International Nickel Ventures Corporation

(An Exploration Stage Entity)

Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in Canadian Dollars, Except Where Otherwise Noted)

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Auditors' Report

To the Shareholders of
International Nickel Ventures Corporation

We have audited the consolidated balance sheets of International Nickel Ventures Corporation as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 11, 2009

International Nickel Ventures Corporation
(An Exploration Stage Entity)
Consolidated Balance Sheets

As At December 31,		**2008**		2007
Assets				
Current				
Cash and cash equivalents	**$**	**17,814,351**	$	24,471,515
Exploration advances and other receivable (note 6)		**100,689**		380,904
		17,915,040		24,852,419
Investment in INVI (note 7)		**3,816,693**		16,691,820
Property, plant and equipment (net of $27,677, 2007 - $1,104 accumulated amortization)		**154,205**		16,233
Mineral properties and deferred exploration (note 8)		**6,423,322**		6,350,020
	$	**28,309,260**	$	47,910,492
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**417,127**	$	1,029,052
		417,127		1,029,052
Shareholders' equity				
Common shares (notes 9(a) and (b))		**53,478,870**		50,552,527
Warrants (note 9(c))		**745,005**		3,880,839
Contributed surplus (note 10)		**5,635,363**		1,254,794
Deficit		**(31,967,105)**		(8,806,720)
		27,892,133		46,881,440
	$	**28,309,260**	$	47,910,492

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

Signed on behalf of the Board of Directors:

"Eric Klein"
Director

"Robert Pollock"
Director

International Nickel Ventures Corporation
(An Exploration Stage Entity)
Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31,		**2008**		2007
Expenses				
General and administration				
Shareholder information and regulatory compliance	**$**	**203,045**	$	366,893
Compensation		**1,056,847**		916,021
Administrative services		**-**		187,770
Travel		**227,361**		137,353
Professional		**323,228**		135,018
Office		**270,059**		146,955
Telecommunications		**49,085**		32,688
Other		**37,259**		59,582
Total general and administration		**2,166,884**		1,982,280
General exploration		**1,692,060**		800,382
Mineral properties and deferred exploration written off (note 8)		**5,136,136**		1,783,266
Write down of Investment in INVI (note 7)		**13,569,306**		-
Stock-based compensation (note 10)		**1,282,668**		765,825
Equity loss from investment (note 7)		**120**		1,515
Foreign currency exchange (gain) loss		**(25,227)**		40,427
Interest income		**(661,562)**		(1,020,287)
Loss before income taxes		**23,160,385**		4,353,408
Future income tax recovery		**-**		(1,010,199)
Net loss and comprehensive loss	**$**	**23,160,385**	$	3,343,209
Basic and diluted loss per share (note 9(d))	**$**	**0.43**	$	0.08

International Nickel Ventures Corporation
(An Exploration Stage Entity)
Consolidated Statements of Deficit

For the years ended December 31,		**2008**		2007
Deficit, beginning of year	**$**	**8,806,720**	$	5,463,511
Loss for the year		**23,160,385**		3,343,209
Deficit, end of year	**$**	**31,967,105**	$	8,806,720

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

International Nickel Ventures Corporation
(An Exploration Stage Entity)
Consolidated Statements of Cash Flows

For the years ended December 31,		**2008**		2007
Operating activities				
Net loss and comprehensive loss for the year	**$**	**(23,160,385)**	$	(3,343,209)
Items not affecting cash:				
Mineral properties and deferred exploration written off		**5,136,136**		1,783,266
Equity loss from investment (note 7)		**120**		1,515
Future income tax recovery		**-**		(1,010,199)
Write down of Investment in INVI (note 7)		**13,569,306**		-
Depreciation		**24,938**		1,104
Stock-based compensation (note 10)		**1,282,668**		765,825
		(3,147,217)		(1,801,698)
Change in working capital				
Exploration advances and other receivable (note 6)		**280,215**		(130,650)
Accounts payable and accrued liabilities		**(404,132)**		436,975
		(123,917)		306,325
		(3,271,134)		(1,495,373)
Financing activities				
Proceeds from public offerings (net of share issue costs of $327,500)		**2,888,411**		21,696,811
Proceeds from exercise of stock options and compensation warrants		**-**		891,200
		2,888,411		22,588,011
Investing activities				
Investment in INVI		**(694,299)**		(6,803,099)
Mineral properties and deferred exploration		**(5,417,231)**		(3,598,969)
Property, plant and equipment additions		**(162,911)**		(17,337)
		(6,274,441)		(10,419,405)
Change in cash and cash equivalents for the year		**(6,657,164)**		10,673,233
Cash and cash equivalents, beginning of year		**24,471,515**		13,798,282
Cash and cash equivalents, end of year	**$**	**17,814,351**	$	24,471,515
Interest income received	**$**	**737,912**	$	969,682
Income tax paid	**$**	**28,584**	$	25,189

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

1) Nature of operations

International Nickel Ventures Corporation ("INV" or the "Corporation") was incorporated on October 20, 2005 and is in the business of acquiring, exploring and developing mineral deposits, primarily in Brazil and Canada, through the Corporation, its wholly-owned subsidiary, INV Mineração Ltda. ("IML") and its investment in International Nickel Ventures Inc. ("INVI"). The Corporation may expand its operations to include mineral properties outside of Brazil and Canada and also into other metallic projects. The Corporation's properties in Brazil and Canada may be subject to sovereign risk, including political and economic instability, government regulations relating to mining, currency fluctuations and local inflation. These risks may adversely affect the Corporation's investment in mineral properties and may result in the impairment or loss of all or part of these properties.

On March 17, 2006, the Corporation completed an initial public offering and was listed for trading on the Toronto Stock Exchange. The Corporation is currently trading under the symbol "INV".

2) Accounting policies and basis of presentation

The consolidated financial statements of INV have been prepared in accordance with Canadian generally accepted accounting principles. Summarized below are the significant accounting policies used in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements include the accounts of International Nickel Ventures Corporation and its wholly owned subsidiaries INV São José Inc. and INV Mineração Ltda.

b) Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and the related disclosures at the date of the financial statements and the reported amounts for operations during the reporting period. While management believes that the estimates and assumptions are reasonable, actual results may differ.

Significant estimates and assumptions include those related to the determination as to whether costs are expensed or deferred, the recoverability of mineral property and deferred exploration expenditures and investment in INVI, stock-based compensation, future taxes and the ability to continue as a going concern.

c) Cash and cash equivalents

Cash and cash equivalents include cash on deposit, term deposits and other interest-bearing investments that have maturities of less than 90 days from the date of acquisition.

d) Investment subject to significant influence

The Corporation uses the equity method for investments where the Corporation has a significant influence on the entity's operating, investing and financing activities. The investment is initially recorded at cost and adjustments are made to include the Corporation's share of the net earnings and losses, which are recorded in the Corporation's statements of operations and comprehensive loss. Any decline in the fair value of the investment considered by management to be other than temporary in nature is charged to operations.

2) Accounting policies and basis of presentation (continued)

e) Mineral properties and deferred exploration

The Corporation considers its exploration and evaluation costs to have the characteristics of property, plant and equipment. As such, the Corporation defers all exploration and evaluation costs, including acquisition costs and field exploration costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

When impairment indicators are identified, long-lived assets including mineral properties and deferred exploration are reviewed for impairment to determine whether a write down of their carrying amount is required. Since the Corporation is in the exploration stage and has not established mineral reserves and, therefore, does not have a basis to prepare cash flow projections to support the carrying amount of these assets, other factors are considered in determining whether a write down is required. Such factors include past exploration work, future planned exploration work and general market conditions.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a declining basis over the useful life of the assets (depreciation rates are 20% for office equipment and 30% for computer equipment).

g) Stock-based compensation

The Corporation has a stock-based compensation plan. The Corporation recognizes as an expense the cost of stock-based compensation based on the estimated fair value of new stock options and restricted share units granted to employees, consultants, officers and directors. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes and other option-pricing models and is expensed over the vesting period. The fair value of each restricted share unit granted is calculated on the date of the grant using the closing stock price on the date prior to the grant and is expensed over the vesting period. Forfeitures of stock options and restricted share units are recognized as incurred.

h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in operations.

The accounts of the operations in Brazil have been translated using the temporal method for foreign integrated operations. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, which primarily comprise mineral properties and deferred exploration, are translated using historic rates of exchange. Expenses and other income are translated at the average rates of exchange during the period. Foreign currency exchange gains and losses are included in operations.

2) Accounting policies and basis of presentation (continued)

i) Future income taxes

The Corporation uses the asset and liability method in accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

j) Related party transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amounts.

k) Basic and diluted loss per share

Basic loss per share is computed based on the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method for calculating diluted loss per share. As the Corporation incurred net losses for each of the years ended December 31, 2008 and 2007, all outstanding stock options, restricted share units and warrants have been excluded from the calculation of diluted loss per share, since the effect of these would be anti-dilutive.

3) Changes in accounting policies and future accounting pronouncements

a) Changes in accounting policies

i) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The new standard became effective on January 1, 2008. The adoption of Section 1535 resulted in the addition of Note 4 to the consolidated financial statements.

ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

In December 2006, the CICA issued Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. Section 3862 modifies the disclosure requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The new standards became effective on January 1, 2008. The adoption of Section 3862 and Section 3863 resulted in the addition of Note 5 to the consolidated financial statements.

3) Changes in accounting policies and future accounting pronouncements (continued)

b) Future accounting pronouncements

i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, "Revenues and expenses during the pre-operating period." The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009. Management is currently assessing the impact that the adoption of Section 3064 will have on the consolidated financial statements.

ii) Convergence with International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the impact of the ultimate adoption of IFRS on the Corporation.

4) Capital disclosures

The Corporation manages its capital structure and makes adjustment to it, based on the funds available to the Corporation, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business.

The properties in which the Corporation currently has an interest are in the exploration stage; as such the Corporation is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Corporation will spend its working capital and raise additional amounts as needed. The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it is deemed there is sufficient geological or economic potential and if adequate financial resources are available.

Management reviews its capital management approach on an ongoing basis and believes this approach, given the size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2008. Neither the Corporation nor its subsidiaries are subject to externally imposed capital requirements.

5) Financial instruments

The Corporation has designated its cash and cash equivalents as held-for trading, which are measured at fair value. Financial instruments included in other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2008 the carrying and fair value amounts of the Corporation's financial instruments are the same.

5) Financial instruments (continued)

Financial risk factors

The Corporation's risk exposures and the impact of the Corporation's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

a) Credit risk

The Corporation's credit risk is primarily attributable to receivables included in other receivables. The Corporation has no significant concentration of credit risk. Financial instruments included in other receivables consist of receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in other receivables is remote.

b) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet obligations when due. As at December 31, 2008 the Corporation had a cash balance of $17,814,351 (December 31, 2007 – $24,471,515) to settle current liabilities of $417,127 (December 31, 2007 – $1,029,052). The majority of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Corporation is also committed to spending approximately $1.5 million in flow-through funds by December 31, 2009. The Corporation expects to fulfill all flow-through commitments within the given time constraints.

c) Commodity price risk

The ability of the Corporation to develop its properties and the future profitability of the Corporation is directly related to the market price of certain minerals.

d) Market risk

i) Interest rate risk

The Corporation has cash balances and no interest-bearing debt. The Corporation holds cash and cash equivalents in deposit form in a major Chartered Canadian bank. The Corporation is sensitive to changes in the interest rates through interest income earned on its cash balance.

ii) Foreign currency risk

The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars and Brazilian reais. The Corporation funds certain operations, exploration and administrative expenses in Brazil on a cash call basis using Canadian dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Corporation does not hold significant balances in foreign currencies to give rise to exposure to significant foreign exchange risk.

5) Financial instruments (continued)

Financial risk factors (continued)

e) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are "reasonably possible" over the year ended December 31, 2008:

Cash and cash equivalents are subject to floating interest rates. As at December 31, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended December 31, 2008 would have been approximately $210,000 higher/lower, as a result of lower/higher interest income from cash and cash equivalents. Similarly, as at December 31, 2008, shareholders' equity would have been approximately $210,000 lower/higher as a result of lower/higher interest income from cash and cash equivalents due to a 1% decrease/increase in interest rates.

Financial instruments denominated in Brazilian reais are subject to foreign currency risk. As at December 31, 2008 had the Brazilian real weakened/strengthened by 10% against the Canadian dollar, with all other variables held constant, the Corporation's loss for the year ended December 31, 2008 would have been approximately $10,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Shareholders' equity would have been approximately $10,000 lower/higher had the Brazilian real weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

6) Advances to service provider

Effective October 4, 2004, INV entered into an agreement with a subsidiary of Terracorp Consultoria Serviços de Mineração ("Terracorp"), formally Amazonia Mineração Ltda., whereby Terracorp was retained to provide INV with certain mineral exploration, mining, technical and administration services for selected mineral exploration efforts in Brazil. As at December 31, 2008, the Corporation advanced $12,184 in excess of Terracorp's expenditures on behalf of the Corporation (December 31, 2007 – the Corporation advanced $64,563 in excess of Terracorp's expenditures on behalf of the Corporation).

7) Investment in INVI

The Corporation accounts for the investment in INVI under the equity method of accounting and records its share in the income or loss of INVI as an equity gain or loss in the consolidated statements of operations and comprehensive loss.

Balance, January 1, 2006	$	9,890,236
Investment		6,803,099
Share of loss from equity accounted investment		(1,515)
Balance, December 31, 2007		**16,691,820**
Investment		**694,299**
Share of loss from equity accounted investment		**(120)**
Write down of investment		**(13,569,306)**
Balance, December 31, 2008	**$**	**3,816,693**

The principal asset owned by INVI is a 75% interest in the Santa Fé/Iporá properties, earned by making total payments of US$32.3 million ($35.5 million), from 2004 to 2007 (the Corporation's share $8.0 million) to Mineradora Montita Ltda. ("Montita"), a private Brazilian Company, pursuant to an agreement effective September 24, 2004, as amended on December 16, 2004. The Santa Fé/Iporá properties are located in south-western Goiás State in south-central Brazil.

During 2007, the Corporation made the final option payments, for its 27% share of the investment in INVI, which amounted to US$4.3 million ($4.4 million). At the Corporation's request, Teck Cominco Ltd. ("Teck") agreed, for the above payments, to waive its rights to subscribe for additional shares of the Corporation for INV's 27% share. The Corporation, therefore, paid cash for its 27% share and did not issue any shares.

The Corporation has elected not to fund its pro-rata share of expenditures with respect to the project. As a result, the Corporation's interest in INVI as of December 31, 2008 has declined to 26.6%.

Teck performed a review of the value of its investment in INVI during the fourth quarter and determined that the value of its investment declined. As a result, the Corporation has recognized a $13,569,306 impairment charge against the value of the Investment in INVI at December 31, 2008.

8) Mineral properties and deferred exploration

	December 31, 2008			
	Balance December 31, 2007	**Additions in the period**	**Write off**	**Balance December 31, 2008**
Brazil properties				
Anápolis	**$ 688,005**	**$ 15,936**	**$ (703,941)**	**$ -**
Goiás Region	**120,937**	**261**	**(60,599)**	**60,599**
Norte Sul	**959,029**	**36,652**	**(701,272)**	**294,409**
São José	**160,833**	**2,109**	**(162,942)**	**-**
Damolândia	**539,511**	**1,051,402**	**(1,590,913)**	**-**
Niquelândia	**140,225**	**1,241,931**	**(1,382,156)**	**-**
Taquaral	**-**	**534,313**	**(534,313)**	**-**
Itaporã	**-**	**626,815**	**-**	**626,815**
Ontario properties				
Fishtrap	**1,247,160**	**1,318,818**	**-**	**2,565,978**
Lansdowne House	**1,247,160**	**198,088**	**-**	**1,445,248**
Montcalm	**1,247,160**	**183,113**	**-**	**1,430,273**
	$ 6,350,020	**$ 5,209,438**	**$ (5,136,136)**	**$ 6,423,322**

	December 31, 2007			
	Balance December 31, 2006	Additions in the year	Write off	Balance December 31, 2007
Brazil properties				
Anápolis	$ 78,169	$ 1,481,306	$ (871,470)	$ 688,005
Goiás Region	259,381	234,300	(372,744)	120,937
Norte Sul	680,941	694,416	(416,328)	959,029
São José	52,429	231,128	(122,724)	160,833
Damolândia	-	539,511	-	539,511
Niquelândia	-	140,225	-	140,225
Ontario properties				
Fishtrap	-	1,247,160	-	1,247,160
Lansdowne House	-	1,247,160	-	1,247,160
Montcalm	-	1,247,160	-	1,247,160
	$ 1,070,920	$ 7,062,366	$ (1,783,266)	$ 6,350,020

8) Mineral properties and deferred exploration (continued)

a) Brazilian properties

i) Anápolis, Goiás Region, Norte Sul, and São José properties

The Corporation acquired exploration rights on prospective nickel sulphide properties in Goiás State, Brazil, based on aeromagnetic and radiometric maps. In May 2008, INV entered into an option/joint venture agreement with Votorantim Metais Níquel S.A. ("Votorantim") for all but two of INV's nickel laterite exploration properties in Brazil (the "Properties"). The Properties consisted of claims located in the states of Goiás, Tocantins, and Pará in central Brazil. The option agreement granted Votorantim an option to acquire up to a 70% interest in the nickel and base metals rights of the Properties. Votorantim is the operator and can earn an initial 51% interest in the Properties by funding US$5.0 million in exploration expenditures over the first three years of the agreement, with a committed first year expenditure of US$1.0 million. As at December 31, 2008 Votorantim indicated its intention to not proceed with further exploration on certain claims related to the agreement. As of December 31, 2008, the Corporation wrote off $1,628,754 in exploration expenditures relating to the properties dropped by Votorantim and will not pursue further work on those properties.

ii) Damolândia property

On July 17, 2007, INV entered into an option agreement with BCV - Consultoria e Projetos (“BCV”), a private Brazilian company, to acquire BCV’s 100% interest in the Damolândia nickel sulphide property, located north of Goiânia City, Goiás State, Brazil in the Anápolis Belt. To earn its 100% interest, INV was required to make a series of payments to BCV, totaling US$400,000 over four years, and a US$500,000 payment upon the application for a mining license. The Corporation paid a total of US$50,000 to BCV, $20,000 upon signing the agreement and $30,000 on the first anniversary date upon signing the agreement. The Corporation has decided not to make further option payments on the property due to the inconclusive exploration results. As of December 31, 2008, the Corporation wrote off $1,590,913 in exploration expenditures relating to the property and will not pursue any further work on the property.

vi) Niquelândia property

On November 27, 2007, INV acquired the Niquelândia nickel property situated in Goiás State, Brazil. The property is contiguous with Anglo American’s and Votorantim Metais’ nickel producing properties to the north and south. The Niquelândia property was subject to an underlying agreement with BCV. In order to complete the acquisition, INV was required to make payments to BCV totaling US$400,000 over four years, and a US$500,000 payment upon decision to mine. The Corporation paid a total of US$20,000 to BCV upon signing the agreement and has decided not to make further option payments on the property due to the inconclusive exploration results. As of December 31, 2008, the Corporation wrote off $1,382,156 in exploration expenditures relating to the property and will not pursue any further work on the property.

vii) Taquaral property

The Corporation acquired the property by staking prospective nickel sulphide properties in Goiás State, Brazil. Exploration activities at the Taquaral property consisted of gridding, soil geochemistry, ground and airborne geophysics and drilling. As of December 31, 2008, the Corporation wrote off $534,313 in exploration expenditures relating to the property and will not pursue any further work on the property.

viii) Itaporã property

The Itaporã gold project is located in Pára State, Brazil. The Corporation acquired the property by staking claims. As at December 31, 2008, exploration activities at the Itaporã property consisted of gridding, a soil geochemical survey, geological surveys and an Induced Polarization (“IP”) survey.

8) Mineral properties and deferred exploration (continued)

b) Ontario properties

On December 27, 2007, the Corporation purchased a 100% ownership in three northern Ontario mineral properties (Fishtrap, Lansdowne and Montcalm) from FNX Mining Company Inc.'s ("FNX") wholly owned subsidiary, Aurora Platinum Corp. ("Aurora"), in exchange for INV issuing 2.9 million common shares to FNX. In the event that prior to December 27, 2027, INV makes a production decision on any one of the three properties, or if FNX completes a feasibility study approved for implementation by FNX, then FNX shall be entitled to acquire 50% of INV's then beneficial interest in that property by paying to INV two times the aggregate of all expenditures made by INV on that property. The properties are subject to certain net smelter royalties.

The purchase price was allocated as follows:

		Total
Mineral properties and deferred exploration	$	3,741,480
Future income tax liabilities		(1,010,199)
Purchase Price	$	2,731,281
Consideration		
Acquisition Costs	$	273,149
Common shares		2,458,132
Total consideration	$	2,731,281

i) Fishtrap

The Corporation has a 100% interest in the Fishtrap property. As at December 31, 2008, exploration activities at Fishtrap consisted of gridding, geophysical surveys including magnetometer and horizontal loop electromagnetic, geological surveys and prospecting. INV has suspended exploration programs on this project due to current market conditions.

ii) Lansdowne House

The 100% interest in the Lansdowne House property is subject to (a) a 2.5% net smelter return royalty in favour of PGM Ventures Corporation, which royalty is subject to the right of INV to buy back up to 1.5% thereof by paying $500,000 per 0.5%; and (b) the right of Vale Inco with respect to one claim comprising part of the property to receive a 1.5% net smelter return royalty in respect of such claim, subject to a maximum cap of $2,500,000. No exploration work has been performed on the property. INV has suspended exploration programs on this project due to current market conditions.

iii) Montcalm

The 100% interest in the Montcalm property is subject to (a) a 2% net smelter return royalty which is subject to the right of INV to buy back up to 1% thereof by paying $500,000 per 0.5%; and (b) a 1.5% net smelter return royalty in favour of Vale Inco, subject to a maximum cap of $2,500,000, after which it is converted into a 0.75% net smelter return royalty for the lifetime of the Montcalm Property. As at December 31, 2008 exploration activities at Montcalm consisted of gridding and magnetometer and electromagnetic surveys.

9) Share capital and loss per share

a) Authorized

The authorized capital of INV consists of an unlimited number of common shares.

b) Issued and outstanding

	Number of Common Shares		Amount
Balance, January 1, 2006	34,492,300	$	28,105,400
Offerings, net of share issue costs ($1,381,199)	13,187,434		18,795,575
Exercise of stock options, including transfer of $53,496 from contributed surplus	212,500		238,496
Issued as consideration for the acquisition of the Ontario properties (note 8(b))	2,900,000		2,458,132
Exercise of compensation warrants	588,500		954,924
Balance, December 31, 2007	**51,380,734**		**50,552,527**
Offerings, net of share issue costs ($327,500)	**2,530,274**		**2,835,343**
Issuance of restricted share units (note 10)	**100,000**		**91,000**
Balance, December 31, 2008	**54,011,008**	**$**	**53,478,870**

During 2007, the Corporation completed a bought deal financing (the “Financing”) of 11,155,000 units at a price of $1.75 per unit for gross proceeds of $19,521,250. Each unit consisted of one common share in the capital of INV and one-half of one common share purchase warrant. Each whole common share purchase warrant (a “Public warrant”) entitled the holder to acquire one additional common share until November 18, 2008, at a price of $2.25. The Public warrants expired on November 18, 2008.

Concurrent with the Financing, INV completed a private placement with FNX and Teck on the same terms as the Financing (the “Concurrent Private Placement”) for, in aggregate, 2,032,434 units for gross proceeds of $3,556,760. Pursuant to an agreement between INV and Teck, INV had granted Teck the right (the “Teck Right”) to purchase units on the same terms as the Financing to maintain its pro rata interest in INV. Teck purchased 420,604 units and FNX purchased 1,611,830 units.

In consideration for their services in connection with the Financing and the Concurrent Private Placement, the underwriters received a fee equal to 5.5% and 3.0% of the gross proceeds of the Financing and Concurrent Private Placement, respectively. Gross proceeds from the Financing and Concurrent Private Placement were $23,078,010, while net proceeds were $21,696,811 (share issue costs of $1,381,199).

On February 21, 2008, the Corporation completed an offering of 2,400,000 common shares on a flow-through basis by way of guaranteed private placement, at a price of $1.25 per share, for aggregate gross proceeds of $3,000,000. In addition, pursuant to INV’s existing agreement with Teck, Teck exercised its right to purchase 130,274 flow-through shares to maintain its pro rata interest in INV prior to the offering resulting in the issue of a total of 2,530,274 flow-through shares for aggregate gross proceeds of $3,162,843 (share issue costs of $327,500).

9) Share capital and loss per share (continued)

c) Warrants

Warrants shown on the consolidated balance sheets are comprised as follows:

	Number of Warrants		Amount
Balance, January 1, 2006	3,615,086	$	1,228,327
Compensation warrants exercised	(588,500)		(248,724)
Public warrants	6,593,717		2,901,236
Balance, December 31, 2007	**9,620,303**		**3,880,839**
Compensation warrants issued	**144,000**		**53,067**
Compensation warrants expired (note 10)	**(678,700)**		**(287,665)**
Public warrants expired (note 10)	**(6,593,717)**		**(2,901,236)**
Balance, December 31, 2008	**2,491,886**	**$**	**745,005**

As consideration for its services from the sale of flow-through shares, the Corporation issued 144,000 compensation warrants, exercisable for 144,000 common shares of INV at an exercise price of $1.00 per share. The warrants are exercisable at any time on or before August 21, 2009. The value ascribed to the warrants is $53,067 determined using the Black-Scholes option pricing model. The assumptions used for compensation warrants issued during the period were as follows: dividend yield of 0.0%; expected volatility of 83%; risk-free interest rate of 3.2% and an expected life of 18 months.

A total of 521,500 and 157,200 compensation warrants, issued upon the Corporation's initial public offering, which entitled the holder to purchase one common share at a price of $1.20 per share for a period of two years from the date of issuance, expired on March 17, 2008 and April 6, 2008, respectively. The compensation warrants were ascribed a fair value of $220,407 and $67,258 respectively, using the Black-Scholes model. These amounts were transferred to contributed surplus on expiry.

A total of 6,593,717 Public warrants were issued in connection with the Financing and Concurrent private Placement, which entitled the holder to acquire one additional common share, until November 18, 2008 at a price of $2.25. The Public warrants were ascribed a fair value of $2,901,236 using the Black-Scholes model. The Public warrants expired on November 18, 2008. This amount was transferred to contributed surplus on expiry.

d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding for the year of 53,601,572 (2007 – 43,301,088). The conversion of outstanding stock options, restricted share units and warrants was not included in the calculation of fully diluted loss per share for either 2008 or 2007 as the conversion would be anti-dilutive.

10) Contributed surplus

The following table summarizes information regarding the Corporation's contributed surplus as at and for the years ended December 31, 2008 and 2007:

		Amount
Balance, January 1, 2006	$	542,465
Stock-based compensation		765,825
Transfer of exercised options to share capital		(53,496)
Balance, December 31, 2007		**1,254,794**
Stock-based compensation		**922,043**
Expiration of warrants (note 9(c))		**3,188,901**
Restricted share unit compensation		**360,625**
Issuance of restricted share units		**(91,000)**
Balance, December 31, 2008	**$**	**5,635,363**

The following table summarizes information regarding INV's outstanding and exercisable stock options as at and for the year ended December 31, 2008:

Exercise Price Range	Number of Stock Options Outstanding	Weighted-Average Remaining Years of Contractual Life		Weighted Average Exercise Price	Number of Stock Options Exercisable		Weighted Average Exercisable Price
$0.81-$0.89	175,000	4.2	$	0.82	100,000	$	0.83
$0.90-$1.29	3,107,000	3.1		1.09	1,894,000		1.14
*$1.30-$1.69	825,000	3.3		1.50	402,083		1.53
$1.70-$2.10	640,000	1.9		1.80	640,000		1.80
	4,747,000	3.0	$	1.25	3,036,083	$	1.32

*Includes 250,000 stock options granted to an officer of the Corporation, exercisable when the Corporation's market capitalization reaches $225 million.

The weighted average grant date fair value of $0.54 (2007 – $0.62) was determined using the Black-Scholes option pricing model (except as described further below) with the assumptions used as follows: dividend yield of 0.0%; expected volatility of 81% to 84% (2007 – 69% to 83%); risk-free interest rate of 2.6% - 3.8% (2007 – 4.0%); and a weighted average expected life of 24 months (2007 – 12 to 30 months).

10) Contributed surplus (continued)

The following table summarizes the stock option transactions for the years ended December 31, 2008 and 2007 as follows:

	Number of stock options		Weighted-average exercise price
Outstanding January 1, 2006	1,910,000	$	1.21
Granted	1,827,000		1.53
Exercised	(212,500)		0.87
Cancelled/Expired/Forfeited	(112,500)		1.52
Outstanding, December 31, 2007	**3,412,000**	**$**	**1.39**
Granted	**2,155,000**		**1.02**
Cancelled/Expired/Forfeited	**(820,000)**		**1.24**
Outstanding, December 31, 2008	**4,747,000**	**$**	**1.25**

The stock option plan (the "Option Plan") is for directors, officers, employees and certain individuals that provide ongoing services to INV. Under the Option Plan, options are typically granted for a five-year period and in such numbers as reflects the level of responsibility of the particular optionee and his or her contribution to the business and activities of INV. Stock options granted under the Option Plan prior to 2006 vested at the discretion of the Board of Directors. Stock options granted under the option plan vest 25% immediately, 25% after six months, 25% after one year and 25% after one and one-half years from the date of grant. Except in specified circumstances, stock options are not assignable and vested options terminate 90 days after the optionee ceases to be employed by or associated with INV. The terms of the Option Plan further provide that the price at which shares may be issued under the Option Plan cannot be less than the market price of the shares when the relevant stock options are granted and common shares available for stock-options issuance would be no more than 10% of the issued and outstanding commons shares of the Corporation at any time.

The stock-based compensation expense for stock options granted in 2007 includes 250,000 options at a strike price of $1.46 granted to an officer of the Corporation, exercisable when the Corporation's market capitalization reaches $225 million. The stock options' fair value of $0.82 per stock option was estimated using Monte Carlo simulations, with the assumptions used as follows: dividend yield of 0.0%; expected volatility of 70%; risk-free interest rate of 4.6%; and expected life of 18 months.

10) Contributed surplus (continued)

The following table summarizes the restricted share unit transactions for the years ended December 31, 2008 and 2007:

	Number of restricted shares		Fair value of restricted shares
Outstanding, December 31, 2007	**-**		**-**
Granted	**600,000**		**0.91**
Exercised	**(100,000)**		**0.91**
Outstanding, December 31, 2008	**500,000**	**$**	**0.91**

On June 4, 2008, the shareholders of the Corporation approved the adoption of a restricted share unit plan (the "RSU Plan"). Under the RSU Plan, the Corporation may grant up to 1,000,000 shares to employees, officers, directors and consultants through the issuance of restricted share units. Each restricted share unit gives the holder the right to receive, after the restricted period, if applicable, one common share of the Corporation. The fair market value of each restricted share unit granted is calculated on the date of grant using the closing stock price on the date prior to the grant. The restricted share units granted have a restricted period expiring one third on the first anniversary date of the effective date of the employee's employment agreement, one third on the second anniversary, and one third on the third anniversary.

The restricted period is subject to the discretion of the Board of Directors. The aggregate number of common shares issuable to an insider of the Corporation pursuant to all security based compensation, shall not exceed 10% of the total number of common shares outstanding. The aggregate number of common shares reserved for issuance to any one person shall not exceed 5% of the total number of common shares then outstanding.

The fair value of the restricted share units granted on June 4, 2008 was $546,000. Compensation expense related to the restricted share units for the year ended December 31, 2008 was $360,625. During the year, 100,000 units were issued from treasury with a fair value of $91,000. The amount was transferred to contributed surplus on issuance.

11) Future income taxes

The provision for income taxes in the consolidated statements of operations and comprehensive loss represents an effective rate different than the Canadian statutory rate of 31.50% (2007 – 34.12%). The differences are as follows:

11) Future income taxes (continued)

For the years ended December 31,		**2008**		2007
Loss before income taxes	**$**	**(23,160,385)**	$	(4,353,408)
Computed income tax recovery at Canadian statutory tax rates		**7,295,521**		1,485,383
Tax rate differences on foreign losses		**(157,497)**		-
Stock-based compensation		**(404,040)**		(261,299)
Write off of mineral properties		**(1,826,967)**		(855,884)
Write down of investment		**(4,274,331)**		-
Reduction due to changes in substantially enacted income tax rates		**(41,503)**		(111,350)
Other		**(1,233)**		(154,314)
Change in valuation allowance		**(589,950)**		907,663
Income tax recovery	$	-	$	1,010,199

The tax effect of temporary differences of the Corporation that give rise to significant portions of future income tax assets and future income tax liabilities are presented below:

For the years ended December 31,		**2008**		2007
Future income tax assets				
Losses carried forward	**$**	**1,332,790**	$	992,810
Share issue costs		**648,007**		858,817
Valuation allowance		**(970,598)**		(841,428)
Total future income tax assets	**$**	**1,010,199**	$	1,010,199
Future income tax liabilities				
Mineral properties		**(1,010,199)**		(1,010,199)
Net future income tax assets (liabilities)	$	-	$	-

The Corporation has Canadian operational losses carried forward as at December 31, 2008 as follows:

Years generated	**Expiry Date**		**Amount**
2005	2015	$	252,574
2006	2026		1,509,456
2007	2027		1,893,278
2008	2028		1,257,106
		$	4,912,414

12) Related party transactions

The following are related party transactions for the year ended December 31, 2008.

a) Consulting services

A total of $8,042 (2007 - $23,263) was included in general exploration in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2008 and 2007 for consulting services provided by a director of the Corporation.

13) Contractual obligations and commitments

As a result of the Corporation's February 2008 flow-through common share offering for gross proceeds of approximately $3.2 million, INV must incur Canadian Exploration Expenses (within the meaning of the Income Tax Act (Canada)) prior to December 31, 2009 in relation to INV's exploration program to be conducted on its Canadian properties including, but not limited to, the Lansdowne House, Fishtrap and Montcalm properties in Northern Ontario. As of December 31, 2008 the Corporation had spent approximately $1.7 million of the proceeds.

Effective April 19, 2008, INV entered into a sublease arrangement to lease office space as a subtenant of FNX in relation to office premises previously occupied by FNX. The sublease will remain in effect to December 30, 2009 and INV will assume the rent otherwise payable by FNX in the proportion of the office space occupied by INV. A total of $98,007 was paid by INV to FNX as of December 31, 2008. The total amount of rent remaining under the sublease is $59,250.

The Corporation is required to make the following cash payments under various office lease agreements and is committed to the following exploration expenditures:

		Total		**2009**		**2010-11**		**2012-13**
Office leases	$	83,950	$	83,950	$	-	$	-
Exploration expenditure commitment from the issuance of flow through shares	$	1,469,265	$	1,469,265	$	-	$	-