Consolidated financial statements of

Ivanhoe Mines Ltd.

December 31, 2020
(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 and Chief Financial Officer

March 4, 2021

Ivanhoe Mines Ltd.

December 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019;
- 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, 2020. 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
Impairment of property, plant and equipment and mineral properties – Kipushi Project As at December 31, 2020 the consolidated statement of financial position includes non-current assets of $403 million, which includes mineral properties amounting to $252 million, relating to the Kipushi Project. Management performed an impairment assessment on the Kipushi Project to assess whether the recoverable amount is less than the carrying amount by using the discounted cash flow model. The impairment assessment was performed at an individual project level being the level at which management assesses for impairment. The assessment performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to: - Life of mine; - Commodity price forecasts; - Discount rate; - Production levels; and - Capital and operating cost assumptions. Based on the results of the impairment assessment, the recoverable amount exceeded the carrying amount and there was no need to recognise any impairment as at December 31, 2020. This area was considered to be a matter of most significance to the current year audit due to the following: - The impairment assessment is based on a complex economic model and significant judgements are made by management regarding the key assumptions used to perform the impairment assessment; and - The magnitude of the balances to the consolidated financial statements. *Refer to note 2 (c) and note 6 to the consolidated financial statements.*	Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology and model used by management for impairment assessment purposes, which consisted of a discounted cash flow model. We evaluated management's impairment assessment, by performing the following procedures: - Obtained the discounted cash flow model prepared by management which underlies the impairment assessment; - Made use of our corporate finance and financial modelling expertise to assess the valuation model used in management's impairment assessment and found that this was materially consistent with best practice; - Made use of our internal valuation expertise to evaluate the appropriateness of the forecasted average long-term commodity prices used by management in the discounted cash flow model, which we compared to a range of forecasts by independent analysts. The forecasted average long-term commodity prices fell within range; - Forecasted development capital expenditure and operational cash cost projections used by management in the discounted cash flow model were compared to the latest draft feasibility study (including the latest amendments) and underlying analyses prepared by external experts utilized by management. Through inspection of Curriculum vitae (CVs), membership certificates from professional bodies and competent persons reports, we assessed the objectivity, competence and experience of management's experts; - The life of mine projection as well as production levels were assessed against the latest draft feasibility study. No exceptions were noted in this regard; - Utilizing our internal valuation expertise, we independently calculated a range of real discount rates using standard market-related calculation methodologies and applying additional sensitivity analyses. Although management's real discount rate used in their base case discounted cash flow model fell below our internal consensus range, an increase in the discount rate to within our acceptable discount rate range did not result in an impairment;

- Inspected management's sensitivity analysis for the adjusted long term real discount rates used and assessed it against our internal developed range as described above. The sensitivity rates used by management fell within this range; and
- Management's sensitivity recoverable amount, that did not indicate impairment, fell within our range of acceptable valuation outcomes.

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
March 5, 2021

Ivanhoe Mines Ltd.

Consolidated statements of financial position as at December 31, 2020

(Stated in U.S. dollars)

	Notes	**December 31, 2020**	December 31, 2019
		$'000	$'000
ASSETS			
Non-current assets			
Investment in joint venture	4	**1,289,512**	912,636
Property, plant and equipment	5	**450,696**	421,143
Mineral properties	6	**264,438**	264,324
Loans receivable	7	**40,784**	91,955
Promissory note receivable	8	**23,519**	16,799
Right-of-use asset	9	**9,992**	15,096
Other assets	10	**4,704**	4,826
Investments	11	**2,065**	655
Deferred tax asset	12	**403**	688
Total non-current assets		**2,086,113**	1,728,122
Current assets			
Cash and cash equivalents	13	**262,825**	702,810
Loans receivable	7	**56,556**	–
Other receivables	14	**6,432**	8,036
Prepaid expenses	15	**3,904**	3,339
Consumable stores		**1,017**	1,060
Current tax assets		**244**	215
Investments	11	**–**	1,140
Total current assets		**330,978**	716,600
Total assets		**2,417,091**	2,444,722
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	**2,302,197**	2,286,562
Share option reserve	20	**131,823**	128,531
Foreign currency translation reserve	21	**(37,056)**	(30,857)
Accumulated profit		**43,695**	63,572
Equity attributable to owners of the Company		**2,440,659**	2,447,808
Non-controlling interests	22	**(104,176)**	(84,954)
Total equity		**2,336,483**	2,362,854
Non-current liabilities			
Borrowings	16	**36,197**	29,674
Lease liability	9	**11,554**	14,980
Cash settled share-based payment liability	17	**4,624**	–
Advances payable	18	**2,788**	2,661
Deferred tax liability	12	**2,082**	2,082
Rehabilitation provision		**336**	319
Total non-current liabilities		**57,581**	49,716
Current liabilities			
Trade and other payables	19	**22,677**	23,025
Lease liability	9	**350**	871
Borrowings	16	**–**	4,230
Cash settled share-based payment liability	17	**–**	4,026
Total current liabilities		**23,027**	32,152
Total liabilities		**80,608**	81,868
Total equity and liabilities		**2,417,091**	2,444,722

Continuing operations (Note 1)
Commitments and contingencies (Note 34)

(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, 2020

(Stated in U.S. dollars)

	Notes	December 31, 2020	December 31, 2019
		$'000	$'000
Expenses			
Exploration and project evaluation expenditure	6	**44,724**	11,619
Share of loss from joint venture	4	**26,799**	24,821
Salaries and benefits		**17,878**	15,651
Share-based payments	23	**16,931**	10,322
Travel costs		**5,325**	5,785
Office and administration		**3,674**	3,537
Professional fees		**1,733**	1,492
Insurance		**1,108**	805
Investor relations		**983**	1,387
Legal fees		**980**	931
Loss allowances		**721**	–
Foreign exchange loss (gain)	24	**564**	(14,860)
Other expenditure		**355**	1,736
Loss from operating activities		**121,775**	63,226
(Gain) loss on fair valuation of financial asset	11(ii)	**(270)**	784
Finance costs	25	**1,703**	299
Finance income	26	**(80,755)**	(72,395)
Other income	27	**(4,361)**	(3,685)
Loss (profit) before income taxes		**38,092**	(11,771)
Income tax expense			
Current tax	12	**251**	83
Deferred tax	12	**249**	292
		500	375
LOSS (PROFIT) FOR THE YEAR		**38,592**	(11,396)
Loss (profit) attributable to:			
Owners of the Company		**19,877**	(19,223)
Non-controlling interests		**18,715**	7,827
		38,592	(11,396)
Other comprehensive loss (income)			
Items that may subsequently be reclassified to loss (profit):			
Exchange loss (gain) on translation of foreign operations		**6,894**	(8,793)
Other comprehensive loss (income) for the year, net of tax		**6,894**	(8,793)
TOTAL COMPREHENSIVE LOSS (INCOME) FOR THE YEAR		**45,486**	(20,189)
Total comprehensive loss (income) attributable to:			
Owners of the Company		**26,076**	(27,211)
Non-controlling interests	22	**19,410**	7,022
		45,486	(20,189)
Basic loss (profit) per share	28	**0.02**	(0.02)
Diluted loss (profit) per share	28	**0.02**	(0.02)

Ivanhoe Mines Ltd.

Consolidated statements of changes in equity
for the year ended December 31, 2020

(Stated in U.S. dollars)

	Share capital			Foreign currency				
	Number of shares	Amount	Share option reserve	translation reserve	Accumulated profit	Equity attributable to owners	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2019	**1,015,080,833**	**1,764,710**	**126,526**	**(38,845)**	**44,349**	**1,896,740**	**(77,932)**	**1,818,808**
Net profit (loss) for the year	–	–	–	–	19,223	19,223	(7,827)	11,396
Other comprehensive income	–	–	–	7,988	–	7,988	805	8,793
Total comprehensive income (loss)	–	–	–	7,988	19,223	27,211	(7,022)	20,189
Transactions with owners								
Shares issued (Note 20(a))	170,575,803	509,228	–	–	–	509,228	–	509,228
Share-based payments charged to operations (Note 23)	–	–	8,631	–	–	8,631	–	8,631
Restricted share units vested (Note 20(c))	1,210,540	2,664	(2,664)	–	–	–	–	–
Deferred share units settled (Note 20(d))	187,405	595	–	–	–	595	–	595
Bonus shares issued (Note 20(e))	81,016	252	–	–	–	252	–	252
Options exercised (Note 20(b))	8,973,802	9,113	(3,962)	–	–	5,151	–	5,151
Balance at December 31, 2019	**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)
Transactions with owners								
Recognition of non-controlling interests in subsidiaries	–	–	–	–	–	–	188	188
Shares issued (Note 20(a))	1,000,000	2,023	–	–	–	2,023	–	2,023
Share-based payments charged to operations (Note 23)	–	–	14,278	–	–	14,278	–	14,278
Restricted share units vested (Note 20(c))	2,722,167	4,139	(4,139)	–	–	–	–	–
Deferred share units settled (Note 20(d))	21,674	116	–	–	–	116	–	116
Bonus shares issued (Note 20(e))	47,528	216	–	–	–	216	–	216
Options exercised (Note 20(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**

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

Ivanhoe Mines Ltd.

Consolidated statements of cash flows
for the year ended December 31, 2020

(Stated in U.S. dollars)

	Notes	December 31, 2020	December 31, 2019
		$'000	$'000
Cash flows from operating activities			
(Loss) profit before income taxes		**(38,092)**	11,771
Items not involving cash			
Share of loss from joint venture	4	**26,799**	24,821
Share-based payments	23	**15,390**	9,560
Depreciation		**7,862**	739
Finance costs	25	**1,703**	299
Expected credit loss provision		**720**	–
Depreciation on right-of-use asset		**492**	290
Transfer from other assets to working capital items		**218**	2,931
Unrealized foreign exchange loss (gain)		**191**	(2,202)
Deferred share units settled		**116**	595
Loss (profit) on disposal of property, plant and equipment		**71**	(102)
Other taxes		**3**	4
(Increase) decrease in fair valuation of financial asset	11(ii)	**(270)**	784
Finance income	26	**(80,755)**	(72,395)
		(65,552)	(22,905)
Interest received	26	**4,570**	13,639
Change in working capital items	31	**734**	(2,691)
Interest paid		**(91)**	(123)
Income taxes paid		**(130)**	(67)
Net cash used in operating activities		**(60,469)**	(12,147)
Cash flows from investing activities			
Loan advanced to joint venture		**(333,317)**	(202,272)
Property, plant and equipment acquired		**(41,878)**	(114,407)
Advancement of long-term loan facility	7	**(75)**	(50,252)
Purchase of exploration licences	6	**(114)**	(3,027)
Cash paid on behalf of joint venturer	8	**(6,734)**	(4,086)
Investment in unlisted shares	11(i)	**–**	(655)
Other assets acquired		**(295)**	(264)
Proceeds from sale of property, plant and equipment		**2,104**	130
Net cash used in investing activities		**(380,309)**	(374,833)
Cash flows from financing activities			
Shares issued, net of transaction costs	20(a)	**–**	509,228
Options exercised		**2,294**	5,151
Principal portion of lease liability repaid		**(863)**	(947)
Deferred share units settled in cash		**(297)**	–
Net cash generated from financing activities		**1,134**	513,432
Effect of foreign exchange rate changes on cash		**(341)**	2,310
Net cash (outflow) inflow		**(439,985)**	128,762
Cash and cash equivalents, beginning of year		**702,810**	574,048
Cash and cash equivalents, end of year		**262,825**	702,810

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 654-999 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 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 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 Kamoa-Kakula, Platreef and Kipushi projects to prevent the virus from spreading to the mine sites. In addition, the Company conducted a careful review of the availability of its workforce, purchase orders and its supply chain to minimize disruption to its projects. 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 carrying amounts of assets and liabilities.

The Company has an accumulated profit of $43.7 million at December 31, 2020 (2019: $63.6 million). As at December 31, 2020, the Company's total assets exceeds its total liabilities by $2,336.5 million (2019: $2,362.9 million) and current assets exceeds current liabilities by $308.0 million (2019: $684.4 million). The Company currently has no producing properties and expects to fund all of its exploration and development activities through debt and equity financing until operating revenues are generated.

The Company has adopted the going concern basis of accounting as it is in an advanced stage of obtaining new funding and has certain discretion in terms of its capital expenditure plan. Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Failure to obtain further financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties, which could result in an uncertainty that may cast doubt upon the Company's ability to meet its operational and capital objectives, realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

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, 2020. 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).

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

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

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

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

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 Gecamines from future profits earned at Kipushi. The Company has concluded that there is no impairment required to the Kipushi project (see below).

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 statements of comprehensive income.

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 latest Platreef Integrated Development Plan (December 2020) portrays positive results and there are no indications of impairment. Increases in the price of palladium, nickel, rhodium and gold has resulted in the weighted price of the 'basket' of metals contained in the ore at the Platreef project to rise to a new, multi-year high. Assumptions made in assessing whether there were any impairment indicators included, but were not limited to, the following:
  - Life of mine of 30 years;
  - Consensus 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; and
  - Real discount rate of 8%.

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

Recoverability of assets (continued)

- The latest Kamoa-Kakula Integrated Development Plan (October 2020) portrays very positive results and there are no indications of impairment. Assumptions made in determining whether there were any impairment indicators included, but were not limited to, the following:
  - Life of mine of 37 years;
  - Copper price of $3.10/lb; and
  - 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.

A sensitivity analysis was conducted using a discount rate of 13.5% which did not yield an impairment. In addition, a price sensitivity was run leaving all other inputs unchanged at a Zinc price of $1.07/lb and no impairment was required.

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 statements of comprehensive income.

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 it's 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$").

2. Significant accounting policies (continued)

(c) Significant accounting estimates and judgments (continued)

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.

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.

(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 OCI of the joint venture.

2. Significant accounting policies (continued)

(d) Interests in joint ventures (continued)

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.

(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.

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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.

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 terms 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 terms loans receivable have been measured at fair value, with associated transaction costs being expensed in the statements of comprehensive income and are subsequently measured at amortized cost.

2. Significant accounting policies (continued)

(*h*) *Leases*

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. IFRS 16 introduces a single lessee accounting model and 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.

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.

2. Significant accounting policies (continued)

(*h*) *Leases (continued)*

Lease liabilities (continued)

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).

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 relied on:

- An assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review.

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 of 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.

2. Significant accounting policies (continued)

(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 Kamoa 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 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 (FVTPL). Transaction costs that are directly attributable to the acquisition of investments carried at FVTPL 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.

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 FVTPL 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 FVTPL.

(l) Financial instruments: Financial assets

<u>Classification</u>

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through 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.

<u>Measurement</u>

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

2. Significant accounting policies (continued)

(l) Financial instruments: Financial assets (continued)

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 Other Comprehensive Income (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.

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.

2. Significant accounting policies (continued)

(m) Taxation (continued)

Deferred tax (continued)

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.

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

Current and deferred tax for the period

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

2. Significant accounting policies (continued)

(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.

(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 FVTPL 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.

2. Significant accounting policies (continued)

(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. 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 OCI 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 OCI and accumulated in equity (attributed to non-controlling interests as appropriate).

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 23, 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.

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 29.

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.

(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.

2. Significant accounting policies (continued)

(ff) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2020. The Company has not yet adopted these new and amended standards.

- Amendment to IFRS 16 – Leases. The amendment provides 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 they were not lease modifications. (i)

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

- Amendment to IFRS 9, IAS 29, IFRS 7 – Financial Instruments, IFRS 4 - Insurance Contracts and IFRS 16 - Leases. The amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. (ii)

  The Company is in the process of considering the amendment and assessing the impact that it will have on adoption.

- Amendment to IFRS 3 - Business combinations. IFRS 3, has been updated to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, a new exception in IFRS 3 for liabilities and contingent liabilities specifying that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’, or IFRIC 21, ‘Levies’, rather than the 2018 Conceptual Framework. (iii)

  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. (iii)

  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. (iii)

  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. (iii)

  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 June 1, 2020
(ii) Effective for annual periods beginning on or after January 1, 2021
(iii) Effective for annual periods beginning on or after January 1, 2022

3. Application of new and revised standards

The following standards became effective for annual periods beginning on or after January 1, 2020. The Company adopted these standards in the current period and they did not have a material impact on its condensed consolidated interim financial statements unless specifically mentioned below.

- Amendment to IFRS 3 – Business Combinations. The amendment to the definition of a business confirmed that a business must include inputs and a process and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. Furthermore, the amendment narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than providing dividends or other economic benefits directly to investors or lowering costs.

- Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

- 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.

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 Project. 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). The Kamoa-Kakula Project is independently ranked as the world's fourth largest copper deposit by international mining consultant Wood Mackenzie.

On September 8, 2020, the Company announced the results of an independent Definitive Feasibility Study (DFS) for the development of the Kakula Copper Mine; together with an updated Pre-feasibility Study (PFS) that includes ore mined from the Kansoko Copper Mine in addition to ore mined from Kakula; and an expanded Preliminary Economic Assessment (PEA) for the overall development plan of all the copper discoveries made at the Kamoa-Kakula Project. The DFS, PFS and updated PEA, collectively referred to as the Kamoa-Kakula Integrated Development Plan 2020 builds on the results of the previous studies announced by the Company in February 2019.

The costs associated with mine development at the Kamoa-Kakula Project's Kansoko and Kakula sites are capitalized as property, plant and equipment in a subsidiary of Kamoa Holding. Expenditure attributable to exploration was still expensed in 2020.

Company's share of comprehensive loss from joint venture

The following table summarizes the Company's share of Kamoa Holding's total comprehensive loss for the years ending December 31, 2020 and December 31, 2019.

	December 31, 2020	December 31, 2019
	$'000	$'000
Finance costs	**79,838**	70,196
Exploration expenses	**3,450**	10,265
Foreign exchange losses	**50**	345
Finance income	**(5,141)**	(5,631)
Loss before taxes	**78,197**	75,175
Current tax expense	**6**	–
Deferred tax recovery (i)	**(16,407)**	(17,068)
Loss after taxes	**61,796**	58,107
Non-controlling interest of Kamoa Holding (ii)	**(7,657)**	(7,965)
Total comprehensive loss for the year	**54,139**	50,142
Company's share of loss from joint venture (49.5%)	**26,799**	24,821

(i) Following the release of the PFS of the Kakula Copper mine in February 2019, the Company considers it probable that taxable profits will be available against which previously unrecognized deductible temporary differences can be utilized.

(ii) The DRC government holds a direct 20% interest in the Kamoa-Kakula Project. 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.

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, 2020		December 31, 2019	
	100%	**49.5%**	100%	49.5%
	$'000	**$'000**	$'000	$'000
Assets				
Property, plant and equipment	**1,316,708**	**651,770**	727,391	360,059
Mineral property	**802,021**	**397,000**	802,021	397,000
Long term loan receivable	**155,815**	**77,128**	126,012	62,376
Deferred tax asset	**143,891**	**71,226**	127,484	63,105
Cash and cash equivalents	**138,805**	**68,708**	73,968	36,614
Prepaid expenses	**114,784**	**56,818**	77,844	38,533
Non-current inventory	**109,516**	**54,210**	9,188	4,548
Indirect taxes receivable	**91,862**	**45,472**	47,233	23,380
Consumable stores	**32,883**	**16,277**	8,987	4,449
Right-of-use asset	**24,689**	**12,221**	30,128	14,913
Non-current deposits	**1,689**	**836**	1,289	638
Liabilities				
Shareholder loans	**(2,300,271)**	**(1,138,634)**	(1,484,737)	(734,945)
Trade and other payables	**(131,167)**	**(64,927)**	(54,005)	(26,733)
Equipment finance facility	**(57,556)**	**(28,490)**	–	–
Lease liability	**(26,318)**	**(13,027)**	(30,211)	(14,954)
Rehabilitation and other provisions	**(22,281)**	**(11,029)**	(5,727)	(2,835)
Non-controlling interest	**(90,987)**	**(45,039)**	(98,644)	(48,829)
Net assets of the joint venture	**304,083**	**150,520**	358,221	177,319

Investment in joint venture

	December 31, 2020	December 31, 2019
	$'000	$'000
Company's share of net assets of the joint venture	**150,520**	177,319
Loan advanced to the joint venture	**1,138,992**	735,317
	1,289,512	912,636

The Company earns interest at USD 12 month LIBOR plus 7% on the loan advanced to the joint venture (see Note 26). If there is residual cash flow in Kamoa 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.

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:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Advancement of loan (i)	54,379	–	–	–	**54,379**
Civil construction and supplies	69,078	–	–	–	**69,078**
Kakula decline development	19,779	–	–	–	**19,779**
Site running contracts	15,397	–	–	–	**15,397**
Logistics and travel	9,038	–	–	–	**9,038**
Mine equipment acquisitions	5,175	–	–	–	**5,175**
Power infrastructure	4,616	–	–	–	**2,141**
Other commitments	17,073	–	–	–	**17,073**
	194,535	**–**	**–**	**–**	**194,535**

(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, 2020 amounts to $155.8 million (principal amount of $140.1 million and interest of $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, 2020 of $140.1 million (December 31, 2019: $115.2 million), results in a remaining commitment of $109.9 million. The Company's proportionate share (49.5%) of the remaining maximum commitment amounts to $54.4 million.

The term for repayment of accrued interest and future costs is estimated to be 15 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 will be given 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.

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
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	(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	–	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**

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. In Q1 2020, the Kipushi Project was placed under care and maintenance, therefore all costs incurred for the year ended December 31, 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 16 (i)).

5. Property, plant and equipment (continued)

Assets pledged as security

Buildings with a carrying amount of $9.7 million (2019: $9.5 million) have been pledged to secure borrowings of the Company (see Note 16 (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	Assets under construction	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2019								
Cost								
Beginning of the year	2,145	11,704	6,452	3,367	21,098	5,443	268,192	318,401
Additions	–	1,477	1,147	216	17,474	143	100,061	120,518
Borrowing costs capitalized	–	–	–	–	–	–	2,480	2,480
Disposals	–	–	(1,017)	(127)	(5,064)	–	–	(6,208)
Transfers	–	–	251	–	532	–	(783)	–
Foreign exchange translation	72	380	207	30	55	188	7,962	8,894
End of the year	**2,217**	**13,561**	**7,040**	**3,486**	**34,095**	**5,774**	**377,912**	**444,085**
Accumulated depreciation and impairment								
Beginning of the year	–	1,223	4,571	1,792	15,217	642	–	23,445
Depreciation	–	341	823	325	3,768	181	–	5,438
Disposals	–	–	(1,014)	(111)	(5,055)	–	–	(6,180)
Foreign exchange translation	–	46	121	13	32	27	–	239
End of the year	**–**	**1,610**	**4,501**	**2,019**	**13,962**	**850**	**–**	**22,942**
Carrying value								
Beginning of the year	2,145	10,481	1,881	1,575	5,881	4,801	268,192	294,956
End of the year	**2,217**	**11,951**	**2,539**	**1,466**	**20,133**	**4,924**	**377,912**	**421,143**

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, 2020	December 31, 2019
	$'000	$'000
Platreef property, South Africa (a)	**6,940**	6,940
Kipushi Properties, Democratic Republic of Congo (b)	**252,337**	252,337
Other properties (c)	**5,161**	5,047
	264,438	264,324

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 platinum, palladium, nickel, copper, gold and rhodium 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 notorially 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 zinc-copper-silver-lead-germanium 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 ("Gecamines") 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.

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, were capitalized as property, plant and equipment until December 31, 2019. In response to government-imposed travel restrictions and emergency protocols introduced worldwide due to the COVID-19 pandemic, Kipushi temporarily suspended operations in order to reduce the risk to the workforce and local communities.

The draft feasibility study and development and financing plan for Kipushi is being reviewed by the Company together with its partner Gécamines. It is anticipated that these discussions will, together with the finalization of the feasibility study and development and financing plan, be agreed by mid-2021. The project is maintaining a small workforce to conduct care and maintenance activities, and to maintain pumping operations. All costs incurred for the year ended December 31, 2020 have been expensed.

(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 the Kamoa-Kakula Project which is located within the Central African Copperbelt in Lualaba Province, DRC. The Kamoa-Kakula Project 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 evaluation expenditure for the years ended December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
	$'000	$'000
Exploration and project evaluation expenditure		
Salaries and benefits	**17,148**	1,041
Office and administration expenditure	**9,583**	2,760
Depreciation	**7,140**	305
Utilities	**3,085**	5
Site security	**1,754**	208
Drilling	**1,728**	3,903
Studies	**1,313**	116
Labour hire consultants	**1,227**	1,609
Consultants	**1,035**	1,249
Travel	**549**	249
Other	**162**	174
	44,724	11,619

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

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

Exploration and project evaluation expenditure (continued)

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. All costs incurred at Kipushi for the year ended December 31, 2020 have been expensed. Exploration and project evaluation expenditure for 2019 related almost entirely to the Company's Western Foreland exploration licences.

7. Loans receivable

	December 31, 2020	December 31, 2020
	$'000	$'000
Loan to HPX (i)	**56,740**	52,740
Social development loan (ii)	**40,792**	38,963
Loan to Nzuri Exploration Holding Company Pty Ltd (iii)	**327**	252
Other loans receivable	**188**	–
Loss allowance - Loan to HPX	**(184)**	–
Loss allowance - Social development loan	**(523)**	–
	97,340	91,955
Non-current loans receivable	**40,784**	91,955
Current loans receivable	**56,556**	–
	97,340	91,955

(i) In April 2019, the Company extended a secured loan of $50 million to High Power Exploration Inc. (HPX). The loan receivable has a two-year maturity and earns interest at a rate of 8% per annum. Interest of $4.0 million was earned during the year ended December 31, 2020 (see Note 26).

The Company recorded an expected credit loss allowance of $0.2 million as at December 31, 2020 in accordance with IFRS 9 for the loan receivable from HPX.

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 and/or a subsidiary of HPX. The loan is secured by a pledge of shares of an HPX subsidiary in the United States which is pursuing a Tier One copper-gold exploration and development project.

(ii) A long term loan receivable from Gecamines 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 Gecamines 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 Gecamines 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, 2020 is $40.3 million (December 31, 2019: $39.0 million). Interest of $1.8 million was earned during the year ended December 31, 2020 (see Note 26).

The Company recorded an expected credit loss allowance of $0.5 million as at December 31, 2020 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 of $0.2 million to Nzuri Exploration Holding Company Pty Ltd ("Nzuri"). Additional funding of $0.1 million was provided during the year ended December 31, 2020. 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).

8. Promissory note receivable

The Company has the following promissory note receivable:

	December 31, 2020	December 31, 2019
	$'000	$'000
Promissory note receivable from Crystal River	**23,533**	16,799
Loss allowance	**(14)**	–
	23,519	16,799

The promissory note receivable with a carrying value of $23.5 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 Kamoa Holding to Crystal River (see Note 4). The remaining $15.2 million is receivable for subsequent funding provided to Kamoa 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 Kamoa Holding.

9. Leases

Right of use asset

	December 31, 2020	December 31, 2019
	$'000	$'000
Rented surface infrastructure and equipment (Kipushi) (i)	**8,641**	12,582
Office building (ii)	**1,339**	2,339
Other properties	**12**	175
	9,992	15,096

(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, 2020	December 31, 2019
	$'000	$'000
Rented surface infrastructure and equipment (Kipushi) (i)	**10,353**	13,007
Office building (ii)	**1,201**	1,943
Other properties	**–**	30
Non-current lease liability	**11,554**	14,980
Office building (ii)	**328**	447
Other properties	**22**	152
Rented surface infrastructure and equipment (Kipushi) (i)	**–**	272
Current lease liability	**350**	871

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 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 rand 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 statements of comprehensive income:

	December 31, 2020	December 31, 2019
	$'000	$'000
Depreciation charge on right-of-use assets (i)	**194**	290
Interest on lease liability (ii)	**1,485**	13
	1,679	303

(i) Included in other 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 and as interest paid in the operating activities section of the consolidated statements of cash flow.

10. Other assets

	December 31, 2020	December 31, 2019
	$'000	$'000
Prepayments related to bulk power supply (i)	**3,135**	3,284
Deposits	**1,559**	1,534
Other non-current prepayments	**10**	8
	4,704	4,826

(i) Included in other assets are advances of $3.1 million (2019: $3.3 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.

11. Investments

	December 31, 2020	December 31, 2019
	$'000	$'000
Fair Value Through Profit or Loss		
Investment in unlisted shares (i)	**655**	655
Investment in listed shares (ii)	**1,410**	1,140
	2,065	1,795

(i) 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.

(ii) The Company holds listed shares which have been classified as financial assets at FVTPL. The trading value of the listed shares as at December 31, 2020 is $1.4 million (2019: $1.1 million). A gain of $0.3 million on the fair valuation of the financial asset was recognized for the year ended December 31, 2020 (2019: loss of $0.8 million).

12. Income taxes

(a) Rate reconciliation

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

	December 31, 2020	December 31, 2019
	$'000	$'000
Loss (profit) before income taxes	**38,092**	(11,771)
Statutory tax rate	**27.00%**	27.00%
Expected income tax (recovery) expense based on combined Canadian federal and provincial statutory rates	**(10,285)**	3,178
Add (deduct):		
Tax effect of tax losses not recognized	**24,556**	19,360
Non-taxable interest on loan advanced to joint venture	**(18,997)**	(14,452)
Non-taxable income - Interest on loan to subsidiary	**(3,511)**	(5,197)
Other non-taxable income	**(531)**	(4,860)
Non-deductible expenses - Share of loss from joint venture	**7,236**	6,702
Non-deductible expenses - Stock based compensation	**4,410**	2,398
Other non-deductible expenses	**2,220**	743
Different effective tax rates in foreign jurisdictions	**(7,358)**	(7,882)
Amendments to prior year tax submissions	**2,760**	385
Income tax expense	**500**	375

12. Income taxes (continued)

(b) Deferred tax balances

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

	December 31, 2020	December 31, 2019
	$'000	$'000
Deferred tax liability to be recovered after more than 12 months		
Property, plant and equipment	**(2,082)**	(2,082)
Deferred income tax liability	**(2,082)**	(2,082)
Deferred tax asset to be recovered after more than 12 months		
Unrealized foreign exchange losses	**340**	633
Deferred tax asset to be recovered within 12 months		
IFRS 16 leases	**29**	–
Provisions and prepayments	**34**	55
Deferred income tax asset	**403**	688

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.

(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, 2020	December 31, 2019
	$'000	$'000
Non-capital loss carryforwards	**244,290**	192,630
Investment in RK1	**11,289**	11,289
Foreign exploration expenses and share issuance costs	**7,524**	3,767
Capital assets	**23,599**	22,904
Unrecognized deductible temporary differences	**286,702**	230,590

The Company has foreign subsidiaries that have undistributed earnings of $531.6 million (2019: $442.9 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.

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	**U.S. dollar equivalent**	
		'000	**$'000**	
South African rand	R	238,927	16,293	(a)
Congolese franc	CDF	124,778,753	63,354	(b)
Canadian dollar	C$	111,603	87,263	2028 to 2038
Gabonese franc	XAF	6,474,200	12,126	(a)
British pound	£	6,527	8,840	(a)
Barbados dollar	BBD	2,435	1,217	(c)
Euro	€	43,153	54,899	(a)
Namibian dollar	NAD	4,373	298	(a)
			244,290	

(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, 2020	December 31, 2019
	$'000	$'000
Cash and cash equivalents	**262,825**	702,810
	262,825	702,810

14. Other receivables

	December 31, 2020	December 31, 2019
	$'000	$'000
Receivables from joint venture (i)	**3,861**	3,448
Other	**886**	585
Refundable taxes (ii)	**873**	1,379
Accounts receivable	**513**	2,624
Fair value financial asset	**300**	–
Loss allowance	**(1)**	–
	6,432	8,036

(i) Receivables from joint venture include amounts receivable from the Kamoa 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.

15. Prepaid expenses

	December 31, 2020	December 31, 2019
	$'000	$'000
Prepaid insurance	**1,299**	823
Advance payments to suppliers	**1,288**	379
Other prepayments	**1,095**	980
Deposits	**222**	457
Advance payment on shaft construction	**–**	700
	3,904	3,339

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

16. Borrowings

	December 31, 2020	December 31, 2019
	$'000	$'000
Unsecured - at amortized cost		
Loans from other entities (i)	**31,828**	29,674
Secured - at amortized cost		
Citi bank loan (ii)	**4,369**	4,230
	36,197	33,904
Non-current borrowings	**36,197**	29,674
Current borrowings	**–**	4,230
	36,197	33,904

(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, 2020, is estimated at $31.8 million (2019: $29.7 million) with a contractual amount due of $34.5 million (2019: $33.8 million). The difference of $2.7 million (2019: $4.1 million) between the contractual amount due and the carrying value of the loan is the benefit derived from the low-interest loan. Interest of $0.7 million (2019: $1.2 million) was recognized during the year ended December 31, 2020 and was capitalized as borrowing costs together with the low interest loan accretion of $1.4 million (2019: $1.3 million).

(ii) The Citi bank loan of $4.4 million (£3.2 million) is secured by the Rhenfield property (see Note 29). The terms of the mortgage loan were renewed during the year and the repayment date has been extended to August 28, 2025. The loan is now classified as a non-current liability. The loan is an interest only term loan 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, 2020.

17. Cash settled share based payment liability

	December 31, 2020	December 31, 2019
	$'000	$'000
Balance at the beginning of the year	**4,026**	3,349
Vesting of the option liability	**598**	677
Balance at the end of the year	**4,624**	4,026

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 vests 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 23).

18. Advances payable

	December 31, 2020	December 31, 2019
	$'000	$'000
Advances payable to Gecamines	**2,788**	2,661
	2,788	2,661

Advances payable to Gecamines are unsecured and bear interest at USD 12 month LIBOR plus 4% and represent the loan advanced to Kipushi by Gecamines 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.

19. Trade and other payables

	December 31, 2020	December 31, 2019
	$'000	$'000
Trade accruals	**9,708**	12,648
Trade payables	**7,487**	8,097
Payroll tax and other statutory liabilities	**2,952**	1,613
Deferred share unit liability	**2,022**	593
Indirect taxes payable	**317**	70
Sundry payables	**191**	4
	22,677	23,025

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

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

20. 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, 2020, 1,205,894,118 (2019: 1,196,109,399) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding. All shares in issue have been fully paid.

On August 16, 2019, the Company issued 153,821,507 common shares to CITIC Metal Africa Investments Limited upon the completion of a private placement at a price of C$3.98 per unit for gross proceeds of C$612 million ($459 million). Issue costs amounted to $0.3 million. A further 16,754,296 common shares were issued to Zijin as an anti-dilution subscription at the same price per unit for additional proceeds of C$67 million ($50 million).

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 (see Note 30).

(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, 2020, 73,806,052 share options have been granted and exercised, and 18,734,807 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:

		2020		2019
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance at the beginning of year	**17,550,000**	**1.90**	19,900,000	1.18
Granted	**10,384,900**	**3.05**	7,500,000	2.45
Exercised	**(9,098,552)**	**1.57**	(9,837,500)	0.86
Forfeited	**(101,541)**	**3.02**	(12,500)	0.47
Balance at the end of the year	**18,734,807**	**2.69**	17,550,000	1.90

10,384,900 options were granted in 2020. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of $11.1 million for the options granted during 2020 (2019: $7.9 million) will be amortized over the entire vesting period, of which $5.9 million (2019: $2.2 million) was recognized in the year ended December 31, 2020. An additional $4.5 million was recognized in the year ended December 31, 2020 (2019: $2.6 million) relating to options granted during prior years.

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

20. Share capital (continued)

(b) Options (continued)

The following weighted average assumptions were used for the share option grants in 2020:

	2020
Risk free interest rate	1.55%
Expected volatility (i)	46.73%
Expected life	3.50
Expected dividends	$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 is presented below:

	2020		2019	
	Number of options exercised	**Number of shares issued**	Number of options exercised	Number of shares issued
Ordinary exercise	**4,105,000**	**4,105,000**	6,650,000	6,650,000
Exercised by Share Appreciation Rights (i)	**4,993,552**	**1,888,350**	3,187,500	2,323,802
Total	**9,098,552**	**5,993,350**	9,837,500	8,973,802

(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, 2020:

	Options outstanding		**Options exercisable**	
Expiry date	**Number of shares**	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
		$		**$**
May 29, 2021	933,003	3.07	933,003	3.07
June 30, 2021	70,021	3.02	70,021	3.02
March 31, 2023	4,270,235	2.61	4,270,235	2.61
May 7, 2023	250,000	2.07	–	2.07
December 4, 2023	2,000,000	1.98	1,000,000	1.98
January 12, 2024	1,375,000	1.90	250,000	1.90
December 5, 2026	2,000,000	2.59	666,000	2.59
January 13, 2027	7,486,548	3.02	–	3.02
August 17, 2027	250,000	3.85	–	3.85
November 1, 2027	100,000	3.84	–	3.84
	18,734,807	2.69	7,189,259	2.56

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

20. Share capital (continued)

(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:

	2020	2019
Balance at the beginning of the year	**3,751,382**	2,878,198
RSUs issued	**1,140,653**	2,098,333
RSUs vested	**(2,722,167)**	(1,210,540)
RSUs cancelled	**(62,404)**	(14,609)
Balance at the end of the year	**2,107,464**	3,751,382

An expense of $3.5 million will be amortized over the vesting period for the RSUs granted during the year ended December 31, 2020 (2019: $4.2 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 2020 was $3.06 (2019: $2.01). An expense of $4.0 million was recognized for the year ended December 31, 2020 relating to RSU's which vested during the year (2019: $3.8 million) (see Note 23).

(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. The changes for 2020 represent the period January 1, 2020 to December 31, 2020, while the changes for 2019 represent the period January 1, 2019 to December 31, 2019.

	2020	2019
Balance at the beginning of the year	**182,259**	281,614
DSUs issued	**307,147**	130,621
DSUs vested	**(95,197)**	(216,016)
DSUs cancelled	**(17,325)**	(13,960)
Balance at the end of the year	**376,884**	182,259

An expense of $1.4 million (2019: $0.2 million) was recognized for the DSUs granted during the year ended December 31, 2020. An additional expense of $0.4 million (2019: $0.6 million) was recognized for DSU's granted during prior years. In accordance with the DSU plan, directors may elect to receive settlement of their DSU's in cash or shares. Of the 95,197 DSU's vested during the year ended December 31, 2020, 73,523 DSU's were settled in cash and 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.

20. Share capital (continued)

(e) Bonus shares

The Company recognized an expense of $0.2 million for the year ended December 31, 2020 (2019: $0.3 million) relating to 47,528 bonus shares issued during the year ended December 31, 2020 (2019: 81,016).

21. Foreign currency translation reserve

	December 31, 2020	December 31, 2019
	$'000	$'000
Balance at the beginning of the year	**(30,857)**	(38,845)
Exchange (loss) gain arising on translation of foreign operations	**(6,199)**	7,988
Balance at the end of the year	**(37,056)**	(30,857)

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 OCI and accumulated in the foreign currency translation reserve.

22. Non-controlling interests

	December 31, 2020	December 31, 2019
	$'000	$'000
Balance at the beginning of the year	**(84,954)**	(77,932)
Share of total comprehensive loss for the year	**(19,410)**	(7,022)
Recognition of non-controlling interests on incorporation of subsidiaries	**188**	–
Balance at the end of the year	**(104,176)**	(84,954)

The total non-controlling interests at December 31, 2020 is $104.2 million (2019: $85.0 million), of which $69.4 million (2019: $67.3 million) is attributed to Ivanplats (Pty) Ltd and $38.6 million (2019: $20.9 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 financial information 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 balance sheet	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Non-current assets	**304,280**	271,727	**402,522**	399,610
Non-current liabilities	**(635,627)**	(579,970)	**(485,453)**	(438,562)
Total non-current net liabilities	**(331,347)**	(308,243)	**(82,931)**	(38,952)
Current assets	**7,854**	8,013	**3,270**	15,736
Current liabilities	**(4,298)**	(7,323)	**(18,867)**	(20,375)
Current net assets (liabilities)	**3,556**	690	**(15,597)**	(4,639)
Net liabilities	**(327,791)**	(307,553)	**(98,528)**	(43,591)

22. Non-controlling interests (continued)

Summarized income statements	Ivanplats (Pty) Ltd 2020	Ivanplats (Pty) Ltd 2019	Kipushi Corporation SA 2020	Kipushi Corporation SA 2019
	$'000	$'000	**$'000**	$'000
Loss for the year	**13,889**	20,053	**54,937**	20,006
Other comprehensive loss (income)	**6,948**	(8,057)	**–**	–
Total comprehensive loss	**20,837**	11,996	**54,937**	20,006
Total comprehensive loss (income) allocated to non-controlling interests (i)	**2,084**	1,200	**17,580**	6,402

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

Summarized cash flow statements	Ivanplats (Pty) Ltd 2020	Ivanplats (Pty) Ltd 2019	Kipushi Corporation SA 2020	Kipushi Corporation SA 2019
	$'000	$'000	**$'000**	$'000
Cash flows from operating activities	**(22)**	3,300	**(28,556)**	7,449
Cash flows from investing activities	**(40,291)**	(52,835)	**(1,088)**	(68,064)
Cash flows from financing activities	**40,494**	53,000	**29,215**	58,252
Effect of foreign exchange rates	**(13)**	(568)	**101**	98
Net increase (decrease) in cash and cash equivalents	**168**	2,897	**(328)**	(2,265)

23. Share-based payments

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

	December 31, 2020	December 31, 2019
	$'000	$'000
Equity settled share-based payments		
Share options (Note 20(b))	**10,319**	4,819
Restricted share unit expense (Note 20(c))	**3,959**	3,812
Bonus shares (Note 20(e))	**216**	252
	14,494	8,883
Cash settled share-based payments		
Deferred share unit expense (Note 20(d))	**1,839**	762
B-BBEE transaction expense	**598**	677
	16,931	10,322

Of the share-based payment expense recognized for the year ended December 31, 2020, $0.6 million (2019: $0.7 million) related to the Platreef B-BBEE transaction, with the remaining $16.1 million (2019: $9.6 million) being the expense for share options, restricted share units, deferred share units and bonus shares which have been granted to employees and were recognized over the vesting period.

24. Foreign exchange loss (gain)

	December 31, 2020	December 31, 2019
	$'000	$'000
Foreign exchange loss (gain)	**564**	(14,860)
	564	(14,860)

Included in the foreign exchange loss (gain) recognized for the year ended December 31, 2020, was a loss of $0.2 million (2019: gain of $15.3 million) related to exchange losses (gains) on cash held in Canadian dollars.

25. Finance costs

The finance costs of the Company are summarized as follows:

	December 31, 2020	December 31, 2019
	$'000	$'000
Interest on borrowings (see Note 16)	**2,246**	2,585
Lease liability unwinding (see Note 9)	**1,485**	13
Interest on advances payable (see Note 18)	**127**	159
Other financing costs	**–**	18
Borrowing costs capitalized (see Note 5)	**(2,155)**	(2,476)
	1,703	299

26. Finance income

Finance income is summarized as follows:

	December 31, 2020	December 31, 2019
	$'000	$'000
Interest on loan to joint venture (i)	**(70,357)**	(53,524)
Interest on bank balances	**(4,561)**	(13,612)
Interest on long term loan receivable - HPX (ii)	**(4,000)**	(2,740)
Interest on long term loan receivable - Gecamines (iii)	**(1,828)**	(2,492)
Other	**(9)**	(27)
	(80,755)	(72,395)

(i) The Company earns interest at a rate of USD 12 month LIBOR plus 7% on the loan advanced to the Kamoa Holding joint venture (see Note 4).
(ii) The Company earns interest at a rate of 8% per annum on the long term loan receivable from HPX (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 Gecamines (see Note 7(ii)), although an effective interest rate of 9.2% was applied from initial recognition.

27. Other income

Other income is summarized as follows:

	December 31, 2020	December 31, 2019
	$'000	$'000
Administration consulting income (i)	**(4,556)**	(4,124)
Other	**347**	(119)
Irrecoverable amounts	**(152)**	1,128
Proceeds on disposal of exploration permits	**–**	(655)
Other taxes	**–**	85
	(4,361)	(3,685)

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

28. Loss (profit) per share

The basic loss (profit) per share is computed by dividing the loss (profit) attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted loss (profit) 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, 2020	December 31, 2019
	$'000	$'000
Basic loss (profit) per share		
Loss (profit) attributable to owners of the Company	**19,877**	(19,223)
Weighted average number of basic shares outstanding	**1,201,046,084**	1,083,709,592
Basic loss (profit) per share	**0.02**	(0.02)
Diluted loss (profit) per share		
Loss (profit) attributable to owners of the Company	**19,877**	(19,223)
Weighted average number of diluted shares outstanding	**1,201,046,084**	1,096,286,528
Diluted loss (profit) per share	**0.02**	(0.02)

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

	December 31, 2020	December 31, 2019
Weighted average number of basic shares outstanding	**1,201,046,084**	1,083,709,592
Shares deemed to be issued for no consideration in respect of:		
- stock options	**–**	8,849,067
- restricted share units	**–**	3,727,869
Weighted average number of diluted shares outstanding	**1,201,046,084**	1,096,286,528

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

29. 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 $9.7 million (2019: $9.5 million) and are included in property, plant and equipment (see Note 5).

30. 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:

		% equity interest as at		
Name	**Country of Incorporation**	**December 31, 2020**	December 31, 2019	
Direct Subsidiaries				
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%	(i)
African Copperbelt Exploration Ltd.	Barbados	**100%**	100%	(i)
Gabon Holding Company Ltd.	Barbados	**100%**	100%	(i)
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 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%**	0%	(iii)
Kengere Mining SA	DRC	**75%**	0%	(iii)
Kipushi Corporation SA	DRC	**68%**	68%	(iii)
Ivanhoe Gabon SA	Gabon	**97%**	97%	(iii)
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	**100%**	100%	(iii)
Kamoa Services (Pty) Ltd.	South Africa	**100%**	100%	(ii)
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%	(i)
Joint operations				
Rhenfield Limited	British Virgin Islands	**50%**	50%	(iv)

30. 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.

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

	December 31, 2020	December 31, 2019
	$'000	$'000
Ivanhoe Capital Aviation Ltd (a)	**3,652**	3,500
Global Mining Management Corporation (b)	**2,418**	4,302
GMM Tech Holdings Inc. (c)	**453**	679
Global Mining Services Ltd. (d)	**446**	59
Ivanhoe Capital Services Ltd. (e)	**418**	499
HCF International Advisers Limited (f)	**333**	1,020
CITIC Metal Africa Investments Limited (g)	**226**	188
Ivanhoe Capital Pte Ltd (h)	**114**	181
Ivanhoe Capital Corporation (UK) Limited (i)	**2**	25
Ivanhoe Mines Energy DRC Sarl (j)	**(361)**	(291)
High Power Exploration Inc. (k)	**(4,206)**	(2,899)
Kamoa Copper SA (l)	**(8,701)**	(7,883)
Kamoa Holding Limited (m)	**(70,357)**	(53,524)
	(75,563)	(54,144)
Travel	**3,644**	3,776
Salaries and benefits	**2,770**	4,392
Consulting	**778**	1,656
Office and administration	**287**	296
Directors fees	**226**	188
Maintenance of aircraft	**151**	–
Cost recovery and management fee	**(9,062)**	(8,174)
Finance income	**(74,357)**	(56,278)
	(75,563)	(54,144)

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, 2020, trade and other payables included $1.1 million (2019: $0.6 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, 2020 amounted to $4.0 million (2019: $3.9 million).

On March 11, 2020, the Company entered into a purchase and sale agreement with ICA Global Services LLC ("ICA Global"), under which ICA Global agreed to sell a Gulfstream Aerospace G-IV aircraft to the Company for a purchase consideration equal to 1,000,000 Common Shares of the Company. The transaction closed on May 11, 2020 (see Note 20 (a)). ICA Global is a private company controlled by a director of the Company.

On June 30, 2020, Kipushi sold equipment to Kamoa Copper SA for proceeds of $1.6 million.

30. Related party transactions (continued)

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 has a two-year maturity and earns interest at a rate of 8% per annum (see Note 7).

(l) 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.

(m) 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).

31. Cash flow information

(a) Net change in working capital items:

	December 31, 2020	December 31, 2019
	$'000	$'000
Net decrease (increase) in		
Other receivables	**1,604**	(2,539)
Prepaid expenses	**(565)**	3,025
Consumable stores	**43**	240
Net (decrease) increase in		
Trade and other payables	**(348)**	(3,417)
	734	(2,691)

(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, 2020	December 31, 2019
	$'000	$'000
Cash and cash equivalents	**262,825**	702,810
Liquid investment (i)	**1,410**	1,140
Borrowings	**(36,197)**	(33,904)
Lease liabilities	**(11,904)**	(15,851)
Net surplus (debt)	**216,134**	654,195

	Liabilities from financing activities		**Other Assets**		
	Borrowings	**Leases**	**Cash**	**Liquid investment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net surplus (debt) as at January 1, 2019	**(31,291)**	**–**	**574,048**	**1,924**	**544,681**
Cash flows	–	947	126,452	–	127,399
New leases	–	(16,798)	–	–	(16,798)
Foreign exchange adjustments	(133)	–	2,310	–	2,177
Other changes (ii)	(2,480)	–	–	(784)	(3,264)
Net surplus (debt) as at December 31, 2019	**(33,904)**	**(15,851)**	**702,810**	**1,140**	**654,195**
Cash flows	–	863	(439,644)	–	(438,781)
New leases	–	–	–	–	–
Foreign exchange adjustments	(139)	38	(341)	–	(442)
Other changes (ii)	(2,154)	3,046	–	270	1,162
Net surplus (debt) as at December 31, 2020	**(36,197)**	**(11,904)**	**262,825**	**1,410**	**216,134**

(i) Liquid investments comprise current investments that are traded in an active market, being the Company's investment in listed shares (see Note 11(ii)).

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

32. 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, 2020	December 31, 2019
		$'000	$'000
Financial assets			
Financial assets at Fair Value Through Profit or Loss			
Investment in listed entity	Level 1	**1,410**	1,140
Investment in unlisted entity	Level 3	**655**	655
Amortized cost			
Loan advanced to joint venture	Level 3	**1,138,992**	735,317
Cash and cash equivalents		**262,825**	702,810
Loans receivable	Level 3	**97,340**	91,955
Promissory note receivable	Level 3	**23,519**	16,799
Other receivables (a)		**5,559**	6,657
Financial liabilities			
Amortized cost			
Borrowings	Level 3	**36,197**	33,904
Trade and other payables (b)	Level 3	**19,217**	21,338
Advances payable	Level 3	**2,788**	2,661

(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 sundry payables.

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.

32. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

Investment in listed entity
The fair value is the market value of the listed shares at the end of the year.

Investment in unlisted entity
The Company acquired these shares on September 12, 2019. No significant changes occurred between acquisition date and December 31, 2020 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 period is less than two years, 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 a pledge of shares of an HPX subsidiary.

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 32(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 Kamoa 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).

Borrowings (Loan from other entities)
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 16(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 payable (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.

32. Financial instruments (continued)

(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. At December 31, 2020 the Company holds a financial asset valued at $0.3 million arising from a derivative instrument (see Note 14).

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, 2020	December 31, 2019
	$'000	$'000
Assets		
Canadian dollar	**25,289**	41,358
South African rand	**22,809**	24,386
British pounds	**4,116**	7,387
Australian dollar	**1,410**	1,141
Liabilities		
South African rand	**(6,338)**	(9,484)
British pounds	**(3,400)**	(7,008)
Canadian dollar	**(1,978)**	(718)
Australian dollar	**(56)**	-

<u>Foreign currency sensitivity analysis</u>

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.

	December 31, 2020	December 31, 2019
	$'000	$'000
Canadian dollar	**1,166**	2,032
Australian dollar	**68**	57
South African rand	**(72)**	(104)
British pounds	**(3)**	(8)

32. Financial instruments (continued)

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

(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 2020.

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.

The loan advanced to the joint venture will be repaid as and when there is residual cash flow in Kamoa Holding. Due to the positive results of Kamoa-Kakula's PFS and Preliminary Economic Assessment, repayment of the loan is deemed to be highly probable. 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 and/or a subsidiary of HPX. The loan is secured by a pledge of shares of an HPX subsidiary in the United States which is pursuing a Tier One copper-gold exploration and development project, into which the Company also may convert and acquire at least a 25% interest. The Company recorded an expected credit loss allowance of $0.2 million as at December 31, 2020 in accordance with IFRS 9.

Repayment of the long term loan receivable from Gecamines will be made by offsetting the loan against future royalties and dividends payable to Gecamines 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, 2020 in accordance with IFRS 9.

32. Financial instruments (continued)

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

(ii) Credit risk (continued)

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. The expected credit loss is considered to be negligible.

Other receivables are 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 expected credit losses relating to other receivables is also negligible.

The Company continues to monitor its credit risk and assess expected credit losses.

(iii) Liquidity risk

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

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

	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**More than 12 months**	**Total un-discounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
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**
As at December 31, 2019					
Non-current borrowings	–	–	–	33,767	**33,767**
Trade and other payables (a)	18,960	1,002	1,376	–	**21,338**
Lease liability	80	151	640	14,980	**15,851**
Current borrowings	–	–	4,230	–	**4,230**

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

32. Financial instruments (continued)

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

(iv) 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 loss for the year ended December 31, 2020 would have increased or decreased by $6.1 million (2019: $5.0 million) and is comprised as follows:

	December 31, 2020	December 31, 2019
	$'000	$'000
Loan advanced to the joint venture (see Note 4)	**4,540**	2,874
Cash and cash equivalents	**1,314**	1,920
Other interest bearing amounts	**284**	192
	6,138	4,986

33. 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. Currently the Company has no cash inflows from operations. 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 with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from operations.

34. 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, 2020, the Company’s commitments that have not been disclosed elsewhere in the consolidated financial statements are as follows:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2020					
Shaft 1 changeover (Platreef project)	1,093	–	–	–	**1,093**
As at December 31, 2019					
Shaft 1 construction (Platreef project)	12,964	–	–	–	**12,964**

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 year ended December 31, 2020.

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

35. Key management personnel compensation

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

	December 31, 2020	December 31, 2019
	$'000	$'000
Short-term benefits	**12,217**	12,267
Share-based payments	**13,760**	6,871
	25,977	19,138

36. Segmented information

At December 31, 2020, 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, 2020	310,533	1,698,390	77,190	**2,086,113**
As at December 31, 2019	276,491	1,331,741	119,890	**1,728,122**

36. Segmented information (continued)

	December 31, 2020	December 31, 2019
	$'000	$'000
Segment assets		
Kamoa Holding joint venture	**1,289,512**	912,636
Treasury (ii)	**314,742**	752,675
Kipushi properties	**445,591**	453,784
Platreef property	**325,711**	287,828
All other segments (i)	**41,535**	37,799
Total	**2,417,091**	2,444,722
Segment liabilities		
Platreef property	**36,565**	36,531
Kipushi properties	**21,303**	22,643
All other segments (i)	**16,143**	16,475
Treasury (ii)	**6,597**	6,219
Total	**80,608**	81,868
Segment losses (profits)		
Kipushi properties	**36,023**	(1,988)
Kamoa Holding Limited joint venture	**26,799**	24,821
All other segments (i)	**13,129**	12,688
Platreef properties	**1,537**	1,514
Treasury (ii)	**(38,896)**	(48,431)
Total	**38,592**	(11,396)
Capital expenditures		
Platreef properties	**38,169**	50,355
Kipushi properties	**2,665**	68,073
All other segments (i)	**3,575**	2,090
Total	**44,409**	120,518
Exploration expenditure		
Kipushi properties	**36,238**	-
All other segments (i)	**8,486**	11,619
Total	**44,724**	11,619

(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 and the loan to HPX.

37. Approval of the financial statements

The Consolidated Financial Statements of Ivanhoe Mines Ltd., for the year ended December 31, 2020, were approved and authorized for issue by the Board of Directors on March 4, 2021.