the borrower.
- Significant increases in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

The Company assesses whether an impairment is required on loan receivables. A range of cash flow scenarios are considered, taking into account forward looking information which may impact recoverability of loan receivables.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

December 31, 2021

(Stated in U.S. dollars unless otherwise noted)

33. Financial instruments (continued)

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

(ii) Credit risk (continued)

The loan advanced to the joint venture will be repaid as and when there is residual cash flow in Kamoa Holding. Due to the commencement of production at Kamoa-Kakula and the related forecasted cashflows, it is anticipated that shareholder loan repayments will commence in 2022. The expected credit loss is considered to be negligible.

The promissory note receivable will be repaid using proceeds from the sale of Crystal River's 1% stake in Kamoa Holding. The expected credit loss is considered to be negligible.

The principal amount of the long term loan receivable from HPX and accrued interest thereon, is convertible in whole, or part, by the Company at its sole discretion into shares of treasury common stock of HPX. The Company recorded an expected credit loss allowance of \$0.2 million as at December 31, 2021 in accordance with IFRS 9.

Repayment of the long-term loan receivable from Gécamines will be made by offsetting the loan against future royalties and dividends payable to Gécamines which arise from future profits to be earned at Kipushi. The Company recorded an expected credit loss allowance of \$0.5 million as at December 31, 2021 in accordance with IFRS 9

The credit risk on cash and cash equivalents is limited because the cash and cash equivalents are composed of deposits with major banks who have investment grade credit ratings assigned by international credit ratings agencies and have low risk of default.

Other receivables is comprised primarily of administration consulting income from the joint venture and refundable taxes. The credit quality of these financial assets can be assessed by reference to historical information about counterparty default rates and adjusted to reflect current and forward-looking information, as well as macroeconomic factors affecting the ability of the parties to settle the receivables. The historical loss rates are negligible and therefore indicate that no expected credit losses relating to other receivables should be recognized.

The Company continues to monitor its credit risk and assess expected credit losses. The identified impairment loss in 2021 is negligible.

(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.

Ivanhoe Mines Ltd.

Notes to the consolidated financial statements

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33. Financial instruments (continued)

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

(iii) Liquidity risk (continued)

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	Total un- discounted cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
As at December 31, 2021					
Convertible notes	3,033	—	—	575,000	578,033
Non-current borrowings	—	—	—	39,462	39,462
Trade and other payables (a)	20,819	758	1,192	—	22,769
Lease liability	66	114	350	11,440	11,970
As at December 31, 2020					
Non-current borrowings	—	—	—	38,876	38,876
Trade and other payables (a)	15,445	1,327	2,445	—	19,217
Lease liability	30	93	227	11,554	11,904

(a) Trade and other payables in the above table excludes payroll tax, other statutory liabilities and indirect taxes payable.

(iv) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include the convertible notes, loan advanced to the joint venture and borrowings.

The Company measures the embedded derivative liability portion of the convertible notes at fair value at each reporting date, recognizing changes in the fair value in the statements of comprehensive income. This requirement to "mark-to-market" the derivative features could significantly affect the results in the statement of comprehensive income. If the Company's share price had been C\$1.00 higher than it was on December 31, 2021, the fair value of the embedded derivative liability would have increased by \$44.5 million, which would have resulted in the Company recording a loss on the fair valuation of the embedded derivative liability of \$138.2 million instead of the loss of \$93.7 million.

(v) Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings, the long term loan receivable and the loan advanced to the joint venture. The Company's main exposure to interest rate risk arises from the fact that the Company earns and incurs interest on interest rates linked to LIBOR. If interest rates (including applicable LIBOR rates) had been 50 basis points higher or lower and all other variables were held constant the Company's profit for the year ended December 31, 2021 would have increased or decreased by \$9.3 million (December 31, 2020: \$6.1 million) and is comprised as follows:

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Loan advanced to the joint venture (see Note 4)	6,367	4,540
Cash and cash equivalents	2,675	1,314
Other interest-bearing amounts	283	284
	9,325	6,138

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34. Capital risk management

The Company includes as capital its common shares and share option reserve. The Company's objectives are to safeguard its 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 and acquire or dispose of assets to satisfy cash requirements. 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, selected with regard to the expected timing of expenditures from operations.

	December 31, 2021 \$'000	December 31, 2020 \$'000
Net (debt) surplus (See Note 32(b))	(122,606)	216,134
Total equity	2,376,997	2,336,483
Net (debt) surplus to equity ratio (%)	(5.2%)	9.3%

As the Company has a number of development projects, it is largely equity funded.

35. Commitments and contingencies

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, 2021, the Company's commitments that have not been disclosed elsewhere in the consolidated financial statements are as follows:

	Less than 1 year \$'000	1 - 3 years \$'000	4 - 5 years \$'000	After 5 years \$'000	Total \$'000
As at December 31, 2021					
Shaft 1 changeover (Platreef project)	17,570	—	—	—	17,570
Shaft 2 construction (Platreef project)	6,106	—	—	—	6,106
As at December 31, 2020					
Shaft 1 construction (Platreef project)	1,093	—	—	—	1,093

The sinking of Shaft 1 at the Platreef Project has been successfully completed by the contractor to its final depth of 996 metres below surface. Further commitments in relation to the change-over of Shaft 1 as the project's initial production shaft under the phased development plan have been undertaken during the period ended December 31, 2021.

The commitments in respect of the joint venture are set out in Note 4.

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36. Key management personnel compensation

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

	December 31, 2021	December 31, 2020
	\$'000	\$'000
Short-term benefits	13,723	12,217
Share-based payments	18,682	13,760
	32,405	25,977

37. Segmented information

At December 31, 2021, the Company has four reportable segments, being the Platreef property, Kamoa Holding joint venture, Kipushi properties and the Company's treasury offices.

An operating 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 four 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 development of mineral properties in South Africa (see Note 6); exploration and development of mineral properties through a joint venture in the DRC (see Note 4); and the upgrading of mining infrastructure and refurbishment of a mine in the DRC respectively (see Note 6).

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
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
As at December 31, 2021	405,592	2,045,818	80,056	2,531,466
As at December 31, 2020	310,533	1,698,390	77,190	2,086,113

Ivanhoe Mines Ltd.

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37. Segmented information (continued)

	December 31, 2021 \$'000	December 31, 2020 \$'000
Segment assets		
Kamoa Holding joint venture	1,641,795	1,289,512
Treasury (ii)	600,325	314,742
Kipushi properties	440,168	445,591
Platreef property	494,194	325,711
All other segments (i)	41,724	41,535
Total	3,218,206	2,417,091
Segment liabilities		
Treasury (ii)	689,429	6,597
Platreef property	113,768	36,565
Kipushi properties	20,420	21,303
All other segments (i)	17,592	16,143
Total	841,209	80,608
Revenue		
Kamoa Holding Limited joint venture	831,120	—
Total	831,120	—
Segment profits (losses)		
Kamoa Holding Limited joint venture	105,742	(26,799)
Platreef properties	70,892	(1,537)
Treasury (ii)	(86,035)	38,896
Kipushi properties	(33,828)	(36,023)
All other segments (i)	(11,459)	(13,129)
Total	45,312	(38,592)
Capital expenditures		
Platreef properties	49,179	38,169
All other segments (i)	2,274	3,575
Kipushi properties	1,262	2,665
Total	52,715	44,409
Exploration and project evaluation expenditure		
Kipushi properties	(32,651)	(36,238)
All other segments (i)	(19,520)	(8,486)
Total	(52,171)	(44,724)

- (i) The Company's other divisions that do not meet the quantitative thresholds of IFRS 8 Operating segments, are included in the segmental analysis under the all other segments.
- (ii) Treasury includes mainly cash balances, the promissory note receivable, the investments, the loan to HPX and the convertible notes.

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(Stated in U.S. dollars unless otherwise noted)

38. Approval of the financial statements

The consolidated financial statements of Ivanhoe Mines Ltd., for the year ended December 31, 2021, were approved and authorized for issue by the Board of Directors on March 7, 2022.