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Ivanplats to begin early-works construction for Shaft 2 at the Platreef platinum-group metals, nickel, copper and gold mine in South Africa

Shaft 2 to be Platreef's main production shaft with a hoisting capacity of six million tonnes a year

MOKOPANE, SOUTH AFRICA – Robert Friedland, Executive Chairman of Ivanhoe Mines (TSX: IVN; OTCQX: IVPAF), and Lars-Eric Johansson, Chief Executive Officer, announced today that the company has approved the start of early-works construction for Shaft 2, which will be the main production shaft at the Platreef platinum-group metals, nickel, copper and gold mine now being developed in South Africa.

Ivanplats, Ivanhoe Mines' 64%-owned subsidiary, is expected to begin the two-part, early-works program for Shaft 2 in Q2 2017. The program will consist of:

- **excavation of a surface box cut to a depth of approximately 29 metres below surface; and**
- **construction of the concrete hitch (foundation) for the 103-metre-tall concrete headgear (headframe) that will house the shaft's permanent hoisting facilities and support the shaft collar.**

The early-works construction is expected to take approximately 12 months and cost approximately R70 million (US\$5.5 million).

Shaft 2 will be located approximately 100 metres northeast of Shaft 1, where permanent sinking has been underway for eight months. Shaft 2, with an internal diameter of 10 metres, will be lined with concrete and sunk to a planned, final depth of more than 1,100 metres below surface. It will be equipped with two 40-tonne rock-hoisting skips capable of hoisting a total of six million tonnes of ore per year – which will be the single largest hoisting capacity at any mine in Africa. The headgear for the permanent hoisting facility was designed by South Africa-based Murray & Roberts Cementation.

“This is another key milestone in the building of a new, state-of-the-art underground mine in South Africa,” said Mr. Friedland. “Shaft 2 is the key to unlocking Platreef's full potential and we believe that the time is right to prudently move forward with the development of this world-scale project.”

Dr. Patricia Makheshu, Ivanplats' Managing Director, added: “We are committed to developing Platreef into South Africa's next great platinum-group metals mine, generating widely shared economic benefits to the South African economy and helping to deliver important jobs, skills training and enterprise development opportunities to the communities in the Mokopane area.”

Illustration shows two perspectives of Shaft 2's 103-metre-tall concrete headgear, the hitch (foundation) and internal permanent hoisting facilities.



Shaft 1 sinking advancing at a rate of 45 to 50 metres per month

Shaft 1, with an internal diameter of 7.25 metres and also concrete lined, is in its main sinking phase and has reached a depth of approximately 305 metres below surface. Sinking rates in Q1 2017 have been between 45 and 50 metres per month.

Shaft 1 is expected to reach its projected, final depth of 980 metres below surface in 2018. It will be used for underground development of the Flatreef Deposit and ultimately will become the primary ventilation intake shaft during the project's four-million-tonne-per-annum (Mtpa) initial production case. Shaft stations to provide access to horizontal mine workings for personnel, materials and services will be developed at depths of 750, 850 and 950 metres below surface.

The selected Flatreef mining areas occur at depths ranging from approximately 700 to 1,200 metres below the surface. The planned mining of the Flatreef Deposit will incorporate low-cost, mechanized mining methods, including long-hole stoping and drift-and-fill mining. Mined-out areas are to be backfilled with a mixture of tailings from the processing plant and cement. The ore will be hauled from the mining stopes to a series of ore passes that will connect to a main haulage level leading to a primary rock crusher near Shaft 2, from where it will be hoisted to the surface for processing.

Shaft-sinking team members operating the jumbo drill in Shaft 1.



Feasibility study expected to be released in Q2 2017

The definitive feasibility study for Platreef's first-phase, four Mtpa production scenario is expected to be completed and released in Q2 2017. The study, which began in August 2015, is being prepared by principal consultant DRA Global, with specialized sub-consultants including Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental.

The feasibility study will further refine and upgrade the findings of the Platreef January 2015 pre-feasibility study that covered the first phase of development, which includes construction of a highly-mechanized underground mine, concentrator and other associated infrastructure to support initial, estimated concentrate production of 433,000 ounces of platinum-group metals per year.

Ivanplats plans to develop the Platreef Mine as an underground mining operation in three phases: 1) an initial annual rate of four Mtpa to establish an operating platform to support future expansions; 2) a doubling of production to eight Mtpa; and 3) another expansion phase to a steady-state 12 Mtpa. At a projected production rate of 12 Mtpa, Platreef would be the largest platinum-group metals mine in the world, producing more than 1.2 million ounces of platinum-group metals per annum.

The development scenarios describe a staged approach structured to provide opportunities to expand the operation based on demand, smelting and refining capacity and capital availability. As the first phase of development is placed into production, there is expected to be an opportunity to modify and optimize the subsequent phases, allowing for changes to the timing of capacity expansions to suit market conditions.

About the Platreef Project

The Platreef Project is a Tier One discovery by Ivanhoe Mines' geologists on the Northern Limb of South Africa's Bushveld Igneous Complex, the world's premier platinum-producing region.

Ivanhoe Mines owns 64% of the Platreef Project through its subsidiary, Ivanplats, and is directing all mine development work. The South African beneficiaries of the approved broad-based, black economic empowerment structure have a 26% stake in the Platreef Project. The remaining 10% is owned by a Japanese consortium of ITOCHU Corporation; ITC Platinum Development Ltd., an ITOCHU affiliate; Japan Oil, Gas and Metals National Corporation; and JGC Corporation.

Qualified person

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

Information on sample preparation, analyses and security is contained in the Platreef Project 2016 Resource Technical Report, dated June 24, 2016, filed on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com.

About Ivanhoe Mines

Ivanhoe Mines is advancing its three principal projects in Sub-Saharan Africa: 1) Mine development at the **Platreef** platinum-palladium-gold-nickel-copper discovery on the Northern Limb of South Africa's Bushveld Complex; 2) mine development and exploration at the **Kamoa-Kakula** copper discovery on the Central African Copperbelt in the Democratic Republic of Congo (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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FORWARD-LOOKING STATEMENTS

Certain statements in this news release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws, including without limitation, (i) statements regarding the early-works program for Shaft 2 is expected to begin in Q2 2017; (ii) statements regarding early-works construction is expected to take approximately 12 months and cost approximately R70 million (US\$5.5 million); (iii) statements regarding Shaft 2 is to be sunk to a planned, final depth of more than 1,100 metres below surface; (iv) statements regarding Shaft 2 being the key to unlocking Platreef’s full potential; (v) statements regarding the Platreef Project generating widely shared economic benefits to the South African economy, and helping to deliver important jobs and enterprise development opportunities to the communities in the Mokopane area; (vi) statements regarding Shaft 1 is expected to reach its projected, final depth of 980 metres below surface in 2018; (vii) statements regarding the planned mining of the Flatreef Deposit will incorporate low-cost, mechanized mining methods, including long-hole stoping and drift-and-fill mining; (viii) statements regarding the Platreef feasibility study expected to be completed and released in Q2 2017; (ix) statements regarding the first phase estimated concentrate production of 433,000 ounces of platinum-group metals a year; (x) statements regarding Ivanplats plans to develop the Platreef Mine as an underground mining operation in three phases — 4 Mtpa, 8 Mtpa and 12 Mtpa; and (xi) statements regarding at a projected production rate of 12 Mtpa, Platreef would be the largest platinum-group metals mine in the world producing over 1.2 million PGE ounces per annum.

Such statements involve known and unknown risks, uncertainties and other factors, which may cause 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.

Readers are cautioned that actual results may vary from those presented.

All such forward-looking information and statements are based on certain assumptions and analyses made by Ivanhoe Mines’ management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believe are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements including, but not limited to, unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts to perform as agreed; social or labour unrest; changes in commodity prices; unexpected failure or inadequacy of infrastructure, industrial accidents or machinery failure (including of shaft sinking equipment), or delays in the development of infrastructure, and the failure of exploration programs or other studies to deliver anticipated results or results that would justify and support continued studies, development or operations. Other important factors that could cause actual results to differ from these forward-looking statements also include those described under the heading “Risk Factors” in the company’s most recently filed MD&A as well as in the most recent Annual Information Form filed by Ivanhoe Mines. Readers are cautioned not to place undue reliance on forward-looking information or statements. Certain of the factors and assumptions used to develop the forward-looking information and statements, and certain of the risks that could cause the actual results to differ materially are presented in the “Platreef 2016 Resource Technical Report” dated June 24, 2016, available on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com.

Although the forward-looking statements contained in this news 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 news 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 news release.