Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

September 30, 2014
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.
September 30, 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)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2014**	2013	**2014**	2013
		$	$	**$**	$
Continuing Operations					
Expenses					
Exploration and project expenditure		**33,385**	39,782	**110,090**	113,159
Share-based payments	15	**7,060**	1,898	**95,049**	6,279
Salaries and benefits		**3,208**	2,963	**9,660**	8,599
Office and administration		**1,360**	1,550	**3,911**	4 648
Travel		**587**	587	**2,115**	2,096
Professional fees		**527**	228	**2,077**	1,670
Legal		**221**	286	**676**	858
Foreign exchange loss (gain)		**1,638**	(332)	**2,444**	474
Legal settlement		**-**	10,000	**-**	10,000
Other expenditure		**504**	977	**1,393**	1,164
Loss from operating activities		**48,490**	57,939	**227,415**	148,947
Other income		**(1,083)**	(67)	**(1,094)**	(117)
Interest income		**(310)**	(747)	**(753)**	(2,534)
Finance costs	16	**377**	543	**1,859**	1,085
Mark-to-market gain on revaluation of warrants	12	**(12,360)**	-	**(7,208)**	-
Loss before income taxes		**35,114**	57,668	**220,219**	147,381
Income tax expense					
Current		**-**	-	**-**	75
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**35,114**	57,668	**220,219**	147,456
Discontinued Operations					
Loss from discontinued operations	9	**146**	11	**123**	46
LOSS FOR THE PERIOD		**35,260**	57,679	**220,342**	147,502
Other comprehensive loss					
Items that may subsequently be reclassified to loss:					
Exchange losses on translation of foreign operations - discontinued operations		**172**	54	**42**	418
Exchange losses on translation of foreign operations - continuing operations		**3,134**	302	**2,743**	3 507
Other comprehensive loss for the period, net of tax		**3,306**	356	**2,785**	3 925
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**38,566**	58,035	**223,127**	151,427
Loss attributable to:					
Owners of the Company - continuing operations		**20,299**	51,441	**193,048**	129,673
Owners of the Company - discontinued operations		**146**	11	**123**	46
Non-controlling interest		**14,815**	6,227	**27,171**	17,783
		35,260	57,679	**220,342**	147,502
Total comprehensive loss attributable to:					
Owners of the Company - continuing operations		**23,156**	51,722	**195,533**	132,994
Owners of the Company - discontinued operations		**318**	65	**165**	464
Non-controlling interest		**15,092**	6,248	**27,429**	17,969
		38,566	58,035	**223,127**	151,427
Basic and diluted loss per share - continuing	17	**0.03**	0.10	**0.31**	0.25
Basic and diluted loss per share - continuing and discontinuing	17	**0.03**	0.10	**0.31**	0.25
Weighted average number of basic and diluted shares outstanding	17	**699,780,201**	529,488,934	**631,397,673**	529,165,788

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position as at

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

	Notes	September 30, 2014	December 31, 2013
		$	$
ASSETS			
Non-current assets			
Property, plant and equipment	4	**43,904**	35,433
Mineral properties	5	**6,940**	6,940
Other assets		**6,054**	5,092
Total non-current assets		**56,898**	47,465
Current assets			
Trade and other receivables	7	**3,281**	5,691
Prepaid expenses		**16,255**	10,367
Short-term deposits	8	**55,207**	80,264
Cash and cash equivalents	8	**168,111**	143,789
Assets classified as held for sale	9	**2,967**	-
Total current assets		**245,821**	240,111
Total assets		**302,719**	287,576
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**1,037,063**	900,866
Warrant reserve	12	**7,949**	7,949
Share option reserve	12	**122,140**	27,695
Currency translation reserve	13	**(9,932)**	(7,405)
Accumulated deficit		**(805,805)**	(612,634)
Equity attributable to owners of the Company		**351,415**	316,471
Non-controlling interest	14	**(115,773)**	(89,233)
Total equity		**235,642**	227,238
Non-current liabilities			
Financial Liability	12(d)	**9,261**	-
Non-current borrowings	10	**20,849**	19,892
Deferred tax liabilities		**2,082**	2,082
Other non-current liabilities		**227**	-
Total non-current liabilities		**32,419**	21,974
Current liabilities			
Current borrowings	10	**3,823**	3,905
Trade and other payables	11	**30,726**	34,390
Current tax liabilities		**60**	69
Liabilities directly associated with assets classified as held for sale	9	**49**	**-**
Total current liabilities		**34,658**	38,364
Total liabilities		**67,077**	60,338
Total equity and liabilities		**302,719**	287,576

Continuing operations (Note 1)
Commitments and contingencies (Note 21)

(Signed) Oyvind Hushovd
Oyvind Hushovd, Director

(Signed) William Lamarque
William Lamarque, Director

Ivanhoe Mines Ltd.

Condensed consolidated interim 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	-	-	-	-	-	-	(129,719)	(129,719)	(17,783)	(147,502)
Other comprehensive income	-	-	-	-	-	(3,739)	-	(3,739)	(186)	(3,925)
Total comprehensive loss	-	-	-	-	-	(3,739)	(129,719)	(133,458)	(17,969)	(151,427)
Transactions with owners										
Changes in non-controlling interest in subsidiary (Note 14)	-	-	-	-	-	-	9,218	9,218	(27,535)	(18,317)
Accretion of common share investment funded on behalf of non-controlling interest	-	-	-	-	-	-	-	-	(99)	(99)
Share based payments charged to operations (Note 12)	-	-	-	-	6,279	-	-	6,279	-	6,279
Options exercised (Note 12)	897,733	1,140	-	-	(623)	-	-	517	-	517
Balance at September 30, 2013	**529,539,712**	**794,797**	**13,941,940**	**7,949**	**25,722**	**(7,095)**	**(372,683)**	**448,690**	**1,862**	**450,552**
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	-	-	-	-	-	-	(193,171)	(193,171)	(27,171)	(220,342)
Other comprehensive income	-	-	-	-	-	(2,527)	-	(2,527)	(258)	(2 785)
Total comprehensive loss	-	-	-	-	-	(2,527)	(193,171)	(195,698)	(27,429)	(223,127)
Transactions with owners										
Changes in non-controlling interest in subsidiary (Note 14)	-	-	-	-	-	-	-	-	889	889
Share based payments charged to operations (Note 15)	-	-	-	-	94,822	-	-	94,822	-	94,822
Shares issued, net (Note 12)	115,000,767	134,977	-	-	-	-	-	134,977	-	134,977
Options exercised (Note 12)	634,000	1,220	-	-	(377)	-	-	843	-	843
Balance at September 30, 2014	**700,057,979**	**1,037,063**	**13,941,940**	**7,949**	**122,140**	**(9,932)**	**(805,805)**	**351,415**	**(115,773)**	**235,642**

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of cash flows

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
		$	$	**$**	$
Cash flows from operating activities					
Loss before income taxes		**(35,260)**	(57,679)	**(220,342)**	(147,427)
Items not involving cash					
Share-based payments	15	**7,060**	1,898	**95,049**	6,279
Depreciation and amortization		**1,424**	1,054	**3,914**	2,944
Reversal of impairment		**(1,000)**	-	**(1,000)**	-
Unrealized foreign exchange loss (gain)		**112**	(11)	**(135)**	260
(Gain) loss on disposal of property, plant and equipment		**(2)**	-	**20**	(21)
Mark-to-market gain on revaluation of warrants		**(12,360)**	-	**(7,208)**	-
Interest income and finance costs		**67**	(204)	**1,106**	(1,449)
		(39,959)	(54,942)	**(128,596)**	(139,414)
Change in non-cash working capital items	19	**(3,949)**	6,470	**(7,142)**	113
Working capital items classified as held for sale	9	**21**	-	**21**	-
Income taxes paid		**-**	(91)	**-**	(91)
Interest received		**310**	217	**753**	940
Interest paid		**(484)**	(49)	**(559)**	(167)
Net cash used in operating activities		**(44,061)**	(48,395)	**(135,523)**	(138,619)
Cash flows from investing activities					
Property, plant and equipment acquired		**(4,033)**	(2,031)	**(15,514)**	(8,697)
Other assets acquired		**(99)**	(301)	**(3,506)**	(3 346)
Proceeds from sale of property, plant and equipment		**1**	20	**77**	101
Proceeds from sale of other assets		**2,351**	95	**2,351**	95
Decrease (increase) in investment in short-term deposits		**25,182**	(140)	**25,057**	(220)
Net cash used in investing activities		**23,402**	(2,357)	**8,465**	(12,067)
Cash flows from financing activities					
Issue of units, net of issue costs	12(a)	**4,077**	-	**151,133**	-
Proceeds from sale of interest in subsidiary		**889**	-	**889**	-
Receipt of borrowings		**-**	-	**-**	1,264
Transaction costs paid on change in non-controlling interest in subsidiary		**-**	-	**-**	(589)
Options exercised		**-**	96	**843**	517
Net cash generated by financing activities		**4,966**	96	**152,865**	1,192
Effect of foreign exchange rate changes on cash		**(1,959)**	(225)	**(1 485)**	(2,661)
Net cash in (out) flow		**(17,652)**	(50,881)	**24,322**	(152,155)
Cash and cash equivalents, beginning of period		**185,763**	158,556	**143,789**	259,830
Cash and cash equivalents, end of period		**168,111**	107,675	**168,111**	107,675
Cash and cash equivalents consists of					
Cash		**164,928**	105,030	**164,928**	105,030
Short-term fixed deposits		**3,183**	2,645	**3,183**	2,645
		168,111	107,675	**168,111**	107,675

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.

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 $805.8 million at September 30, 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 September 30, 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 fair value assessment of the recoverability of assets.

(c) Significant accounting judgments

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

Significant accounting judgments 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 Financial Instruments: Disclosures: Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (ii)
- IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (iv)
- IAS 19 Employee Benefits (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 July 1, 2014
(iv) Effective for annual periods beginning on or after January 1, 2017

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

2. Significant accounting policies (continued)

(d) *Future accounting changes (continued)*

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

3. Application of new and revised standards

(a) *Newly adopted accounting standards*

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

- IAS 32 Financial Instruments: Presentation (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities.
- IAS 36 Impairment of assets (Amendment): Clarification of the recoverable amount disclosures for impaired assets if this amount is based on fair value less cost of disposal.
- IAS 39 Financial Instruments: Recognition and Measurement (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	-	627	194	823	7,243	6,627	15,514
Disposals	-	(9)	(4)	(129)	(1)	-	(143)
Reclassified to assets held for sale	(2,452)	(51)	-	-	-	-	(2,503)
Foreign exchange translation	(223)	(192)	(43)	(84)	(519)	(353)	(1,414)
Balance as at September 30, 2014	**2,069**	**4,748**	**1,916**	**6,896**	**33,125**	**11,006**	**59,760**
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	-	898	191	502	2,323	-	3,914
Disposals	-	(7)	(1)	(36)	(1)	-	(45)
Reclassified to assets held for sale	(559)	(51)	-	-	-	-	(610)
Foreign exchange translation	(59)	(128)	(18)	(22)	(49)	-	(276)
Balance as at September 30, 2014	**1**	**3,052**	**785**	**4,194**	**7,824**	-	**15,856**
Carrying value							
December 31, 2013	4,125	2,033	1,156	2,536	20,851	4,732	35,433
September 30, 2014	**2,068**	**1,696**	**1,131**	**2,702**	**25,301**	**11,006**	**43,904**

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

4. Property, plant and equipment (continued)

Assets pledged as security

Buildings with a carrying amount of $10.0 million (December 31, 2013 - $9.3 million) have been pledged to secure borrowings of the Company (see note 10). The buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

5. Mineral properties

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

	September 30, 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 cash generating units (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 judgments 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 September 30, 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 buildings have a carrying value of $10.0 million (2013: $9.3 million) and are included in Property, Plant and Equipment (note 4).

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

	September 30, 2014	December 31, 2013
	$	$
Trade receivables	**852**	128
Refundable taxes	**850**	4,452
Advances	**1,058**	1,044
Other	**521**	67
	3,281	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 September 30, 2014, the cash and cash equivalents of $168.1 million (December 31, 2013 - $143.8 million) included $64.1 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 $55.2 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. Assets classified as held for sale

The Company intends to dispose of its Australian subsidiaries in the next 12 months. The Company has identified an interested buyer. Immediately prior to classification as held for sale the assets in the Australian subsidiaries were re-measured in accordance with applicable IFRSs. Impairment previously recognised relating to the Australian mineral properties has been reversed to the value of $1 million which is estimated to be the recoverable amount.

The assets and liabilities held for sale on the statement of financial position are as follows:

	September 30, 2014	December 31, 2013
	$	$
Assets held for sale consist of:		
Freehold land	**1,893**	-
Mineral properties	**1,000**	-
Other assets	**74**	-
	2,967	**-**
Liabilities directly associated with assets classified as held for sale: Accruals and payables	**(49)**	-

The effect of assets held for sale on the statement of comprehensive income is as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Revenue	**(26)**	(18)	**(60)**	(57)
Expenses	**172**	29	**183**	103
Loss for the period	**146**	11	**123**	46

The assets held for sale are reported in the “other” reportable segment in note 22.

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

10. Borrowings

	September 30, 2014	December 31, 2013
	$	$
Unsecured - at amortised cost		
(a) Loans from other entities	**19,437**	18,450
Secured - at amortised cost		
(b) Citi bank loan	**3,823**	3,905
(c) Citi bank loan	**1,412**	1,442
	24,672	23,797
Current	**3,823**	3,905
Non-current	**20,849**	19,892
	24,672	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 Ivanplats (Pty) Ltd, formerly Platreef Resources (Pty) Ltd ("Platreef") (see note 14). 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 $1.0 million (2013: $0.1 million) was recognised during the nine months ended September 30, 2014 and an interest expense of $0.3 million (2013: $0.1 million) was recognised during the three months ended September 30, 2014.

(b) The Citi bank loan of $3.8 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)

11. Trade and other payables

	September 30, 2014	December 31, 2013
	$	$
Trade payables	**8,149**	11,712
Indirect taxes payable	**5,463**	10,715
Trade accruals	**9,280**	4,416
Other payables	**7,834**	7,547
	30,726	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 execution of the Platreef mining right or on December 31, 2014, whichever comes first.

12. 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 September 30, 2014, 691,776,379 Class A Shares, 8,281,600 Class B Shares and nil Preferred Shares were issued and outstanding.

In June 2014, the Company concluded a public offering for 83,334,000 units, each consisting of one Class A common share and one Class A common share purchase warrant, which were sold at a price of C$1.50 per unit for gross proceeds of C$125 million ($114 million). In addition, the underwriters exercised their over-allotment option in full, resulting in the Company issuing a further 12,500,100 units and increasing the total gross proceeds received by the Company to C$144 million ($132 million). Issue costs amounted to $7 million which were allocated pro-rata to equity and share purchase warrant derivative liability, with the portion allocated to share purchase warrant derivative liability being expensed in the period.

The Company completed a concurrent private placement of an additional 16,666,667 units, on the same terms and conditions as the public offering, to raise additional gross proceeds of C$25 million ($23 million). As a result of the exercise by the underwriters of their over-allotment option in its entirety, the option to purchase an additional 2,500,000 units in terms of this concurrent private placement became effective and was exercised on July 10, 2014, for proceeds of C$4 million ($4 million).

The Company allocated $16.2 million to financial liabilities based on the fair value of the warrants (note 12(d)).

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

12. Share capital (continued)

(b) 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 September 30, 2014, 38,775,000 share options have been granted and exercised, and 29,410,000 have been granted and are outstanding.

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 Company established a new equity incentive plan for all options granted after December 31, 2012. Options granted under this plan vest in four equal parts, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. The maximum term of options awarded is five years.

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

		September 30, 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	**1,700,000**	**1.32**	11,520,000	2.54
Exercised	**(634,000)**	**1.33**	(1,356,000)	1.54
Expired	**(1,125,000)**	**1.33**	-	-
Forfeited	**(2,010,000)**	**2.31**	(182,000)	2.96
Balance, end of period	**29,410,000**	**2.36**	31,479,000	2.36

The weighted average grant-date fair value of share options granted during 2014 was $0.66 (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:

	Nine months ended September 30, 2014	September 30, 2013
Risk free interest rate	**1.17%**	1.17%
Expected volatility (i)	**68.81%**	68.99%
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)

12. Share capital (continued)

(b) Options (continued)

An expense of $1.1 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 nine months ending September 30, 2014. The total share based payment expense for the three months ended September 30, 2014 was $7.1 million (2013: $1.9 million), inclusive of the share based payment charge relating to the Broad-Based Black Economic Empowerment (B-BBEE) transaction of $5.0 million (2013: $Nil). The total share based payment expense for the nine months ended September 30, 2014 was $95.0 million (2013: $6.3 million), inclusive of the share based payment charge relating to the B-BBEE transaction of $88.4 million (2013: $Nil) (see note 15).

The following table summarizes information about share options outstanding and exercisable as at September 30, 2014:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
November 10, 2014	1,250,000	1.80	1,250,000	1.80
November 25, 2014	95,000	1.33	95,000	1.33
March 1, 2015	100,000	1.80	100,000	1.80
April 8, 2015	500,000	1.80	500,000	1.80
May 28, 2015	625,000	1.80	625,000	1.80
May 31, 2015	400,000	3.00	400,000	3.00
August 30, 2015	40,000	2.46	40,000	2.46
September 9, 2015	3,425,000	1.80	3,425,000	1.80
February 17, 2016	7,330,000	2.40	5,864,000	2.40
February 24, 2017	75,000	3.00	75,000	3.00
March 22, 2017	100,000	3.00	60,000	3.00
April 1, 2017	1,000,000	3.00	600,000	3.00
April 20, 2017	2,500,000	3.00	1,500,000	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	132,500	4.45
May 17, 2018	30,000	2.44	7,500	2.44
August 14, 2018	100,000	1.44	25,000	1.44
August 16, 2018	750,000	1.45	187,500	1.45
December 13, 2018	6,760,000	1.86	-	1.86
March 31, 2019	200,000	1.57	-	1.57
June 16, 2019	500,000	1.57	-	1.57
August 15, 2019	1,000,000	1.33	-	1.33
	29,410,000	2.36	15,411,500	2.35

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

12. Share capital (continued)

(c) 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 nine months ended September 30, 2014.

(d) Warrants

The Company has two types of warrants, warrants issued prior to the Company's IPO (Pre-IPO warrants) and warrants issued subsequent to the Company's IPO which are denominated in Canadian dollars (Post-IPO warrants).

As at September 30, 2014, the Company has 13,941,940 Pre-IPO 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.

The Company's Post-IPO warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. Each Post-IPO warrant entitles the holder to purchase 1 common share for every warrant held at C$1.80 for a period of eighteen months following the issue date. During the nine months ended September 30, 2014, there was a derivative gain of $7.2 million. The following table provides detail on the movement of the Post-IPO warrant liability:

	Number of warrants	Amount
		$
Balance as at January 1, 2014	-	-
Warrants issued on June 10, 2014	112,500,767	15,954
Warrants issued on July 10, 2014	2,500,000	515
Mark-to-market gain on revaluation of warrants	-	(7,208)
Balance as at September 30, 2014	**115,000,767**	**9,261**

The Company uses quoted prices in active markets to determine the fair value of the Canadian dollar denominated warrants.

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

13. Currency translation reserve

	September 30, 2014	December 31, 2013
	$	$
Balance at the beginning of the year	**(7,405)**	(3,356)
Exchange differences arising on translation of the foreign operations	**(2,527)**	(4,049)
Balance at the end of the period	**(9,932)**	(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.

14. Non-controlling interests

	September 30, 2014	December 31, 2013
	$	$
Balance at beginning of the year	**(89,233)**	47,465
Share of comprehensive loss for the period	**(27,429)**	(110,575)
Change in non-controlling interest arising from a sale of 0.1% of Ivanplats (Pty) Ltd to self-funded historically disadvantaged entrepreneurs	**889**	-
Common share investment in Kipushi funded on behalf of non-controlling interest	-	(134)
Change in non-controlling interest arising from change in percentage ownership in Ivanplats Holding SARL and Ivanplats (Pty) Ltd	-	(27,535)
Impairment of common share investment funded on behalf of non-controlling interest	-	1,546
Balance at end of the period	**(115,773)**	(89,233)

On September 3, 2014, as part of the Company’s broad-based black economic empowerment transaction (see note 18), self-funded historically disadvantaged entrepreneurs purchased an effective 0.1% in Ivanplats (Pty) Ltd (formerly Platreef Resources (Pty) Ltd) for $0.9 million.

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

14. Non-controlling interests (continued)

On June 6, 2013, the Company exchanged 8% of its interest in Ivanplats (Pty) Ltd for 8% of its interest in Ivanplats Holding SARL (formerly Beales SARL), holding company of Ivanplats (Pty) Ltd, for a loan payable to ITC Platinum Development Limited of $28 million (see note 10). The transaction increased the Company's effective shareholding of Ivanplats Holding SARL to 97%, while the effective shareholding in Ivanplats (Pty) Ltd remained 90%. An amount of $27.5 million, being the proportionate share of the carrying amount of the net assets of Ivanplats Holding 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 10), has been credited to retained earnings together with the transaction costs of $0.6 million.

15. Share-based payments

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Equity settled share-based payments				
B-BBEE transaction expense (note 18)	**4,811**	**-**	**88,193**	**-**
Options granted (note 12(b))	**2,022**	1,898	**6,629**	6,279
Cash settled share-based payments				
B-BBEE transaction expense (note 18)	**227**	-	**227**	-
	7,060	1,898	**95,049**	6,279

16. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Transaction costs on issue of warrants	**-**	-	**758**	-
Interest on non-current borrowings	**350**	322	**1,020**	410
Interest on current borrowings	**27**	17	**80**	67
Interest on advances payable to Gecamines	**-**	204	**-**	606
Other financing costs	**-**	-	**1**	2
	377	543	**1,859**	1,085

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

17. Loss per share

The basic loss per share is computed by dividing the loss attributable to the owners of the Company 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 and nine months ended September 30, 2014 and 2013.

18. 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**	**September 30, 2014**	December 31, 2013
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%
Ivanplats Holding SARL	Luxembourg	**98%**	97%
Ivanplats Finance Limited	Ireland	**100%**	100%
Rhenfield Limited	British Virgin Islands	**50%**	50%
Gabon Holding Company Ltd.	Barbados	**100%**	100%
Kamoa Copper SA	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 SA	Democratic Republic of Congo	**68%**	68%
Ivanhoe Mines Energy DRC SARL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines Exploration DRC SARL	Democratic Republic of Congo	**100%**	100%
Ivanhoe Mines DRC SARL	Democratic Republic of Congo	**100%**	100%
Africa Consolidated Mineral Exploration (Pty) Ltd.	South Africa	**100%**	100%
Ivanplats (Pty) Ltd.	South Africa	**90%**	90%
Ivanhoe Mines 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%
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 Ivanplats (Pty) Ltd, formerly Platreef Resources (Pty) Ltd (“Platreef”), and in compliance with South African ownership requirements under the Mining Charter, the Company implemented its broad-based black economic empowerment (B-BBEE) structure for Platreef on June 26, 2014. The Company transferred 26% of Platreef to a B-BBEE special purpose vehicle (B-BBEE SPV) for the benefit of communities, employees and entrepreneurs in and around the Platreef project.

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

18. Related party transactions (continued)

In substance the B-BBEE transaction entered into by the Company and the B-BBEE Shareholders has the characteristic of a hypothetical written call option, with attached dividend and voting rights. The acquisition of the rights to the Platreef shares only becomes effective in substance, once the funding arrangements have been settled, the pledge and cession agreement lapses and the B-BBEE shareholders obtain the full rights associated with the ownership of Platreef shares.

The B-BBEE transaction therefore constitutes a share-based payment arrangement given that the B-BBEE Shareholders received an option to acquire an effective 26% ownership interest in Platreef, via the shareholding in B-BBEE SPV, (representing equity instruments within the Company) in return for a non-market related purchase consideration received from the B-BBEE Shareholders in order to provide Platreef with the required B-BBEE credentials to enable Platreef to obtain its mining right. The share-based payment expense relating to the B-BBEE transaction was determined by using a Monte Carlo simulation of the underlying share, together with its dividends, to estimate the closing share price at vesting date, as well as the remaining funding balance.

Of the share-based payment expense recognised for the three months ending September 30, 2014, $5.0 million related to the B-BBEE transaction, with the remaining $2.0 million (Q3 2013: $1.9 million) being the expense for options granted to employees recognised over the vesting period.

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 September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Global Mining Management Corporation (a)	**756**	839	**2,727**	3,156
Ivanhoe Capital Aviation LLC (b)	**300**	300	**900**	900
Global Mining Services Ltd. (c)	**36**	175	**285**	484
Ivanhoe Capital Services Ltd. (d)	**132**	145	**366**	459
HCF International Advisors (e)	**132**	70	**316**	270
Ivanhoe Capital Pte Ltd (f)	**59**	2	**152**	75
Ivanhoe Capital Corporation (UK) Ltd (g)	**5**	5	**8**	93
I2MS.net PTE LTD (h)	**-**	-	**-**	162
	1,420	1,536	**4,754**	5,599
Salaries and benefits	**926**	1,148	**3,277**	3,947
Office and administration	**6**	52	**94**	440
Travel	**352**	301	**1,040**	906
Consulting	**136**	35	**343**	306
	1,420	1,536	**4,754**	5,599

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 September 30, 2014, trade and other payables included $0.1 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.

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

18. Related party transactions (continued)

(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.

(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.

19. Cash flow information

Net change in non-cash working capital items:

	Three months ended September 30,		**Nine Months ended September 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Net decrease (increase) in				
Trade and other receivables	**3,700**	(272)	**2,410**	(1 012)
Prepaid expenses	**(3,847)**	(2,749)	**(5,888)**	(11,792)
Net (decrease) increase in				
Trade and other payables	**(3,802)**	9,491	**(3 664)**	12,917
	(3,949)	6,470	**(7,142)**	113

20. 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
Share purchase warrants	Fair value through profit and loss

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's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, borrowings, share purchase warrants (Post-IPO) 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 10 (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 Company's Post-IPO warrants are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. 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)

20. 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:

	September 30, 2014	December 31, 2013
	$	$
Assets		
Canadian dollar	**28,558**	53,404
Australian dollar	**121**	90
South African rand	**25,125**	14,546
British pounds	**370**	521
Liabilities		
Canadian dollar	**(286)**	(396)
Australian dollar	**(52)**	(230)
South African rand	**(4,121)**	(2,498)
British pounds	**(283)**	-

Foreign currency sensitivity analysis

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

	Nine months ended September 30,	
	2014	2013
	$	$
Decrease in loss for the period	**1,343**	1,072

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

20. 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 September 30, 2014					
Trade and other receivables	-	3,281	-	-	**3,281**
	-	3,281	-	-	**3,281**
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)

20. 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 September 30, 2014					
Trade and other payables	-	30,726	-	-	**30,726**
Current income tax liabilities	60	-	-	-	**60**
Non-current borrowings	-	-	-	30,294	**30,294**
Current borrowings	3,823	-	-	-	**3,823**
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**

21. 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 ($1.3 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. No provision has been made relating to this exposure.

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 September 30, 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	373	298	-	-	671
Advancement of loan to SNEL (i)	1,295	248,705	-	-	250,000
	1,668	249 003	-	-	250,671

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

21. 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.

22. Segmented information

At September 30, 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 September 30, 2014	25,366	21,331	10,200	56,897
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)

22. Segmented information (continued)

	Platreef Property	Kamoa Property	Kipushi Properties	Unallocated *(i)*	Consolidated total
	$	$	$	$	$
Segment assets					
As at September 30, 2014	**144,625**	**7,968**	**15,567**	**134,559**	**302,719**
As at December 31, 2013	185,559	5,478	14,293	82,246	287,576
Segment liabilities					
As at September 30, 2014	**11,414**	**11,834**	**7,302**	**36,527**	**67,077**
As at December 31, 2013	25,498	18,036	11,400	5,404	60,338
Segment losses					
Three months ended September 30, 2014	**12,578**	**9,535**	**11,495**	**1,652**	**35,260**
Three months ended September 30, 2013	9,878	17,160	12,030	18,611	57,679
Nine months ended September 30, 2014	**115,413**	**31,919**	**33,506**	**39,504**	**220,342**
Nine months ended September 30, 2013	21,571	50,163	39,357	36,411	147,502
Capital expenditures					
Three months ended September 30, 2014	**164**	**2,911**	**516**	**442**	**4,033**
Three months ended September 30, 2013	894	140	911	86	2,031
Nine months ended September 30, 2014	**8,126**	**3,440**	**2,547**	**1,401**	**15,514**
Nine months ended September 30, 2013	2,158	958	2,103	3,478	8,697
Exploration and project expenditure					
Three months ended September 30, 2014	**9,147**	**9,557**	**11,499**	**3,182**	**33,385**
Three months ended September 30, 2013	8,004	14,324	11,722	5,732	39,782
Nine months ended September 30, 2014	**25,591**	**31,690**	**33,233**	**19,576**	**110,090**
Nine months ended September 30, 2013	17,246	43,445	37,717	14,751	113,159
Interest income					
Three months ended September 30, 2014	**68**	-	-	**242**	**310**
Three months ended September 30, 2013	102	-	564	81	747
Nine months ended September 30, 2014	**268**	-	-	**485**	**753**
Nine months ended September 30, 2013	373	-	1,693	468	2,534
Finance costs					
Three months ended September 30, 2014	**339**	**(3)**	**-**	**41**	**377**
Three months ended September 30, 2013	310	-	205	28	543
Nine months ended September 30, 2014	**988**	**-**	**-**	**871**	**1,859**
Nine months ended September 30, 2013	399	-	606	80	1,085
Depreciation					
Three months ended September 30, 2014	**130**	**324**	**666**	**304**	**1,424**
Three months ended September 30, 2013	154	326	344	230	1,054
Nine months ended September 30, 2014	**393**	**940**	**1,807**	**774**	**3,914**
Nine months ended September 30, 2013	393	956	942	653	2,944

(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.

23. Subsequent events

The 13,941,940 Pre-IPO warrants outstanding as at September 30, 2014, which were exercisable into 15,336,133 common shares at the IPO price, expired on October 22, 2014 as they were not exercised by this date.

24. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three and nine months ended September 30, 2014 were approved and authorized for issue by the Board of Directors on November 7, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

DATED: NOVEMBER 7, 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. (Ivanhoe or the Company), for the three and nine months ended September 30, 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). 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 ***November 7, 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 pre-feasibility study (PFS) at the Kamoa Project; (ii) statements regarding the expected time for construction of the Kamoa box cut by the end of 2014; (iii) statements regarding the expectation that the development of the first set of Kamoa twin declines is expected to begin upon completion of the box cut; (iv) statements regarding the declines having been designed to intersect the high-grade copper mineralization in the Kansoko Sud area; (v) statements regarding underground mining to use mechanized room-and-pillar and drift-and-fill methods; (vi) the completion of a PFS at the Platreef Project by Q4 2014; (vii) the commencement of development works of the main production shaft (Shaft #2) at the Platreef Project in Q1 2015; (viii) the collection of a mineralized bulk sample at the Platreef Project by the first half of 2017 (ix) efforts to upgrade historical resource estimates at the Kipushi Project; (x) the de-watering program at the Kipushi Project; (xi) ramp up of Phase 1 at the Platreef Project by 2020, Phase 2 by 2024 and Phase 3 by 2028; and (xii) statements regarding the timing for completion of drilling programs. Such statements involve known and unknown risks, uncertainties and other factors that 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, and include future 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 that 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 ultimately may 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 32 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 Democratic Republic of Congo's southern 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 D.R. Congo's Katanga province, now being drilled and upgraded by Ivanhoe. Kipushi was operated and maintained by previous owners between 1924 and 2011, when Ivanhoe acquired its majority interest in the mine. (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 SA (formerly African Minerals Barbados Limited SPRL). A 5%, non-dilutable interest in Kamoa Copper SA 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 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 January 2013 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 an estimated 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.

Diamond drilling continued to provide valuable information

Drilling during Q3 2014 was focused on resource infill, exploration, and geotechnical investigation. In total, 11,269 metres were completed in 39 holes, including 6,017 metres (22 holes) drilled for infill in Kansoko Sud, 3,956 metres (nine holes) drilled in the Kakula area for exploration and 326 metres (four holes) drilled into Kansoko Sud's planned decline area for geotechnical purposes.

A separate hydrogeological drill program was completed for future mine water supply south of the Makalu Dome, with 970 metres completed in four holes. Planned drilling for 2014 was nearing completion by the end of the third quarter and subsequently was completed in early October.

Additional assay results returned

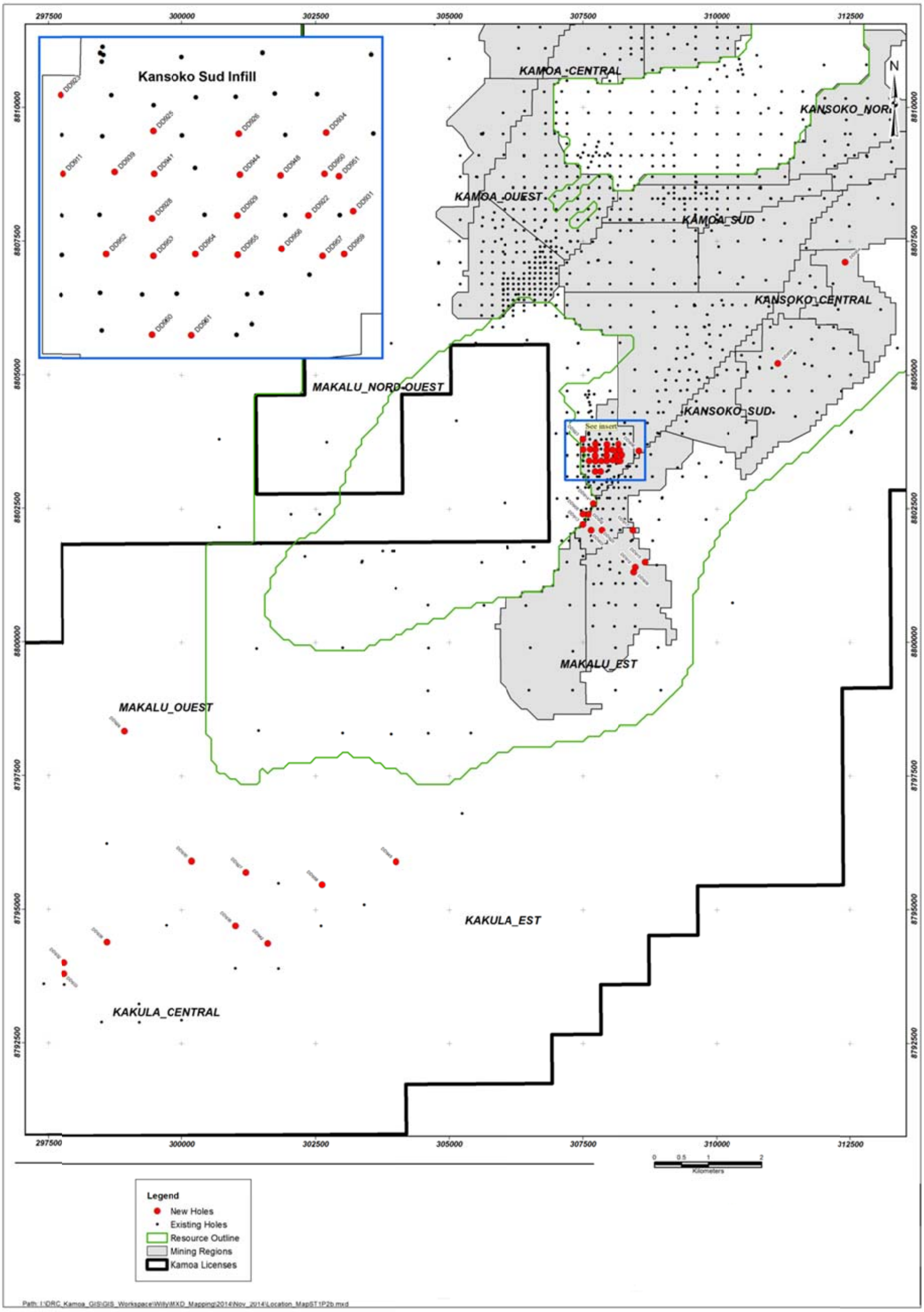
Since assay results were last reported in May 2014, Ivanhoe has received assays for an additional 45 holes from its ongoing resource delineation and exploration programs. Returned assays covered 30 holes in Kansoko Sud, where detailed infill drilling to a 100-metre grid was undertaken during the year, one hole in Kansoko Centrale, one hole in Kansoko Nord, three holes in Makalu and 10 holes in the Kakula exploration area. The details of the results are shown in the following table of composites for a 1% and a 1.5% total copper cut-off grade. Details of hole locations are also shown in the accompanying table and location plan.

Selected highlights of the drill results at a 1.5% copper cut-off include:

- 7.26% copper over 7.99 metres true thickness in Hole DKMC_DD914.
- 6.16% copper over 4.77 metres true thickness in Hole DKMC_DD925.
- 6.42% copper over 3.49 metres true thickness in Hole DKMC_DD929.
- 9.12% copper over 4.97 metres true thickness in Hole DKMC_DD952.

	1% TCu (1) Cut-off						1.5% 6m TCu Cut-off (2)					
BHID	From (m)	To (m)	Length (m)	True Thick (m)	Tcu (%)	GT (m%)	From (m)	To (m)	Length (m)	True Thick (m)	Tcu (%)	GT (m%)
DKMC_DD902	99.00	102.00	3.00	2.80	1.48	4.2	99.00	102.00	3.00	2.80	1.48	4.2
DKMC_DD904	1033.00	1035.98	2.98	2.82	0.85	2.4	1033.00	1035.98	2.98	2.82	0.85	2.4
DKMC_DD905	Leached						Leached					
DKMC_DD906	383.00	391.00	8.00	7.61	2.31	17.6	385.00	391.00	6.00	5.71	2.71	15.4
DKMC_DD909	554.00	558.09	4.09	3.47	2.99	10.4	555.00	558.09	3.09	2.62	3.55	9.3
DKMC_DD911	93.50	101.20	7.70	6.67	2.86	19.1	97.10	101.20	4.10	3.55	4.27	15.2
DKMC_DD912	498.00	501.00	3.00	2.87	1.75	5.0	498.00	501.00	3.00	2.87	1.75	5.0
DKMC_DD913	99.50	106.00	6.50	5.32	5.75	30.6	99.50	106.00	6.50	5.32	5.75	30.6
DKMC_DD914	93.50	116.63	23.13	22.62	3.58	81.0	98.43	106.60	8.17	7.99	7.26	58.0
DKMC_DD915	565.50	569.00	3.50	3.17	1.22	3.9	565.50	569.00	3.50	3.17	1.22	3.9
DKMC_DD917	452.00	455.13	3.13	2.81	0.79	2.2	452.00	455.13	3.13	2.81	0.79	2.2
DKMC_DD920	215.56	227.50	11.94	11.76	2.54	29.9	215.56	227.50	11.94	11.76	2.54	29.9
DKMC_DD922	284.00	292.00	8.00	7.83	2.10	16.4	287.50	292.00	4.50	4.40	2.79	12.3
DKMC_DD923	104.00	108.50	4.50	4.33	1.85	8.0	105.10	108.50	3.40	3.27	2.03	6.6
DKMC_DD924	513.94	528.50	14.56	14.06	1.68	23.6	522.00	528.00	6.00	5.80	2.09	12.1
DKMC_DD925	173.64	182.00	8.36	8.35	4.00	33.4	173.64	178.42	4.78	4.77	6.16	29.4
DKMC_DD926	206.00	213.00	7.00	6.44	2.41	15.5	206.70	213.00	6.30	5.80	2.56	14.8
DKMC_DD927	235.00	238.00	3.00	2.95	1.26	3.7	235.00	238.00	3.00	2.95	1.26	3.7
DKMC_DD928	174.00	179.00	5.00	4.94	2.29	11.3	175.00	178.42	3.42	3.38	2.84	9.6
DKMC_DD929	226.00	235.53	9.53	9.41	3.19	30.1	232.00	235.53	3.53	3.49	6.42	22.4
DKMC_DD930	458.00	472.50	14.50	14.07	2.02	28.4	467.00	472.50	5.50	5.34	3.02	16.1
DKMC_DD931	317.00	328.00	11.00	10.63	1.56	16.5	321.00	325.00	4.00	3.86	2.12	8.2
DKMC_DD932	Leached						Leached					
DKMC_DD933	On Roan Dome						On Roan Dome					
DKMC_DD934	251.00	256.20	5.20	5.20	3.16	16.4	251.00	255.58	4.58	4.58	3.44	15.8
DKMC_DD936	284.45	299.18	14.73	14.59	2.58	37.6	289.00	298.77	9.77	9.67	3.02	29.2
DKMC_DD938	Leached						Leached					
DKMC_DD939	150.00	154.00	4.00	3.90	1.43	5.6	150.00	153.30	3.30	3.22	1.52	4.9
DKMC_DD941	174.80	186.59	11.79	11.61	2.52	29.3	180.00	186.59	6.59	6.49	3.50	22.7
DKMC_DD942	317.00	343.30	26.30	25.90	2.88	74.6	328.00	341.50	13.50	13.29	4.15	55.1
DKMC_DD944	223.00	231.83	8.83	8.64	4.03	34.8	223.00	230.90	7.90	7.73	4.32	33.4
DKMC_DD945	164.00	167.03	3.03	2.93	0.91	2.7	164.00	167.03	3.03	2.93	0.91	2.7
DKMC_DD948	242.62	252.00	9.38	8.87	2.29	20.3	246.00	252.00	6.00	5.67	2.92	16.6
DKMC_DD950	266.00	273.00	7.00	6.62	2.04	13.5	269.00	273.00	4.00	3.78	2.71	10.3
DKMC_DD951	285.00	290.00	5.00	4.33	1.90	8.2	287.30	290.00	2.70	2.34	2.63	6.1
DKMC_DD952	129.00	135.00	6.00	4.97	9.12	45.3	129.00	135.00	6.00	4.97	9.12	45.3
DKMC_DD953	165.08	173.96	8.88	8.34	3.63	30.3	167.50	173.96	6.46	6.07	4.38	26.6
DKMC_DD954	192.00	199.00	7.00	6.97	2.90	20.2	193.00	199.00	6.00	5.98	3.21	19.2
DKMC_DD955	228.00	236.55	8.55	8.22	3.39	27.9	229.76	236.55	6.79	6.53	3.90	25.4
DKMC_DD956	269.40	279.52	10.12	9.93	3.99	39.7	270.00	279.52	9.52	9.35	4.15	38.8
DKMC_DD957	294.05	301.86	7.81	7.54	3.65	27.5	295.20	301.86	6.66	6.43	4.09	26.3
DKMC_DD958	117.00	122.00	5.00	4.70	1.20	5.6	119.00	122.00	3.00	2.82	1.24	3.5
DKMC_DD959	310.07	317.25	7.18	7.07	2.41	17.0	313.55	317.25	3.70	3.64	3.49	12.7
DKMC_DD960	138.00	149.00	11.00	10.57	1.44	15.3	146.00	149.00	3.00	2.88	2.27	6.5
DKMC_DD961	165.00	172.00	7.00	6.89	1.55	10.7	165.00	167.90	2.90	2.86	2.00	5.7

(1) Tcu = Total Copper
(2) 1.5% Cu cut-off on first 6m of composite, 2% Cu cut-off of incremental thickness



Kansoko Sud Infill
KAMOA_CENTRAL
KANSOKO_NORD
KAMOA_OUEST
KAMOA_SUD
KANSOKO_CENTRAL
MAKALU_NORD-OUEST
KANSOKO_SUD
See insert
MAKALU_EST
MAKALU_OUEST
KAKULA_EST
KAKULA_CENTRAL
297500
300000
302500
305000
307500
310000
312500
8810000
8807500
8805000
8802500
8800000
8797500
8795000
8792500
Kilometers
Legend
New Holes
Existing Holes
Resource Outline
Mining Regions
Kamoa Licenses
Path: I:\DRC_Kamoa_GIS\GIS_Workspace\Willy\MXD_Mapping\2014\Nov_2014\Location_MapST1P2b.mxd

PROSPECT	Hole ID	Length	Easting	Northing	Elevation	BRG	DIP
KANSOKO_CENT	DKMC_DD906	421	308548	8803581	1474	307	-64
KANSOKO_NORD	DKMC_DD904	1045	312405	8807110	1507	360	-90
KANSOKO_SUD	DKMC_DD902	125	307598	8802398	1459	270	-90
	DKMC_DD905	80	307497	8802404	1459	270	-90
	DKMC_DD911	126	307504	8803601	1473	270	-90
	DKMC_DD913	159	307500	8802204	1455	270	-90
	DKMC_DD914	123	307693	8802603	1462	270	-90
	DKMC_DD917	466	308438	8802101	1449	270	-85
	DKMC_DD920	265	307853	8802102	1453	270	-75
	DKMC_DD922	322	308117	8803498	1475	270	-80
	DKMC_DD923	134	307499	8803798	1473	270	-90
	DKMC_DD925	202	307730	8803708	1474	270	-80
	DKMC_DD926	238	307943	8803701	1475	270	-80
	DKMC_DD928	211	307726	8803490	1473	293	-80
	DKMC_DD929	262	307940	8803498	1474	270	-80
	DKMC_DD931	354	308228	8803509	1475	270	-90
	DKMC_DD934	292	308161	8803705	1476	265	-75
	DKMC_DD939	172	307629	8803614	1473	270	-80
	DKMC_DD941	208	307729	8803602	1473	270	-80
	DKMC_DD944	253	307945	8803601	1474	270	-80
	DKMC_DD948	277	308045	8803592	1475	270	-80
	DKMC_DD950	301	308158	8803604	1476	270	-80
	DKMC_DD951	321	308190	8803598	1476	270	-90
	DKMC_DD952	163	307615	8803401	1471	270	-80
	DKMC_DD953	205	307725	8803399	1472	270	-80
	DKMC_DD954	226	307834	8803404	1472	270	-80
	DKMC_DD955	262	307939	8803403	1473	270	-80
	DKMC_DD956	304	308056	8803413	1473	253	-79
	DKMC_DD957	325	308157	8803399	1474	270	-80
	DKMC_DD959	345	308202	8803403	1474	360	-90
	DKMC_DD960	169	307724	8803200	1470	270	-80
	DKMC_DD961	202	307826	8803200	1470	270	-80
KAKULA	DKMC_DD924	540	298928	8798343	1339	270	-90
	DKMC_DD927	249	301199	8795702	1410	270	-90
	DKMC_DD930	480	300186	8795911	1392	270	-90
	DKMC_DD932	75	297797	8794009	1365	270	-90
	DKMC_DD933	15	297797	8793800	1360	270	-90
	DKMC_DD936	318	300999	8794714	1405	270	-90
	DKMC_DD938	111	298601	8794400	1346	270	-90
	DKMC_DD942	351	301604	8794372	1381	270	-90
	DKMC_DD945	174	304005	8795900	1431	270	-90
	DKMC_DD958	151	302620	8795478	1410	360	-80
MAKALU	DKMC_DD909	588	308452	8801310	1430	270	-85
	DKMC_DD912	523	308485	8801403	1425	320	-80
	DKMC_DD915	583	308666	8801501	1423	270	-85

Construction of box cut for first declines

The construction of the box cut for the first access declines to the planned underground mine is progressing well and on schedule to be completed by the end of 2014. This will enable commencement of construction of the twin declines designed to intersect the high-grade copper mineralization in the Kansoko Sud area, approximately 150 metres below surface. Ivanhoe's drilling program in this area has defined a thick, near-surface zone of high-grade copper mineralization, where a recent drill hole intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

Progress on pre-feasibility study, with initial development planned at Kansoko Sud

In line with the phased approach to project development outlined in the 2013 updated Kamoa preliminary economic assessment (PEA), the Kamoa PFS is progressing based on the planned first phase of the project having an underground mine producing three million tonnes per annum (3 Mtpa) and feeding a concentrator. Development plans will be refined following completion of the PFS.

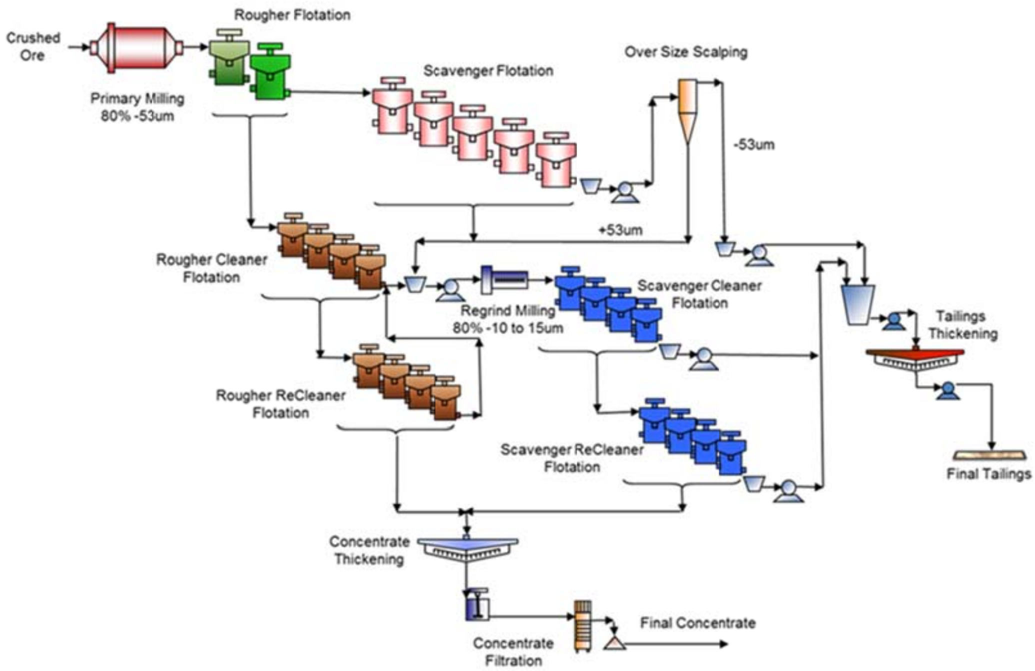
Work on the PFS design, scheduling and cost estimation of the mine is progressing well. To maximize margins, the target of the early years of mining is the near-surface material in Kansoko Sud and high-grade material in Kansoko Centrale.

Given the favourable geological characteristics of the Kamoa Deposit as derived from the December 2012 mineral resource – including its relatively undeformed, continuous mineralization – it is considered amenable to large-scale, mechanized, room-and-pillar and drift-and-fill mining. The overall dip and geometry of the resource make it conducive to room-and-pillar mining in the shallow portions of the deposit, which will transition to stepped room-and-pillar mining in the steeper sections and to drift-and-fill mining in the deeper sections. These methods are the accepted industry standards for mining deposits such as Kamoa.

Metallurgical test work for PFS design of the concentrator is underway at the XPS laboratory in Sudbury, Canada, and the Mintek laboratory in Johannesburg, South Africa. This test work is being carried out on a composite sample representing the first four years of mining, during which flotation concentrate will be produced and sold. Recent test work and flow-sheet development have resulted in significant improvements in copper recovery (88.3%) and copper concentrate grade (39.0%). Furthermore, very low arsenic levels were reported (0.01%), which could attract a premium.

The latest test work also has resulted in a simpler flow sheet configuration, shown below.

Figure X: Kamoa Concentrator Flowsheet



Drilling of four large-diameter production water boreholes was completed during the third quarter. These will supply clean water to the mine and process plant during construction and operation. Initial indications are that the boreholes will easily supply sufficient water for the first phase of the project.

Platreef Project

The Platreef Project, in South Africa's Limpopo province, is 64%-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 remaining 26% ownership interest is held by Ivanhoe's broad-based, black economic empowerment (B-BBEE) partners.

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.

Mining right executed

A Mining Right Application for the Platreef Project was lodged with the South African government's Department of Mineral Resources (DMR) in June 2013 and was approved on May 30, 2014. Officially executed by the Mineral Resources Minister on November 4, 2014, the mining right authorizes the Company to exclusively mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome from the mining area for an initial period of 30 years, and may be renewed for an unlimited number of consecutive periods each of up to 30 years, in accordance with section 24 of the Mineral and Petroleum Resources Development Act.

Mining operations must be conducted in accordance with the Mining Work Programme (MWP) and any amendment to such MWP, and with an approved Environmental Management Plan (EMP).

Ivanhoe recently implemented its proposed B-BBEE structure, which includes communities, employees and entrepreneurs, who together own 26% of the Platreef Project. The Company now will begin the roll-out of its Social and Labour Plan, which includes the identification and implementation of local economic development projects.

The Company will resume all physical exploration activities and Shaft #1 site work as soon as possible.

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

An independent PEA was released in March 2014 that reflected a phased approach to development of the Platreef Project.

PEA highlights

- A large, mechanized, underground mine is planned to be developed through a phased approach.
- Three run-of-mine production scenarios were examined: four million tonnes per year (Mtpa); a base case of eight Mtpa; and 12 Mtpa.
- 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 four Mtpa by 2020.
- Phase 2 would include a ramp-up to a plant capacity of eight Mtpa by 2024; Phase 3 envisages a further ramp-up to a steady-state plant capacity of 12 Mtpa by 2028.
- Opportunities also exist for additional phases of development beyond 12 Mtpa, subject to further study.

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 four Mtpa (Phase 1) production scenario is developed and placed into production, there is expected to be opportunity to modify and optimize the subsequent phases, allowing for changes to the timing or expansion capacity to suit the conditions at the time.

Key features of the eight Mtpa base-case scenario

- Annual production target of 785,000 ounces of platinum, palladium, rhodium and gold. (At an expanded operating scenario of 12 Mtpa, 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 platinum-group metals producers, 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 (NPV), at an 8% discount rate.
- 14.3% after-tax internal rate of return.

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

Development work focused on resources in Flatreef underground discovery

The Flatreef Mineral Resource, with a strike length of 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 platinum, palladium and gold (2PE+Au). The Indicated Mineral Resource grade at equivalent 2.0 gram-per-tonne 3PE+Au cut-off is 4.1 g/t 3PE+Au, 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 2.0 g/t 3PE+Au cut-off, 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.

Metallurgical testwork is underway at the Mintek laboratory in Johannesburg. The main focuses of the current phase of work are the improvement of concentrate quality and simplification of the flowsheet for the four Mtpa feasibility study, planned to commence in Q2 2015.

Shafts #1 and #2

Surface construction work for Shaft #1, which was suspended on May 26, 2014, now will resume following the execution of the Platreef Mining Right. Shaft #1 will have an internal diameter of 7.25 metres, with an annual hoisting capacity of 2.5 million tonnes. It is projected to reach a total depth of 975 metres in 2018. In the interim, it is planned to be used in 2017 to collect a mineralized bulk sample for metallurgical testing from the 800-metre level of the project's Flatreef Deposit. South Africa-based Aveng Mining, the shaft-sinking contractor, is responsible for the excavation of the box-cut access for the shaft collar and vent plenum. The stage- and hoist-winding equipment has been refurbished and is being stored off-site. The fabrication of the temporary head frame has commenced.

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 $280 million received in 2011 for the sale of an 8% interest in the Platreef Project to the ITOCHU-led Japanese consortium.

Ivanhoe awarded the contract for design and engineering of Shaft #2, the 10-metre-diameter main production shaft that will be capable of hoisting six million tonnes a year and be fitted with a 150-person equipment cage, to South Africa-based Murray & Roberts Cementation in June 2014. This will enable the Company to start Shaft #2 development works in Q1 2015, subject to necessary approvals and funding. The box-cut designs are complete and the contract for the early engineering works for the winding equipment has been awarded to South Africa-based FLSmidth.

Optimization work and pre-feasibility study

Whittle Consulting, an Australian firm, has been contracted to conduct an enterprise optimization study for each phase of the project. The study was based on the four Mtpa PFS case and identifies the key drivers of NPV and possible opportunities to enhance driver performance by applying simultaneous optimization through the use of Whittle's in-house software. Completion of the study, with recommendations, is targeted for Q4 2014.

Completion of a PFS – currently focused on the Phase 1, four Mtpa production case – is targeted for Q4 2014. Studies will continue on the Phase 2 base-case eight Mtpa and Phase 3, 12 Mtpa production scenarios in 2015.

Exploration and development drilling

Drilling was suspended on May 26, 2014 and will now resume following the execution of the Platreef Mining Right. Geological activities were focused on integrating detailed lithological and structural logging with the recently acquired 3D seismic cube. The aim is the development of a robust geological model that will form the basis of future resource updates.

Environmental management

As required under South African legislation, several legal processes were initiated in conjunction with the approval of the Platreef Mining Right. These legal processes included an integrated water use licence application submitted to the Department of Water and Sanitation (DWS), a waste management licence application submitted to the National Department of Environmental Affairs and an application for environmental authorization to the Limpopo Department of Economic Development, Environment and Tourism (LEDET). Extensive environmental, social and engineering studies were undertaken during 2013 in support of the various applications.

The Platreef Project received environmental authorization during June 2014 from LEDET and the Company is working closely with this department to ensure continual compliance during the implementation of the approved EMP and the conditions stipulated in the environmental authorization. Authorization also was received from the DWS for the extraction of specified quantities of water from groundwater resources.

The Company has engaged with the South African Heritage Resources Agency (SAHRA) to obtain input and guidance on the management of archaeological and heritage resources that are found in the area.

Kipushi Project

The Kipushi copper-zinc-germanium-lead mine, in the Democratic Republic of Congo's 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 the state-owned mining company, La Générale des Carrières et des Mines (Gécamines).

Project development and infrastructure

Work began in early March 2014 on the planned underground diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing dewatering program directed by Ivanhoe during the past three years following its acquisition 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 then, crews have been upgrading underground and surface infrastructure to support the drilling program. Recent improvements have included the fabrication of an air deflector for ventilation Shaft #4 to reduce noise impact, tie-in of the water piping from shafts P1Ter and P15 to the 1,112-metre-level dam, and the start of the removal of corroded ventilation columns from Shaft #5.

Water levels are stabilized below the 1,150-metre-level haulway and 1,272-metre-level hanging wall drift, enabling access for drilling, with two rigs targeting the Série Récurrente and Big Zinc mineralization.

Exploration and development drilling

Ivanhoe's Kipushi underground drilling program is designed to confirm and update Kipushi's estimated historical resources and to further expand the resources along strike and at depth. More than 10,000 metres of drilling had been completed by the end of the third quarter.

A total of 5,148 metres, in 37 drill holes, were completed in Q3. Drilling during the quarter initially focused on the Série Récurrente Zone, with 2,361 metres drilled in 21 holes. The focus of drilling subsequently switched to the Big Zinc as the 1,272-metre-level drill drift was dewatered and rehabilitated, with 2,787 metres completed in 16 holes.

Série Récurrente exploration continued to test areas to the east and below the historical measured and indicated resources. A final drill section was completed from the 1,251-metre-level and three additional sections were completed from a drill station on the 1,261-metre-level. Two holes tested the Nord Riche area, where the Série Récurrente intersects the Fault Zone.

Ivanhoe released additional drill results from the Kipushi Project on September 5, 2014. The majority of the drill results were from drilling in the Série Récurrente. Highlights included:

- Hole KPU011: 16.1 metres grading 4.9% copper, 5.8% zinc and 23 grams per tonne (g/t) silver.
- Hole KPU013: 13.7 metres grading 9.9% copper, 12.1% zinc, 37 g/t silver and 24 g/t germanium.
- Hole KPU014: 8.7 metres grading 5.7% copper, 22.5% zinc, 33 g/t silver and 28 g/t germanium.
- Hole KPU015: 9.7 metres grading 9.0% copper, 0.5% zinc, and 30 g/t silver.
- Hole KPU020: 5.2 metres grading 21.0% copper, 2.3% zinc, 190 g/t silver and 10 g/t germanium.

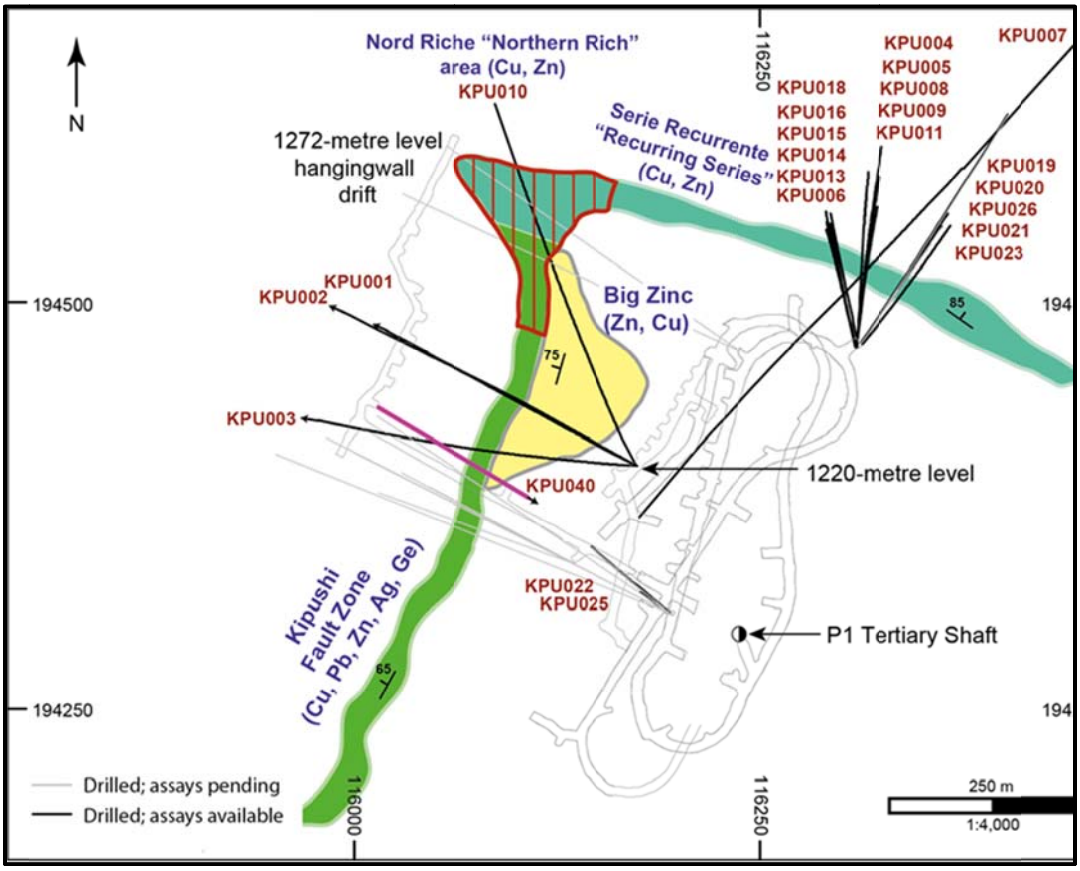


Figure 1: Plan showing the drilling completed during Q3 2014

Additional details from the drill results can be found in Ivanhoe's September 5, 2014 drill hole news release.

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 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, Gécamines' mine-level plans for Kipushi also report the presence of precious metals, specifically silver and rhenium. There is no formal record of precious-metal production on the property.

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

Exploration activities during Q3 2014 were carried out within Lufupa Sud Est (LSE) and Fold and Thrust Belt (FTB) projects. Company-owned drill rigs conducted diamond drilling at the Sakanama and Kengere prospects of FTB and LSE projects. A total of 2,127 metres in 17 holes were drilled. Other activities included ground magnetic surveying within the Kasangasi (FTB) and Kengere prospects; soil, auger and stream sediment sampling at various prospects; and geological mapping.

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			
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
	$'000	$'000	$'000	$'000
Exploration and project expenditure	33,385	39,580	37,102	60,738
General administrative expenditure	8,045	4,913	9,318	11,567
Shared-based payments	7,060	85,428	2,561	2,029
Impairment of mineral property, goodwill and other	-	-	-	334,338
Finance costs	377	1,124	358	559
Mark-to-market (gain) loss on revaluation of warrants	(12,360)	5,152	-	-
Deferred tax recovery	-	-	-	(75,701)
Total comprehensive loss attributable to:				
Owners of the Company	23,474	129,474	42,750	240,262
Non-controlling interest	15,092	6,280	6,057	92,606
Loss per share (basic and diluted)	0.03	0.21	0.07	0.41

	3 Months ended			
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
	$'000	$'000	$'000	$'000
Exploration and project expenditure	39,793	41,281	32,131	31,314
General administrative expenditure	6,259	6,270	6,980	8,441
Shared-based payments	1,898	2,143	2,238	1,446
Legal settlement	10,000	-	-	-
Finance costs	543	319	223	2,069
Total comprehensive loss attributable to:				
Owners of the Company	51,787	43,804	37,372	37,949
Non-controlling interest	6,248	7,198	5,018	4,771
Loss per share (basic and diluted)	0.10	0.08	0.07	0.07

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended September 30, 2014 vs. September 30, 2013

The Company's total comprehensive loss for Q3 2014 of $38.6 million was $19.4 million lower than for the same period in 2013 ($58.0 million). The decrease mainly was as a result of the mark-to-market gain on the revaluation of warrants of $12 million and the legal settlement expense in 2013 that amounted to $10 million.

The Company's share-based payment expense amounted to $7.1 million, compared to $1.9 million for the same period in 2013. The final allocations of the Platreef Project's B-BBEE transaction were completed on September 3, 2014, and resulted in a share-based payment expense of $5.0 million being recognized in Q3 2014, with the remaining $2.0 million (Q3 2013: $1.9 million) being the expense for options granted to employees recognized over the vesting period.

Exploration and project expenditures for the three months ending September 30, 2014, were $6.4 million less than for the same period in 2013. Expenditure at the Kamoa Project decreased by $4.8 million compared to the same period in 2013; however, the costs directly attributable to the construction of the Kamoa box cut were capitalized as development costs and therefore do not form part of the expensed amount.

Expenditure at the Platreef Project decreased to $6.9 million in the quarter (Q3 2013: $8.0 million) as Ivanhoe awaited the execution of the project's mining right, while expenditure at the Kipushi Project increased by $0.5 million compared to the same period in 2013 as a result of the drilling program that is underway.

The main classes of expenditure on the Company's material projects in Q3 2014 and 2013 are set out in the following table:

	Three months ended September 30, 2014	Three months ended September 30, 2013
	$'000	$'000
Kamoa Project		
Drilling	3,431	4,141
Salaries and benefits	3,064	2,662
Studies	1,604	4,027
Travel	400	688
Other expenditure	2,343	4,102
Total project expenditure	10,842	15,620
Platreef Project		
Salaries and benefits	1,850	962
Studies	1,722	2,410
Assaying and sampling	101	80
Drilling	33	2,650
Other expenditure	3,241	1,914
Total project expenditure	6,947	8,016
Kipushi Project		
Salaries and benefits	4,674	2,836
Drilling	2,091	-
Repair and maintenance	1,748	2,320
Electricity	1,118	3,336
Contracting work	304	1,283
Travel	237	389
Equipment rental	167	175
Other expenditure	2,742	2,272
Total project expenditure	13,081	12,611

Review of the nine months ended September 30, 2014 vs. September 30, 2013

	9 Months ended	
	September 30, 2014	September 30, 2013
	$'000	$'000
Exploration and project expenditure	110,090	113,159
Share-based payments	95,049	6,279
Legal settlement	-	10,000
General administrative expenditure	22,276	19,509
Finance costs	1,859	1,085
Mark-to-market gain on revaluation of warrants	(7,208)	-
Total comprehensive loss attributable to:		
Owners of the Company	195,698	133,458
Non-controlling interest	27,429	17,969
Loss per share (basic and diluted)	0.31	0.25

The Company's total comprehensive loss for the nine months ended September 30, 2014, of $223.1 million was $71.7 million higher than for the same period in 2013 ($151.4 million). The increase mainly was due to an increase in the shared-based payment expense of $88.7 million as a result of the Platreef B-BBEE transaction, offset by a decrease in exploration and project expenditures of $3.1 million, the mark-to-market gain on revaluation of warrants recognised in 2014 of $7.2 million and the legal settlement expense in 2013.

Exploration and project expenditures at the Kamoa and Kipushi projects decreased by $9.6 million and $1.6 million respectively when compared to the same period in 2013, while expenditure at the Platreef Project increased by $8.3 million.

During the first nine months of 2014, the focus for the Kamoa Project has been advancing the pre-feasibility work as well as infill and exploration drilling within the Kamoa mining license. More recently the construction of the box cut for the first mining access declines was also started. The Platreef Project focussed on its mining right application, the construction of Shaft #1 and the completion of a 4Mtpa PFS, while at Kipushi the emphasis was on the drilling program to confirm, update and expand Kipushi's estimated historical resources as well as the ongoing dewatering and upgrading of the underground and surface infrastructure.

The main classes of expenditure on the Company's material projects in the nine months ending September 30, 2014 and 2013 are set out in the following table:

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	$'000	$'000
Kamoa Project		
Salaries and benefits	10,368	7,408
Drilling	9,944	12,793
Studies	5,070	12,575
Travel	1,154	1,935
Other expenditure	9,937	11,386
Total project expenditure	36,473	46,097
Platreef Project		
Studies	7,293	5,492
Drilling	4,774	3 542
Salaries and benefits	4,523	2,542
Assaying and sampling	374	177
Other expenditure	8,627	5,505
Total project expenditure	25,591	17,258
Kipushi Project		
Salaries and benefits	12,500	6,118
Electricity	4,521	9,950
Drilling	4,439	-
Repair and maintenance	4,086	3 016
Contracting work	2,060	9,672
Equipment rental	1,167	1,835
Travel	643	1 243
Other expenditure	8,833	7,982
Total project expenditure	38,249	39,816

Financial position as at September 30, 2014 vs. December 31, 2013

The Company's total assets increased to $302.7 million as at September 30, 2014, from $287.6 million as at December 31, 2013. This mainly was due to an $8.5 million increase in property, plant and equipment.

The Company utilized $135.5 million of its cash resources in its operations and earned interest income of $0.8 million on cash balances in the year to date. A total of $15.5 million was spent to acquire property, plant and equipment. This mainly was for the initial development of the Platreef Project's Shaft #1 and the Kamoa Project's box cut.

The Company generated cash inflow from financing activities during the nine months ending September 30, 2014, of $153 million. This mainly was a result of the public offering and a concurrent private placement that Ivanhoe completed in June and July for a total issuance of 115,000,767 units. Each unit consisted of one Class A common share and one Class A common share purchase warrant, which were sold at a price of C$1.50 per unit and raised total gross proceeds of C$173 million (net proceeds of $151 million).

The Company's total liabilities increased from $60.3 million as at December 31, 2013, to $67.1 million as at September 30, 2014. This mainly was due to the financial liability that arose with the issuance of the purchase warrants in Q2 2014 that had a fair value of $9.3 million at September 30, 2014.

The Company intends to dispose of its Australian subsidiaries in the next 12 months and therefore has classified the related assets and liabilities as held for sale. The Company has identified an interested buyer. As at September 30, 2014, the carrying value of assets held for sale amounted to $3.0 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company closed a non-brokered private placement for C$108 million ($105 million) in Q4 2013 and completed a public offering and concurrent private placement for gross proceeds of C$169 million ($154 million) in Q2 2014. In addition, Robert Friedland also fully exercised his option to purchase an additional 2.5 million units, for net proceeds to the Company of C$3.75 million in July 2014.

The Company had $168.1 million in cash and cash equivalents and $55.2 million in short-term deposits as at September 30, 2014. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of $119.3 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at September 30, 2014, the Company had consolidated working capital of approximately $211.2 million, compared to $201.7 million at December 31, 2013. The Platreef Project working capital is restricted and amounted to $123.6 million at September 30, 2014, and $161.6 million at December 31, 2013. Excluding the Platreef Project working capital, the resultant working capital was $87.6 million at September 30, 2014, and $40.1 million at December 31, 2013. The Company believes it has sufficient resources to cover its short-term cash requirements. However, the Company's access to financing is always uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

The Company has a three-year mortgage bond and a five-year mortgage bond outstanding on its offices in London, United Kingdom, of £2.4 million ($3.8 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 $19.4 million as at September 30, 2014, and a contractual amount due of $28.9

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 capitalized. The difference of $9.5 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 ultimately will 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 six-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 September 30, 2014	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	34,116	3,823	423	988	28,882
Operating Leases	671	373	298	-	-
Advancement of loan to SNEL	250,000	1,295	248,705	-	-
Total Contractual Obligations	**284,787**	**5,491**	**249,426**	**988**	**28,882**

USE OF PROCEEDS

The below table describes how the proceeds from the public offering and concurrent private placement that closed on June 10, 2014, have been used to date, against how the proceeds were expected to be used as disclosed in the final prospectus.

Principal Purpose	Intended	Use of proceeds Q2 2014	Q3 2014	Total use to date
	$'million	$'million	$'million	$'million
Kamoa Project				
Box cut and decline	15	-	4	4
Power Supply	15	1	1	2
Project studies	11	3	3	6
Drilling	9	4	5	9
Subtotal	50	8	13	21
Kipushi Project				
Site costs (including dewatering)	28	5	8	13
Drilling & Studies	10	1	2	3
Refurbishing infrastructure	7	1	3	4
Subtotal	45	7	13	20
Other				
Regional Exploration and General & Administrative Expenses	37	7	5	12
Subtotal	37	7	5	12
TOTAL (exclusive of Over-Allotment Option and Private Placement Option)	132	22	31	53
Exploration and pre-development activities of the Projects and general corporate purposes	15	2	2	4
TOTAL NET PROCEEDS	147	24	33	57

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 September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Global Mining Management Corporation (a)	**756**	839	**2,727**	3,156
Ivanhoe Capital Aviation LLC (b)	**300**	300	**900**	900
Global Mining Services Ltd. (c)	**36**	175	**285**	484
Ivanhoe Capital Services Ltd. (d)	**132**	145	**366**	459
HCF International Advisors (e)	**132**	70	**316**	270
Ivanhoe Capital Pte Ltd (f)	**59**	2	**152**	75
Ivanhoe Capital Corporation (UK) Ltd (g)	**5**	5	**8**	93
I2MS.net Pte Ltd (h)	**-**	-	**-**	162
	1,420	1,536	**4,754**	5,599
Salaries and benefits	**926**	1,148	**3,277**	3,947
Office and administration	**6**	52	**94**	440
Travel	**352**	301	**1,040**	906
Consulting	**136**	35	**343**	306
	1,420	1,536	**4,754**	5,599

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 September 30, 2014, trade and other payables included $0.1 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 the Executive Chairman has a significant shareholding in Global. 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 owned indirectly by the Executive Chairman 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 owned indirectly by the Executive Chairman 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. Guy de Selliers is the President and co-founder of HCF which provides financial advisory services to the Company.

(f) Ivanhoe Capital Pte Ltd. (Capital) is a private company owned indirectly by the Executive Chairman 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 owned indirectly by the Executive Chairman 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 Peter Meredith ceased to be a director and the Executive Chairman ceased to be a significant shareholder of Turquoise Hill Resources Ltd.

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 September 30, 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 Financial Instruments: Presentation (Amendment): Clarification of the application of the requirements of offsetting financial assets and financial liabilities.
- IAS 36 Impairment of assets (Amendment): Clarification of the recoverable amount disclosures for impaired assets if this amount is based on fair value less cost of disposal.
- IAS 39 Financial Instruments: Recognition and Measurement (Amendment): Clarification of the novation of derivatives and continuation of hedge accounting.
- IFRIC 21: Levies.

Accounting standards issued but not yet effective

- IFRS 7 Financial Instruments: Disclosures: Outlines the disclosures when applying IFRS 9, the new financial instruments standard. (i)
- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (ii)
- IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (iv)
- IAS 19 Employee Benefits (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 July 1, 2014.
(iv) Effective for annual periods beginning on or after January 1, 2017

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	**September 30, 2014**	December 31, 2013
		$'000	$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	**168,111**	143,789
Short-term deposits	Loans and receivables	**55,207**	80,264
Trade and other receivables	Loans and receivables	**3,281**	5,691
Financial liabilities			
Trade and other payables	Other liabilities	**30,726**	34,390
Borrowings	Other liabilities	**24,672**	23,797
Share purchase warrants	Fair value through profit and loss	**9,261**	-

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's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, borrowings, share purchase warrants (Post-IPO) 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 Company's share purchase warrants are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. The fair value of the share purchase warrants is determined using quoted prices in active markets.

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:

	September 30, 2014	December 31, 2013
	$'000	$'000
Assets		
Canadian dollar	**28,558**	53,404
Australian dollar	**121**	90
South African rand	**25,125**	14,546
British pounds	**370**	521
Liabilities		
Canadian dollar	**(286)**	(396)
Australian dollar	**(52)**	(230)
South African rand	**(4,121)**	(2,498)
British pounds	**(283)**	-

Foreign currency sensitivity analysis

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

	Nine months ended September 30,	
	2014	2013
	$'000	$'000
Decrease in loss for the period	**1,343**	1,072

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 September 30, 2014					
Trade and other receivables	-	3,281	-	-	**3,281**
	-	3,281	-	-	**3,281**
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 September 30, 2014					
Trade and other payables	-	30,726	-	-	**30,726**
Current income tax liabilities	60	-	-	-	**60**
Non-current borrowings	-	-	-	30,294	**30,294**
Current borrowings	3,823	-	-	-	**3,823**
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 November 7, 2014, the Company’s capital structure consists of an unlimited number of Class A common shares without par value (Class A Shares), an unlimited number of Class B common shares without par value (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 7,656,600 Class B Shares, 692,401,379 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted 1,000,000 options to certain employees during Q3 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 November 7, 2014, there were 17,440,000 options, from individual stock option agreements exercisable into 17,440,000 Class A Shares and 11,620,000 options issued in terms of the Equity Incentive Plan exercisable into 11,620,000 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. 13,941,940 warrants outstanding as at September 30, 2014, which were exercisable into 15,336,133 common shares, expired on October 22, 2014 as they were not exercised by this date. As at November 7, 2014, 115,000,767 warrants, issued on June 10 and July 10, 2014, are outstanding, exercisable into 115,000,767 Class A 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 September 30, 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 September 30, 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 and nine months ended September 30, 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. Mr. Torr has verified the technical data related to drilling information on Kamoa disclosed in this MD&A. Copper assays were determined by mixed-acid digestion with ICP finish at Ultra Trace Geoanalytical Laboratories in Perth, Australia, an ISO 17025-accredited laboratory. Ivanhoe Mines utilized a well-documented system of inserting blanks and standards into the assay stream and has a strict chain of custody and independent laboratory re-check system for quality control.

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.