

IVANHOE MINES ANNOUNCES FINANCIAL RESULTS AND REVIEW OF OPERATIONS FOR THE SECOND QUARTER OF 2014

TORONTO, CANADA – Ivanhoe Mines (TSX: IVN) today announced its financial results for the second quarter ended June 30, 2014. All figures are in U.S. dollars unless otherwise stated.

HIGHLIGHTS

- On May 30, 2014, the South African government's Department of Mineral Resources approved Ivanhoe's application for a long-term mining right covering the development of platinum-group elements, nickel, copper and gold resources at the company's Platreef Project on the Northern Limb of the Bushveld Igneous Complex in South Africa's Limpopo Province. Ivanhoe now has the right to mine and process all platinum group metals, nickel, copper, gold and certain associated metals and minerals from the Platreef Project mining area, subject to the company complying with the terms on which the mining right, or licence, was granted. It also is expected that the mining right, when executed by the Mineral Resources Minister, will be for an initial period of up to 30 years and will be renewable for an unlimited number of consecutive periods each of up to 30 years.
- Agreement also was reached on acceptable terms for a broad-based, black economic empowerment (B-BBEE) participation structure for the Platreef Project that were progressively refined and optimized to ensure that the resulting partnership would deliver long-term benefits to local communities and entrepreneurs, as well as to Platreef's employees. In terms of Platreef's mining right, the B-BBEE partners will own a combined 26% of the Platreef Project.
- On June 10, 2014, Ivanhoe completed a public offering and concurrent private placement to Ivanhoe's Executive Chairman, Robert Friedland, for gross proceeds of C\$169 million (\$154 million). In July, Mr. Friedland subsequently fully exercised his option to purchase an additional 2.5 million units, generating additional net proceeds to the company of C\$3.75 million.
- On July 14, 2014, Ivanhoe announced that the first batch of assay results from the company's underground diamond-drilling program at the Kipushi copper-zinc-germanium-lead and precious-metals mine had confirmed initial visual estimates of high-grade zinc and copper mineralization in both the Big Zinc and copper-rich Série Récurrente zones.
 - Three holes drilled to validate historical models of the down-plunge continuity of Big Zinc mineralization returned zinc grades of 40.9% over 348.5 metres, 44.8% over 339.4 metres and 33.3% over 305.8 metres.
 - Internal zones of exceptionally rich mineralization in the first two holes, KPU001 and KPU002, returned zinc grades of 60.4% over 35.1 metres, 56.3% over 18.0 metres and 56.6% over 71 metres. These internal zones also returned germanium grades of 87.2, 120.4 and 111.9 grams per tonne (g/t), respectively.

- An internal zone rich in copper, silver and germanium in the third hole, KPU003, graded 6.1% copper, 44.5% zinc, 144 g/t silver and 66.9 g/t germanium over 31 metres from 197 metres. Historical resource estimates at Kipushi did not include silver and germanium.
- Hole KPU003 also discovered a zone grading 58.6% zinc and 293.8 g/t germanium over 22.3 metres, approximately 180 metres below the historical measured and indicated resources. This exceptional grade intersection may represent an extension to the Big Zinc or the start of a new zinc- and germanium-rich zone, and will be followed up by ongoing drilling.
- In addition, two holes from Ivanhoe's exploratory drilling program targeting the Série Récurrente (Recurring Series) zone at the north end of the Kipushi Deposit returned very high copper and silver grades. Hole KPU008 intersected 11.4 metres (estimated true width of 11.2 metres) grading 17% copper and 89.6 g/t silver.
- Also in July 2014, Ivanhoe announced the start of construction on the box cut for the initial portal to planned decline ramps that will provide underground access to the proposed Kamoia copper mine in the Democratic Republic of Congo's Katanga province. A contract for construction of the box cut was awarded to Lubumbashi-based Mining Company Katanga Sprl (MCK). Construction of the box cut is expected take approximately five months, after which development of the first set of twin declines can commence. The declines have been 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.

Principal Projects and Review of Activities

Ivanhoe Mines, with offices in Canada, the United Kingdom and South Africa, is developing its three principal projects:

- The Kamoia copper discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of Congo's southern province of Katanga.
- The Platreef discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa.
- 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.

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

1. Kamoia Project

95%-owned by Ivanhoe Mines
Democratic Republic of Congo (DRC)

Kamoia is world's largest undeveloped, high-grade copper discovery

The Kamoia 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 Kamoia Project through a subsidiary company, Kamoia Copper SA (formerly African Minerals Barbados Limited SPRL). A 5%, non-dilutable interest in Kamoia 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.

Kamoia is the world's largest undeveloped, high-grade copper deposit. On January 17, 2013, an updated mineral resource estimate was announced that increased Kamoia'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 Kamoia 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, Kamoia'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, Kamoia also has 93 million tonnes of Inferred Resources grading 2.64% copper, which contain an estimated 5.4 billion pounds of copper.

Construction underway of first box cut for planned underground mine

A contract for construction of the box cut for the initial portal to planned decline ramps that will provide underground access to the proposed Kamoia mine was awarded to Lubumbashi-based Mining Company Katanga Sprl (MCK), which has extensive local experience in contract mining and earthworks and has worked on other significant Katanga copper mining projects, including Kinsevere, Kipoi and Kolwezi.

Construction of the box cut is expected take approximately five months, after which development of the first set of twin declines can commence. The declines have been 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, for which assays were received in April 2014, intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

Underground mining to use mechanized room-and-pillar and drift-and-fill methods

Given the favourable geological characteristics of the Kamoia 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 drift-and-fill mining in the deeper or steeper sections. These methods are the accepted industry standards for mining deposits such as Kamoia.

Infill drilling of the planned initial mining area from the preliminary economic assessment (PEA) has confirmed the overall grade and thickness of the December 2012 resource estimate in these areas

and provided invaluable refinement within localized areas. While traditionally modelled on a 1% total copper cut-off to define a selective mineralized zone (SMZ), the deposit has shown that grade continuity also exists at an elevated 1.5% total copper vertical cut-off, and that a 2.0% total copper vertical cut-off may be feasible in certain areas. Applying higher cut-offs in defining the SMZ will allow for implementation of higher-grade, narrower mining options, which should improve overall mine economics. Defining the SMZ at higher vertical cut-offs also has created more expansive, contiguous zones of high-grade mineralization.

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 Kamoia PEA, the Kamoia pre-feasibility study (PFS) is progressing on the basis of an initial three-million-tonne-per-annum (3 Mtpa) mine and concentrator. Development plans will be refined following completion of the PFS.

Reviews of the resource model, combined with results from recent infill drilling at Kansoko Sud, have confirmed grade continuity, which allows the resource model to be constrained at a higher cut-off grade. The focus in planning the early years of mine production continues to be on the near-surface and high-grade material from Kansoko Sud to maximize margins. The 3 Mtpa mine and concentrator can be split into modules to potentially better match the underground ramp-up and further reduce the required pre-production development capital. This will be examined in more detail as part of the pre-feasibility study to provide flexibility to the development of the Kamoia Project.

Phase 6 of the metallurgical testwork program is being conducted at the XPS laboratory in Sudbury, Canada, and the Mintek laboratory in Johannesburg, South Africa. Phase 6A testwork considers the first four years of mining, during which flotation concentrate will be sold. The phase 6B testwork considers the next 15 years of mining, from year five onward, when blister copper would be produced. This work is expected to be completed in Q3 2014.

Diamond drilling during the second quarter of 2014 was focused on infill and exploration drilling. Six drill rigs were in operation at the start of the quarter, which was reduced to four rigs by the end of June, including two truck-mounted rigs owned by Ivanhoe. A total of 10,030 metres of diamond drilling was completed, with 37 holes drilled to completion. The drilling included 6,326 metres of in-fill drilling on the Kansoko Sud and Makalu areas, 3,336 metres of exploration drilling on the Kakula and Kansoko Nord areas and 368 metres of metallurgy drilling in the Kansoko Centrale area.

By the end of the second quarter, diamond drilling was focussed entirely on in-fill drilling in the Kansoko Sud early mining area and on exploration drilling in the Kakula area.

In addition to the diamond drilling, four hydrology test holes were drilled in the southern well field. Each hole was 251 metres deep, for a combined total 1,004 metres. Five six-metre-deep holes were drilled in the Kamoia Nord and Kansoko East areas to test the permeability of the soil for potential tailings storage and access roads.

Planned additional drilling in 2014

Planned diamond drilling for the remainder of 2014 will continue to target the initial, high-grade development area in Kansoko Sud and the early-stage exploration drilling in the Kakula area. The hydrology testing has confirmed that there is sufficient water to warrant the commencement of production-well drilling.

Agreement signed to upgrade existing hydroelectric power plants

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

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

2. Platreef Project

64%-owned by Ivanhoe Mines
South Africa

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.

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

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

Highlights of the Platreef PEA

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

The scenarios describe a staged approach, where there would be opportunity to expand the operation depending on demand, smelting and refining capacity and capital availability. As the 4 Mtpa production scenario (Phase 1) is developed and placed into production, there is opportunity to modify and optimize the subsequent phases, allowing for changes to the timing or expansion capacity to suit the conditions at the time.

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

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

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

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

Mining Right granted, execution pending

A Mining Right Application (MRA) 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. The mining right, which remains subject to execution by the Mineral Resources Minister, will permit the company to mine and process minerals from the mining area for an initial period expected to be up to 30 years, and will be renewable for an unlimited number of consecutive periods each of up to 30 years.

Ivanhoe recently implemented its proposed B-BBEE structure, which includes communities, employees and entrepreneurs, who together own 26% of the Platreef Project.

The company has suspended all physical exploration activities and Shaft #1 site work for the Platreef Project pending execution of the mining right.

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 2PE+Au (platinum-palladium-gold). The Indicated Mineral Resource grade at equivalent 2.0 gram-per-tonne 3PE cut-off is 4.1 g/t 3PE+Au (platinum-palladium-rhodium-gold), 0.34% nickel and 0.17% copper. Flatreef's Indicated Mineral Resources of 214 million tonnes contain an estimated 28.5 million ounces of platinum, palladium, gold and rhodium, 1.6 billion pounds of nickel and 0.8 billion pounds of copper.

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

Development of Shaft #1

Surface construction work for Shaft #1 was suspended on May 26, 2014, and will resume once the mining right has been executed. The concrete-lined, 7.25-metre-diameter Shaft #1 is planned to reach 800 metres below surface and enable the collection of a mineralized bulk sample, expected in the second half of 2016, to complete the company's development assessment of the Flatreef. 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. Offsite upgrading is continuing of stage and hoisting equipment to be installed in the shaft headframe.

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 main production shaft, 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.

Completion of a PFS – currently focused on the Phase 1, 4 Mtpa production case – is targeted for the second half of 2014. Studies will continue on the Phase 2 base-case 8 Mtpa and Phase 3 12 Mtpa production scenarios.

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.

Exploration and development drilling

Platreef's 2014 exploration drilling program was suspended on May 26, 2014, pending the government's execution of the project's mining right. A project review in the quarter prompted a reconsideration of the drilling program's annual objective. A total of 39,712 metres in 39 holes had

been drilled against the originally planned 93,000 metres for all of 2014. The revised 2014 drilling program now is expected to complete an additional 12,500 metres for the year; the remaining 41,000 metres of the original 2014 program have been deferred, including the remainder of the drilling program on the Ga-Madiba target. The reduced drilling is not expected to impact Phase 1.

A total of 15 holes, totalling 16,534 metres, were completed during the quarter up to May 26. The completed holes were in zones 1, 2 and 3, adjacent to the Zone 1 Indicated Resource area. A further eight holes, totalling 3,886 metres, were in progress prior to suspension of the drilling program.

3. Kipushi Project

68%-owned by Ivanhoe Mines
Democratic Republic of Congo (DRC)

The Kipushi copper-zinc-germanium-lead mine, in southern Katanga province, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of the provincial capital of Lubumbashi. It also is on the Central African Copperbelt, southeast of the company's Kamao 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 two and a half years following its acquisition of a 68% interest in Kipushi in November 2011.

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

Recent improvements include the fabrication of the main ventilation fan for Shaft #4, the replacement of the headframe's top sheave wheel on Shaft #2, the removal of the counterweight and man cage on Shaft #5 for upgrading and the construction of a water dam on the cascades at the 1,112-metre-level to establish a horizontal pump station to Shaft #5.

Two rigs have been conducting underground drilling at the mine, de-watering is ongoing and access to the important 1,272-metre-level hanging-wall drift was achieved in June 2014, which has enabled Ivanhoe to begin the drilling program's phase of twinning the historical drilling.

Exploration and development drilling

Ivanhoe's 2014 underground drilling program is scheduled to complete approximately 100 holes, totalling more than 20,000 metres. The 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 4,000 metres of drilling was completed during the first half of 2014.

A total of 2,745 metres, including 15 drill holes, were completed in Q2. Exploration drilling focused on the Série Récurrente (Recurring Series) zone, testing areas to the east and below the historical measured and indicated resources. Three drilling fans were completed from the -1,251-metre-level.

The fans were completed with a total of 13 drill holes and 1,965 metres. In addition to the Série Récurrente drilling, two additional holes were drilled from the 1,220-metre-level to test the fault zone north of the Big Zinc and to provide an understanding of the complete stratigraphic succession.

Assay results for the first eight holes were received at the end of the quarter and released on July 14. Highlights from Q1 2014 drilling include:

- Three holes drilled to validate historical models of the down-plunge continuity of Big Zinc mineralization returned zinc grades of 40.9% over 348.5 metres, 44.8% over 339.4 metres and 33.3% over 305.8 metres. The down-plunge geometry of the holes does not allow for estimation of true widths.
- Internal zones of exceptionally rich mineralization in the first two holes, KPU001 and KPU002, returned zinc grades of 60.4% over 35.1 metres, 56.3% over 18.0 metres, and 56.6% over 71 metres. These internal zones also returned germanium grades of 87.2, 120.4 and 111.9 grams per tonne (g/t), respectively.
- An internal zone rich in copper, silver and germanium in the third hole, KPU003, graded 6.1% copper, 44.5% zinc, 144 g/t silver and 66.9 g/t germanium over 31 metres from 197 metres. Historical resource estimates at Kipushi did not include silver and germanium.
- KPU003 also discovered a zone grading 58.6% zinc and 293.8 g/t germanium over 22.3 metres, approximately 180 metres below the historical Measured and Indicated Resources. This exceptional grade intersection may represent an extension to the Big Zinc or the start of a new zinc- and germanium-rich zone, and will be followed up by ongoing drilling.
- In addition, two holes from Ivanhoe's exploratory drilling program targeting the Série Récurrente zone at the north end of the Kipushi Deposit returned very high copper and silver grades. Hole KPU008 intersected 11.4 metres (estimated true width of 11.2 metres) grading 17% copper and 89.6 g/t silver.

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.

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			
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	39,580	37,102	60,738	39,793
General administrative expenditure	4,913	9,318	11,567	6,259
Shared-based payments	85,428	2,561	2,029	1,898
Impairment of mineral property, goodwill and other	-	-	334,338	-
Legal settlement	-	-	-	10,000
Finance costs	1,124	358	559	543
Deferred tax recovery	-	-	(75,701)	-
Total comprehensive loss attributable to:				
Owners of the Company	129,474	42,750	240,262	51,787
Non-controlling interest	6,280	6,057	92,606	6,248
Loss per share (basic and diluted)	0.21	0.07	0.41	0.10

	3 Months ended			
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	41,281	32,131	31,314	29,368
General administrative expenditure	6,270	6,980	8,441	4,140
Shared-based payments	2,143	2,238	1,446	1,446
Finance costs	319	223	2,069	8,653
Total comprehensive loss attributable to:				
Owners of the Company	43,804	37,372	37,949	38,368
Non-controlling interest	7,198	5,018	4,771	3,315
Loss per share (basic and diluted)	0.08	0.07	0.07	0.09

DISCUSSION OF RESULTS OF OPERATIONS

Review of the Three Months ended June 30, 2014 vs. June 30, 2013

The company's total comprehensive loss for Q2 2014 of \$135.8 million was \$84.7 million higher than for the same period in 2013 (\$51.0 million). The increase mainly was due to an increase in shared-based payments of \$83.3 million and an increase in the mark-to-market loss on revaluation of warrants of \$5.2 million.

The company implemented its B-BBEE structure on June 26, 2014, as part of its Mining Right Application for its Platreef Project. The company transferred 26% of the Platreef Project to a B-BBEE special purpose vehicle (B-BBEE SPV) for the benefit of communities, employees and entrepreneurs in and around the Platreef Project.

When accounting for the B-BBEE transaction, the company considered the substance of the transaction as opposed to merely applying legal form as required by International Financial Reporting Standard 1. The substantial risks and rewards associated with the 26% ownership of the Platreef shares have not been transferred to the B-BBEE SPV on the effective date, irrespective of the fact that transfer of the legal title of the shareholding has occurred. The transfer was to facilitate legal compliance with Section 22 of the Mineral and Petroleum Resources Development Act (South Africa), 2002 in order that the Platreef Project may obtain a mining right. The substantial risks and rewards associated with ownership of the Platreef shares still, in substance, remain with Ivanhoe.

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.

Of the share-based payment expense recognized for the three months ending June 30, 2014, \$83.4 million related to the B-BBEE transaction, with the remaining \$2.0 million (Q2 2013: \$2.1 million) being the expense for options granted to employees recognized over the vesting period.

The company's warrants issued in June 2014, are classified and accounted for as a financial liability at fair value, with changes in fair value included in net earnings. A mark-to-market loss on revaluation of these warrants of \$5.2 million was recognized in Q2 2014 and transaction costs of \$0.8 million were allocated to the issuance of the warrants and expensed as finance costs.

Exploration and project expenditures for the three months ending June 30, 2014, were \$1.7 million less than for the same period in 2013. Expenditure at the Kamoia Project and Kipushi Project decreased by \$3.5 million and \$2.9 million respectively when compared to the same period in 2013, while expenditure at the Platreef Project increased by \$3.5 million as a result of the Section 93 directive from the DMR that halted exploration activity in Q2 2013.

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

The company's total assets increased to \$345.7 million as at June 30, 2014, from \$287.6 million as at December 31, 2013. This mainly was due to a \$42.0 million increase in cash and cash equivalents.

The company generated cash inflow from financing activities during the six months ending June 30, 2014, of \$148 million. This was a result of the public offering and a concurrent private placement that Ivanhoe completed in June for a total issuance of 112,500,767 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\$169 million (net proceeds of \$147 million).

Subsequent to June 30, 2014, a further 2,500,000 units were sold in connection with the concurrent private placement following the exercise by Robert Friedland of an additional option granted to him.

The company utilized \$91.5 million of its cash resources in its operations and earned interest income of \$0.4 million on cash balances in the year to date. A total of \$14.9 million was spent to acquire property, plant and equipment and other non-current assets.

Of the \$14.9 million spent to acquire non-current assets, \$3.0 million related to initial costs to secure electricity for the Platreef Project, while \$5.4 million related to the cost incurred on the Platreef Project's Shaft #1 during the year to date. The remainder of the additions to property, plant and equipment mainly related to the procurement of assets required at the other projects.

The company's total liabilities increased from \$60.3 million as at December 31, 2013, to \$82.4 million as at June 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 \$21.1 million at June 30, 2014.

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 \$185.8 million in cash and cash equivalents and \$80.4 million in short-term deposits as at June 30, 2014. Certain of the company's cash and cash equivalents and short-term deposits, having an aggregate value of \$127.1 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at June 30, 2014, the company had consolidated working capital of approximately \$246.9 million, compared to \$201.7 million at December 31, 2013. The Platreef Project working capital is restricted and amounted to \$129.7 million at June 30, 2014, and \$161.6 million at December 31, 2013. Excluding the Platreef Project working capital, the resultant working capital was \$117.2 million at June 30, 2014, and \$40.1 million at December 31, 2013.

This release should be read in conjunction with Ivanhoe Mines' unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2014 and Management's Discussion and Analysis report available at www.ivanhoemines.com and at www.sedar.com.

Qualified Person

Disclosures of a scientific or technical nature in this news release have 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 National Instrument 43-101. Ivanhoe Mines has prepared a NI 43-101-compliant technical report for each of the Kamoia Project, the Platreef Project and the Kipushi Project, which are available 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 Kamoia Project and Platreef Project cited in this news release, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this news release in respect of the Kamoia Project, Platreef Project and Kipushi Project.

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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, the timing and results of: (i) a pre-feasibility study (PFS) at the Kamoia Project; (ii) statements regarding the expected time it will take for construction of the Kamoia box cut; (iii) statements regarding the expectation that the development of the first set of Kamoia 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 Kamoia underground mining to use mechanized room-and-pillar and drift-and-fill methods; (vi) plans to start the first underground mine-access decline at the Kamoia Project in 2014; (vii) the completion of a PFS at the Platreef Project by the second half of 2014; (viii) the commencement of development works of the main production shaft (Shaft #2) at the Platreef Project in Q1 2015; (ix) the collection of a mineralized bulk sample at the Platreef Project by the second half of 2016; (x) efforts to upgrade historical resource estimates at the Kipushi Project; and (xi) the de-watering program at the Kipushi Project. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “scheduled”, “forecast”, “predict” and other similar terminology, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. These statements reflect the company’s current expectations regarding future events, performance and results and speak only as of the date of this release.

As well, the results of the preliminary economic assessments of the Kamoia Project and the Platreef Project constitute forward-looking information, including estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward looking information concerning the development of the Kamoia and Platreef Projects, the company has based its assumptions and analysis on certain factors which are inherently uncertain. Uncertainties include among others: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper, nickel, platinum, palladium, rhodium and gold; (vi) the availability of equipment and facilities necessary to complete development, (vii) the cost of consumables and mining and processing equipment; (viii)

unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This 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 (including estimated future production from the company's projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, platinum group elements (PGE), gold or other mineral prices; (ii) results of drilling; (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licences.

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 the "Risk Factors" section in the company's most recent Management's Discussion and Analysis report and Annual Information Form, 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 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.