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Excellent copper recoveries and concentrate grades confirmed by second-stage metallurgical testing of drill core from Kakula Discovery at the Kamo-a-Kakula Project in D.R. Congo

Independent tests produced a concentrate with an extremely high grade of 56% copper

KOLWEZI, DEMOCRATIC REPUBLIC OF CONGO – Robert Friedland, Executive Chairman of Ivanhoe Mines (TSX: IVN), and Lars-Eric Johansson, Chief Executive Officer, today announced additional excellent metallurgical results from tests conducted on drill core from ongoing exploration at the Kakula Discovery, in a southerly portion of the Kamo-a-Kakula Copper Project.

The bench-scale metallurgical flotation test work carried out at XPS Consulting and Testwork Services laboratories in Falconbridge, Canada, achieved copper recoveries of 87.8% and produced a concentrate with an extremely high grade of 56% copper using the flowsheet developed during the Kamo-a pre-feasibility study (PFS). The material tested was a composite of recent, chalcocite-rich Kakula drill core, assaying 8.1% copper.

“These new Kakula metallurgical test results are highly positive as they indicate that, by employing a conventional milling and flotation process, Kakula should produce an extremely high-grade and clean copper concentrate that would be highly coveted by copper smelters around the world,” said Vongani Nkuna, Kamo-a’s Senior Process Engineer. “The XPS metallurgical results further demonstrate the high quality of the Kakula Discovery.”

The Kamo-a-Kakula Copper Project, located approximately 25 kilometres west of the town of Kolwezi, is a joint venture between Ivanhoe Mines and Zijin Mining Group Co., Ltd. The 60-square-kilometre Kakula Discovery zone is on the Kamo-a mining licence, approximately 10 kilometres southwest of the project’s planned initial mining area at Kansoko Sud.

XPS’s metallurgical results build upon initial test results from Zijin’s laboratory in China

The XPS bench-scale test work findings will be used in the ongoing preliminary economic assessment now underway for Kakula. The XPS results corroborate the results from testing of a Kakula drill core composite sample that was conducted at Zijin’s laboratory in China in July 2016.

The July 2016 initial metallurgical test results achieved copper recoveries of 86% and produced a copper concentrate with a grade of 53% copper. The results also indicated that material from Kamo-a’s Kakula and Kansoko zones could be processed through the same concentrator plant, which could yield significant operational and economic efficiencies.

Zijin's tests of the Kakula sample also used the flowsheet developed during the Kamoia PFS. The material tested was a composite of drill holes assaying 4.1% copper. As a comparison, testing of a previous development composite sample from the planned, initial mining deposit at Kamoia's Kansoko Sud zone and the adjacent Kansoko Centrale zone, assaying 3.61% copper, achieved an 85% recovery and a concentrate grade of 37% copper.

Kamoia concentrates contain extremely low arsenic levels, by world standards

Additional, earlier metallurgical testwork indicated that the Kamoia concentrates contain extremely low arsenic levels, by world standards – approximately 0.02%. Given this critical competitive marketing advantage, Kamoia's concentrates are expected to attract a significant premium from copper-concentrate traders for use in blending with concentrates from other mines. The Kamoia concentrates will help to enable the other concentrates to meet the limit of 0.5% arsenic imposed by Chinese smelters to meet China's new environmental restrictions.

Kamoia-Kakula now ranks among the world's 10 largest copper deposits and remains open for significant expansion

On October 12, 2016, Ivanhoe Mines released the initial Resource estimate for its Kakula Discovery at the Kamoia-Kakula Project. Highlights of the initial Kakula Mineral Resource estimate, prepared by Ivanhoe under the direction of Amec Foster Wheeler E&C Services Inc., of Reno, USA, in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves are:

- Indicated Resources total 192 million tonnes at a grade of 3.45% copper, containing 14.6 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Indicated Resources total 115 million tonnes at a 4.80% copper grade, containing 12.1 billion pounds of copper. At a higher cut-off of 3% copper, Indicated Resources total 66 million tonnes at a grade of 6.59% copper, containing 9.6 billion pounds of copper.
- Inferred Resources total 101 million tonnes at a grade of 2.74% copper, containing 6.1 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Inferred Resources total 51 million tonnes at a 3.92% copper grade, containing 4.4 billion pounds of copper. At a higher cut-off of 3% copper, Inferred Resources total 27 million tonnes at a grade of 5.26% copper, containing 3.2 billion pounds of copper.
- The average true thickness of the selective mineralized zone (SMZ) at a 1% cut-off is 14.27 metres in the Indicated Resources area and 10.33 metres in the Inferred Resources area. At a higher 3% cut-off, the average true thickness of the SMZ is 5.91 metres in the Indicated Resources area and 5.15 metres in the Inferred Resources area.

The initial Kakula Mineral Resource was defined by drilling covering a total area of 8.7 square kilometres within the larger 60-square-kilometre Kakula Exploration Area. The Kakula high-grade mineralization remains open for significant expansion along trend to the northwest and the southeast, while the remainder of the Kakula Exploration Area remains untested. The Kakula Mineral Resource estimate was based on the results from approximately 24,000 metres of drilling in 65 holes.

With the significance of the Kakula Discovery now firmly established, the Kakula exploration program has been significantly expanded by a further 60,000 metres. The expanded program is planned to run through to the end of the second quarter of 2017 and will consist of infill drilling, resource expansion and exploration.

With the addition of Kakula's Mineral Resources, research by Wood Mackenzie – a prominent, international industry research and consulting group, based in the U.K. – has independently demonstrated that the Kamo-a-Kakula Project is the largest copper discovery in Zambia and the Democratic Republic of Congo (DRC), making it the largest copper discovery ever made in the history of mining on the African continent. In addition, research by Wood Mackenzie also shows that Kamo-a-Kakula already ranks among the 10 largest copper deposits in the world.

The combined Kamo-a-Kakula Indicated Mineral Resources now total 944 million tonnes grading 2.83% copper, containing 58.9 billion pounds of copper at a 1.0% copper cut-off grade and a minimum true thickness of three metres.

Kamo-a-Kakula now also has Inferred Mineral Resources of 286 million tonnes grading 2.31% copper and containing 14.6 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum true thickness of three metres.

The Kakula Mineral Resource estimate was prepared by Ivanhoe Mines under the direction of Dr. Harry Parker and Gordon Seibel, both RM SME, of Amec Foster Wheeler. Dr. Parker and Mr. Seibel are the Qualified Persons for the estimate, which has an effective date of October 9, 2016. A technical report will be filed on SEDAR within 45 days of the issuance of the October 12, 2016 news release.

Kamo-a-Kakula studies

With the initial Kakula Mineral Resource estimate completed, Kamo-a Copper SA, holder of the Kamo-a mining licence, has retained OreWin Pty. Ltd., of Adelaide, Australia, to prepare a preliminary economic assessment (PEA) for the development of the Kakula deposit. The PEA, which is expected to be completed before the end of 2016, will concentrate on establishing the economic parameters of potential mining operations at Kakula, including capital and operating costs for an underground mine.

The PEA also will analyze process facilities, mining planning and scheduling, including capital costs and operating costs for both mining and concentrator operations. The PEA will draw on recommendations from the Kamo-a 2016 PFS, including the potential to increase production up to four million tonnes per year from the proposed initial mining area.

Kakula mineralization is characteristically bottom-loaded. The Kakula Mineral Resource estimate demonstrates that opportunities exist to mine Kakula at much higher lateral and vertical cut-offs than at Kamo-a's Kansoko Sud. The clear zonation and grades in the central high-grade core should provide sequencing opportunities to mine at significantly elevated grades.

To help advance the mine-planning work at Kakula, the Kamo-a technical team is rapidly proceeding with the engineering of a box cut at Kakula to accommodate decline ramps that will provide underground access to the deposit.

Qualified person

Scientific and technical information in this news release has been reviewed and approved by Stephen Torr, P.Geol., Ivanhoe Mines' Vice President, Project Geology and Evaluation, a Qualified Person under the terms of National Instrument 43-101. Mr. Torr has verified the technical data disclosed in this news release.

About Ivanhoe Mines

Ivanhoe Mines is advancing its three principal projects in Sub-Saharan Africa: Mine development at the **Platreef** platinum-palladium-gold-nickel-copper discovery on the Northern Limb of South Africa's Bushveld Complex; mine development and exploration at the **Kamoa-Kakula** Copper Project on the Central African Copperbelt in the DRC; and upgrading at the historic, high-grade **Kipushi** zinc-copper-lead-germanium mine, also on the DRC's Copperbelt. For details, visit www.ivanhoemines.com.

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Cautionary statement on forward-looking information

Certain statements in this release constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, including without limitation: (i) statements regarding the expectation that material from Kamoa's Kakula and Kansoko zones can be successfully processed through the same concentrator plant; (ii) statements regarding that by employing a conventional milling and flotation process, Kakula should produce an extremely high-grade and clean copper concentrate that would be highly coveted by copper smelters around the world; (iii) statements that given the expected extremely low arsenic levels, Kamoa's concentrates are expected to attract a significant premium from copper-concentrate traders for use in blending with concentrates from other mines, (iv) statements regarding Kamoa concentrates will help to enable the other concentrates to meet the limit of 0.5% arsenic imposed by Chinese smelters to meet China's new environmental restrictions; (v) statements regarding the completion of 60,000 metres of drilling at Kakula in the second quarter of 2017; and (vi) statements regarding that the preliminary economic assessment for the development of the Kakula deposit is expected to be completed before the end of 2016.

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 here, 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, political or labour unrest; changes in commodity prices (and copper in particular); limitations and availability of capital; and the failure of exploration programs or studies to deliver anticipated results (including the actual results of drilling and exploration activities), or results that would justify and support continued exploration, studies, development or operations.

This news release 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, which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on, among other things: (i) fluctuations in copper prices or other mineral prices; (ii) results of drilling; (iii) results of metallurgical testing and other studies; (iv) changes to 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 licences, or changes to any such permits, approvals or licences.

Although the forward-looking statements contained in this release 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 release 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 release. The company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth in the "Risk Factors" section and elsewhere in the company's most recent Management's Discussion and Analysis report and Annual Information Form, available at www.sedar.com.