Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

March 31, 2014
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.
March 31, 2014

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Ivanhoe Mines Ltd.

Condensed consolidated interim statements of comprehensive loss

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

(Unaudited)

	Notes	Three months ended March 31, 2014	2013
		$	$
Expenses			
Exploration and project expenditure		**37,102**	32,131
Salaries and benefits		**3,140**	2,718
Share-based payments	11	**2,561**	2,238
Foreign exchange loss		**2,558**	464
Office and administration		**1,242**	1,442
Travel		**939**	815
Professional fees		**736**	709
Legal		**327**	470
Other expenditure		**376**	362
Loss from operating activities		**48,981**	41,349
Other income		**(8)**	(35)
Interest income		**(283)**	(854)
Finance costs	14	**358**	223
Loss before income taxes		**49,048**	40,683
Income tax expense			
Current		**-**	75
LOSS FOR THE YEAR		**49,048**	40,758
Other comprehensive loss			
Items that may subsequently be reclassified to loss:			
Exchange (gains)/losses on translation of foreign operations		**(241)**	1,632
Other comprehensive (gain)/loss for the year, net of tax		**(241)**	1,632
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**48,807**	42,390
Loss attributable to:			
Owners of the Company		**42,971**	35,820
Non-controlling interests		**6,077**	4,938
		49,048	40,758
Total comprehensive loss attributable to:			
Owners of the Company		**42,750**	37,372
Non-controlling interests		**6,057**	5,018
		48,807	42,390
Basic and diluted loss per share	15	**0.07**	0.07
Weighted average number of basic and diluted shares outstanding	15	**584,434,545**	528,775,264

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position as at

(stated in thousands of U.S. dollars)
(Unaudited)

	Notes	March 31, 2014	December 31, 2013
		$	$
ASSETS			
Non-current assets			
Property, plant and equipment	4	**38,995**	35,433
Mineral properties	5	**6,940**	6,940
Other assets		**7,617**	5,092
Total non-current assets		**53,552**	47,465
Current assets			
Trade and other receivables	7	**5,453**	5,691
Prepaid expenses		**9,673**	10,367
Short-term deposits	8	**80,282**	80,264
Cash and cash equivalents	8	**89,895**	143,789
Total current assets		**185,303**	240,111
Total assets		**238,855**	287,576
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**900,930**	900,866
Warrant reserve	11	**7,949**	7,949
Share option reserve	11	**30,237**	27,695
Currency translation reserve	12	**(7,184)**	(7,405)
Accumulated deficit		**(655,605)**	(612,634)
Equity attributable to owners of the Company		**276,327**	316,471
Non-controlling interests	13	**(95,290)**	(89,233)
Total equity		**181,037**	227,238
Non-current liabilities			
Non-current borrowings	9	**20,218**	19,892
Deferred tax liabilities		**2,082**	2,082
Total non-current liabilities		**22,300**	21,974
Current liabilities			
Current borrowings	9	**3,920**	3,905
Trade and other payables	10	**31,529**	34,390
Current tax liabilities		**69**	69
Total current liabilities		**35,518**	38,364
Total liabilities		**57,818**	60,338
Total equity and liabilities		**238,855**	287,576

Continuing operations (Note 1)
Commitments and contingencies (Note 19)

(Signed) Oyvind Hushovd
Oyvind Hushovd, Director

(Signed) Charles Russell
Charles Russell, Director

Ivanhoe Mines Ltd.

Consolidated statements of changes in equity

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

	Share capital									
	Number of shares	Amount	Number of warrants	Warrant reserve	Share option reserve	Currency translation reserve	Accumulated deficit	Equity attributable to owners	Non-controlling interest	Total
		$		$	$	$	$	$	$	$
Balance at January 1, 2013	**528,641,979**	**793,657**	**13,941,940**	**7,949**	**20,066**	**(3,356)**	**(252,182)**	**566,134**	**47,465**	**613,599**
Loss for the period	-	-	-	-	-	-	(35,820)	(35,820)	(4,938)	(40,758)
Other comprehensive income	-	-	-	-	-	(1,552)	-	(1,552)	(80)	(1,632)
Total comprehensive loss	-	-	-	-	-	(1,552)	(35,820)	(37,372)	(5,018)	(42,390)
Transactions with owners										
Accretion of common share investment funded on behalf of non-controlling interest	-	-	-	-	-	-	-	-	(32)	(32)
Share based payments charged to operations (Note 11)	-	-	-	-	2,238	-	-	2,238	-	2,238
Options exercised (Note 11)	173,850	114	-	-	(114)	-	-	-	-	-
Balance at March 31, 2013	**528,815,829**	**793,771**	**13,941,940**	**7,949**	**22,190**	**(4,908)**	**(288,002)**	**531,000**	**42,415**	**573,415**
Balance at January 1, 2014	**584,423,212**	**900,866**	**13,941,940**	**7,949**	**27,695**	**(7,405)**	**(612,634)**	**316,471**	**(89,233)**	**227,238**
Loss for the period	-	-	-	-	-	-	(42,971)	(42,971)	(6,077)	(49,048)
Other comprehensive income	-	-	-	-	-	221	-	221	20	241
Total comprehensive loss	-	-	-	-	-	221	(42,971)	(42,750)	(6,057)	(48,807)
Transactions with owners										
Share based payments charged to operations (Note 11)	-	-	-	-	2,561	-	-	2,561	-	2,561
Options exercised (Note 11)	54,900	64	-	-	(19)	-	-	45	-	45
Balance at March 31, 2014	**584,478,112**	**900,930**	**13,941,940**	**7,949**	**30,237**	**(7,184)**	**(655,605)**	**276,327**	**(95,290)**	**181,037**

Ivanhoe Mines Ltd.

Consolidated statements of cash flows

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	Three months ended March 31, 2014	2013
		$	$
Cash flows from operating activities			
Loss before income taxes		**(49,048)**	(40,683)
Items not involving cash			
Share-based payments	11	**2,561**	2,238
Depreciation and amortization		**1,417**	874
Unrealized foreign exchange loss		**1,770**	378
Loss (gain) on disposal of property, plant and equipment		**19**	(6)
Interest income and finance costs		**75**	(631)
		(43,206)	(37,830)
Change in non-cash working capital items	17	**(1,929)**	(2,300)
Interest received		**283**	303
Interest paid		**(38)**	(56)
Net cash used in operating activities		**(44,890)**	(39,883)
Cash flows from investing activities			
Property, plant and equipment acquired		**(4,923)**	(1,843)
Other assets acquired		**(2,541)**	(70)
Proceeds from sale of property, plant and equipment		**74**	7
Increase in investment in short-term deposits		**(18)**	(19)
Net cash used in investing activities		**(7,408)**	(1,925)
Cash flows from financing activities			
Repayment of current borrowings		**-**	(265)
Options exercised		**45**	-
Net cash generated by (used in) financing activities		**45**	(265)
Effect of foreign exchange rate changes on cash		**(1,641)**	(1,161)
Net cash out flow		**(53,894)**	(43,234)
Cash and cash equivalents, beginning of year		**143,789**	259,830
Cash and cash equivalents, end of period		**89,895**	216,596
Cash and cash equivalents consists of			
Cash		**88,290**	165,902
Short-term fixed deposits		**1,605**	50,694
		89,895	216,596

1. Basis of presentation and continuing operations

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

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

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are also prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company has incurred losses since inception and has an accumulated deficit of $655.6 million at March 31, 2014. Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future, in which case, the Company may be unable to meet its obligations as they come due in the normal course of business. In the event the Company was unable to continue as a going concern, then material adjustments would be required to the carrying value of the assets and liabilities in the statement of financial position.

2. Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year end reporting purposes. Results for the period ended March 31, 2014, are not necessarily indicative of future results. The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements as at and for the year ended December 31, 2013 except for the adoption of the new and amended accounting policies mentioned in Note 3.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2013.

2. Significant accounting policies (continued)

(b) Significant accounting estimates

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires the Company's management to make estimates and assumptions concerning the future. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(c) Significant accounting judgements

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

Significant accounting judgements are, amongst other things, the determination of the functional currency as well as the translation of foreign operations from their currencies to the Company's presentation currency.

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as (i) the determination of the level of control or significant influence held by the Company (ii) the standard's applicability to the operations, (iii) the legal structure and contractual terms of the arrangement, (iv) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement, and (v) when relevant, other facts and circumstances.

(d) Future accounting changes

- IFRS 7 (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (ii)
- IAS 19 (Amendment): Clarification on the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. (iii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012. (iii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013. (iii)

(i) Effective for annual periods beginning on or after January 1, 2015
(ii) The IASB tentatively decided to set January, 1 2018 as the effective date for the mandatory application of IFRS 9.
(iii) Effective for annual periods beginning on or after 1 July 2014

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. Application of new and revised standards

(a) *Newly adopted accounting standards*

The following standards became effective for annual periods beginning on or after January 1, 2014. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IAS 32 (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities.
- IAS 36 (Amendment): Clarification of the recoverable amount disclosures for nonfinancial assets.
- IAS 39 (Amendment): Clarification of the novation of derivatives and continuation of hedge accounting.
- IFRIC 21: Levies.

4. Property, plant and equipment

	Land	Office equipment	Furniture and fixtures	Motor vehicles	Plant, equipment and buildings	Assets under construction	Total
	$	$	$	$	$	$	$
Cost							
Balance as at December 31, 2012	5,657	3,238	1,295	5,700	16,822	-	32,712
Additions	-	1,709	558	905	10,167	4,794	18,133
Disposals	-	(55)	-	(100)	(579)	-	(734)
Foreign exchange translation	(913)	(519)	(84)	(219)	(8)	(62)	(1 805)
Balance as at December 31, 2013	4,744	4,373	1 769	6,286	26,402	4,732	48,306
Additions	-	248	44	594	1,012	3,025	4,923
Disposals	-	-	-	(122)	-	-	(122)
Foreign exchange translation	96	(13)	(2)	1	25	52	159
Balance as at March 31, 2014	**4,840**	**4,608**	**1 811**	**6,759**	**27,439**	**7,809**	**53,266**
Accumulated depreciation and impairment							
Balance as at December 31, 2012	616	1,612	439	3,043	3,496	-	9,206
Depreciation	-	1,051	208	815	2 132	-	4,206
Disposals	-	(57)	(7)	(55)	(44)	-	(163)
Foreign exchange translation	3	(266)	(27)	(53)	(33)	-	(376)
Balance as at December 31, 2013	619	2,340	613	3,750	5,551	-	12,873
Depreciation	-	271	63	166	917	-	1,417
Disposals	-	-	-	(29)	-	-	(29)
Foreign exchange translation	22	(6)	(1)	(6)	1	-	10
Balance as at March 31, 2014	**641**	**2,605**	**675**	**3,881**	**6,469**	**-**	**14,271**
Carrying value							
December 31, 2013	4,125	2,033	1 156	2,536	20,851	4,732	35,433
March 31, 2014	**4,199**	**2,003**	**1 136**	**2,878**	**20,970**	**7 809**	**38,995**

Assets pledged as security
Buildings with a carrying amount of $9.5 million (December 31, 2013 - $9.3 million) have been pledged to secure borrowings of the Company (see note 9). 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.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

5. Mineral properties

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

	March 31, 2014	December 31, 2013
	$	$
Platreef property, South Africa	**6,940**	6,940
	6,940	6,940

Kipushi impairment - 2013

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

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

The assumptions made included, but were not limited to, the following:

- A life of mine of 15 years;
- A zinc price of $0.98 per pound;
- A copper price of $2.99 per pound; and
- Discount rates ranging from 7.5% to 8%.

A change in one or more of the assumptions used to estimate recoverable amount could result in an increase in a CGU's recoverable amount. The Company concluded that, as at March 31, 2014, there were no significant changes to the assumptions used above.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

6. Joint operations

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

The Company has a 25% interest in the RK1 consortium ("RK1") through its subsidiaries Gardner and Barnard Mining (UK) Limited ("GBUK") and RKR Mining (UK) Ltd. and their subsidiaries, the remainder of which is held 50% by Aquarius Platinum Limited and 25% by Sylvania Resources Limited, operating at the Aquarius Kroondaal platinum mine on the western limb of the Bushveld Complex in South Africa's North West Province. The RK1 Consortium is managed and operated by a subsidiary of Aquarius Platinum Limited and processes PGE bearing tailings dumps and tailing streams of neighbouring chromite mines in the Kroondal area at its chromite tailings retreatment plant. The treatment plant is currently undergoing care and maintenance.

7. Trade and other receivables

	March 31, 2014	December 31, 2013
	$	$
Trade receivables	**288**	128
Refundable taxes	**3,999**	4,452
Advances	**1,065**	1,044
Other	**101**	67
	5,453	5,691

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

8. Cash and cash equivalents and short term deposits

As at March 31, 2014, the cash and cash equivalents of $89.9 million (December 31, 2013 - $143.8 million) included $66.4 million (December 31, 2013 - $81.5 million) which are subject to contractual restrictions for the Platreef property and were not available for the Company's general corporate purposes. The short-term deposits of $80.3 million (December 31, 2013 - $80.3 million) are subject to the same contractual restrictions.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

9. Borrowings

	March 31, 2014	December 31, 2013
	$	$
Unsecured - at amortised cost		
(a) Loans from other entities	**18,770**	18,450
Secured - at amortised cost		
(b) Citi bank loan	**3,920**	3,905
(c) Citi bank loan	**1,448**	1,442
	24,138	23,797
Current	**3,920**	3,905
Non-current	**20,218**	19,892
	24,138	23,797

(a) On June 6, 2013, the Company became party to a $28.0 million loan payable to ITC Platinum Development Limited, through its subsidiary Platreef Resources (Pty) Ltd ("Platreef") (see note 16). The loan is repayable only once Platreef has residual cashflow, which is defined in the loan agreement as gross revenue generated by Platreef, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not compounded. Using prevailing market interest rates for an equivalent loan of LIBOR plus 7% at June 6, 2013, the fair value of the loan was estimated at $17.7 million. The difference of $9.3 million on initial recognition between the contractual amount due and the fair value of the loan was the benefit derived from the low-interest loan. An interest expense of $0.3 million was recognised during the three months ended March 31, 2014.

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

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

10. Trade and other payables

	March 31, 2014	December 31, 2013
	$	$
Trade payables	**5,394**	11,712
Indirect taxes payable	**7,704**	10,715
Trade accruals	**10,972**	4,416
Other payables	**7,459**	7,547
	31,529	34,390

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

11. 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 March 31, 2014, 575,984,992 Class A Shares, 8,493,120 Class B Shares and nil Preferred Shares were issued and outstanding.

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

(b) *Bonus shares*

In December 2013, a total of 783,500 common shares were issued to senior executives as a performance reward in the form of bonus shares, with a deemed market value of $1,457,316. No bonus shares were granted during the three months ended March 31, 2014.

(c) *Options*

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

As at March 31, 2014, 38,195,900 share options have been granted and exercised, and 31,624,100 have been granted and are outstanding.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

11. Share capital (continued)

(c) Options (continued)

All share options granted prior to December 31, 2012, vest in five equal stages with the first stage vesting on the date of the grant, and the remainder in four equal annual stages commencing on the first anniversary of the date of the grant. The maximum term of options awarded is five years.

The Company has established a new amended and restated equity incentive plan. Options granted under this plan shall vest in four equal parts, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. All options granted after December 31, 2012 were granted under the new amended and restated equity incentive plan.

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

		March 31, 2014		December 31, 2013
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance, beginning of period	**31,479,000**	**2.36**	21,497,000	2.21
Granted	**200,000**	**1.57**	11,520,000	2.54
Exercised	**(54,900)**	**1.33**	(1,356,000)	1.54
Forfeited	**-**	**-**	(182,000)	2.96
Balance, end of period	**31,624,100**	**2.35**	31,479,000	2.36

An expense of $0.2 million for the options granted during the year to date will be amortized over the vesting period, of which $0.1 million was recognized in the three months ending March 31, 2014.

The weighted average grant-date fair value of share options granted during 2014 was $0.93 (2013: $1.28). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	Three months ended March 31, 2014	March 31, 2013
Risk free interest rate	**1.17%**	1.17%
Expected volatility (i)	**69.84%**	71.27%
Expected life	**3.75 years**	3.75 years
Expected dividends	**$Nil**	$Nil
Forfeiture rate	**1.0%**	1.0%

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

11. Share capital (continued)

(c) Options (continued)

The following table summarizes information about share options outstanding and exercisable as at March 31, 2014:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
April 30, 2014	100,000	1.33	100,000	1.33
May 28, 2014	845,000	1.33	845,000	1.33
August 12, 2014	854,100	1.33	854,100	1.33
November 10, 2014	1,250,000	1.80	1,250,000	1.80
March 1, 2015	100,000	1.80	100,000	1.80
April 8, 2015	750,000	1.80	600,000	1.80
May 28, 2015	625,000	1.80	500,000	1.80
September 9, 2015	3,425,000	1.80	2,650,000	1.80
February 17, 2016	7,380,000	2.40	5,904,000	2.40
February 24, 2017	125,000	3.00	90,000	3.00
March 22, 2017	100,000	3.00	60,000	3.00
April 1, 2017	1,000,000	3.00	400,000	3.00
April 20, 2017	2,500,000	3.00	1,000,000	3.00
September 1, 2017	1,000,000	3.00	200,000	3.00
January 11, 2018	1,800,000	4.90	450,000	4.90
February 1, 2018	200,000	4.81	50,000	4.81
February 6, 2018	100,000	4.90	25,000	4.90
April 1, 2018	530,000	4.45	-	4.45
May 17, 2018	30,000	2.44	-	2.44
June 1, 2018	300,000	2.46	-	2.46
August 14, 2018	100,000	1.44	-	1.44
August 16, 2018	750,000	1.45	-	1.45
December 13, 2018	7,560,000	1.86	-	1.86
March 31, 2019	200,000	1.57	-	1.57
	31,624,100	2.35	15,078,100	2.23

(d) Warrants

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

12. Currency translation reserve

	March 31, 2014	December 31, 2013
	$	$
Balance at the beginning of the year	**(7,405)**	(3,356)
Exchange differences arising on translation of the foreign operations	**221**	(4,049)
Balance at the end of the period	**(7,184)**	(7,405)

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

13. Non-controlling interests

	March 31, 2014	December 31, 2013
	$	$
Balance at beginning of the year	**(89,233)**	47,465
Share of comprehensive losses for the period	**(6,057)**	(110,575)
Common share investment in Kipushi funded on behalf of non-controlling interest	**-**	(134)
Decrease in non-controlling interest arising from change in percentage ownership in Beales SARL and Platreef Resources (Pty) Ltd	**-**	(27,535)
Impairment of common share investment funded on behalf of non-controlling interest	**-**	1,546
Balance at end of the period	**(95,290)**	(89,233)

On June 6, 2013, the Company exchanged 8% of its interest in Platreef Resources (Pty) Ltd for 8% of its interest in Beales SARL, holding company of Platreef Resources (Pty) Ltd, for a loan payable to ITC Platinum Development Limited of $28 million (see note 9). The transaction increased the Company's effective shareholding of Beales SARL to 97%, while the effective shareholding in Platreef Resources (Pty) Ltd remained 90%. An amount of $27.5 million, being the proportionate share of the carrying amount of the net assets of Beales SARL, has been transferred from non-controlling interest to retained earnings. The difference between the decrease in non-controlling interest of $27.5 million and the value of the loan payable on the date of the exchange of $17.7 million (see note 9), has been credited to retained earnings together with the transaction costs of $0.6 million.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

14. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended March 31,	
	2014	2013
	$	$
Interest on non-current borrowings	**331**	-
Interest on current borrowings	**26**	23
Interest on advances payable to Gecamines	**-**	200
Other financing costs	**1**	-
	358	223

15. Loss per share

The basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All outstanding stock options and share purchase warrants were anti-dilutive for the three months ended March 31, 2014 and 2013.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

16. Related party transactions

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

		% equity interest as at	
Name	**Country of Incorporation**	**March 31, 2014**	December 31, 2013
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%
Beales SARL	Luxembourg	**97%**	97%
Ivanplats Finance Limited	Ireland	**100%**	100%
Rhenfield Limited	British Virgin Islands	**50%**	50%
Gabon Holding Company Ltd.	Barbados	**100%**	100%
Kamoa Copper SPRL	Democratic Republic of Congo	**95%**	95%
Ivanhoe (Zambia) Ltd.	Zambia	**100%**	100%
Kamoa Holding Limited	Barbados	**100%**	100%
Kipushi Holding Limited	Barbados	**100%**	100%
Ivanhoe DRC Holding Ltd.	Barbados	**100%**	100%
Kipushi Corporation SPRL	Democratic Republic of Congo	**68%**	68%
Ivanhoe Mines Energy DRC SPRL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines Exploration DRC SPRL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines DRC SPRL	Democratic Republic of Congo	**100%**	100%
Africa Consolidated Mineral Exploration (Pty) Ltd.	South Africa	**100%**	100%
Platreef Resources (Pty) Ltd.	South Africa	**90%**	90%
Platreef BEE (Pty) Ltd.	South Africa	**100%**	100%
Ivanplats SA (Pty) Ltd.	South Africa	**100%**	100%
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	**100%**	100%
RK Mining (SA) (Pty) Ltd.	South Africa	**100%**	100%
Ivanhoe Mines UK Limited	United Kingdom	**100%**	100%
Ivanplats Holding Company (Pty) Ltd.	Australia	**100%**	100%
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	**100%**	100%
RK1 Consortium	South Africa	**25%**	25%
Ivanplats Syerston (Pty) Ltd.	Australia	**100%**	100%
Ivanplats Uranium (Pty) Ltd.	Australia	**100%**	100%
Ivanhoe Gabon SA	Gabon	**100%**	100%
Ivanplats Services (Pty) Ltd.	Australia	**100%**	100%

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

Upon receipt of the Mining Right, the BBBEE partner will acquire a 26% interest in Platreef through a private company incorporated in South Africa, Platreef BEE (Pty) Ltd, that will represent the interests of host communities directly affected by the Platreef Project.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

16. Related party transactions (continued)

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

	Three months ended March 31,	
	2014	2013
	$	$
Global Mining Management Corporation (a)	**985**	1,355
Ivanhoe Capital Aviation LLC (b)	**300**	300
Global Mining Services Ltd. (c)	**143**	106
Ivanhoe Capital Services Ltd. (d)	**107**	160
HCF International Advisers (e)	**100**	-
Ivanhoe Capital Pte Ltd (f)	**32**	-
Ivanhoe Capital Corporation (UK) Limited (g)	**-**	46
I2MS.net PTE LTD (h)	**-**	149
	1,667	2,116
Salaries and benefits	**1,171**	1,463
Office and administration	**60**	317
Travel	**329**	312
Consulting	**107**	24
	1,667	2,116

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2014, trade and other payables included $0.6 million (December 31, 2013: $0.2 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation (“Global”) is a private company based in Vancouver. The Company holds an equity interest in Global, and has each of a director and significant shareholder in common therewith. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

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

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

16. Related party transactions (continued)

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

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

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

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

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

17. Cash flow information

Net change in non-cash working capital items:

	Three months ended March 31,	
	2014	2013
	$	$
Net decrease (increase) in		
Trade and other receivables	**238**	29
Prepaid expenses	**694**	(5,795)
Net (decrease) increase in		
Trade and other payables	**(2,861)**	3,466
	(1,929)	(2,300)

18. Financial instruments

(a) *Fair value of financial instruments*

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

Financial instrument	Classification
Financial assets	
Cash and cash equivalents	Loans and receivables
Short-term deposits	Loans and receivables
Trade and other receivables	Loans and receivables
Financial liabilities	
Trade and other payables	Other liabilities
Borrowings	Other liabilities

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, therefore require an entity to develop its own assumptions.

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

The Company's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, borrowings and trade and other payables.

The fair value of borrowings are determined in accordance with generally accepted pricing models based on discounted future cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited (note 9 (a)) was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%. The carrying value of borrowings is not significantly different to their fair value.

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

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

18. Financial instruments (continued)

(b) Financial risk management objectives and policies

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

(i) Foreign exchange risk

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

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	March 31, 2014	December 31, 2013
	$	$
Assets		
Canadian dollar	**16,831**	53,404
Australian dollar	**87**	90
South African rand	**13,751**	14,546
British pounds	**273**	521
Liabilities		
Canadian dollar	**(9)**	(396)
Australian dollar	**(116)**	(230)
South African rand	**(2,489)**	(2,498)

<u>Foreign currency sensitivity analysis</u>

The following table details the Company's sensitivity to a 5% increase and decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items 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.

	Three months ended March 31,	
	2014	2013
	$	$
Decrease in loss for the period	**599**	1,506

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

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

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

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

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total**
	$	$	$	$	**$**
As at March 31, 2014					
Trade and other receivables	-	5,453	-	-	**5,453**
	-	5,453	-	-	**5,453**
As at December 31, 2013					
Trade and other receivables	-	5,691	-	-	**5,691**
	-	5,691	-	-	**5,691**

(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.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

18. Financial instruments (continued)

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

(iii) Liquidity risk (continued)

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

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total undiscounted cash flows**
	$	$	$	$	**$**
As at March 31, 2014					
Trade and other payables	-	31,529	-	-	**31,529**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	30,017	**30,017**
Current borrowings	3,920	-	-	-	**3,920**
As at December 31, 2013					
Trade and other payables	-	34,390	-	-	**34,390**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	29,848	**29,848**
Current borrowings	3,905	-	-	-	**3,905**

19. Commitments and contingencies

The tax affairs of GB Mining and Exploration SA (Pty) Ltd ("GBSA") and Gardner & Barnard UK Limited ("GBUK") were under investigation by the South African Revenue Authorities. As part of the consent award in the arbitration between the Company and the vendors of GBUK, the vendors of GBUK undertook to pay any tax liabilities as finally determined by a court of competent jurisdiction in South Africa for the period up to June 30, 2006 in respect of GBUK and its subsidiary, GBSA. The total assessment for the taxes prior to June 30, 2006 issued by the South African Receiver of Revenue ("SARS") amounted to R15 million ($1.4 million). The vendors objected to the assessment and appeal was successful for R11 million ($1.0 million), but dismissed for taxes payable of R4 million ($0.4 million). The vendor is planning to appeal the ruling on the R4 million ($0.4 million) in the Supreme Court of Appeal of South Africa. If the vendors' appeal is unsuccessful and the vendors default, the Company will be responsible to settle the taxes payable.

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 March 31, 2014, the Company's commitments that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$	$	$	$	$
Operating leases	380	520	-	-	900
Advancement of loan to SNEL (i)	1,630	248,370	-	-	250,000
	2,010	248 890	-	-	250,900

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

19. Commitments and contingencies (continued)

(i) On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricieé 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 Company's DRC projects.

Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be $141 million (including a $4.5 million pre-finance loan), but is capped at a maximum commitment of $250 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 the actual bill as per the terms of the loan repayment. The interest rate is 6 month LIBOR + 3%.

The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

20. Segmented information

At March 31, 2014, the Company has three reportable segments, being the Platreef property, Kamoa property and Kipushi properties.

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

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

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

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

	South Africa	DRC	Other	Total
	$	$	$	$
Non-current assets				
As at March 31, 2014	24,067	17,572	11,913	53,552
As at December 31, 2013	16,108	17,408	13,949	47,465

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

20. Segmented information (continued)

	Platreef Property	Kamoa Property	Kipushi Properties	Unallocated *(i)*	Consolidated total
	$	$	$	$	$
Segment assets					
As at March 31, 2014	**174,675**	**5,220**	**13,839**	**45,121**	**238,855**
As at December 31, 2013	185,559	5,478	14,293	82,246	287,576
Segment liabilities					
As at March 31, 2014	**25,556**	**14,859**	**10,864**	**6,539**	**57,818**
As at December 31, 2013	25,498	18,036	11,400	5,404	60,338
Segment losses					
Three months ended March 31, 2014	**9,743**	**11,296**	**11,545**	**16,464**	**49,048**
Three months ended March 31, 2013	4,997	14,449	11,307	10,005	40,758
Capital expenditures					
Three months ended March 31, 2014	**3,555**	**235**	**746**	**387**	**4,923**
Three months ended March 31, 2013	473	627	534	209	1,843
Exploration and project expenditure					
Three months ended March 31, 2014	**9,386**	**10,032**	**10,337**	**7,347**	**37,102**
Three months ended March 31, 2013	3,515	13,120	11,201	4,295	32,131
Interest income					
Three months ended March 31, 2014	**143**	**-**	**-**	**140**	**283**
Three months ended March 31, 2013	69	-	583	202	854
Finance costs					
Three months ended March 31, 2014	**320**	**-**	**-**	**38**	**358**
Three months ended March 31, 2013	-	-	200	23	223
Depreciation					
Three months ended March 31, 2014	**131**	**301**	**752**	**233**	**1,417**
Three months ended March 31, 2013	101	301	281	191	874

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

21. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three months ended March 31, 2014 were approved and authorized for issue by the Board of Directors on May 6, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

DATED: MAY 6, 2014

INTRODUCTION

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ivanhoe Mines Ltd., formerly Ivanplats Limited ("Ivanhoe" or the "Company"), for the three months ended March 31, 2014, which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and the audited consolidated financial statements of Ivanhoe for the years ended December 31, 2013 and 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). On August 28, 2013, the Company changed its name to Ivanhoe Mines Ltd. from Ivanplats Limited. All dollar figures stated herein are in U.S. dollars, unless otherwise specified. References to "C$" mean Canadian dollars.

The effective date of this MD&A is ***May 6, 2014***. Additional information relating to the Company is available on SEDAR, including its Annual Information Form. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

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

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

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the Company's projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, platinum group elements (PGE), gold or other mineral prices; (ii) results of drilling, (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

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

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

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below in the "Risk Factors" section beginning on page 26 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

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

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

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

- The historic, high-grade Kipushi zinc, copper and germanium mine, also on the Copperbelt in the DRC, now being drilled and upgraded following an 18-year care-and-maintenance program that ended when Ivanhoe acquired its majority interest in the mine in 2011. (See "*Kipushi Project*".)

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

Kamoa Project

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

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

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

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

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

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

Phased approach to the development of a large mine and smelter

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

Highlights of the Kamoa PEA:

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

The initial mining rate and concentrate feed capacity of three million tonnes per year would be followed in Year 5 by an additional expansion of eight million tonnes per year in concentrator capacity and the construction of an on-site smelter with a capacity to produce 300,000 tonnes per year of blister copper. In addition, an estimated 1,600 tonnes of sulphuric acid per day would be produced as a by-product of the copper smelting process. The PEA contemplates that the sulphuric acid would be sold to copper-oxide mining operations on the Central African Copperbelt that presently purchase acid from Zambia or from overseas.

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

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

Work to begin this year on decline to access the Kamoa underground mine

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

The Development Study is underway to advance the geotechnical, engineering and metallurgical understanding of Kamoa. Phase 6 of the metallurgical testwork program is being conducted at the XPS laboratories in Sudbury, Canada, and the Mintek laboratories in Johannesburg, South Africa. Phase 6A testwork considers the first four years of mining, during which flotation concentrate will be sold. The phase 6B testwork considers the next 15 years of mining, from year five onward, when blister copper would be produced. This work is expected to be completed in Q2 2014.

Exploration drilling during the first quarter of 2014 was focused on resource infill, metallurgical studies and exploration drilling. Six drill rigs were in operation, including two truck-mounted rigs owned by Ivanhoe. Forty-five holes totalling 9,315 metres were completed during the quarter; comprised of 6,474 metres for resource evaluation and variability, 2,120 metres for metallurgical testing in the Kamoa Sud, Kansoko Central, Kansoko Sud and Makalu areas, and 721 metres of exploration drilling in the Kansoko East area.

Planned additional drilling in 2014

Planned drilling for the remainder of 2014 will target an initial, high-grade development area in Kansoko Sud, as well as some early-stage exploration drilling in the Kakula area south of the currently defined Kamoa Project resources.

Agreement signed to upgrade existing hydroelectric power plants

In March 2014, a financing agreement was signed between Ivanhoe and the DRC’s national electricity company, La Société Nationale d’Electricité (SNEL). Ivanhoe is working with SNEL to upgrade two existing hydroelectric power plants – Mwadingusha and Koni – to recover up to 113 megawatts of capacity to be made available to the national power supply grid. SNEL will provide the Kamoa Project with up to 100 megawatts from the grid, which would be sufficient to operate the initial phase of the Kamoa mine. A third hydroelectric power plant – Nzilo 1 – would follow under the same financing agreement. Nzilo 1 will have a capacity of approximately 108 megawatts upon completion, entitling Kamoa to receive an additional 100 megawatts from the grid. The upgraded technology planned to be applied will increase the original design capacity of these power plants by up to 10%.

A combined total of 200 megawatts from the grid would provide sufficient power for Kamoa’s 300,000 tonnes per year smelter and the associated future mine expansions.

Platreef Project

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

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

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

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

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

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

Highlights of the Platreef PEA

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

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

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

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

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

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

Mining Right approval pending

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

The application review process involves a thorough assessment of Ivanhoe's Environmental Management Program, Social and Labour Plan, Mining Works Program and Broad-Based Black Economic Empowerment structure. The entire application process is being administered by the DMR. Ivanhoe recently amended its proposed BBBEE structure. It now includes communities, employees and entrepreneurs, who together will own 26% of the Platreef Project. Ivanhoe has received feedback from the DMR on the various aspects of its application and expects to receive approval of its Mining Right shortly. However, this may not occur prior to the expiry of the Company's prospecting right on May 31, 2014.

Based on legal consultation, it has been established that if Ivanhoe does not receive the Mining Right by May 31, 2014, the Company's prospecting right would expire and the Company would be required to suspend all physical exploration activities on the Platreef Project, including work on the bulk-sample shaft, until the Mining Right is granted by the DMR. However, expiry of the prospecting right would not impact on the exclusivity Ivanhoe enjoys with regard to the mining right application, which prevents any other party from applying for a right over the same area.

Development work focused on resources in Flatreef underground discovery

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

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

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

Development of bulk-sample shaft proceeding

Surface construction work is underway for Shaft #1, the 7.25-metre-diameter bulk-sample shaft. The vertical shaft is planned to be sunk to a depth below surface of 800 metres and enable the collection of a mineralized bulk sample, expected in the first half of 2016, to complete the Company's development assessment of the Flatreef. South Africa-based Aveng Mining, the shaft-sinking contractor, is continuing the excavation of the box-cut access for the shaft collar and vent plenum. Upgrading of hoisting equipment, to be installed in the shaft headframe, also is underway.

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

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

Completion of a pre-feasibility study (PFS) – currently focused on the Phase 1, 4 Mtpa production case, based on selling or tolling concentrate at local smelters – is targeted for the second half of 2014. Studies will continue on the Phase 2, base case 8 Mtpa and Phase 3, 12 Mtpa production scenarios, with the intention of presenting an integrated development plan for the project that would incorporate the Phase 1 PFS.

Exploration and development drilling

Ivanhoe plans to complete 90,000 metres of diamond drilling as part of its 2014 exploration and expansion program focused on four areas: Northern Zone 1, Zone 3, Zone 2 and the Ga-Madiba 400-metre grid. The goal is to delineate additional Indicated Mineral Resources in the immediate vicinity of Zone 1 that would support an eight-million-tonne-per-year (phase 2) pre-feasibility study and also allow for the potential declaration of an initial Inferred Mineral Resource estimate on the Ga-Madiba extension zone.

Thirty-six holes totalling 27,530 metres were drilled during Q1 2014, including nine deflections. Metallurgical bulk sampling and comminution drilling accounted for 4,464 metres in seven holes. Twenty-nine exploration holes drilled during the quarter totalled 23,065 metres, focused on Northern Zone 1, delineating the extension of the Bikurri Reef and extending defined mineralization on the T1 and T2 reefs, on the western extension of the Flatreef, and into Zone 3.

Drilling has been completed for metallurgical samples for variability and mini pilot plant testwork. Variability testwork is expected to start during Q2 2014, followed by work on the mini pilot plant.

Kipushi Project

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

Project development and infrastructure

Work began in early March 2014 on the planned diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing dewatering program directed by Ivanhoe during the past two and a half years following its acquisition of a 68% interest in Kipushi in November 2011.

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

Since gaining access to the 1,150-metre-level in December crews have been upgrading underground and surface infrastructure to support the drilling program. Two rigs have been conducting underground drilling at the mine, de-watering is ongoing and access to the important 1,272-metre-level hanging-wall drift is expected by the end of the second quarter of 2014, which will allow Ivanhoe to begin the drill program's phase of twinning the historical drilling.

The next stage of the dewatering program is to replace the winding ropes on the Shaft 5 conveyances, and re-establish the main pumping station in Shaft 5 at the 1,210-metre level for ongoing dewatering.

Exploration and development drilling

Ivanhoe's 2014 underground drilling program is scheduled to complete approximately 100 holes totalling more than 20,000 metres. The drilling program is designed to confirm and update Kipushi's estimated historical resources and to further expand the resources on strike and at depth. Drilling to date has completed approximately 2,800 metres. A summary of information released on April 15th is shown below.

- Hole KPU001, drilled at -67 degrees on a bearing of 298 degrees, drilled through massive sphalerite and dolomite from 46.4 metres to 399.36 metres. This approximately 353-metre intersection extends to a depth below surface of 1,550 metres.
- Hole KPU002, drilled on the same azimuth as KPU001 but at an inclination of -61 degrees, also intersected the Big Zinc from 32.05 metres to 372.4 metres (total intersection length of approximately 340 metres), to a depth of 1,590 metres below surface.
- Hole KPU003, drilled on a bearing of 273 degrees, aimed to test the southern plunge of the Big Zinc. This hole successfully intersected massive sphalerite and dolomite from 31 metres to a drilled depth of 550 metres down-hole, or 1,700 metres below surface. Importantly, the hole also intersected significant copper mineralization (chalcopyrite and bornite) from 194.4 metres to 225 metres down hole and a breccia-hosted zone of copper mineralization (chalcopyrite) from 439 metres to 461.6 metres.
- Hole KPU004, drilled from the 1,251-metre level on a bearing of 005 degrees and inclination of -45 degrees, intersected zones of chalcopyrite in the Série Récurrente mineralized zone, part of the historically mined North Orebody, from 56.5 metres to 71.5 metres including massive chalcopyrite from 58.4 metres to 59.4 metres and 60.0 metres to 62.1 metres.

Ivanhoe's current exploration at Kipushi has been focusing on drilling copper zones in the Série Récurrente zone from the drill station at the 1,251-metre level, from which KPU004 was drilled, and also on drilling holes to understand the stratigraphic succession. Drilling at the 1,251-metre level has continued to show encouraging results and the initial program in this area has been expanded. The zone being targeted by the expanded drill program lies below and to the east of the historical measured and indicated resources of the Série Récurrente.

Core from Hole KPU003 showing massive orange sphalerite and pyrite in the Big Zinc.

Core from KPU004, the first hole drilled in the Série Récurrente zone on Kipushi's northern limb, which intersected a 15-metre, copper-rich mineralized zone.

Ivanhoe cautions that the presence of mineralization observed in the drilling to date at Kipushi is not presented to confirm historical assay results. It confirms only the presence of mineralization similar in style to that observed in historical holes drilled by state-owned mining company, Gécamines. Assays for copper, zinc, lead, germanium and precious metals are pending.

Big Zinc's grade and tonnage potentially are higher than previously estimated, new review indicates

Ivanhoe recently received the findings of an independent review conducted by MSA Group (Pty.) Ltd., of Johannesburg, based on results of a comprehensive re-sampling program of historical Kipushi core collected from drilling by Gécamines into the Big Zinc Discovery in the early 1990s.

A total of 384 historical quarter-core (NQ-sized) samples were collected and dispatched to Bureau Veritas Minerals Pty. Ltd.'s laboratory in Australia. A total of 457 samples, including quality-control samples, were submitted to Bureau Veritas and analyzed for gold by fire assay, and for multi-elements, including zinc and copper, by sodium peroxide fusion and ICP-AES/MS finish. The re-sampling program was conducted over eight complete drill intersections of the Big Zinc from eight separate section lines and represented 18% of the total samples in the Big Zinc's historical assay database.

MSA's review of the recent re-sampling revealed that the zinc assay results generally report higher – and averaged 5.5% higher – than the assay results originally reported by Gécamines. MSA also concluded that density applied by Gécamines for estimating the tonnage in the Big Zinc Discovery was understated by an average of 9%. Despite the low bias, the review confirms that historical assay values reported by Gécamines are reasonable and can be replicated within a reasonable level of error by international, accredited laboratories under strict QA/QC control. This is an important milestone for Ivanhoe as part of its program to establish current resource estimates for its Kipushi Project.

Known resources at Kipushi's currently identified deposits

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

The Big Zinc Discovery, adjacent to the Fault Zone on the footwall side, was discovered shortly before the mine suspended production in 1993 and never has been mined.

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

Kipushi's 68 years of production history

Following its start-up in 1924 as the Prince Léopold Mine, Kipushi produced a total of 6.6 million tonnes of zinc and 4.0 million tonnes of copper -- from 60 million tonnes of ore grading 11% zinc and approximately 7% copper -- until political instability prompted the suspension of operations in 1993. The mine also produced 278 tonnes of germanium between 1956 and 1978.

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

Historical resources

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

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

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

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

Other exploration projects

Katanga Province, DRC

Plans are underway for the 2014 field season, which is anticipated to include diamond drilling with the Company's truck-mounted rigs, auger drilling, mapping, trenching and related field activities.

Gabon

Ivanhoe holds two exploration licences in Gabon at Ndangui and Makokou, areas prospective for greenstone gold deposits. Three diamond drill holes were completed at the Banghadi anomaly on the Ndangui licence during Q1 2014. These results, which are pending, will be reviewed before further exploration in the area is conducted.

Senior South African mining executive Mark Farren to join Ivanhoe Mines as head of operations

On May 5, 2014, Ivanhoe Mines announced the appointment of Mark Farren as the Company's Executive Vice President of Operations, effective June 15, 2014. He will assume lead responsibilities for the various engineering and development activities at the Kamoa, Kipushi and Platreef projects.

Mr. Farren also will assume principal duties presently performed by Ivanhoe's Chief Operating Officer Michael Gray, who will retire from his day-to-day role with Ivanhoe at the end of June. Mr. Gray will continue to advise the Company on mining related matters as a consultant.

Executive Vice President and Chief Development Officer Steve Garcia, who helped establish the foundations for Ivanhoe's corporate growth and project development, resigned from the Company at the end of April, 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	3 Months ended			
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
	$'000	$'000	$'000	$'000
Exploration and project expenditure	37,102	60,738	39,793	41,281
General administrative expenditure	11,879	13,596	8,157	8,413
Impairment of mineral property, goodwill and other	-	334,338	-	-
Legal settlement	-	-	10,000	-
Finance costs	358	559	543	319
Deferred tax recovery	-	(75,701)	-	-
Total comprehensive loss attributable to:				
Owners of the Company	42,750	240,262	51,787	43,804
Non-controlling interest	6,057	92,606	6,248	7,198
Loss per share (basic and diluted)	0.07	0.41	0.10	0.08

	3 Months ended			
	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	$'000	$'000	$'000	$'000
Exploration and project expenditure	32,131	31,314	29,368	34,666
General administrative expenditure	9,218	9,887	5,586	8,340
Finance costs	223	2,069	8,653	9,074
Total comprehensive loss attributable to:				
Owners of the Company	37,372	37,949	38,368	51,514
Non-controlling interest	5,018	4,771	3,315	2,745
Loss per share (basic and diluted)	0.07	0.07	0.09	0.12

DISCUSSION OF RESULTS OF OPERATIONS

Review of the Three Months ended March 31, 2014 vs. March 31, 2013

The Company's total comprehensive loss for Q1 2014 of $48.8 million was $6.4 million higher than for the same period in 2013 ($42.4 million). The increase mainly was due to an increase in exploration and project expenditures of $5.0 million and an increase in foreign exchange losses of $2.1 million due to the weakening of the Canadian Dollar against the United States Dollar.

Exploration and project expenditures for the three months ending March 31, 2014, were $5.0 million higher than for the same period in 2013. This mainly was due to increases in expenditure of $5.9 million at the Platreef Project.

Expenditure at the Kamoa Project decreased by $1.4 million when compared to the same period in 2013, while expenditure at the Kipushi Project increased by $0.9 million as a result of the drilling program which commenced in Q1 2014.

The main classes of expenditure on the Company's material projects in Q1 2014 and 2013 are set out in the following table:

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
	$'000	**$'000**
Kamoa Project		
Salaries and benefits	3,389	2,616
Drilling	3,259	3,222
Studies	1,515	2,788
Travel	355	798
Other expenditure	3,213	3,696
Total project expenditure	11,731	13,120
Platreef Project		
Studies	3,614	232
Drilling	2,585	892
Salaries and benefits	1,162	819
Assaying and sampling	123	44
Other expenditure	1,914	1,528
Total project expenditure	9,398	3,515
Kipushi Project		
Salaries and benefits	3,916	347
Electricity	1,684	2,791
Contracting work	1,193	4,561
Drilling	1,134	-
Repair and maintenance	817	31
Travel	221	469
Equipment rental	147	1,467
Other expenditure	2,987	1,535
Total project expenditure	12,099	11,201

Financial position as at March 31, 2014, vs. December 31, 2013

The Company's total assets decreased to $238.9 million as at March 31, 2014, from $287.6 million as at December 31, 2013. This mainly was due to a $53.9 million decrease in cash and cash equivalents.

The Company utilized $44.9 million of its cash resources in its operations and earned interest income of $0.3 million on cash balances. A total of $7.5 million was spent to acquire property, plant and equipment and other non-current assets.

Of the $7.5 million spent to acquire non-current assets, $2.4 million related to initial costs to secure electricity for the Platreef Project, while $3.0 million related to the cost incurred on the Platreef bulk-sample shaft during Q1. The remainder of the additions to property, plant and equipment mainly related to the procurement of assets required at the other projects.

The Company's total liabilities decreased from $60.3 million as at December 31, 2013, to $57.8 million as at March 31, 2014. This mainly was due to a decrease in trade and other payables of $2.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of funding prior to its IPO was the issuance of equity securities and the Pre-IPO Bonds, for cash, primarily through private placements to sophisticated investors and institutions. In Q4 2012, the Company completed its IPO to a broad range of investors, raising gross proceeds of approximately C$305 million ($312 million), and in Q4 2013, the Company closed a non-brokered private placement for C$108 million ($105 million).

The Company had $89.9 million in cash and cash equivalents and $80.3 million in short-term deposits as at March 31, 2014. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of $146.7 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project. Based on current planned work programs, these restricted funds should be sufficient to advance the Platreef Project until early 2015.

As at March 31, 2014, the Company had consolidated working capital of approximately $149.8 million, compared to $201.7 million at December 31, 2013. The Platreef Project working capital is restricted and amounted to $145.2 million at March 31, 2014, and $161.6 million at December 31, 2013. Excluding the Platreef Project working capital, the resultant working capital was $4.6 million at March 31, 2014, and $40.1 million at December 31, 2013. Any future working capital deficiency is expected to be remedied through a debt or equity financing. The Company's access to financing is always uncertain and there can be no assurance that additional funding will be available to the Company in the near future.The Company has a three-year mortgage bond and a five year mortgage bond outstanding on its offices in London, United Kingdom, of £2.4 million ($3.9 million) and £0.9 million ($1.4 million) respectively. The first is fully repayable during May 2015, secured by the property and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears, with the latter also secured by the property, incurring interest at a rate of LIBOR plus 2.5% payable monthly in arrears in which the first three years only interest will be payable.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited which had a carrying value of $18.8 million as at March 31, 2014 and a contractual amount due of $28.6 million. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalised. The difference of $9.8 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricieé SARL ("SNEL") relating to the 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

Company's DRC projects. Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be $141 million (including a $4.5 million pre-finance loan), but is capped at a maximum commitment of $250 million. The term for repayment of the loan and payment 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 the actual bill as per the terms of the loan repayment. The interest rate is 6 month LIBOR + 3%. The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

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

	Payments Due By Period				
Contractual Obligations as at March 31, 2014	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	33,937	3,920	290	1,158	28,569
Operating Leases	900	380	520	-	-
Advancement of loan to SNEL	250,000	1,630	248,370	-	-
Total Contractual Obligations	**284,837**	**5,930**	**249,180**	**1,158**	**28,569**

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

In order to help realize the potential value of its world-scale mineral projects in Africa for all of its stakeholders, the Company also has commenced an examination of a number of potentially significant corporate and project-level options. These include a corporate reorganization, project spin-offs (including potentially separating its South African platinum assets and its DRC copper and zinc assets into separately listed public companies); sales or joint ventures, project- or corporate-level debt and/or equity investments (including interim financing); and additional and/or alternative stock-exchange listings for certain of the Company's projects. While the Company has started examining the commercial viability of some of these options, further detailed structuring and study of tax, legal, and operational costs and effects remain to be completed. The Company also continues to progress ongoing discussions and negotiations with third-party strategic investors and joint-venture parties.

USE OF PROCEEDS

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

	$'million
Funds received from non-brokered private placement closed on October 4, 2013	**105**
Advancement of, and pre-development activities at:	
The Kamoa Project	**(34)**
The Kipushi Project	**(29)**
Funds used for regional exploration	**(7)**
Funds used for general corporate purposes	**(16)**
Balance remaining as at March 31, 2014	**19**

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

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

	Three months ended March 31,	
	2014	2013
	$'000	$'000
Global Mining Management Corporation (a)	**985**	1,355
Ivanhoe Capital Aviation LLC (b)	**300**	300
Global Mining Services Ltd. (c)	**143**	106
Ivanhoe Capital Services Ltd. (d)	**107**	160
HCF International Advisers (e)	**100**	-
Ivanhoe Capital Pte Ltd (f)	**32**	-
Ivanhoe Capital Corporation (UK) Limited (g)	**-**	46
I2MS.net PTE LTD (h)	**-**	149
	1,667	2,116
Salaries and benefits	**1,171**	1,463
Office and administration	**60**	317
Travel	**329**	312
Consulting	**107**	24
	1,667	2,116

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2014, trade and other payables included $0.6 million (December 31, 2013: $0.2 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and has a significant shareholder in common therewith. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

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

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

(i) *Impairment Analysis of Assets*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

During Q4 2013, the Company reviewed the carrying value of its assets and recognized an impairment loss of $334.3 million on the Kipushi mineral property, goodwill and related long term loan receivable and advances payable. The Company concluded that, as at March 31, 2014, there were no significant changes to the assumptions used.

(ii) *Income Taxes*

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

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

(iii) *Mineral Property and Exploration Costs*

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

(iv) *Business Combinations*

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

(v) *Functional Currency*

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IAS 32 (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities.
- IAS 36 (Amendment): Clarification of the recoverable amount disclosures for nonfinancial assets.
- IAS 39 (Amendment): Clarification of the novation of derivatives and continuation of hedge accounting.
- IFRIC 21: Levies.

Accounting standards issued but not yet effective

- IFRS 7 (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (ii)
- IAS 19 (Amendment): Clarification on the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. (iii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012. (iii)
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013. (iii)

(i) Effective for annual periods beginning on or after January 1, 2015.
(ii) The IASB tentatively decided to set January, 1 2018 as the effective date for the mandatory application of IFRS 9.
(iii) Effective for annual periods beginning on or after 1 July 2014.

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

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

Financial instrument	Classification	**March 31, 2014**	December 31, 2013
		$'000	$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	**89,895**	143,789
Short-term deposits	Loans and receivables	**80,282**	80,264
Trade and other receivables	Loans and receivables	**5,453**	5,691
Financial liabilities			
Trade and other payables	Other liabilities	**31,529**	34,390
Borrowings	Other liabilities	**24,138**	23,797

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 establishes a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;

- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore requires an entity to develop its own assumptions.

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

The Company's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, borrowings and trade and other payables.

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

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

Financial risk management objectives and policies

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

Foreign exchange risk

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

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	March 31, 2014	December 31, 2013
	$'000	$'000
Assets		
Canadian dollar	**16,831**	53,404
Australian dollar	**87**	90
South African rand	**13,751**	14,546
British pounds	**273**	521
Liabilities		
Canadian dollar	**(9)**	(396)
Australian dollar	**(116)**	(230)
South African rand	**(2,489)**	(2,498)

<u>Foreign currency sensitivity analysis</u>

The following table details the Company's sensitivity to a 5% decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items 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.

	Three months ended March 31,	
	2014	2013
	$'000	$'000
Decrease in loss for the period	**599**	1,506

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables and cash equivalents as well as long term loan receivables.

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

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

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total**
	$'000	$'000	$'000	$'000	**$'000**
As at March 31, 2014					
Trade and other receivables	-	5,453	-	-	**5,453**
	-	5,453	-	-	**5,453**
As at December 31, 2013					
Trade and other receivables	-	5,691	-	-	**5,691**
	-	5,691	-	-	**5,691**

Liquidity risk

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

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

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total undiscounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at March 31, 2014					
Trade and other payables	-	31,529	-	-	**31,529**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	30,017	**30,017**
Current borrowings	3,920	-	-	-	**3,920**
As at December 31, 2013					
Trade and other payables	-	34,390	-	-	**34,390**
Current income tax liabilities	69	-	-	-	**69**
Non-current borrowings	-	-	-	29,848	**29,848**
Current borrowings	3,905	-	-	-	**3,905**

DESCRIPTION OF CAPITAL STOCK

As at May 6, 2014, the Company's capital structure consists of an unlimited number of Class A common shares without par value (the "**Class A Shares**"), an unlimited number of Class B common shares without par value (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"), an unlimited number of preferred shares without par value, warrants and options. At this date 8,493,120 Class B Shares, 576,564,092 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted 200,000 options to certain employees during Q1 2014, per the amended and restated employees' and directors' equity incentive plan (the Equity Incentive Plan). Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at May 6, 2014, there were 19,425,000 options, from individual stock option agreements exercisable into 19,425,000 Class A Shares and 11,570,000 options issued in terms of the Equity Incentive Plan exercisable into 11,570,000 Class A Shares.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design effectiveness of the Company's DC&P and ICFR as of March 31, 2014 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of March 31, 2014 and have concluded that these controls and procedures have been designed effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the three months ended March 31, 2014, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

DISCLOSURE OF TECHNICAL INFORMATION

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