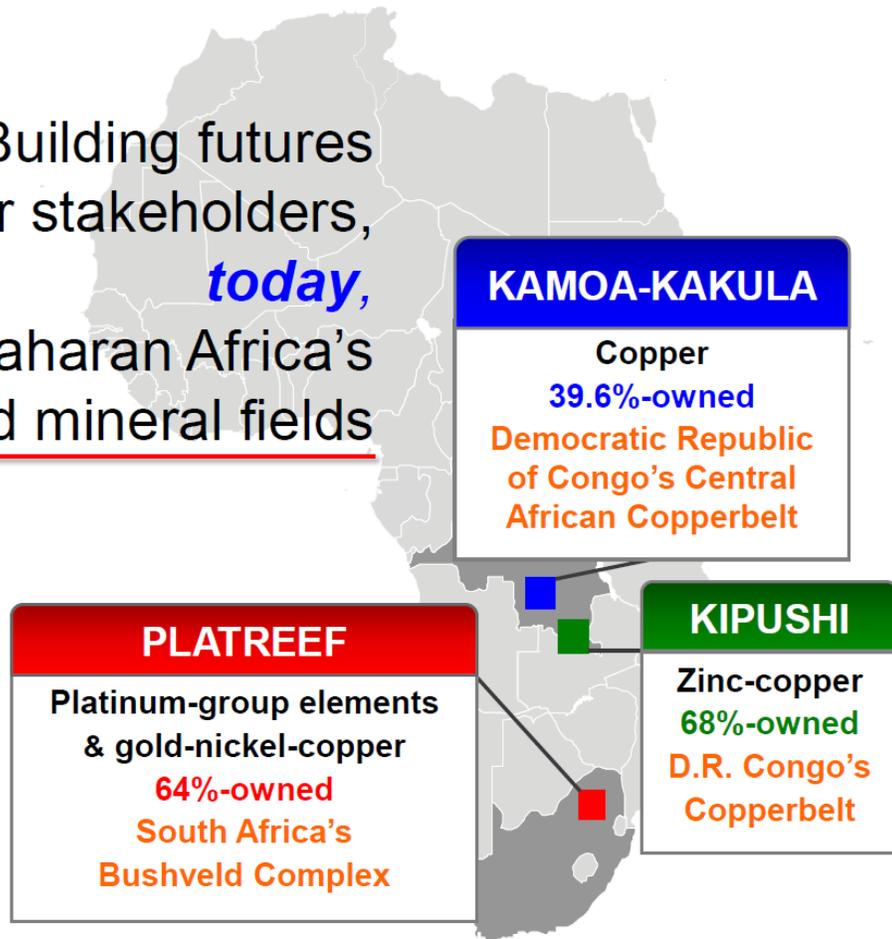




Notice of Annual and Special Meeting  
of Shareholders  
and  
Management Proxy Circular of  
Ivanhoe Mines Ltd.

Dated: May 8, 2017

Building futures  
for our stakeholders,  
*today*,  
in Sub-Saharan Africa's  
storied mineral fields



# Notice of Annual and Special Meeting of Shareholders of Ivanhoe Mines Ltd. (the “Company”)

## Date & Time

Wednesday, June 28, 2017 at 8:30 AM (Pacific time)

## Place

Cheakamus Room, Fairmont Waterfront Hotel  
900 Canada Place Way  
Vancouver, British Columbia

## The business of the meeting is to

1. Receive the Company’s audited financial statements for the year ended December 31, 2016 and the auditors’ report thereon.
2. Set the number of directors at eight (8) for the ensuing year.
3. Elect the directors for the ensuing year.
4. Re-appoint PricewaterhouseCoopers Inc., Chartered Accountants, as auditors for the ensuing year and authorize the directors to fix the auditors’ remuneration.
5. Consider and, if deemed appropriate, approve the Company’s Equity Incentive Plan.
6. Consider and, if deemed appropriate, approve a Deferred Share Unit Plan.
7. Transact any other business that properly comes before the meeting.

## Your right to vote

Shareholders of record at the close of business on May 3, 2017, will be entitled to vote at the meeting and are encouraged to vote either by proxy or in person.

For more information on the Notice-and-Access Provisions and information on voting and obtaining paper copies of the meeting materials, please see Section 1 entitled “Voting and Other Important Information” on page 4 in the accompanying Management Proxy Circular.

## By order of the Board of Directors,

*“Lars-Eric Johansson”*

Lars-Eric Johansson  
President and Chief Executive Officer

*“Mary Vincelli”*

Mary Vincelli  
Vice President, Compliance and Corporate  
Secretary

May 8, 2017

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# General Information

## Ivanhoe Mines Ltd.

654 – 999 Canada Place  
Vancouver, British Columbia, V6C 3E1  
Tel: (604) 688-6630 • Fax: (604) 682-2060

## Date of Information

This Management Proxy Circular is dated May 8, 2017 and unless otherwise stated, contains information as at May 8, 2017.

## Share Capital

Ivanhoe Mines Ltd. (“**Ivanhoe**” or “**Ivanhoe Mines**” or the “**Company**”) has an authorized share capital consisting of an unlimited number of Class A common shares (“**Class A Shares**” or “**Common Shares**”) without par value, an unlimited number of Class B common shares (“**Class B Shares**”) without par value and an unlimited number of Preferred shares without par value. The holders of Class A Shares are entitled to receive notice of, and to attend all meetings of, Ivanhoe shareholders and to have one vote for each Common Share held, except to the extent specifically limited by the *Business Corporations Act* (British Columbia) (“**BCBCA**”). At the close of business on May 8, 2017, there were 786,171,143 fully paid and non-assessable Class A Shares issued and outstanding and no Class B Shares or Preferred shares issued and outstanding.

## Stock Exchange

The Company’s Class A Shares trade under the symbol “**IVN**” on the Toronto Stock Exchange (“**TSX**”) in Canada and on the **OTCQX**® Best Market in the United States.

## Currency

All references to “\$” in this Management Proxy Circular mean U.S. dollars unless otherwise indicated. References to “C\$” mean Canadian dollars.

## Principal Holders of Voting Securities

To the knowledge of the Company’s directors and executive officers, as May 8, 2017:

- (a) the only persons who beneficially own, or control or direct, directly or indirectly, Class A Shares carrying 10% or more of the voting rights attached to all outstanding Class A Shares of the Company, and the approximate number of Class A Shares so owned, controlled or directed, and the percentage of voting shares of the Company represented by such shares; and
- (b) the aggregate share ownership by the current directors and executive officers of the Company as a group;

are as follows:

Name and Address of Beneficial Owner	Number of Voting Shares Beneficially Owned	Percentage of Voting Shares Outstanding
Robert M. Friedland 150 Beach Road, #25-03 The Gateway West Singapore 189720	168,294,113 <sup>(1)(2)</sup>	21.41%
Directors and Executive Officers as a group	176,212,851 <sup>(1)(3)</sup>	22.41%
Fidelity <sup>(4)</sup>	85,645,764 <sup>(5)</sup>	10.89%

**Notes:**

- (1) Beneficial ownership is determined in accordance with applicable securities laws and generally includes voting or investment power with respect to securities.
- (2) Includes 135,335,035 issued Class A Shares held indirectly through Newstar Securities Investments Ltd., Horizon Holdings Capital Inc. and Evershine Securities Ltd., companies beneficially owned and controlled by Mr. Friedland and 32,959,078 issued Class A Shares held directly by Mr. Friedland. Mr. Friedland also has the right to acquire 1,875,000 unissued Class A Shares that are exercisable under incentive stock options. Those options are currently exercisable into Class A Shares within 60 days and may therefore be deemed outstanding for certain purposes under securities laws, and are in addition to the Class A Shares reported in the table above. This does not include 1,533,454 unissued Class A Shares issuable upon the vesting of restricted share units.
- (3) One director, Mr. Friedland, and executive officers also have the right to acquire an aggregate of 4,261,600 unissued Class A Shares that are exercisable under incentive stock options. Those options are currently exercisable into Class A Shares within 60 days and may therefore be deemed outstanding for certain purposes under securities laws, and are in addition to the Class A Shares reported in the table above. This does not include 3,849,086 unissued Class A Shares issuable upon the vesting of restricted share units.
- (4) Refers to "Fidelity" as defined in the Early Warning Report under the Alternative Monthly Reporting System of National Instrument 62-103F3 dated March 9, 2017 and filed on SEDAR on March 10, 2017.
- (5) Includes 2,895 Class A Shares owned and controlled by Fidelity. The balance of the Class A Shares are controlled, not owned.

**Indebtedness of Directors and Executive Officers**

Other than routine indebtedness, at no time during the Company's most recently completed financial year was any director, executive officer or proposed management nominee for election as a director of the Company, or any associate of any such director, executive officer or proposed nominee, indebted to the Company or any of its subsidiaries, or to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

**Interest of Informed Persons in Material Transactions**

Other than as disclosed below, the Company is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

The Company is a party to a cost-sharing agreement with Kaizen Discovery Inc. (TSX-V), GoviEx Uranium Inc. (TSX-V), Peregrine Diamonds Ltd. (TSX), Cordoba Minerals Corp. (TSX-V), High Power Exploration Inc., Ivanhoe Capital Corporation and I-Pulse Inc. Except for GoviEx Uranium Inc., Mr. Friedland, Executive Chairman of the Company, has a material direct or indirect beneficial interest in these companies. Through these agreements, the Company shares, on a cost-recovery basis, office space, furnishings, equipment and communications facilities in Vancouver, Singapore, London and Tokyo. The Company also shares the costs of employing administrative and certain management personnel in these offices. In 2016, the Company's share of these costs was \$3.8 million. In 2001, the Company agreed, as part of the cost sharing arrangements and in connection with Mr. Friedland's position as the Executive Chairman, to share the costs of operating an aircraft owned by a private company of which Mr. Friedland is the sole shareholder. The Company paid \$1.8 million towards aircraft operating costs in 2016.

**Management Contracts**

Management functions of the Company and its subsidiaries are not performed by a person or persons other than the directors or senior officers of the Company.

**National Instrument 43-101 Statement**

Disclosures of a scientific or technical nature in this Management Proxy Circular 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 ("NI") 43-101. Mr. Torr is not

considered independent under NI 43-101 as he is the Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this Management Proxy Circular.

Ivanhoe has prepared a current independent NI 43-101-compliant technical report for each of the Platreef Project, the Kipushi Project and the Kamoia-Kakula Project, which are available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com):

- Technical Report dated January 20, 2017 prepared by OreWin Pty. Ltd. ("**OreWin**"), Amec Foster Wheeler E&C Services Inc. ("**Amec Foster Wheeler**") and SRK Consulting Inc. ("**SRK**") covering the Company's Kamoia-Kakula Project;
- Technical Report dated April 22, 2016 prepared by OreWin, Amec Foster Wheeler, Stantec Inc., SRK and DRA Projects (Pty.) Ltd. covering the Company's Platreef Project; and
- Technical Report dated March 11, 2016 prepared by MSA Group (Pty) Ltd. and OreWin covering the Company's Kipushi Project.

### **Additional Information**

Additional information relating to the Company is available free of charge, including the Company's Financial Statements and management's discussion and analysis, through the Company's website at [www.ivanhoemines.com](http://www.ivanhoemines.com) or through SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company directly to receive copies of information relating to it, including its financial statements and management's discussion and analysis, without charge, upon written or oral request to Mary Vincelli, Vice President, Compliance and Corporate Secretary, Suite 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1, or by telephone at 1-604-688-6630 (not a toll-free number).

# Section 1 - Voting and Other Important Information

## SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Annual and Special Meeting (the “Meeting”) of its shareholders to be held on June 28, 2017, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. Unless otherwise stated, this Management Proxy Circular contains information as at May 8, 2017.

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited by directors, officers and regular employees of the Company personally, by telephone or by other means of electronic communication. All costs of this solicitation will be borne by the Company.

The board of directors of the Company (the “Board”) has fixed the close of business on **May 3, 2017** as the record date, being the date for the determination of the registered shareholders entitled to receive notice of, and to vote those shares at, the Meeting (the “Record Date”). Shareholders who acquire Class A Shares following the Record Date will not be entitled to notice of, or to vote at, the Meeting, unless the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred Class A Shares and makes a demand to CST Trust Company no later than ten (10) days before the Meeting that the transferee’s name be included in the list of shareholders in respect thereof.

## MEETING MATERIALS

### Notice-and-Access

Ivanhoe has decided to use the notice-and-access mechanism (the “Notice-and-Access Provisions”) under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”) for the delivery of this Management Proxy Circular, the annual audited consolidated financial statements of the Company for the year ended December 31, 2016 (“Financial Statements”) and management’s discussion and analysis of the Company’s results of operations and financial condition for the year ended December 31, 2016 (“MD&A”) (collectively, the “Meeting Materials”) to shareholders for the Meeting. Ivanhoe adopted this alternative means of delivery in order to further its commitment to environmental sustainability and to reduce its printing, materials and mailing costs.

Under the Notice-and-Access Provisions, instead of receiving printed copies of the Meeting Materials, shareholders will receive a notice (“Notice”) with information on the Meeting date, location and purpose, as well as information on how they may access the Meeting Materials electronically and how they may vote.

The Company will not use the procedures known as “stratification” in relation to the use of Notice-and-Access Provisions meaning that all shareholders will receive a Notice in accordance with the Notice-and-Access Provisions.

### Website Where Meeting Materials are Posted

Electronic copies of this Management Proxy Circular, the Financial Statements and the MD&A may be found on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and the Company’s website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

### Requesting Printed Meeting Materials

Shareholders can request that printed copies of the Meeting Materials be sent to them by postal delivery at no cost to them up to one year after the date that this Management Proxy Circular was filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) or by calling the Company’s transfer

agent, CST Trust Company, toll-free at 1-888-433-6443 or the Company's Vice President, Compliance and Corporate Secretary at 1-604-688-6630 (which is not a toll-free number).

Shareholders also can request paper copies in advance of the Meeting; such request should be sent so that the request is received by the Company or CST Trust Company, as applicable, by 8:00 AM (Pacific time) on Friday, June 16, 2017 in order to allow sufficient time for shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia) prior to the time set for the Meeting or any adjournments or postponements thereof.

## VOTING BY REGISTERED SHAREHOLDERS AND APPOINTMENT OF PROXYHOLDERS

The individuals named in the accompanying proxy form are directors and/or officers of the Company. Only registered holders of Class A Shares ("**Registered Shareholders**") of the Company or the persons they appoint as their proxyholders are permitted to vote at the Meeting. **A shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the accompanying proxy form, and may do so either by inserting the name or names of such persons in the blank space provided in the accompanying proxy form or by completing another suitable proxy form.**

An appointment of a proxyholder or alternate proxyholder will not be valid unless a proxy form making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is deposited with CST Trust Company:



by Internet by going to [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com). You will be prompted to enter the 13-digit Control Number, which is located on the reverse side of the proxy form that you will have received,



by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1,



by email to [proxy@canstockta.com](mailto:proxy@canstockta.com) (French language proxies to be sent to [procuration@canstockta.com](mailto:procuration@canstockta.com)),



by telephone at 1-888-489-7352 (toll free in Canada and the United States) from a touch tone phone,



by facsimile to 1-866-781-3111 (toll free in Canada and the United States) or 1-416-368-2502 (outside Canada and the United States),



by hand to The Oceanic Plaza, 1600 - 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6,



by using smartphone, scan this QR Code,



**and, in each case, must be received by CST Trust Company not later than 8:30 AM (Pacific time) on Monday, June 26, 2017, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia) before the Meeting or any adjournment(s) or postponement(s) thereof, at which the proxy form is to be used.**

If your shares are held in “street name” (meaning through a broker or other nominee name) for your account, your broker or other nominee will advise you whether you may vote through the Internet. A number of banks and brokerage firms participate in programs that permit their clients to vote their shares through the Internet.

A holder of record of one or more Class A Shares on the securities register of the Company on the Record Date who either attends the Meeting personally or deposits a proxy form in the manner and subject to the provisions described above will be entitled to vote or to have such Class A Shares voted at the Meeting, except to the extent that:

- (a) the shareholder has transferred the ownership of any Class A Shares after the Record Date; and
- (b) the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred Class A Shares and makes a demand to CST Trust Company no later than ten (10) days before the Meeting that the transferee’s name be included in the list of shareholders in respect thereof.

### REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it:

- (a) by voting again by telephone, email or on the Internet before 8:30 AM (Pacific time) on Monday, June 26, 2017;
- (b) by completing a proxy form that is dated later than the proxy form you are changing, and mailing it to CST Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1, or by facsimile to 1-866-781-3111, so that it is received before 8:30 AM (Pacific time) on Monday, June 26, 2017;
- (c) by sending a notice in writing from the shareholder or the shareholder’s authorized attorney (or, if the shareholder is a corporation, by a duly authorized officer) revoking the proxy, to the Vice President, Compliance and Corporate Secretary of the Company so that it is received before 8:30 AM (Pacific time) on Monday, June 26, 2017;
- (d) by giving a notice in writing from the shareholder or the shareholder’s authorized attorney (or, if the shareholder is a corporation, by a duly authorized officer) revoking your proxy to the chair of the Meeting, at the Meeting; or
- (e) by attendance at the Meeting and participation in a poll (ballot) by the shareholder (but not by the proxyholder of such Shareholder).

The revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

### EXERCISE OF DISCRETION

On a poll, the nominees named in the accompanying proxy form will vote, or withhold from voting or vote against (as applicable), the Class A Shares represented thereby in accordance with the instructions of the shareholder that submitted the proxy. The proxy form confers discretionary authority on the nominees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the proxy form, the nominees named in the accompanying proxy form will vote the Class A Shares represented by the proxy form at their**

**own discretion, except where Management recommends that shareholders vote in favour of a matter, in which case the nominees will vote FOR the approval of such matter.**

As of the date of this Management Proxy Circular, management of the Company knows of no amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying proxy form intends to vote thereon in accordance with the nominee's best judgment or as stated above.

## **VOTING BY NON-REGISTERED SHAREHOLDERS**

Most shareholders of the Company are "non-registered" shareholders ("**Non-Registered Shareholders**") because the Class A Shares they own are not registered on the Company's share register in their names but are instead registered in the name of the brokerage firm, depository, bank or trust company through which they purchased the Class A Shares or through which the Class A Shares are held. Class A Shares beneficially owned by a Non-Registered Shareholder are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Shareholder deals with in respect of the Class A Shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or
- (b) in the name of a depository or clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

Pursuant to NI 54-101, the Company has distributed copies of the Meeting Materials to Non-Registered Shareholders indirectly through Intermediaries using the Notice and Access Provisions. The Company is not using the Notice and Access Provisions to send Meeting Materials directly to Non-Registered Shareholders (but indirectly), nor does the Company intend to pay for the cost of intermediaries to deliver the Meeting Materials to beneficial owners of Class A Shares who have objected to an intermediary disclosing their beneficial ownership information ("**OBOs**"). As a result, OBOs will only receive the Meeting Materials if the OBO's intermediary assumes the cost of delivery.

Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. The Company will pay the fees and cost of the Intermediaries for their services in delivering the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

- (a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a "**voting instruction form**") which the Intermediary must follow when it votes. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular proxy form accompanied by a page of instructions, which contains a removable label with a bar code and other information. In order for the proxy form to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the proxy form, properly complete and sign the proxy form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) a proxy form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Class A Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the proxy form, this proxy form is not required to be signed by the Non-Registered Shareholder when submitting the proxy form. In this case, the Non-Registered Shareholder who wishes to submit a proxy form should properly complete the proxy form and deposit it with the Company, c/o CST Trust Company, Suite 1600, The Oceanic Plaza, 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Class A Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the proxy form and insert the Non-Registered Shareholder's name or such other person's name in the blank space provided. **Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's Class A Shares are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

### **VOTES NECESSARY TO PASS RESOLUTIONS**

Pursuant to the Articles of Continuation (the "**Articles**") of the Company, a quorum for the transaction of business at any meeting of shareholders is at least two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued Class A Shares entitled to be voted at the Meeting.

Pursuant to the *Business Corporations Act* (British Columbia) ("**BCBCA**") and the Articles, a simple majority of the votes cast at the Meeting (by person or proxy) is required to pass an ordinary resolution and a majority of two-thirds of the votes cast at the Meeting (by person or proxy) is required to pass a special resolution.

At the Meeting, shareholders will be asked to consider and, if thought advisable, to: (i) pass an ordinary resolution to set the number of directors of the Board at eight (8); (ii) pass an ordinary resolution to elect directors to the Board; (iii) pass an ordinary resolution to re-appoint auditors for the ensuing year and authorize the directors to fix their remuneration; (iv) pass an ordinary resolution to approve and reconfirm the Equity Incentive Plan of the Company (as now amended) in accordance with Toronto Stock Exchange requirements and (v) pass an ordinary resolution to approve a deferred share unit plan for the Company (the "**DSU Plan**") in accordance with Toronto Stock Exchange requirements.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

The Company is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Company or is a proposed nominee for election as a director of the Company (or an associate or affiliate of such director, director nominee or executive officer) at any time since the beginning of the Company's last financial year in any matter to be acted upon at the Meeting, other than the election of directors.

## Section 2 - Meeting Matters

### 1. ELECTION OF DIRECTORS

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed. Management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are elected or appointed:

Mr. Robert M. Friedland  
Mr. Ian D. Cockerill  
Dr. Markus Faber  
Mr. William B. Hayden  
Mr. Oyvind Hushovd  
Ms. Livia Mahler  
Mr. Peter G. Meredith  
Mr. Guy J. de Selliars

**Unless such authority is withheld, proxies given pursuant to the solicitation by the management of the Company will be voted FOR the nominees listed in this Management Proxy Circular.**

Management does not contemplate that any of the nominees will be unable to serve as a director.

The Board currently consists of eight (8) directors. The Company is requesting that the shareholders consider and, if thought advisable, approve an ordinary resolution at the Meeting to set the number of directors of the Board at eight (8) directors for the ensuing year.

On February 6, 2013, the Board adopted a majority voting policy (the “**Majority Voting Policy**”), as amended from time to time, required by the rules of the TSX. The Majority Voting Policy states that, in an uncontested election, any nominee who receives a greater number of votes “withheld” than “for” must submit his or her resignation to the Board immediately after the Meeting, failing which he or she will be deemed to have submitted his or her resignation (a “**Non-Supported Director**”) to the Board. Within ninety (90) days of the date of the Meeting, the Board will meet to consider if there are exceptional circumstances, failing which the Board will accept the Non-Supported Director’s resignation and issue a news release announcing the accepted resignation of the Non-Supported Director or explaining the reasons justifying the Board’s decision not to accept the resignation, a copy of which will be delivered to TSX.

See Section 5 - “Corporate Governance” for a further description of the Majority Voting Policy.

The director tables in Section 3 – “Directors Disclosure” provide information on the nominees proposed for election to the Board. Included in these tables is information relating to each nominee’s committee memberships, meeting attendance, other public company directorships, ownership of Company securities, principal occupation, business or employment and the period of time during which each has been a director of the Company. The statement as to Class A Shares and other securities beneficially owned, directly or indirectly, or over which control or direction is exercised by the nominees is in each instance based upon information furnished by the nominee concerned and is as at May 8, 2017.

## Summary of Board and Committee Meetings Held

The following table summarizes the meetings of the Board and the committees held during 2016:

	Number of Meetings
Board of Directors	4
Audit Committee	6
Compensation and Human Resources Committee	4
Nominating and Corporate Governance Committee	3
Sustainability Committee	2
Technical Committee	1
Independent Directors	4
Non-Executive Directors	1

During 2016, two (2) meetings of the Board were held by teleconference and two (2) meetings of the Board were held in person. Six (6) resolutions were passed in writing by the Board in lieu of a meeting. Resolutions in writing must be executed by all of the directors entitled to vote on a matter in order to be effective.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of management, except as disclosed herein, no director or executive officer of the Company is, as of the date of this Management Proxy Circular, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Ivanhoe) that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued: (i) while such person was acting in that capacity; or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Robert Friedland served as the Executive Co-Chairman of Ivanhoe Energy Inc. (“**Ivanhoe Energy**”) from May 2008 to October 2014 and was Deputy Chairman from June 1999 to May 2008, President from May 2008 to May 2010, and Chief Executive Officer from May 2008 to December 2011. Peter Meredith served as a director of Ivanhoe Energy from December 2007 to December 2014. On February 20, 2015, Ivanhoe Energy filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada). On June 2, 2015, having failed to file a proposal, Ivanhoe Energy was assigned into bankruptcy.

To the knowledge of management, except as disclosed herein, no director or executive officer of the Company, or shareholder holding a sufficient number of securities to affect materially the control of the Company is, as of the date of this Management Proxy Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

As noted above, Robert Friedland served as the Executive Co-Chairman of Ivanhoe Energy from May 2008 to October 2014 and was Deputy Chairman from June 1999 to May 2008, President from May 2008 to May 2010, and Chief Executive Officer from May 2008 to December 2011. Peter Meredith served as a director of Ivanhoe Energy from December 2007 to December 2014. Cease trade orders were issued against Ivanhoe Energy in Alberta (July 15, 2015), Quebec (May 7, 2015), Manitoba (May 6, 2015), Ontario (May 4, 2015) and British Columbia (April 14, 2015) in respect of the company failing to file its audited financial statements and associated filings for the year ending December 31, 2014, which cease trade orders remain in effect as at the date of this Management Proxy Circular.

Ian Cockerill was a non-executive director of Peterstow Holdings from August 2010 to March 2012. In August 2012, Peterstow Holdings applied for an order from the High Court in Swaziland to be placed under provisional liquidation. Mr. Cockerill is a minority shareholder of Peterstow Holdings, owning less than 1% of the issued and outstanding capital of the company.

Mr. Cockerill was a non-executive director and Vice Chairman of African Minerals Limited from July 2013 to December 2014. On March 26, 2015, the High Court in London appointed joint administrators of African Minerals Limited after it failed to make a scheduled bond payment.

To the knowledge of management, no director or executive officer of the Company, or shareholder holding a sufficient number of securities to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## 2. APPOINTMENT OF AUDITORS

At the Meeting, shareholders will be asked to appoint an auditor for the ensuing year. If there is more than one nominee for appointment as the Company's auditor, the nominee receiving the greatest number of votes will be appointed.

PricewaterhouseCoopers Inc., Chartered Accountants, will be nominated at the Meeting for appointment as the Company's auditors at a remuneration to be fixed by the directors. PricewaterhouseCoopers Inc. has been the Company's auditor since March 2015.

**Unless such authority is withheld, the nominees identified on the proxy form intend to vote FOR the re-appointment of PricewaterhouseCoopers Inc. as the auditors of the Company to hold office for the ensuing year at the remuneration to be fixed by the Directors.**

## 3. APPROVAL OF THE EQUITY INCENTIVE PLAN

The Company's oldest security based compensation arrangement is the Employees' and Directors' Equity Incentive Plan (the "**Equity Incentive Plan**" or "**EIP**").

*A summary of the Equity Incentive Plan is included in this Management Proxy Circular in Section 6 – "Summary of Securities-Based Compensation Arrangements".*

The Equity Incentive Plan was first adopted in 2011, prior to the Company's listing on the TSX and its initial public offering in October, 2012, and re-approved by shareholders in May 2014. Accordingly, the three year term prescribed by the TSX expires in 2017. Shareholders will be asked to consider, and, if deemed appropriate, to approve an ordinary resolution, the full text of which is reproduced below, re-approving and confirming the Company's Equity Incentive Plan (as now amended) and any unallocated options and entitlements thereunder.

The text of the ordinary resolution reads as follows:

1. Subject to receipt of approval of the Toronto Stock Exchange, the equity incentive plan, as amended (the "**Equity Incentive Plan**"), described in the Management Proxy Circular of the Company dated May 8, 2017, and any unallocated options or other entitlements thereunder, be and they are hereby reconfirmed, authorized, ratified and approved in entirety, subject to such amendments as may be required by the Toronto Stock Exchange;
2. The Company is authorized to continue granting entitlements in accordance with the terms and conditions of the Equity Incentive Plan until June 28, 2020, being the date that is three (3) years from the date where shareholder approval is being sought; and

3. Any director or officer of the Company is authorized to execute and deliver all other documents and do all other acts and things as may be necessary or desirable to give effect to this resolution.

This approval will be effective for three years from the date of the Meeting. If approval is not obtained at the Meeting, options and other entitlements which have not been allocated as of the Meeting date and options and other entitlements which are outstanding as of the Meeting date and which are subsequently cancelled, terminated or exercised will not be available for a new grant under the Equity Incentive Plan. Previously allocated options and other entitlements will continue to be unaffected by the approval or disapproval of this resolution.

**Unless such authority is withheld, the nominees identified on the proxy form intend to vote FOR the foregoing resolution approving and reconfirming the Company's Equity Incentive Plan, as amended.**

#### **4. APPROVAL OF THE DEFERRED SHARE UNIT PLAN**

The Company proposes to implement a Deferred Share Unit Plan (“**DSU Plan**”) for its non-executive directors. The DSU Plan has been in effect for several years, but any DSUs granted under it are currently only settled in cash, and not in Class A Shares or any other securities of Ivanhoe. It is now proposed to amend the DSU Plan to provide participants with the option to settle DSUs in cash or in Class A Shares. No DSUs that could be settled in Class A Shares have been issued.

*A summary of the DSU Plan, as now proposed to be implemented, is included in Section 6 – “Summary of Securities-Based Compensation Arrangements”.*

Accordingly, the DSU Plan now constitutes a “security based compensation arrangement” for TSX purposes, and as such must be approved by shareholders upon implementation. As the DSU Plan provides only for a fixed number of Class A Shares issuable under it (2,000,000), it is not subject to re-approval under TSX rules, absent certain future amendments, including to change the fixed maximum number of Class A Shares.

The resolution to approve the DSU Plan is an ordinary resolution that requires approval by a simple majority of the votes cast (in person or proxy) at the Meeting.

The text of the ordinary resolution reads as follows:

1. Subject to receipt of approval of the Toronto Stock Exchange, the Deferred Share Unit Plan (the “**DSU Plan**”), described in the Management Proxy Circular of the Company dated May 8, 2017, any unallocated DSUs or other entitlements thereunder, be and they are hereby confirmed, authorized, and approved in entirety, subject to such amendments as may be required by the Toronto Stock Exchange;
2. The Company is authorized to grant DSUs and other entitlements in accordance with the terms and conditions of the DSU Plan; and
3. Any director or officer of the Company is authorized to execute and deliver all other documents and do all other acts and things as may be necessary or desirable to give effect to this resolution.

**Unless such authority is withheld, the nominees identified on the proxy form intend to vote FOR the foregoing resolution approving the Company's DSU Plan.**

## **OTHER BUSINESS**

Management of the Company is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

## **DIRECTORS' APPROVAL**

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board.

## Section 3 - Directors Disclosure

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## DIRECTORS TABLES



**Robert M. Friedland**

Singapore

Age: 66

**Director Since:** 2000

**Director Status:**  
Non-Independent<sup>(1)</sup>

**Areas of Experience:**  
CEO/Board  
International Finance  
Mining Industry  
Public Capital Markets  
Managing/Leading Growth

Robert Friedland is the founder of the Company. He has served as Executive Chairman and a director since November 2000 and held the position of President from June 2003 to May 2008.

For more than 25 years, international financier Robert Friedland has been recognized by leaders of the global financial sector and mineral resource industries as an entrepreneurial explorer and company builder. In January 2016, Mr. Friedland was inducted into the prestigious Canadian Mining Hall of Fame, which cited his company-building and exploration achievements, honouring him as “a dynamic, transformative force in the Canadian and international mining industries” and “one of the most recognized mining personalities and achievers in the world”. In December 2016, the U.K.-based Mining Journal reaffirmed its original December 2015 ranking of Mr. Friedland among the Top 20 Most Influential People shaping the future of the world of mining, describing him as “the undisputed king of junior development”. In October 2016, Canada’s Financial Post Magazine named Mr. Friedland one of 25 members of its inaugural Power List – termed “the biggest, buzziest and most influential movers and shakers in Canada and beyond”.

Mr. Friedland founded Ivanhoe Capital Corporation in 1987 and now leads its operations from bases in Singapore, Beijing, London and Vancouver. Ivanhoe Capital, his family’s private company, specializes in the provision of venture capital and project financing for international business enterprises.

Mr. Friedland also founded the original Ivanhoe Mines Ltd. (“**Former Ivanhoe Mines**”) in 1994, which he led as Executive Chairman and Chief Executive Officer through 18 years of exploration and mining ventures in Asia and Asia Pacific, including the discovery of the Oyu Tolgoi chain of deposits in Mongolia and initial development of the copper-gold-silver mining complex. That company changed its name to Turquoise Hill Resources in 2012 after Rio Tinto acquired a controlling interest.

Mr. Friedland holds an undergraduate degree in political science from Reed College, Oregon.

### Principal Occupation, Business or Employment

Founder and Executive Chairman of Ivanhoe Mines Ltd. (November 2000 – present); Co-Chairman and Non-Executive Director of Clean TeQ Holdings Limited (September 2016 – present); Co-Chairman of SK Global (March 2017 – present); Executive Chairman (March 1994 – April 2012) and Chief Executive Officer (October 2010 – April 2012) of Former Ivanhoe Mines; Chairman (January 1991 – present), President and Chief Executive Officer (July 1988 – present) of Ivanhoe Capital Corporation; Founder and Executive Co-Chairman (May 2008 – October 2014) of Ivanhoe Energy Inc.; Chief Executive Officer and Co-Chairman of High Power Exploration Inc. (December 2015 - present); Chairman of I-Pulse Inc. (April 2008 – present)

Board/Committee Membership:	Attendance:		Other Public Board Membership:	
			Company:	Since:
Board of Directors	4 of 4	100%	Clean TeQ Holdings Limited (ASX)	2016
<b>Total:</b>	<b>4 of 4</b>	<b>100%</b>		

Class A Shares Beneficially Owned, Controlled or Directed:				RSU Awards:		
Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required	Date Awarded	Number Awarded	Unvested RSUs
2017	168,294,113	\$515,989,750 <sup>(4)</sup>	See Note (6)	Dec. 2, 2016	366,786	366,786 <sup>(7)</sup>
2016	167,710,781	\$108,684,660 <sup>(5)</sup>	See Note (6)	Dec. 15, 2015	1,750,000 <sup>(8)</sup>	1,166,668 <sup>(9)</sup>

### Options Held:

See Section 4 – “Statement of Executive Compensation” - Outstanding Share – Based Awards and Option Based Awards on page 47



**Ian D. Cockerill**  
Gauteng, South Africa  
Age: 62

**Director Since:** May 2011

**Director Status:**  
Independent<sup>(2)</sup>

**Areas of Experience:**

CEO/Board  
Governance  
Compensation  
Mining Industry  
International Project  
Management  
Public Capital Markets

Ian Cockerill has been a director of the Company since May 2011 and the Lead Independent Director since May 2012. Mr. Cockerill has 40 years' experience in the global resources industry. In addition to Ivanhoe, Mr. Cockerill serves on the boards of Petmin Limited, a junior natural resources company, Endeavour Mining Corporation, a gold producing company, Blackrock World Mining Trust plc, a United Kingdom-based investment trust company, of which he became Chairman in May 2016 and Orica Limited, a mining services company. Mr. Cockerill also acts as an advisor to several other companies in the mining field.

As Chairman of the Leadership for Conservation in Africa, a not-for-profit initiative, Mr. Cockerill has been engaged in promoting conservation and sustainable development across the African continent, in partnership with the South African Parks Board, global business leaders and the International Union for Conservation of Nature.

Mr. Cockerill's involvement in the mining industry began as a geologist in 1975. He commenced work with Anglo American Corporation ("Anglo") in January 1979, where he held various managerial positions mainly in the Gold and Uranium division, later AngloGold Limited. Between 1996 and 1999, Mr. Cockerill was Executive Director – Business Development and Executive Officer, African International Operations of AngloGold Limited. Subsequent to his work with Anglo, Mr. Cockerill accepted the position of Managing Director and Chief Operating Officer with Gold Fields Limited in June 1999, a position he held until he was appointed President and Chief Executive Officer in July 2002. In June 2008, Mr. Cockerill joined Anglo American plc as Chief Executive Officer, Anglo Coal, responsible for all global operations until retiring from that position in December 2009.

Mr. Cockerill completed his Bachelor of Science (Hons) in Geology (Chelsea College, University of London), Master of Science in Mining-Mineral Production Management (Royal School of Mines), MDP – Unisa, and an Advanced Management Programme (Templeton College, Oxford University).

**Principal Occupation, Business or Employment**

Director (November 2013 – present) and Chairman (May 2016 – present) of Blackrock World Mining Trust plc; Director of Endeavour Mining Corporation (September 2013 – present); Executive Director (March 2010 – July 2010), Executive Chairman (July 2010 – February 2013) and Non-Executive Chairman (February 2013 – present) of Petmin Limited; Non-Executive Director of Orica Limited (September 2010 – present); Non-Executive Director and Vice Chairman of African Minerals Limited (July 2013 – December 2014); Non-Executive Chairman of Hummingbird Resources Ltd. UK (October 2009 – November 2014)

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Orica Limited (ASX)	2010
Nominating and Corporate Governance	3 of 3	100%	Petmin Limited (JSE) <sup>(16)</sup>	2010
Compensation and Human Resources	4 of 4	100%	Endeavour Mining Corporation (TSX; ASX; OTCQX)	2013
Technical – Chair <sup>(10)</sup>	1 of 1	100%	Blackrock World Mining Trust plc (LSE)	2013
<b>Total:</b>	<b>12 of 12</b>	<b>100%</b>		

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	66,700	\$204,502 <sup>(4)</sup>	See Note (6)
2016	66,700	\$43,225 <sup>(5)</sup>	See Note (6)

**Options Held:**

Nil



Dr. Markus Faber has been a director of the Company since 2004. Dr. Faber has over 35 years of experience in the finance industry. Dr. Faber is the Managing Director of Marc Faber Limited, an investment advisory and fund management firm based in Hong Kong. He acts as an Executive Director, an Investment Advisor, and a Fund Manager to a number of corporations, private investment funds, organizations, and individuals around the world. Dr. Faber serves as a director of NovaGold Resources Inc. and Sprott Inc. as well as a number of international investment funds. Dr. Faber is Chairman of Indochina Capital Corporation and was a director of Former Ivanhoe Mines from February 2002 to April 2012.

Dr. Faber publishes a widely read monthly investment newsletter entitled *The Gloom, Boom & Doom Report* and is the author of several books including *Tomorrow's Gold – Asia's Age of Discovery*. A renowned commentator on global market trends and developments, he is also a regular contributor to several leading financial publications.

Dr. Faber obtained a Ph.D. in Economics *magna cum laude* from the University of Zurich.

**Principal Occupation, Business or Employment**

Managing Director of Marc Faber Limited (June 1990 – present)

**Dr. Markus Faber**  
Chiang Mai, Thailand  
Age: 71

**Director Since:** August 2004

**Director Status:** Independent<sup>(2)</sup>

**Areas of Experience:**  
Board  
International Finance  
Global Economics  
Mining Industry  
Compensation  
Public Capital Markets

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Sprott Inc. (TSX)	2010
Audit Committee <sup>(11)</sup>	4 of 4	100%	NovaGold Resources Inc. (TSX; NYSE)	2010
Nominating and Governance – Chair Corporate	3 of 3	100%		
<b>Total:</b>	<b>11 of 11</b>	<b>100%</b>		

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	233,333	\$715,399 <sup>(4)</sup>	See Note (6)
2016	233,333	\$151,211 <sup>(5)</sup>	See Note (6)

**Options Held:**

Nil



**William B. Hayden**  
New South Wales, Australia  
Age: 65

**Director Since:** March 2007 and May 1998 - September 2002

**Director Status:** Independent<sup>(2)</sup>

**Areas of Experience:**  
CEO/Board  
Mining Industry  
International Project  
Public Capital Markets

William Hayden is a geologist with over 35 years' experience in the mineral exploration industry, much of which has been in Africa and the Asia-Pacific region. He has been involved with Ivanhoe since the amalgamation of African Mineral Corp. with China Industrial Minerals Company Ltd. in 1998, and served as its President from May 1998 to November 2001. Since 1986, Mr. Hayden has worked in a management capacity with several exploration and mining companies both in Australia and overseas. Mr. Hayden served as President of Ivanhoe Philippines, Inc. (which at the time was a subsidiary of Former Ivanhoe Mines) from July 2005 to December 2011.

Mr. Hayden currently serves as a director of the following publicly listed companies: Trilogy Metals Inc. (formerly NovaCopper Inc.) (since June 2015), Noble Metals Ltd. (formerly Condoto Platinum NL) (since February 2011) and Globe Metals and Mining Ltd. (since November 2009). He served as a Non-Executive director of Ivanhoe Australia Ltd. (now Chinova Resources Pty Limited) from November 2006 to May 2010 and director of China Polymetallic Mining Ltd. (from November 2011 to May 2016).

Mr. Hayden holds a Bachelor of Science (Hons) in Geology from Sierra Nevada College, Nevada.

**Principal Occupation, Business or Employment**

President and director of Ivanhoe Philippines, Inc. (July 2005 – December 2011); President of GoviEx Uranium Inc. (June 2010 – August 2011)

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Globe Metals and Mining Ltd. (ASX)	2009
Sustainability	2 of 2	100%	Noble Metals Ltd. (ASX)	2011
<b>Total:</b>	<b>6 of 6</b>	<b>100%</b>	Trilogy Metals Inc. (TSX; NYSE)	2015

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	466,666	\$1,430,798 <sup>(4)</sup>	See Note (6)
2016	466,666	\$302,422 <sup>(5)</sup>	See Note (6)

**Options Held:**

Nil



Oyvind Hushovd joined the Board in September 2007. Mr. Hushovd served on the board of Nyrstar B.V. from December 2009 to April 2016, an integrated mining and metals business with positions in zinc and lead. He also served on the boards of Cameco Corporation, one of the world's largest uranium producers, from December 2003 to May 2013, and Inmet Mining Corporation from May 2002 to March 2013.

From March 2003 to May 2005, Mr. Hushovd was the Chief Executive Officer and Chairman of Gabriel Resources Ltd., a Canadian-based resources company. Mr. Hushovd served as the President and Chief Executive Officer of Falconbridge Limited from December 1996 to February 2002.

Mr. Hushovd earned a Master of Economics and Business Administration from the Norwegian School of Business (NHH) and subsequently achieved a Master of Law Degree from the University of Oslo.

**Principal Occupation, Business or Employment**

Director of Nyrstar B.V. (December 2009 - present); director of Cameco Corporation (December 2003 – May 2013); director of Inmet Mining Corporation (May 2002 – March 2013)

**Oyvind Hushovd**  
 Norway  
 Age: 67  
**Director Since:** September 2007  
**Director Status:** Independent<sup>(2)</sup>  
**Areas of Experience:**  
 CEO/Board  
 Mining Industry  
 Compensation  
 Governance  
 International Project

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	N/A	
Audit - Chair	6 of 6	100%		
Compensation and Human Resources	4 of 4	100%		
<b>Total:</b>	<b>14 of 14</b>	<b>100%</b>		

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	1,000,000	\$3,066,000 <sup>(4)</sup>	See Note (6)
2016	1,000,000	\$648,048 <sup>(5)</sup>	See Note (6)

**Options Held:**

Nil



Livia Mahler joined the Board in March 2015. She is the President and Chief Executive Officer of Computational Geosciences Inc., a company she co-founded in 2010. Computational Geosciences provides leading edge data processing solutions to maximize the value of geophysical exploration surveys and has worked with some of the world's largest mining companies. Since February 2000, Ms. Mahler has served as the Managing Partner of Greenstone Venture Partners, a technology focused venture capital firm. Prior to this, she was the Senior Investment Manager, Venture Capital Division for the Business Development Bank of Canada.

Ms. Mahler currently serves as a director of Endeavour Mining Corporation, a gold producing company. Ms. Mahler previously served as a board member of DuSolo Fertilizers Inc. (TSX-V:DSF) from February 2014 to August 2015, Turquoise Hill Resources Ltd. (NYSE/TSX:TRQ) from May 2009 to May 2013 and Diversified Royalty Corp. (TSX:DIV), formerly BENEV Capital Inc., from June 2011 to November 2014.

Ms. Mahler obtained her B.Sc. from the Hebrew University of Jerusalem and her MBA from the University of British Columbia.

**Livia Mahler**  
British Columbia, Canada  
Age: 58

**Director Since:** March 2015

**Director Status:** Independent<sup>(2)</sup>

**Areas of Experience:**  
CEO/Board  
International Finance  
Mining Industry  
Compensation  
Public Capital Markets

**Principal Occupation, Business or Employment**

President and Chief Executive Officer, Computational Geoscience Inc. (December 2010 to present). Managing Partner and co-founder, Greenstone Venture Partners (February 2000 to present).

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Endeavour Mining Corporation (TSX; ASX; OTCQX)	2016
Audit	6 of 6	100%		
Compensation and Human Resources – Chair <sup>(12)</sup>	4 of 4	100%		
<b>Total:</b>	<b>14 of 14</b>	<b>100%</b>		

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	Nil	Nil	See Note (6)
2016	Nil	Nil	See Note (6)

**Options Held:**

Nil



**Peter G. Meredith**  
British Columbia, Canada  
Age: 73

**Director Since:** May 1998

**Director Status:**  
Non-Independent<sup>(1)</sup>

**Areas of Experience:**  
CEO/Board  
International Finance  
Mining Industry  
Public Capital Markets

Peter Meredith has been a director of the Company since 1998.

Mr. Meredith is the former Deputy Chairman and Chief Financial Officer of the Former Ivanhoe Mines, where he was involved in overseeing business development and corporate relations. He also served as its Chief Financial Officer from May 2004 to May 2006, and from June 1999 to November 2001, and as its Deputy Chairman from May 2006 to April 2012. He served as a Director of the Former Ivanhoe Mines (now Turquoise Hill Resources Ltd.) from March 2005 to May 2013. He has served as Chairman of Cordoba Minerals Corp. since April 2016 and served as Chairman of Kaizen Discovery Inc. from December 2013 to June 2016. Mr. Meredith was also Chairman of SouthGobi Resources Ltd. until September 2012.

Prior to joining Ivanhoe Mines Ltd., Mr. Meredith spent 31 years with Deloitte LLP, chartered accountants, and retired as a partner in 1996. Mr. Meredith is a Chartered Accountant and is a member of the Institute of Chartered Professional Accountants of British Columbia and the Institute of Chartered Professional Accountants of Ontario.

Mr. Meredith was certified as a Chartered Accountant by the Canadian Institute of Chartered Accountants (1968).

#### Principal Occupation, Business or Employment

Chairman of Cordoba Minerals Corp. (April 2016 – present); Chairman of Kaizen Discovery Inc. (December 2013 – June 2016); President and Chief Executive Officer, Global Mining Management Corporation (April 2006 – May 2013); Chairman of SouthGobi Resources Ltd. (October 2009 – September 2012); Chief Executive Officer of SouthGobi Resources Ltd. (June 2007 – October 2009); Deputy Chairman of Former Ivanhoe Mines (May 2006 - April 2012)

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Great Canadian Gaming Corporation (TSX)	2000
Nominating and Corporate Governance	3 of 3	100%	Peregrine Diamonds Ltd. (TSX)	2013
Sustainability <sup>(13)</sup>	2 of 2	100%	Cordoba Minerals Corp. (TSX-V)	2016
<b>Total:</b>	<b>9 of 9</b>	<b>100%</b>		

#### Class A Shares Beneficially Owned, Controlled or Directed:

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	1,304,825	\$4,000,593 <sup>(4)</sup>	See Note (6)
2016	1,304,825	\$845,589 <sup>(5)</sup>	See Note (6)

#### Options Held:

Nil



**Mr. Guy J. de Selliers**  
 England, United Kingdom  
 Age: 64

**Director Since:** May 2011

**Director Status:**  
 Non-Independent<sup>(1)</sup>

**Areas of Experience:**  
 CEO/Board  
 International Finance  
 Mining Industry  
 Public Capital Markets

Guy de Selliers has more than 35 years' experience in international finance and business. He is President and co-founder of HCF International Advisers Ltd., a corporate finance advisory firm focused on the mining and metals industry. Mr. de Selliers is on the board of Solvac S.A., a holding company listed on the Brussels Stock Exchange, which is the reference shareholder of Solvay S.A., a leading European chemical group.

Mr. de Selliers is Vice-Chairman of the Board and Chairman of the risk and capital committee of Ageas S.A., a European based insurance group with activities in Europe and Asia (Euronext listed). He is on the board and Chairman of the audit committee of AMG Advanced Metallurgical Group N.V. (a Euronext listed Dutch company). He is a director of I-Pulse Inc. and on the Advisory Board of Pamplona Private Equity. Mr. de Selliers serves on the Board of Trustees of Drive Forward (formerly Partners in Hope, a charity based in the United Kingdom) and Chairman of the Board of Trustees of the Renewable Energy Foundation.

Mr. de Selliers started his career in June 1977 at the World Bank in the mining division following which he worked at Lehman Brothers, as Senior Vice President, International Investment Banking. In July 1990 he became part of the team responsible for creating the European Bank for Reconstruction and Development ("EBRD"). Mr. de Selliers was Vice Chairman of the Credit Committee and a member of the EBRD's Executive Committee. After leaving EBRD in December 1997, Mr. de Selliers served as Chief Executive of MC-BBL Eastern Holdings, until its sale where upon he joined Robert Fleming and Co. Limited as board member and Chairman, Eastern Europe. He also acted as expert advisor to the European Commission on a number of issues.

Mr. de Selliers earned a Master's degree in Engineering and a Master's degree in Economics from the University of Louvain.

**Principal Occupation, Business or Employment**

President of HCF International Advisers Ltd. (March 2003 – present)

Board/Committee Membership:	Attendance:		Other Public Board Membership	
			Company:	Since:
Board of Directors	4 of 4	100%	Ageas S.A. (EBR)	2009
Sustainability - Chair <sup>(14)</sup>	2 of 2	100%	AMG Advanced Metallurgical Group N.V. (EAM)	2007
Technical <sup>(15)</sup>	1 of 1	100%	Solvac S.A. (BSE)	2015
<b>Total:</b>	<b>7 of 7</b>	<b>100%</b>		

**Class A Shares Beneficially Owned, Controlled or Directed:**

Year	Class A Shares <sup>(3)</sup>	Total Market Value of Class A Shares	Minimum Required
2017	400,000	\$1,226,400 <sup>(4)</sup>	See Note (6)
2016	400,000	\$259,219 <sup>(5)</sup>	See Note (6)

**Options Held:**

Nil

## Notes to the Director Tables

- (1) See Section 5 - "Corporate Governance" for a description of the reasons why the Company does not consider this nominee to be independent.
- (2) "Independent" refers to the standards of independence established under Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.
- (3) "Class A Shares" refers to the number of Class A Shares beneficially owned, or over which control or direction is exercised, by the nominee as of May 8, 2017 and March 30, 2016, respectively. Unissued Class A Shares issuable upon the exercise or conversion of convertible securities of the Company may be deemed outstanding for certain purposes under securities laws, but are excluded from the "Class A Shares" reported.
- (4) "Total Market Value of Class A Shares" is calculated by multiplying the closing price of the Class A Shares on the TSX on May 8, 2017 (converted to "\$" using the Bank of Canada daily exchange rate – C\$1.00 to \$0.73), by the number of Common Shares held by the nominee as of that date, excluding any unissued Class A Shares issuable pursuant to the exercise of incentive stock options or other convertible securities of the Company.
- (5) "Total Market Value of Class A Shares" is calculated by multiplying the closing price of the Class A Shares on the TSX on March 30, 2016 (converted to "\$" using the Bank of Canada noon rate – C\$1.00 to \$0.77), by the number of Common Shares held by the nominee as of that date, excluding any unissued Class A Shares issuable pursuant to the exercise of incentive stock options or other convertible securities of the Company.
- (6) The Company adopted a non-executive director stock ownership policy and an executive management stock ownership policy. See page 60 of Section 5 - "Corporate Governance" for a descriptions of those policies.
- (7) The RSUs awarded vest in three equal parts, 33<sup>1/3</sup>% on each of February 1, 2018, February 1, 2019 and February 1, 2020.
- (8) This includes 500,000 RSUs granted as part of the base long-term incentive component of 2015 compensation and 1,250,000 RSUs awarded as a special bonus (the "**Zijin Special Bonus**") for his contributions toward the successful completion of the US\$412 million investment in the Kamoa Copper Project (the "**Zijin Transaction**").
- (9) The RSUs awarded as part of the Zijin Special Bonus vest in three equal parts, each representing 33% of the RSUs, commencing on the one year anniversary of the date of grant and on each of the two anniversaries thereafter, subject to RSU Performance Condition. 583,332 RSUs vested on December 15, 2016.
- (10) Mr. Cockerill became the Chair of the Technical Committee in May 2016.
- (11) Mr. Faber became a member of the Audit Committee in May 2016. The Audit Committee held four (4) meetings during 2016 following the date of Mr. Faber's appointment.
- (12) Ms. Mahler replaced Mr. Cockerill as Chair of the Compensation and Human Resources Committee in May 2016.
- (13) Mr. Meredith became a member of the Sustainability Committee in May 2016. The Sustainability Committee held two (2) meetings during 2016 following the date of Mr. Meredith's appointment.
- (14) Mr. de Selliers became the Chair of the Sustainability Committee in May 2016.
- (15) Mr. de Selliers became a member of the Technical Committee in May 2016. The Technical Committee held one (1) meeting during 2016 following the date of Mr. de Selliers' appointment.
- (16) On May 8, 2017, shareholders of Petmin Limited, a company listed on the Johannesburg Stock Exchange ("**JSE**"), voted in favour of a scheme to acquire of all of Petmin's ordinary shares in issue, subject to certain conditions precedent, and the termination of the listing of Petmin shares on the JSE. The expected date of termination of Petmin's JSE listing is at the commencement of trade on or about June 7, 2017, following which Mr. Cockerill will be a director of four (4) publicly-listed companies.

## Compensation of Directors

### RETAINERS AND FEES

Retainers and Fees	Amount
Basic Annual Retainer for Non-Executive Directors	\$60,000
Lead Director Annual Retainer	\$40,000
Audit Committee Chair Annual Retainer	\$20,000
Compensation and Human Resources Committee Chair Annual Retainer	\$15,000
Nominating and Corporate Governance Committee Chair Annual Retainer	\$10,000
Sustainability Committee Chair Annual Retainer	\$10,000
Technical Committee Chair Annual Retainer	\$10,000
Meeting Fees (per Board and Committee meeting), paid annually	\$1,500
Travel Fees (fee per day), paid annually	\$1,500

In 2012, the Company established a Deferred Stock Unit (“**DSU**”) plan (the “**2012 DSU Plan**”) to provide its non-executive directors with the opportunity to acquire DSUs in order to allow them to participate in the long-term success of the Company and to promote a greater alignment of interests between the non-executive directors and the Company’s shareholders. At such time, the DSUs were notional shares that mirrored the market value of the Company’s shares and where the value of each unit was equal to the whole value of the underlying security.

Since its establishment, the 2012 DSU Plan provided non-executive directors of the Company with a quarterly grant of 2,500 DSUs, originally valued at a time when the Company’s share price was approximately C\$2.00. Beginning in January 2015, the portion of non-executive directors’ annual retainer to be paid in DSUs was set at \$20,000 (the “**DSU Retainer**”) and the number of DSUs awarded was determined by the 5-day volume weighted average price of the Company’s Class A Shares on the first day of each quarterly period. In December 2016, the Board determined that the number of DSUs awarded per the DSU Retainer would be awarded once per annum, on January 1 of each year. It is currently proposed that the DSU Plan be amended to permit settlement of DSUs in Common Shares.

For the compensation received by directors who are executive officers, see “Summary Compensation Table” on page 45.

## DIRECTOR COMPENSATION TABLE

The following table sets forth the value of all compensation provided to non-executive directors, excluding those directors who are also NEOs, for the Company's financial year ended December 31, 2016.

Name and Principal Position	Year Ended Dec. 31	Fees Earned	Share-based awards	Option-Based Awards	All Other Compensation	Total Compensation
Ian Cockerill	2016	\$143,382	\$20,000	—	\$305	\$163,687
Markus Faber	2016	\$100,000	\$20,000	—	\$305	\$120,305
William Hayden	2016	\$82,500	\$20,000	—	\$305	\$102,805
Oyvind Hushovd	2016	\$114,500	\$20,000	—	\$305	\$134,805
William Lamarque <sup>(1)</sup>	2016	\$30,577	\$7,692	—	\$137	\$38,406
Livia Mahler	2016	\$103,772	\$20,000	—	\$305	\$124,077
Peter Meredith	2016	\$81,000	\$20,000	—	\$305	\$101,305
Charles Russell <sup>(1)</sup>	2016	\$32,923	\$7,692	—	\$137	\$40,752
Guy de Selliers	2016	\$81,181	\$20,000	—	\$305	\$101,486

### Notes:

<sup>(1)</sup> Messrs. Lamarque and Russell did not stand for re-election in 2016 and ceased being directors of the Company on May 19, 2016.

## OPTION AWARDS

### Outstanding Option-Based Awards

No options were granted to non-executive directors, excluding those directors who are also NEOs, to purchase or acquire securities of the Company in 2016 which were outstanding at the end of the financial year ended December 31, 2016.

### Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, and non-equity incentive plan compensation paid to directors, not including those directors who are also NEOs, during the most recently completed financial year.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
Ian Cockerill	—	\$20,000	—
Markus Faber	—	\$20,000	—
William Hayden	—	\$20,000	—

<b>Name</b>	<b>Option-based awards – Value vested during the year</b>	<b>Share-based awards – Value vested during the year</b>	<b>Non-equity incentive plan compensation – Value earned during the year</b>
Oyvind Hushovd	—	\$20,000	—
William Lamarque <sup>(1)</sup>	—	\$7,692	—
Livia Mahler	—	\$15,000	—
Peter Meredith	—	\$20,000	—
Charles Russell <sup>(1)</sup>	—	\$7,692	—
Guy de Selliers	—	\$20,000	—

**Notes:**

<sup>(1)</sup> Messrs. Lamarque and Russell did not stand for re-election in 2016 and ceased being directors of the Company on May 19, 2016.

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# Compensation Discussion and Analysis

## INTRODUCTION

Mining is a highly cyclical industry that is characterized by capital-intensive and long-term development projects. Very few mineral discoveries become producing mines, and those that do may take between 10 to 15 years to be developed into a producing mine. Therefore it is imperative for the success of the Company that it attracts and retains the best people it can. As such, the Company's compensation elements are structured in a way that rewards the appropriate corporate behaviours and business outcomes that align with Ivanhoe's long-term growth strategies and with the interests of long-term shareholders.

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided in respect of each person who served as the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") during the 2016 fiscal year, and each of the three (3) other most highly compensated executive officers of the Company and its subsidiaries for the 2016 fiscal year, whose annual aggregate compensation exceeded C\$150,000 (collectively, the "NEOs").

## COMPENSATION PHILOSOPHY

Ivanhoe's overall compensation philosophy is to provide competitive compensation to executive talent that rewards individuals for their contributions for Ivanhoe's short and long-term success – simply, to pay for performance.

### Compensation Objectives

1. Attract motivate and retain qualified and experience executives
2. Align the interests of executives with those of shareholders
3. Provide transparent and defensible compensation

### Oversight of Compensation

The Board has the responsibility of overseeing the Company's compensation program. The Board has delegated certain responsibilities to the Compensation and Human Resources Committee (the "Compensation Committee") to assist in discharging this mandate, but retains final authority over the compensation program and process, including approval of material amendments to or the adoption of new equity-based compensation plans, and the review and approval of Compensation Committee recommendations.

The Compensation Committee oversees and sets the general guidelines and principles for the Company's executive compensation policies. The CEO makes recommendations to the Compensation Committee regarding the level and form of proposed compensation awards for the Company's executive officers, other than himself. The Compensation Committee makes recommendations relating to the compensation of executive officers to the Board. Based on these recommendations, the Board makes decisions concerning the nature and scope of the compensation to be paid to the Company's executive officers.

The Compensation Committee bases its recommendations to the Board on its compensation philosophy, the comparator peer group, the Compensation Committee's assessment of corporate and individual

performance (including against performance goals and targets), recruiting and retention needs, and objectives for specific business units related to each individual. In the normal course, the Company's total compensation package is comprised of three principal elements: salary, short-term incentive ("STI") awards (cash and/or shares), and long-term incentive ("LTI") awards (stock options and/or RSUs).

The Company recognizes that at its pre-production stage of development LTI awards of stock options and RSUs can help to preserve the Company's cash resources. With the establishment of the RSU Plan in 2015, the Company's intends to be less reliant on stock options as a component of LTI compensation, and more on RSU awards which better align individual performance with corporate achievements.

NEOs and directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps or collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director in accordance with the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy.

### Compensation Elements

Ivanhoe's three elements of compensation are balanced among fixed pay (base salary) and at-risk pay (short and long-term incentives that ensure executives are paid for performance).

Ivanhoe utilizes three main elements to determine total direct compensation for its executives.

Element	Base Salaries	Short-Term Incentives	Long-Term Incentives
Format	Fixed base cash compensation	Cash and / or shares	Restricted Share Units
Purpose	To attract and retain talent	To recognize individuals' contributions	To align executives and shareholders' interests
Key Factors	Comparator benchmarking to similar positions	Short-term corporate objectives and individual performance objectives	Long-term corporate objectives and individual performance objectives

### Base Salaries

In establishing base salaries for executive management, the Compensation Committee takes into account each executive's job responsibilities and the level of skill and experience required to perform his or her given role. During 2016, the Compensation Committee considered the comparative data and recommendations of its compensation consultant, general market conditions and the recommendations of the Chief Executive Officer in order to assess and establish executive pay levels for 2016. The Compensation Committee and Board also relied on their experience and knowledge of comparable market salary levels for individuals in positions with similar responsibilities and experience, as well as contractual commitments negotiated at the time of hiring of certain NEOs.

### Short-Term Incentive Awards

STI awards are linked to executive performance against his or her specific short and long-term key performance areas ("KPA's") and key performance indicators ("KPIs") and the extent to which certain agreed upon individual and corporate performance measures were achieved. For 2016, STI awards consisted of cash and were expressed as a percentage of executives' base salary.

### Long-Term Incentives

Given its pre-production stage of development, LTI awards of stock options and RSUs can help to preserve Ivanhoe's cash resources. The RSU Plan was established in 2015 so Ivanhoe can be less reliant on stock options as a component of LTI compensation, and more reliant on RSU awards. The

Compensation Committee considers whether to apply performance conditions to RSUs that are issued during the year. In 2016, no performance condition was attached to the RSU awards.

For 2016 only RSUs were granted as LTI compensation. Ivanhoe has not granted stock options to executives since December 2015.

Details of the Stock Option and RSU Plans are set out in Section 6 - "Summary of Securities-Based Compensation Arrangements" beginning on page 63.

## COMPENSATION COMMITTEE

The Compensation Committee oversees and sets the general guidelines and principles for the Company's executive compensation policies. The Compensation Committee has the following objectives:

- Provide strong incentive for management to contribute to the achievement of Ivanhoe's short-term and long-term goals
- Ensure the interests of the Company's executive officers and shareholders are aligned
- Enable Ivanhoe to attract, retain and motivate executive officers of the highest calibre in light of the strong competition in the mining industry for qualified personnel
- Provide fair, transparent, and defensible compensation

### Compensation Committee Responsibilities

CEO Compensation	Executive Compensation	Equity Compensation and Bonuses
<ul style="list-style-type: none"> <li>➤ Reviewing and approving corporate goals and objectives for the CEO's compensation</li> <li>➤ Evaluating the CEO's performance in light of his annual objectives</li> <li>➤ Recommending the CEO's compensation, based on his performance evaluation, to the Board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reviewing and making recommendations to the Board on the adequacy and form of compensation and benefits for all executive officers and directors</li> </ul>	<ul style="list-style-type: none"> <li>➤ Administering and making recommendations to the Board on incentive compensation plans and equity-based plans</li> <li>➤ Determining the recipients of, and the nature and size of, equity compensation awards and bonuses granted from time to time</li> </ul>

### Compensation Committee Members

All Compensation Committee members are independent directors. The Compensation Committee is made up of the following members, all of whom have experience in dealing with compensation matters:

Member (Since)	Compensation Experience
<b>Livia Mahler, Chair</b> (May 2015)	Ms. Mahler served as a member of the compensation committees for a number of other private and public companies, including Computational Geoscience Inc., the former Ivanhoe Mines, Turquoise Hill Resources Ltd. and Diversified Royalty Corp. In these capacities, she worked with professional remuneration consultants on matters pertaining to executive and director compensation and has extensive experience developing and negotiating compensation packages for senior management personnel.
<b>Oyvind Hushovd</b> (May 2012)	Mr. Hushovd served on the compensation committees of global mining companies, Cameco Corporation and Inmet Mining Corporation, until 2013, and LionOre Mining International Limited and Western Oil Sands Inc. until 2007. He gained extensive experience as an executive of Falconbridge Limited and Gabriel Resources Ltd., collaborating with professional remuneration

consultants on the establishment and implementation of a number of compensation programs including senior management compensation programs.

**Ian Cockerill**  
(May 2012)

During his 40-year career in the natural resources sector, Mr. Cockerill has held a variety of executive management and operational roles. Since 2002, he has acted as Chief Executive Officer of several publicly listed multi-national companies, as well as served on the boards and associated sub-committees of several of these companies. He has extensive experience with the design, motivation and implementation of compensation programs in various international organizations and has worked with external remuneration consultants across the globe.

### **How Compensation is Decided**

The Compensation Committee Chair meets with the CEO at least annually to:

- Discuss the status of corporate performance objectives set for the current year, recognizing the need for flexibility so Ivanhoe can respond to changes in its external and internal circumstances
- Discuss management's corporate performance objectives for the coming year
- Complete the annual review of the CEO's performance

The CEO makes recommendations to the Compensation Committee regarding the level and form of proposed compensation awards for the executive officers, other than himself. The Compensation Committee works with the CEO to evaluate the performance (against performance goals and targets) and set the compensation, including proposed salary adjustments and STI and LTI awards, for the NEOs and other members of executive management.

Subsequent to its review, the Compensation Committee makes compensation recommendations to the Board and based on these recommendations, the Board makes decisions concerning the nature and scope of the compensation to be paid to the executive officers.

The Compensation Committee bases its recommendations to the Board on the Company's compensation philosophy, its comparator peer group, the Compensation Committee's assessment of corporate and individual performance, recruiting and retention needs, and objectives for specific business units related to each individual. The Board makes all final decisions with respect to executive compensation and retains full discretion over all executive compensation matters.

## 2016 NEOs



Lars-Eric Johansson



Marna Cloete



Robert M. Friedland



Mark Farren



Stephen Torr

In 2016, the individuals who served as CEO, CFO and the other three most highly compensated executive officers were:

NEO	Position Held
Robert M. Friedland	Executive Chairman
Lars-Eric Johansson	President and Chief Executive Officer
Marna Cloete	Chief Financial Officer
Mark Farren	Executive Vice President, Operations
Stephen Torr	Vice President, Project Geology and Evaluation

### Key 2016 Compensation Decisions

STI awards were granted at target levels for all NEOs based on performance at or partially above expectations on personal and corporate objectives to reflect competitive compensation and increase the level of at-risk pay and to balance larger LTI awards provided in 2016.

LTI awards were granted at or above target levels for all NEOs based on performance at or partially above expectations on personal and corporate objectives to reflect competitive compensation and increase the level of at-risk pay.

### 2016 Corporate Performance Highlights

Ivanhoe's corporate objectives resulted in strong operational success in 2016. The following table

#### Kamoa-Kakula Project Copper

- The year was marked by the expansion of the defined Kamoa Mineral Resource through the reporting of an initial Mineral Resource at the Kakula Discovery, situated approximately ten kilometres southwest of the Kansoko Sud Mine development area at Kamoa. A positive preliminary assessment of initial options for the start-up of a world-scale mining operation on the combined Kamoa-Kakula deposits was obtained in December 2016. This includes a projected very high-grade initial phase of production with a grade of 8.1% copper in year two and an average grade of 7.1% copper over the initial five years of operations, resulting in estimated average annual copper production of 292,000 tonnes during the first 10 years of operations.
- Combined Kamoa-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 thickness of three metres. Kamoa-Kakula 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 thickness of three metres.
- The addition of Kakula's Mineral Resources to the defined Kamoa resources resulted in Wood Mackenzie - a prominent, international industry research and consulting group – independently demonstrating that the Kamoa-Kakula Project is the largest copper discovery in Zambia and the Democratic Republic of Congo (the "DRC"), making it the largest copper discovery ever made on the African continent. In addition, Wood Mackenzie's research also shows that Kamoa-Kakula already ranks among the 10 largest copper deposits in the world.

- The Kamo-a-Kakula Project surpassed 6.0 million work hours free of lost-time injuries in December 2016.
- As part of an ongoing financing agreement between Ivanhoe and the DRC national electricity provider, SNEL, the Mwadingusha hydropower plant started supplying an initial 11 megawatts of electricity in September 2016. The following month the Kamo-a-Kakula Project began drawing clean, hydroelectric power from the DRC national grid for development and construction activities through a locally installed mobile sub-station.
- Underground mine development at the Kansoko Mine made excellent progress in 2016 and is expected to intersect the high-grade copper mineralization at the Kansoko Sud Deposit in May 2017.

## Kipushi Project

Zinc, Copper, Lead, Germanium

- A pre-feasibility study is underway to refine the findings of the preliminary economic assessment and to optimize the Kipushi mine's redevelopment schedule, life-of-mine operating costs and initial capital costs required to bring the mine back into production.
- An independent, preliminary economic assessment was completed in May 2016, indicating an estimated 10.2 million tonnes of Measured and Indicated Mineral Resources grading 34.9% zinc. Independent research by Wood Mackenzie concluded that the Kipushi Project, once it moves into production phase, could be expected to rank among the world's major zinc mines. The preliminary economic assessment includes a two-year construction period with a relatively quick ramp-up to a projected steady-state production of 530,000 tonnes of zinc concentrate per annum.
- The Kipushi Project achieved a total of five million work hours free of lost-time injuries in 2016.
- Excellent progress made in upgrading and modernizing mine shafts, pumping stations, underground and surface infrastructure as part of the plan to prepare the mine for the restart of commercial production. The Kipushi mine now has clear and safe access to all of the main underground workings, including the Big Zinc Deposit.

## Platreef Project

Platinum, Palladium, Gold, Nickel, Copper

- An updated Mineral Resource estimate released in May 2016 showed that Indicated Mineral Resources increased 58% to 348 million tonnes, at a grade of 3.77 grams per tonne ("**g/t**") platinum, palladium, rhodium plus gold ("**3PE+Au**"), 0.32% nickel and 0.16% copper, at a cut-off grade of 2.0 g/t 3PE+Au. Inferred Mineral Resources increased 21% to 506 million tonnes, at a grade of 3.24 g/t 3PE+Au, 0.31% nickel and 0.16% copper, at a cut-off grade of 2.0 g/t 3PE+Au.
- The 4Mtpa feasibility study for the first phase of underground mine development at the Platreef Project advanced to near completion during 2016. The project team secured the surface infrastructure area which will be able to support phase 1 and 2 of the mine development (4 and 8Mtpa).
- The project team advanced to near completion the five-million-volt-ampere power line connecting the Platreef site to the South African national grid, to supply electricity to Platreef for shaft sinking and construction activities. The new line, a collaboration between Platreef, the South African government and local authorities, will also provide electricity to the neighbouring community of Mzombane, which previously was without access to power.
- During 2016, the head gear for the sinking phase of vent Shaft 1 was erected and completed. Sinking activities at Shaft 1 commenced and progressed consistently during 2016. The design for the main production shaft (Shaft 2) was completed enabling the start of early works construction for Shaft 2 in the second quarter of 2017.

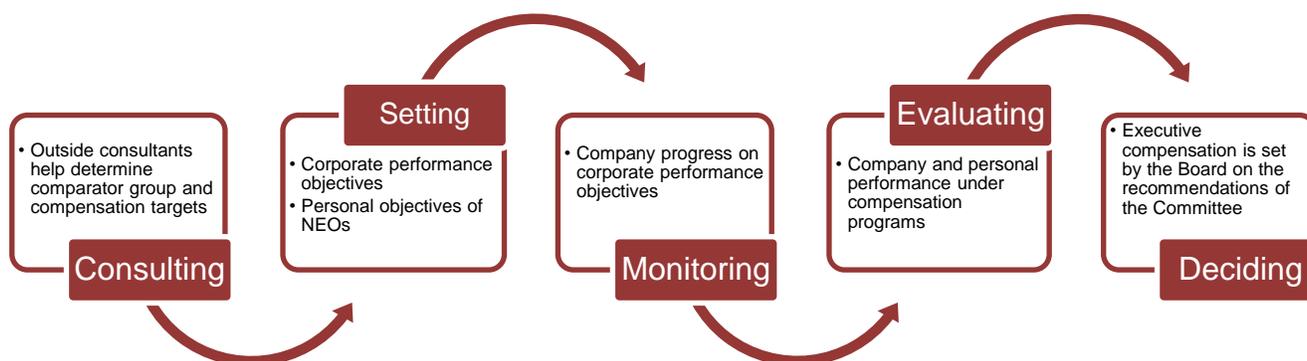
- 2016 saw the continued advancement of the Platreef project's Social and Labour Plan (SLP), highlights include the conceptualization and design of the planned Community Development Centre. The completion of a Youth Enterprise Development program which aims to equip young entrepreneurs with business skills training. A Level 3 Broad-Based Black Economic Empowerment score was achieved for the third year in a row.
- Ivanhoe Mines exploration geologists received the 2016 Colin Spence Award for excellence in global mineral exploration for the Flatreef Discovery on the Platreef Project.

## Corporate

- Standard and Poor's (S&P) added Ivanhoe Mines to the S&P/TSX Composite Index in September 2016 representing a milestone in the advancement of the Company. In October 2016, the Company started trading its Common Shares on the OTCQX® Best Market in the United States. This upgrade will provide improved accessibility and liquidity for a broad range of private and institutional investors.
- In November 2016, Ivanhoe and Zijin signed a landmark agreement with the DRC government, transferring an additional 15% share in the Kamo-a-Kakula project to the DRC, indicating the government's commitment to help advance the project.
- Local employment and skills development were prioritized at all three projects during 2016. The Platreef project complies with the local employment and employee diversity requirements of the South African Mining Charter and, in accordance with DRC regulatory requirements, active skills transfer programmes are in place at both Kamo-a-Kakula and Kipushi to ensure that local employees benefit from working alongside expatriates.
- Also in 2016, the Fionet program to improve malaria diagnostics and treatment expanded to 300 Deki readers installed in 252 medical service providers in Haut-Katanga and Lualaba provinces in Southern DRC, which host Ivanhoe's Kipushi and Kamo-a-Kakula Projects.
- During 2016, the Company's share price increased by approximately 400%.
- Ivanhoe demonstrated commitment to its corporate culture, talent management and organizational development while balancing the realities of the overall market environment in 2016.

## ANNUAL COMPENSATION PROCESS

The annual compensation process includes:



### Outside Consultants and Peer Comparator Group

The Compensation Committee considers recommendations from management when it establishes policies covering base salaries, benefits, annual incentive bonuses, and long term incentives. When the Compensation Committee considers it necessary or advisable it may retain, at the Company's expense, outside consultants or advisors to provide assistance or assist or advise on any matter within its mandate, whenever needed. The Compensation Committee has the sole authority to retain and terminate the consultants and the consulting fees are paid by Ivanhoe.

During 2016, the Compensation Committee engaged Mercer Canada Ltd. ("**Mercer**") to assess executive pay levels, including base salary, short-term incentives, target total cash compensation, long-term incentives and target total direct compensation for executive management personnel (the "**2016 Mercer Study**"). Mercer provided the Compensation Committee with an evaluation against peer group comparators and recommendations for potential adjustments to compensation levels and pay mix between compensation components.

The Compensation Committee and Mercer faced a number of issues in identifying a suitable comparator peer group. First, few companies in the mining industry have three world-class projects in pre-production without also having significant ongoing mining operations. Second, for companies that are in pre-production, few have a market capitalization and size that is comparable to Ivanhoe. Third, many pre-production companies also lack the geographic and commodity diversification of Ivanhoe; they are typically confined to one or perhaps two major projects. Finally, it is important to have a comparator peer group that contains enough companies to provide meaningful and reasonable statistical information for comparison purposes. Given these factors, the Compensation Committee considers the comparator peer group identified below as being a reasonable comparator group, given the relative market capitalizations, African asset bases and commodities represented by the group.

The 2016 Mercer Study used a combination of proxy and compensation market survey data. The comparator peer group consisted of the following companies:

Company Name	Revenue <sup>(1)</sup> C\$'000	Mkt Cap <sup>(2)</sup> C\$'000	Total Assets <sup>(1)</sup> C\$'000	GICS Description <sup>(3)</sup>
First Quantum Minerals Ltd.	\$3,734	\$2,089	\$25,765	Diversified Metals & Mining
Agnico-Eagle Mines Ltd.	\$2,748	\$9,048	\$9,249	Gold
Impala Platinum Holding Ltd.	\$1,718	\$2,131	\$7,932	Precious Metals & Minerals
Katanga Mining Ltd.	\$927	\$324	\$7,997	Diversified Metals & Mining
Lonmin PLC	\$7,996	\$308	\$3,254	Precious Metals & Minerals

Company Name	Revenue <sup>(1)</sup> C\$'000	Mkt Cap <sup>(2)</sup> C\$'000	Total Assets <sup>(1)</sup> C\$'000	GICS Description <sup>(3)</sup>
Capstone Mining Corp.	\$582	\$136	\$2,168	Diversified Metals & Mining
Endeavour Mining Corp.	\$677	\$505	\$1,118	Gold
Nevsun Resources Ltd.	\$494	\$761	\$1,390	Diversified Metals & Mining
Hudbay Minerals Inc.	\$1,227	\$649	\$6,199	Diversified Metals & Mining
Acacia Mining PLC	\$557	\$1,688	\$3,223	Gold
Northam Platinum Limited	\$2,311	\$1,416	\$1,967	Precious Metals & Minerals
Platinum Group Metals Ltd.	\$0	\$124	\$656	Precious Metals & Minerals
Gabriel Resources Ltd.	\$0	\$69	\$648	Gold
<b>Market Statistics – Existing Peer Organizations</b>				
75 <sup>th</sup> Percentile	\$1,227	\$1,688	\$7,932	
Median	\$677	\$649	\$3,223	
25 <sup>th</sup> Percentile	\$494	\$308	\$1,390	
<b>Ivanhoe Mines Ltd.</b>	<b>\$0</b>	<b>\$525</b>	<b>\$294</b>	
Percentile Ranking – Existing Peers	0%	43%	0%	

**Notes:**

- (1) Annual data as at December 31, 2015.
- (2) Market capitalization and enterprise value as at January 31, 2016.
- (3) S&P/JP Morgan Chase Global Industry Classification Code (“GICS”)

The Compensation Committee reviews and benchmarks executive compensation against the comparator peer group in order to align the Company's compensation with peer companies, and to seek to ensure competitive compensation is provided. The benchmarking data, along with other relevant factors, are used to develop a target compensation mix and an aggregate compensation package for each executive management position.

The following table provides updated market survey data for the comparator peer group as at December 31, 2016.

Company Name <sup>(4)</sup>	Revenue <sup>(1)</sup> C\$'000	Mkt Cap <sup>(2)</sup> C\$'000	Total Assets <sup>(2)</sup> C\$'000	GICS Description <sup>(3)</sup>
First Quantum Minerals Ltd.	\$3,541	\$9,208	\$26,160	Diversified Metals & Mining
Agnico-Eagle Mines Ltd.	\$2,833	\$9,356	\$9,544	Gold
Impala Platinum Holding Ltd.	\$3,247	\$2,972	\$8,330	Precious Metals & Minerals
Katanga Mining Ltd.	-\$40	\$267	\$7,742	Diversified Metals & Mining
Lonmin PLC	\$1,481	\$662	\$2,710	Precious Metals & Minerals
Capstone Mining Corp.	\$701	\$488	\$1,873	Diversified Metals & Mining
Endeavour Mining Corp.	\$892	\$1,874	\$1,822	Gold
Nevsun Resources Ltd.	\$306	\$1,249	\$1,758	Diversified Metals & Mining
Hudbay Minerals Inc.	\$1,495	\$1,814	\$5,984	Diversified Metals & Mining
Acacia Mining PLC	\$1,396	\$2,539	\$3,360	Gold
Northam Platinum Limited	\$551	\$1,388	\$1,859	Precious Metals & Minerals
Platinum Group Metals Ltd.	\$0	\$219	\$698	Precious Metals & Minerals

Company Name <sup>(4)</sup>	Revenue <sup>(1)</sup> C\$'000	Mkt Cap <sup>(2)</sup> C\$'000	Total Assets <sup>(2)</sup> C\$'000	GICS Description <sup>(3)</sup>
Gabriel Resources Ltd.	\$0	\$204	\$75	Gold
<b>Market Statistics – Existing Peer Organizations</b>				
75 <sup>th</sup> Percentile	\$2,164	\$2,755	\$8,036	
Median	\$892	\$1,388	\$2,710	
25 <sup>th</sup> Percentile	\$153	\$377	\$1,790	
<b>Ivanhoe Mines Ltd.</b>	<b>\$0</b>	<b>\$1,985</b>	<b>\$1,346</b>	
Percentile Ranking – Existing Peers	14%	65%	19%	

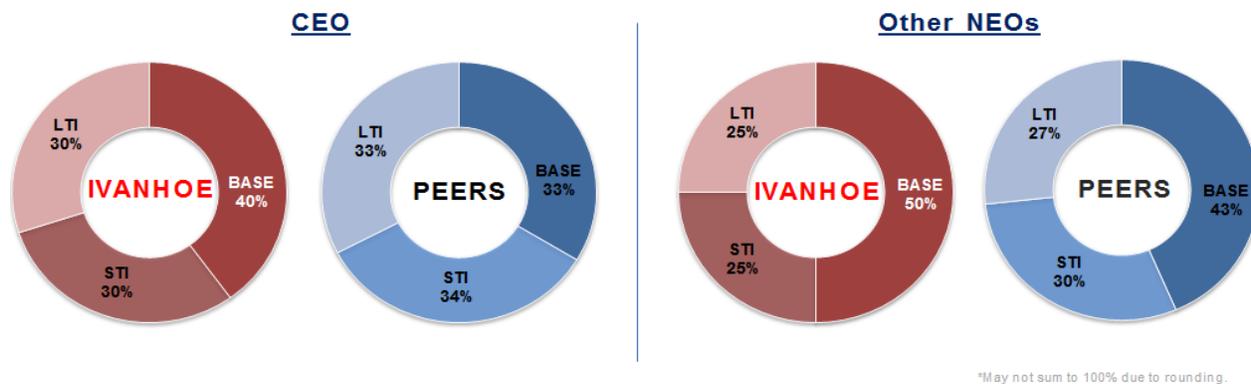
**Notes:**

- (1) Annual revenue have been converted at an average annual exchange rate as of December 31, 2016 (1 CAD = 0.7548 USD, 1 CAD = 11.0330 ZAR, 1 CAD = 0.5567 GBP).
- (2) Market capitalization and assets (at financial year end) have been converted at the closing exchange rate on December 31, 2016 (1 CAD = 0.7448 USD, 1 CAD = 10.2062 ZAR, 1 CAD = 0.6037 GBP).
- (3) S&P/JP Morgan Chase GICS.

### Compensation Mix Comparative

Ivanhoe has a target compensation mix for total NEO compensation to ensure an appropriate level of at-risk versus fixed pay and to ensure alignment of executives' and shareholders' interests.

The following chart, based on the 2016 Mercer Study, compares the target pay mix for Ivanhoe's executive roles relative to the average pay mix of the comparator peer group. Due to the unique role of Ivanhoe's Executive Chairman, his pay mix has been excluded from the charts below.



### INDIVIDUAL PERFORMANCE ASSESSMENT

At the beginning of each fiscal year, individual performance objectives are established in conjunction with corporate performance objectives in light of Ivanhoe's broader operating plans.

#### Objective Weighting

Each objective for an executive is assigned a weighting agreed to with the CEO and the Compensation Committee that considers the importance and impact of the successful completion of the objective within the coming year.

Executive performance in 2016 was measured against performance targets using the following guidelines:

	Corporate Performance	Individual Performance
Executive Chairman	100%	-
President and Chief Executive Officer	90%	10%
Chief Financial Officer	75%	25%
Executive Vice President, Operations	75%	25%
Vice President, Geosciences	50%	50%

### Performance Ratings

Each objective for an executive is assessed based on the successful completion of his or her stated objectives, according to the following scale:

Rating	Definition
1	Performance did not meet expectations
2	Performance only partially met expectations
3	Performance met expectations
4	Performance exceeded expectations
5	Performance consistently exceeded expectations

### Weighted Ratings

For each of the executive's objectives, the objective weighting is multiplied by the performance rating to determine the weighted rating. Each executive's objectives have a total weighted rating of 100%.

### Balancing Short and Long-Term Incentives

The Board will consider the overall compensation, including both STIs and LTIs, and adjust its final awards against the targets for those compensation elements to ensure that an appropriate level of total direct compensation is provided.

## MANAGEMENT OF COMPENSATION RISK

The Compensation Committee and the Board periodically assess the risks associated with the Company's compensation policies and practices.

### Board and Committee Oversight

The Compensation Committee has discretion and flexibility in making compensation recommendations so that it can minimize unintended consequences affecting executive compensation. The Board maintains full discretion over all executive compensation decisions to ensure that the aggregate compensation received matches both the contributions and performance of the individual executive, achievement of corporate objectives and the intentions of the Board. In other words, the Board has final say on all awards made to executives. The Board uses its discretion to determine the appropriate award level, against the target percentage on short and long-term incentives.

Board discretion ensures that pay aligns with performance given the current operating environment, or even despite it. For example, the Board can appropriately award officers when critical strategic objectives are met in a low commodity price environment and can also ensure that rewards are not excessive in a high commodity price environment.

## **Monitoring**

Planned performance is measured against actual achievements on a continuous basis, enabling the Board to react to any significant unanticipated risks.

## **Compensation Mix**

Ivanhoe's overall compensation program includes a mix of short and long-term compensation to incent performance over a range of time horizons. It also balances fixed or guaranteed compensation in the form of base salary, with at risk compensation in the form of short and long-term incentives.

## **Balanced Incentives**

In 2013, the Company introduced the current incentive structure which focuses on a number of performance objectives based on Ivanhoe's short and long-term strategic goals. These diverse objectives ensure that the Company does not have metrics that could distort either the intended compensation or executive behaviour.

## **Corporate and Personal Objectives**

Executives are tasked with developing a career path that include short and long-term KPAs and KPIs. In addition, when corporate performance objectives are set on an annual basis, executives set personal objectives that align with both corporate performance objectives and their own KPAs and KPIs. Each objective is weighted so that it aligns personal performance with corporate performance. The objectives are approved by the CEO and agreed to by the Compensation Committee.

At the end of the year, executive performance is evaluated against weighted personal objectives and individual incentive recommendations are made by management to the Compensation Committee.

## **Incentive Targets**

Individual targets, as a percentage of salary, are reviewed annually for both short and long-term incentives. Together with the weighted personal objectives, these targets enable the Compensation Committee to objectively evaluate performance before making its recommendations to the Board.

## **Hedging Prohibition**

The Corporate Disclosure, Confidentiality and Securities Trading Policy prohibits executives and directors from engage in short-term or speculative transactions involving the Company's securities.

NEOs and directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps or collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

## **Outside Consultants**

The Compensation Committee engages outside consultants on a regular basis to assist with determining appropriate peer groups, base salaries, pay mix and program types. This external advice ensures that compensation remains competitive, while ensuring alignment with shareholders and reasonable pay programs.

## EXECUTIVE COMPENSATION

### 2016 Corporate Performance objectives

The following corporate performance objectives were set for 2016. Several objectives were re-prioritized to reflect changes in corporate strategy and operational requirements.

Kamoa-Kakula Project	Achieved
Complete transfer of a 15% interest in Kamoa Copper SA to the Government of the Democratic Republic of Congo.	√
Establish separate structure for the Kamoa-Kakula Project to gear towards development.	√
Ensure the effective functioning of the joint venture with Zijin Mining Group Co., Ltd. (“Zijin”)	√
Ensure decline development work, surface infrastructure and early works are in line with the approved budget and work schedule, as approved and revised from time to time by the board of directors of Kamoa Holding Limited.	√
Finalize the pre-feasibility study and advance feasibility study options to recommendation stage.	√
Establish an in-house legal department and recruit key staff as necessary.	√
Maintain social license to operate and commence with relocation strategy and implementation.	√
Advance hydropower project to meet electricity requirements for construction through to Phase 1 production.	√
Secure technical support agreement with technical consulting company on geotechnical design.	√
Advance project financing.	√
Advance exploration at the Kakula exploration area by presenting a strategy to the Kamoa Holding Limited Board.	√
Platreef Project	Achieved
Advance feasibility study to 80% completion.	√
Continue shaft 1 sinking to -450m level.	-
Meet Social and Labour Plan commitments.	√
Secure bulk water supply. ( <i>Ivanhoe’s bulk water supply proposal short-listed</i> )	√
Evaluate alternative power supply by presenting several options for discussion to the Ivanhoe Board.	√
Secure additional funding as necessary. ( <i>deferred to 2017 to coincide with completion of feasibility study</i> )	-
Right size Platreef operations for future activities and re-skill geology staff where possible.	√
Maintain and improve black economic empowerment targets at Platreef.	√
Kipushi Project	Achieved
Complete preliminary economic assessment.	√

Upgrade scoping study to pre-feasibility study.	√
Continue strategic process.	√
Contain monthly burn rate.	√
Advance engineering for rehabilitation.	√
Letter of intent for transportation agreement. <i>(deferred to permit Ivanhoe to explore all available alternatives before final decision)</i>	-
Manage the relationship with the authorities, the various institutions of the DRC, as well as all relevant stakeholders.	√
Provide quarterly political and security risk review.	√
<b>Corporate</b>	<b>Achieved</b>
Bring information systems in-house.	√
Strengthening finance and administration departments for increased activities.	√

### 2016 Individual Performance objectives

At the beginning of each fiscal year, individual performance objectives are established in conjunction with corporate performance objectives in light of Ivanhoe's broader operating plans.

For the executives, 2016 performance was evaluated based on an assessment of his or her weighted individual performance objectives, a discretionary assessment of overall job performance as well as retention considerations and total direct compensation levels. The following is a brief summary of key 2016 performance objectives for each NEO.

Name and Principal Position	NEO Performance Objectives
<b>Robert M. Friedland</b> Executive Chairman and Director	Development and execution of the overall strategic direction of the Company.
<b>Lars-Eric Johansson</b> President and Chief Executive Officer	<p>Development and execution of effective overall corporate strategy, identification of financing, investment, and potential joint venture and transaction partners.</p> <p>Complete transfer of additional 15% interest in the Kamo-Kakula Project to the government of the Democratic Republic of Congo.</p> <p>Oversight responsibility for advancement of the Kipushi Project, and joint venture party relations.</p> <p>Strategic guidance on advancement of exploration at the Kamo-Kakula Project and feasibility study preparation.</p> <p>Strategic guidance and support to progress black economic empowerment and transformation initiatives at the Platreef Project.</p> <p>Responsibility of key staff appointments at all projects and administrative centres.</p>
<b>Marna Cloete</b> Chief Financial Officer	<p>Oversee and ensure proper functioning and staffing of Ivanhoe's financial/tax/legal/ compliance processes.</p> <p>Oversee and implement functional support structures (finance, legal, human resources and information technology) at the Platreef Project.</p> <p>Oversee functional, statutory and legal structure of joint venture and liaise with project partners of the Kamo-Kakula Project.</p>

Name and Principal Position	NEO Performance Objectives
	<p>Oversee functional support structures in support of preliminary economic assessment and development work at the Kipushi Project.</p> <p>Ensure compliance with South Africa's Mining Charter and support and advance transformation initiatives at the Platreef Project.</p>
<p><b>Mark Farren</b> Executive Vice President, Operations</p>	<p>Advance technical execution, planning and development of joint venture and liaise with project partners of the Kamo-a-Kakula Project to support advancement of exploration.</p> <p>Advance upgrading work at the Mwadingusha hydropower plant to satisfy development requirements at the Kamo-a-Kakula Project.</p> <p>Oversee technical process for the efficient advancement of Shaft 1 sinking and completion of the feasibility study on the Platreef Project.</p> <p>Finalize pre-feasibility study and advancement of feasibility study on the Kamo-a-Kakula Project.</p> <p>Oversee technical process for the efficient advancement of preliminary economic assessment for the Kipushi Project.</p>
<p><b>Stephen Torr</b> Vice President, Project Geology and Evaluation</p>	<p>Oversee technical aspects for the finalization of pre-feasibility study and advancement of feasibility study for the Kamo-a-Kakula project.</p> <p>Contribute to the delineation of exploration targets and the advancement of exploration at the Kamo-a-Kakula Project with the objective to define a CIM-compliant inferred resource by the end of 2016.</p> <p>Contribute to the advancement of the feasibility study on the Platreef Project.</p> <p>Complete preliminary economic assessment for the Kipushi Project.</p> <p>Contribute and oversee technical and scientific public disclosure and act as Qualified Person for same.</p>

## 2016 COMPENSATION DECISIONS

In 2016, the Compensation Committee reviewed the total compensation levels, including base salaries, of the Company's senior executives. The recommendations made by the Compensation Committee to the Board were supported by the 2016 Mercer Study. Based on the recommendations of the Compensation

Committee, the Board adjusted various elements of compensation for relevant executive personnel, where appropriate, to align with Ivanhoe's compensation philosophy and objectives. The compensation decisions impacting the named executive officers are described below.

### Salaries

In December 2016, the Board approved increases to the 2017 base salaries of three of the NEOs to account for foreign exchange fluctuations and to adjust for cost of living increases.

Name and Principal Position	2016 Salary	Increase	2017 Salary
Robert M. Friedland Executive Chairman and Director	\$650,000	-	\$650,000
Lars-Eric Johansson President and Chief Executive Officer	\$650,000	-	\$650,000
Marna Cloete Chief Financial Officer	R4,620,000 <sup>(1)</sup>	20%	R5,544,000
Mark Farren Executive Vice President, Operations	R5,750,000 <sup>(2)</sup>	15%	R6,612,500

Name and Principal Position	2016 Salary	Increase	2017 Salary
Stephen Torr Vice President, Project Geology and Evaluation	£192,497 <sup>(3)</sup>	4%	£200,197

**Notes:**

- (1) This amount was received in South African Rand (ZAR) and is equivalent to \$314,599 when converted from “ZAR” to “\$” using the average monthly exchange rate in the month of receipt.
- (2) This amount was received in South African Rand (ZAR) and is equivalent to \$391,546 when converted from “ZAR” to “\$” using the average monthly exchange rate in the month of receipt.
- (3) This amount was received in Pound Sterling (GBP) and is equivalent to \$263,884 when converted from “GBP” to “\$” using the average monthly exchange rate in the month of receipt.

### Short-Term Incentive Awards

2016 STI awards consisted of cash and are expressed as a percentage of executives’ base salary. All of the NEOs received target awards of STIs for 2016.

Name and Principal Position	Short-Term Incentive Target (% of base salary)	Short-Term Incentive Awarded (% of base salary)	Short-Term Incentive Awarded (\$)
Robert M. Friedland Executive Chairman and Director	75%	75%	\$487,500
Lars-Eric Johansson President and Chief Executive Officer	75%	75%	\$487,500
Marna Cloete Chief Financial Officer	50%	50%	\$166,411
Mark Farren Executive Vice President, Operations	50%	50%	\$207,113
Stephen Torr Vice President, Project Geology and Evaluation	30%	30%	\$72,135

### Long-Term Incentive Awards

2016 LTI awards consisted of RSUs. Total awards are expressed as a percentage of executives’ base salary. All of the NEOs received greater than target awards of LTIs for 2016, based on corporate performance and individual performance and balanced against short-term awards.

In recommending grants of RSUs to the Board, the Compensation Committee also considers the level of authority and responsibility of the NEO, the NEOs contribution to the business and affairs of Ivanhoe, the number of RSUs already granted to the NEO, retention considerations, individual and corporate performance and any other factors the Compensation Committee considers relevant.

On December 2, 2016, the following RSUs were granted to the NEOs as a component of their 2016 compensation. The RSUs were granted in accordance with the provisions of the RSU Plan and vest in three equal parts, each representing 33% of the RSUs, on each of February 1, 2018, February 1, 2019 and February 1, 2020.

Name and Principal Position	LTI Target (% of base salary)	LTI Awarded (% of base salary)	Number of RSUs Awarded	Value of RSUs Awarded <sup>(2)</sup>
Robert M. Friedland Executive Chairman and Director	75%	100%	366,786	\$650,000 <sup>(2)</sup>
Lars-Eric Johansson President and Chief Executive Officer	75%	100%	366,786	\$650,000 <sup>(2)</sup>
Marna Cloete Chief Financial Officer	50%	75%	140,061	\$248,209 <sup>(2)</sup>
Mark Farren Executive Vice President, Operations	50%	75%	174,318	\$308,918 <sup>(2)</sup>
Stephen Torr Vice President, Project Geology and Evaluation	30%	50%	67,890 <sup>(1)</sup>	\$240,621 <sup>(2)</sup>

**Notes:**

- (1) This reflects base LTI for 2016 and excludes RSUs awarded as part of the Kakula Discovery Bonus detailed in the section following.
- (2) The amounts shown represents RSU awards granted in December 2016. The value attributed to RSU awards was determined with reference to the fair market value at the date of grant. For accounting purposes, the fair value is expensed over the vesting period based on the number of RSUs estimated to vest, however the table includes the full fair market value of RSUs in the period granted. The value attributed was determined with reference to the fair market value at the date of grant.

### Ad Hoc Bonuses - Kakula Discovery Bonus

On December 2, 2016, a special bonus (the “**Kakula Discovery Bonus**”) was awarded to Mr. Torr for his outstanding contribution toward the Kakula Discovery at the Kamoa-Kakula Project. The Kakula Discovery Bonus was payable as to 50% in cash and 50% in RSUs in the quantum noted in the table below. The RSUs were granted in accordance with the Company’s RSU Plan and shall vest in three equal parts, each representing 33<sup>1/3</sup>% of the RSUs, on each of February 1, 2018, February 1, 2019 and February 1, 2020. Vesting of the RSUs was not subject to performance conditions.

Name and Principal Position	Number of RSUs Granted as Kakula Discovery Bonus <sup>(1)</sup>	Cash Bonus Granted as Kakula Discovery Bonus <sup>(2)</sup>
Stephen Torr Vice President, Project Geology and Evaluation	67,889	\$120,226

**Notes:**

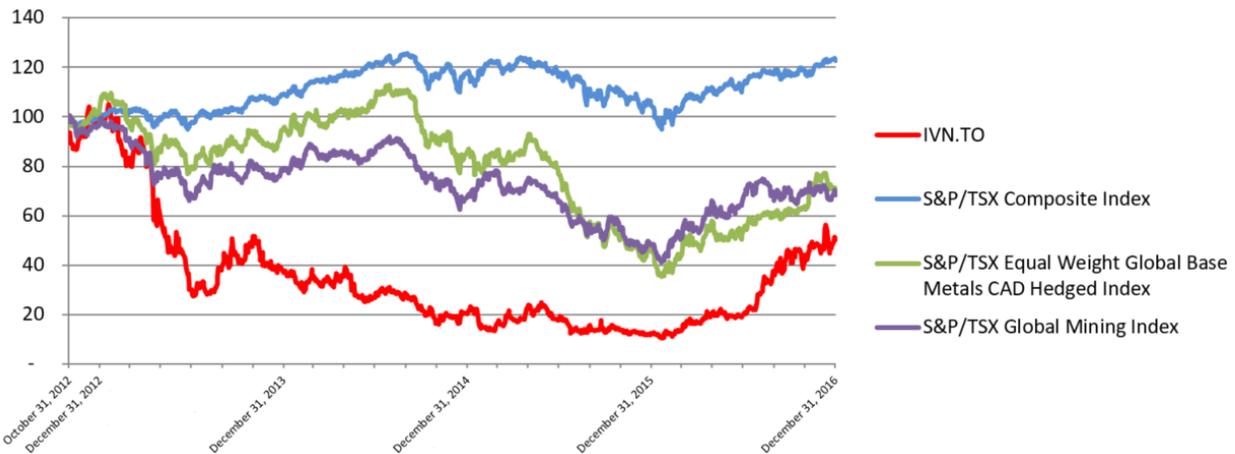
- (1) This excludes RSUs awarded as part of base LTI for 2016 detailed on page 43.
- (2) This excludes cash payments made as part of base STI for 2016 detailed on page 43.

### Other Compensation

The aggregate “other compensation” received by each NEO is disclosed in the “Summary Compensation Table” below.

### Performance Graph

The following graph shows the change in a C\$100 investment in Ivanhoe Class A Shares since Ivanhoe’s initial public offering in October 2012, compared to the S&P/TSX Composite Index, the S&P/TSX Equal Weight Global Base Metals CAD Hedged Index and the S&P/TSX Global Mining Index as at December 31, 2016.



The trend in overall compensation paid to the Company's executive officers over the period has not specifically tracked the performance of the market price of the Company's Class A Shares, or the S&P/TSX Composite Index.

### Summary Compensation Table

The following table sets forth the total compensation paid to, or earned by, the NEOs for the Company's most recently completed three financial years. All dollar figures set out in the following table are in U.S. dollars, unless otherwise specified.

Name and Principal Position	Year Ended Dec. 31	Salary	Share -Based Awards	Option -Based Awards <sup>(2)</sup>	All Other Compensation	Total Compensation
Robert M. Friedland	2016	\$650,000	\$650,000 <sup>(1)</sup>	\$435,412	\$490,392 <sup>(4)(5)</sup>	\$2,225,804
Executive Chairman and Director	2015	\$650,000	\$857,500 <sup>(1)</sup>	\$646,931	\$927,932 <sup>(4)(6)</sup>	\$3,082,363
	2014	\$650,000	\$500,000 <sup>(3)</sup>	\$1,080,055	\$3,355 <sup>(4)</sup>	\$2,233,410
Lars-Eric Johansson	2016	\$650,000	\$650,000 <sup>(1)</sup>	\$494,342	\$502,294 <sup>(7)(8)</sup>	\$2,296,636
President and Chief Executive Officer	2015	\$650,000	\$500,208 <sup>(1)</sup>	\$914,248	\$589,211 <sup>(8)(9)</sup>	\$2,653,667
	2014	\$650,000	\$500,000 <sup>(3)</sup>	\$1,215,003	\$14,070 <sup>(8)</sup>	\$2,379,073
Marna Cloete	2016	\$314,599 <sup>(13)</sup>	\$248,209 <sup>(1)</sup>	\$268,006	\$182,590 <sup>(10)(11)(13)</sup>	\$1,013,404
Chief Financial Officer	2015	\$285,484 <sup>(13)</sup>	\$225,604 <sup>(1)</sup>	\$397,859	\$241,654 <sup>(11)(12)(13)</sup>	\$1,150,601
	2014	\$336,833 <sup>(13)</sup>	\$91,403 <sup>(3)</sup>	\$316,376	\$103,249 <sup>(10)(11)(13)</sup>	\$847,861
Mark Farren	2016	\$391,546 <sup>(13)</sup>	\$308,918 <sup>(1)</sup>	\$178,594	\$228,171 <sup>(13)(14)(15)</sup>	\$1,107,229
Executive Vice President, Operations	2015	\$366,068 <sup>(13)</sup>	\$199,063 <sup>(1)</sup>	\$214,824	\$195,508 <sup>(13)(15)(16)</sup>	\$975,463
	2014	\$258,922 <sup>(13)(22)</sup>	\$58,941 <sup>(3)</sup>	\$88,658	\$67,648 <sup>(13)(14)(15)</sup>	\$474,169
Stephen Torr	2016	\$263,884 <sup>(17)</sup>	\$240,621 <sup>(1)</sup>	\$101,648	\$208,699 <sup>(17)(18)(21)</sup>	\$814,852
Vice President, Project Geology and Evaluation	2015	\$297,436 <sup>(17)</sup>	\$74,521 <sup>(1)</sup>	\$150,202	\$87,198 <sup>(17)(19)(21)</sup>	\$609,357
	2014	\$306,523 <sup>(17)</sup>	\$43,524 <sup>(3)</sup>	\$137,460	\$59,036 <sup>(17)(20)(21)</sup>	\$546,543

**Notes:**

(1) The amounts shown represents RSU awards granted in December 2016 and 2015. The value attributed to RSU awards was determined with reference to the fair market value at the date of grant. For accounting purposes, the fair value is

expensed over the vesting period based on the number of RSUs estimated to vest, however the table includes the full fair market value of RSUs in the period granted. The value attributed to share based awards was determined with reference to the fair market value at the date of grant.

- (2) The value attributed to option based awards represent past options granted which vested in the period and was determined using the Black Scholes Model in accordance with the International Financial Reporting Standards ("IFRS") and the following assumptions: an estimated volatility equal to 63%; an estimated dividend yield of \$nil, a risk free rate of return equal to the rate currently available on federal government zero-coupon bonds with a term equal to the expected life of the option and an expected life approximating the term of the option."
- (3) The amounts shown represents bonus shares granted. The value attributed to share based awards was determined with reference to the fair market value at the date of grant.
- (4) Canada Pension Plan contributions and Employment insurance premiums to the value of \$2,892 was paid on behalf of Mr. Friedland in 2016 (2015: \$2,932; 2014: \$3,355).
- (5) Mr. Friedland received a bonus of \$487,500 to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (6) In 2015, Mr. Friedland received a bonus of \$925,000, of which \$600,000 was the Zijin Special Bonus for his contributions toward the successful completion of the Zijin Transaction and the additional bonus of \$325,000 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (7) Mr. Johansson received a bonus of \$487,500 to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (8) In 2016, Mr. Johansson received \$4,533 in health benefits (2015: \$3,950; 2014: \$3,714), \$96 (2015: \$96; 2014: \$96) in Accidental Death and Dismemberment insurance and \$10,165 (2015: \$10,165; 2014: \$10,260) in life cover.
- (9) In 2015, Mr. Johansson received a bonus of \$575,000, of which \$250,000 was the Zijin Special Bonus for his contributions toward the successful completion of the Zijin Transaction and the additional bonus of \$325,000 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (10) In 2016, Ms. Cloete received a bonus of \$166,411 (2014: \$91,403) to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (11) In 2016, Ms. Cloete received \$16,057 in health benefits (2015: \$17,210; 2014: \$11,681).
- (12) In 2015, Ms. Cloete received a bonus of \$224,303, of which \$125,000 was the Zijin Special Bonus for the conclusion of the Zijin Transaction and the additional bonus of \$99,303 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (13) This amount was received in South African Rand (ZAR) and has been converted from "ZAR" to "\$" using the average monthly exchange rate in the month of receipt.
- (14) In 2016, Mr. Farren received a bonus of \$207,113 (2014: \$58,941) to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (15) In 2016, Mr. Farren received \$20,937 in health benefits (2015: \$22,321; 2014: \$8,708).
- (16) In 2015, Mr. Farren received a bonus of \$173,046, of which \$75,000 was the Zijin Special Bonus for the conclusion of the Zijin Transaction and the additional bonus of \$98,046 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (17) This amount was received in Pound Sterling (GBP) and has been converted from "GBP" to "\$" using the average monthly exchange rate in the month of receipt.
- (18) In 2016, Mr. Torr received a bonus of \$192,362, of which \$120,226 was awarded to Mr. Torr for his contribution toward the Kakula Discovery at the Kamo-a-Kakula Project and the additional bonus of \$72,135 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (19) In 2015, Mr. Torr received a bonus of \$70,437, of which \$24,893 was a success bonus for the conclusion of the Zijin deal and the additional bonus of \$45,544 was to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (20) In 2014, Mr. Torr received a bonus of \$43,594 to reflect the respective role and achievements, with a view to market levels of compensation and retention considerations.
- (21) In 2016, Mr. Torr received \$5,686 in health benefits (2015: \$4,768; 2014: \$6,163), \$96 (2015: \$96; 2014: \$96) in Accidental Death and Dismemberment insurance and \$10,555 (2015: \$11,897; 2014: \$9,183) in personal savings plan contributions.
- (22) Mr. Farren commenced employment with the Company in June 2014.

## Incentive Plan Awards

### Outstanding Share – Based Awards and Option Based Awards

The following table sets forth the options granted to the NEOs, to purchase or acquire securities of the Company outstanding at the end of the financial year ended December 31, 2016.

Name	Number of Class A Shares underlying unexercised options	Option exercise price	Option-Based Awards				
			Option expiration date	Value of unexercised in-the-money options <sup>(1) (2)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(1) (3)</sup>	Market or payout value of share-based awards that have vested <sup>(1) (4)</sup>
Robert M. Friedland Executive Chairman and Director	1,000,000	\$1.47 <sup>(1)</sup>	December 13, 2018	\$417,070	250,000	\$104,268	\$312,803
	1,700,000	\$0.74 <sup>(1)</sup>	December 8, 2019	\$1,962,464	850,000	\$981,232	\$981,232
	1,100,000	\$0.48 <sup>(1)</sup>	December 15, 2020	\$1,556,565	825,000	\$1,167,424	\$389,141
Lars-Eric Johansson President and Chief Executive Director	2,500,000	\$3.00	April 20, 2017	—	—	—	—
	1,000,000	\$1.47 <sup>(1)</sup>	December 13, 2018	\$417,070	250,000	\$104,268	\$312,803
	1,700,000	\$0.74 <sup>(1)</sup>	December 8, 2019	\$1,962,464	850,000	\$981,232	\$981,232
	1,100,000	\$0.48 <sup>(1)</sup>	December 15, 2020	\$1,556,565	825,000	\$1,167,424	\$389,141
Marna Cloete Chief Financial Officer	50,000	\$3.71 <sup>(1)</sup>	January 11, 2018	—	12,500	—	—
	400,000	\$1.47 <sup>(1)</sup>	December 13, 2018	\$166,828	100,000	\$41,707	\$125,121
	500,000	\$1.08 <sup>(1)</sup>	August 15, 2019	\$405,899	250,000	\$202,949	\$202,949
	700,000	\$0.74 <sup>(1)</sup>	December 8, 2019	\$808,073	350,000	\$404,037	\$404,037
	500,000	\$0.48 <sup>(1)</sup>	December 15, 2020	\$707,530	375,000	\$530,647	\$176,882
Mark Farren Executive Vice President, Operations	500,000	\$0.97 <sup>(1)</sup>	June 16, 2019	\$461,756	250,000	\$230,878	\$230,878
	500,000	\$0.74 <sup>(1)</sup>	December 8, 2019	\$577,195	250,000	\$288,598	\$288,598
	600,000	\$0.48 <sup>(1)</sup>	December 15, 2020	\$849,036	450,000	\$636,777	\$212,259
Stephen Torr Vice President, Project Geology and Geosciences	50,000	\$3.71 <sup>(1)</sup>	January 11, 2018	—	12,500	—	—
	200,000	\$1.47 <sup>(1)</sup>	December 13, 2018	\$83,414	50,000	\$20,854	\$62,561
	400,000	\$0.74 <sup>(1)</sup>	December 8, 2019	\$461,756	200,000	\$230,878	\$230,878
	200,000	\$0.48 <sup>(1)</sup>	December 15, 2020	\$283,012	150,000	\$212,259	\$70,753

#### Notes:

<sup>(1)</sup> Options are issued in "C\$". This amount has been converted from "C\$" to "\$" using the prevailing exchange rate on 31 December 2016 of 1.3427.

- (2) Calculated as the difference between the closing market price of the Class A Shares on the TSX on December 31, 2016, and the exercise price of the options, multiplied by the number of unexercised options.
- (3) Calculated as the difference between the closing market price of the Class A Shares on the TSX on December 31, 2016, and the exercise price of the options, multiplied by the number of unvested options.
- (4) Calculated as the difference between the closing market price of the Class A Shares on the TSX on December 31, 2016, and the exercise price of the options, multiplied by the number of vested options.

*Incentive Plan Awards – Value Vested or Earned during the Year*

The following table sets forth the value vested or earned during the year of option-based awards, share based awards and non-equity incentive plan compensation paid to NEOs, during the most recently completed financial year.

Name	Option-based awards – Value vested during the year <sup>(1)</sup>	Share-based awards – Value earned during the year <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the year
Robert M. Friedland	\$989,052	\$1,159,976	\$487,500
Lars-Eric Johansson	\$989,052	\$642,739	\$487,500
Marna Cloete	\$442,578	\$289,889	\$166,411
Mark Farren	\$350,041	\$269,281	\$207,113
Stephen Torr	\$205,556	\$95,755	\$192,362

**Notes:**

- (1) The value vested during the year is calculated as the aggregate Canadian dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date by determining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.
- (2) The value earned during the year is calculated as the aggregate dollar value of the RSUs under the RSU award on the vesting date.

**TERMINATION AND CHANGE OF CONTROL BENEFITS**

Ivanhoe has employment arrangements with each of its NEOs which may include letter agreements, employment agreements, and option and RSU agreements.

The following summary sets out the circumstances when termination payments would be payable to the Company's NEOs, during which time periods and in what circumstances. The table further below provides an estimate of these payments if termination had occurred at the end of the last financial year.

Termination payments become payable to the Company's NEOs under their employment agreements:

- (a) if Ivanhoe terminates the NEO's employment for cause, in which case the NEO is not entitled to notice, payment in lieu of notice, severance payments, damages or any other sums. In the case of termination for cause all unexercised vested and unvested stock options or unvested RSUs will immediately terminate at the date of termination; or
- (b) if Ivanhoe terminates the NEO's employment on notice, by giving six months' notice or by making a payment equal to six months' base salary, plus one additional month's notice, or payment in lieu, for each year of service from the date of commencement of employment to a maximum of 20 months' notice, or payment in lieu, to the NEO. In the case of termination by notice, all of the NEO's unvested stock options are deemed to have vested, and all of such NEOs unexercised stock options remain exercisable until the earlier of twelve months following the date of such termination and the expiry date of such options. Unvested RSUs for which performance conditions shall have been satisfied shall vest; or

- (c) if an NEO terminates the employment agreement by resignation on six months' notice to Ivanhoe, in which case no payment will be made to the NEO and vested stock options will remain exercisable until the earlier of twelve months follow the date of such termination and the expiry date of such options. Any unvested stock options and unvested RSUs will immediately terminate; or
- (d) if a change of control occurs and, within 12 months one of the following occurs: (i) the NEOs employment is terminated by the Company, except for cause, or (ii) NEO resigns employment for good reason (as defined in his or her agreements NEO), then, in lieu of termination payments otherwise due under the employment agreement, each NEO is entitled to receive a lump sum payment equal to his or her annual base salary and an additional cash payment equal to 2 months' pay for each whole or part year of service commencing with the sixth year of continuous service; all of his or her unvested stock options and unvested RSUs will be deemed to have vested, and all his or her unexercised stock options remain exercisable until the earlier of twelve months after termination or the expiry date of the options.

For purposes of the NEO employment agreements, a change of control occurs if, among other things:

- There is a merger, arrangement, amalgamation or similar transaction, after which the holders of Ivanhoe's Class A Shares prior to completion of the transaction, hold less than 50% of the outstanding voting securities of the successor corporation or entity after the transaction; or
- There occurs the direct or indirect acquisition by any person or persons, acting jointly or in concert, of more than 50% of the voting rights attached to all outstanding voting securities of the Company (currently only the Class A Shares are outstanding); or
- The Company sells or otherwise disposes all or substantially all of its assets, other than a sale or other disposition to an affiliate or subsidiary; or
- A person comes to have the enforceable legal right, directly or indirectly, to appoint a majority of the Board; or
- The Board determines that a change of control has occurred or is imminent.

For purposes of the NEO employment agreements what constitutes good reason includes:

- A material adverse change in the NEO's position as to that in effect immediately prior to a change of control; or
- A material failure by the Company to continue in effect any employee benefit program in which the NEO is participating at the time of a change of control, other than as a result of normal expiration; or
- The Company requiring the NEO to move and be based at any location other than that where the NEO was based at the time of a Change of Control; or
- The Company requiring the NEO to report to a person of lower apparent or ostensible authority; or
- Matters constituting constructive dismissal at law.

The following is an estimate of incremental payments to the NEOs under the foregoing scenarios as at December 31, 2016:

Name	Payment of Severance	Benefits	In-the-money Value of Accelerated Options	Value of Accelerated RSUs	Total
<b>(a) Termination by the Company for cause</b>					
Robert M. Friedland	—	—	—	—	—
Lars-Eric Johansson	—	—	—	—	—
Marna Cloete	—	—	—	—	—
Mark Farren	—	—	—	—	—
Stephen Torr	—	—	—	—	—
<b>(b) Termination by the Company by notice or payment in lieu of notice</b>					
Robert M. Friedland	\$595,982	—	\$2,244,085	\$2,889,472	\$5,729,539
Lars-Eric Johansson	\$849,155	\$19,326	\$2,244,085	\$1,973,496	\$5,086,062
Marna Cloete	\$561,919	\$24,083	\$1,174,714	\$842,291	\$2,603,007
Mark Farren	\$345,690	\$16,168	\$1,151,716	\$838,795	\$2,352,369
Stephen Torr	\$211,712	\$4,428	\$462,170	\$446,893	\$1,125,203
<b>(c) Termination by the NEO on six months' notice<sup>(1)</sup></b>					
Robert M. Friedland	—	—	—	—	—
Lars-Eric Johansson	—	—	—	—	—
Marna Cloete	—	—	—	—	—
Mark Farren	—	—	—	—	—
Stephen Torr	—	—	—	—	—
<b>(d) Termination following Change of Control</b>					
Robert M. Friedland	\$650,000	—	\$2,244,085	\$2,889,472	\$5,783,557
Lars-Eric Johansson	\$1,083,333	—	\$2,244,085	\$1,973,496	\$5,300,914
Marna Cloete	\$745,943	—	\$1,174,714	\$842,291	\$2,762,948
Mark Farren	\$485,296	—	\$1,151,716	\$838,795	\$2,475,807
Stephen Torr	\$245,838	—	\$462,170	\$446,893	\$1,154,901

**Notes:**

<sup>(1)</sup> Although no severance is payable if an NEO terminates the employment agreement on six months' notice, the NEO will still continue to receive the required compensation under his or her employment arrangement during the notice period.

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## CORPORATE GOVERNANCE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “**Disclosure Instrument**”) requires the Company to annually disclose its corporate governance practices with reference to a series of corporate governance practices outlined in National Policy 58-201 – *Corporate Governance Guidelines* (the “**Guidelines**”).

The following is a discussion of each of the Company’s corporate governance practices for which disclosure is required by the Disclosure Instrument. Unless otherwise indicated, the Board believes that its corporate governance practices are consistent with those described in the Guidelines.

## BOARD OF DIRECTORS

### Director Independence

For the purposes of the Disclosure Instrument, a director is independent if he or she has no direct or indirect material relationship with the Company. A “material relationship” is one which could, in the view of the Board, reasonably be expected to interfere with the exercise of the director’s independent judgment. Certain specified relationships will, in all circumstances, be considered, for the purposes of the Disclosure Instrument, to be material relationships and render the director non-independent.

As of the date of this Management Proxy Circular, the Board consists of five (5) individuals who are independent and three (3) individuals who are currently considered not independent, when applying the criteria prescribed by the Disclosure Instrument. If all of management’s nominees are elected as directors at the Meeting, the Board will consist of five (5) individuals who are independent and three (3) individuals who are not independent.

The current independent directors are: Ian Cockerill, Dr. Markus Faber, William Hayden, Oyvind Hushovd and Livia Mahler. Mr. Ian Cockerill has been appointed as the Lead Independent Director of Ivanhoe, whose mandate in this regard is to act in a leadership role on behalf of all independent directors.

Robert M. Friedland (the Executive Chairman of the Board), Peter Meredith, and Guy de Selliers are not independent for the purposes of the Disclosure Instrument. Mr. Friedland is the founder and Executive Chairman of the Company. Mr. Meredith has been determined to be not independent at this time by virtue of his historical business relationship with Mr. Friedland. Finally, Mr. de Selliers is not independent as a result of his material interest in HCF International Advisors, a firm who has provided financial advisory services to the Company.

The Board considers the independence of its members from time to time.

### Other Directorships

For information respecting those companies that are reporting issuers (or the equivalent) in Canada or elsewhere in which any of the directors of the Company also act as directors, please see Section 3 – “Directors Disclosure” in this Management Proxy Circular.

### Meetings of Independent Directors

Meetings of the independent directors are held to update the independent directors on corporate developments since the last Board meeting. There were four (4) meetings of the independent directors held in 2016.

The Compensation Committee is comprised solely of independent directors. The Nominating and Corporate Governance Committee is comprised of a majority of independent directors but is chaired by an independent director. The independent directors on each committee at times go “in camera” in their committee meetings and request that any non-independent directors and members of management who may be attending such meetings as guests excuse themselves. Any committee member can request that

any part of a committee meeting be held on an in camera basis at any time. Accordingly, the Board believes that the committee meetings provide an adequate forum in which to facilitate open and candid discussion among the Company's independent directors. Each of the Nominating and Corporate Governance Committee and the Compensation Committee met three (3) and four (4) times, respectively, during 2016.

### **Independence of Board Chair and Lead Director**

Robert M. Friedland, the Executive Chairman, is a non-independent director. However, Ian Cockerill, the Independent Lead Director of the Board, is an independent director. Mr. Cockerill's responsibilities include:

- providing a source of Board leadership;
- ensuring that the Board functions effectively and independently of management;
- overseeing the quality of the information sent to directors;
- acting as a facilitator with respect to interaction among the independent directors and between management and the independent directors;
- chairing any meetings of the independent directors held from time to time; and
- overseeing the governance obligations of the Board and its committees generally.

### **Meeting Attendance Records**

For information concerning the number of Board and committee meetings held in 2016 and the attendance record of each director in respect of those meetings, please see "Election of Directors" in Section 2 – "Meeting Matters" starting on page 9 of this Management Proxy Circular and Section 3 – "Directors Disclosure" starting on page 14.

### **Mandate of the Board**

Under the BCBCA, the directors of the Company are required to manage the Company's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board recognizes its overall responsibility for corporate governance, and discharges that responsibility through the establishment and operation of its standing Nominating and Corporate Governance Committee, which is tasked with developing and implementing the Company's overall corporate governance approach.

As required by the BCBCA, the Board is responsible for supervising the conduct of the Company's affairs and the management of its business, including setting long-term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives, supervising senior management in their implementation, and reviewing the principal risks inherent in the Company's business. Although the Board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may assume a more direct role in managing the affairs of the Company.

The Board strives to ensure that actions taken by the Company are in the best interest of the Company's shareholders. The Board's strategic planning process includes annual and quarterly budget reviews and approvals and reviews of the operations and risk issues at each Board meeting which are required to

carry out the Company's growth strategy and to achieve its objectives. In addition to those matters that must, by law, be approved by the Board, the Board is required to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans, the appointment of officers and non-delegatable matters prescribed by the BCBCA. The Board periodically reviews its mandate and supplements it as required from time to time.

The Board fulfills its statutory obligations through direct and indirect oversight, setting and monitoring policy, appointing committees and appointing officers of the Company. Specific responsibilities under the written mandate include the following:

1. Approving the issuance of any securities of the Company.
2. Approving the incurrence of any debt by the Company outside the ordinary course of business.
3. Reviewing and approving the annual and quarterly capital and operating budgets.
4. Reviewing and approving major deviations from the capital and operating budgets.
5. Approving the annual audited consolidated financial statements and interim consolidated financial statements, including the management discussion & analysis, information circulars, annual information forms, annual reports, offering memorandums and prospectuses.
6. Approving material investments, dispositions and joint ventures, and approving any other major initiatives outside the scope of approved budgets.
7. Reviewing and approving the Company's strategic plans, adopting a strategic planning process and monitoring the Company's performance.
8. Reviewing and approving the Company's incentive compensation plans.
9. Determining the composition, structure, processes, and characteristics of the Board and the terms of reference of committees of the Board, and establishing a process for monitoring the Board and its directors on an ongoing basis.
10. Appointing a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation and Human Resources Committee, and any other committees from time to time, and delegating to any such committees powers of the Board as appropriate and legally permissible.
11. Nominating the candidates for the Board to the shareholders, based on recommendations from the Nominating and Corporate Governance Committee.
12. Providing an appropriate orientation and education program for new directors.
13. Determining whether individual directors meet the requirements for independence under applicable regulatory requirements, separately or following a review by the Nominating and Corporate Governance Committee.
14. Monitoring the ethical conduct of the Company and ensuring that it complies with applicable legal and regulatory requirements.
15. Ensuring that the directors that are independent of management have the opportunity to meet regularly.
16. Reviewing its mandate and other Board and Company policies and the terms of reference for committees of the Board in place from time to time and propose modifications as applicable.

17. Appointing and monitoring the performance of senior management, formulating succession plans for senior management and the Board and, with the advice of the Compensation Committee, approving the compensation of senior management.
18. Ensuring policies and processes are in place for identifying principal business risks and opportunities for the Company, addressing the extent to which such risks are acceptable to the Company, and ensuring that appropriate systems are in place to manage risks.
19. Ensuring policies and processes are in place to ensure the integrity of the Company's internal control, financial reporting and management information systems.
20. Ensuring appropriate policies and processes are in place to ensure the Company's compliance with applicable laws and regulations, including timely disclosure of relevant corporate information and regulatory reporting.
21. Exercising direct control during periods of crisis.
22. Serving as a source of advice to senior management, based on directors' particular backgrounds and experience.
23. Ensuring that the directors have direct access to management and, as necessary and appropriate, independent advisors.
24. Ensuring evaluations of the Board and its committees are carried out at least annually.

## **Position Descriptions**

### *Executive Chairman*

The Board has not adopted a written position description for the Executive Chairman, Mr. Friedland, as his role has historically been unique and challenging to properly articulate in a written position description. To date the scope of duties of the Executive Chairman has been tailored to the unique skills, talents and mining business experience that Mr. Friedland possesses and includes strategic planning, corporate and business development, fundraising and value creation.

### *Committee Chairs and Lead Director*

The Board has adopted a position description for the Chair of each of the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, and the Sustainability Committee. The Board also has adopted a position description for the Lead Director. The Board has not adopted a position description for the Chair of the Technical Committee at this time.

### *CEO*

The Board has adopted a written position description for the CEO. The CEO is responsible for the day-to-day operations of the Company, and, with the management team, pursues Board approved strategic initiatives within the context of authorized business, capital plans and corporate policies. The CEO is expected to report to the Board on a regular basis on short-term results and long-term business development activities.

## **Orientation and Continuing Education**

### *Board Orientation*

The Board is responsible for providing for the orientation and education of new members of the Board and all new directors are provided with copies of the Company's policies, although a formal orientation and education process has not been adopted. Prior to joining the Board, each new director is briefed by

management of the Company. This briefing includes an outline of the business and prospects of the Company, both positive and negative, with a view to ensuring that such director is properly informed to commence his or her duties as a director. Each new director is also given the opportunity to meet with the auditors and counsel to the Company, and to make site visits to the Company's properties. All directors are members of the Institute of Corporate Directors.

#### *Continuing Education*

Management and outside advisors provide information to the Board and its committees to keep the directors up-to-date with the Company, its business and the legal, regulatory and financial environments in which it operates, as well as with developments in the responsibilities of directors. In addition, directors are encouraged to take courses relevant to the Company and its business, particularly with respect to corporate governance and the mining industry.

#### **Assessments**

In 2014, the Nominating and Corporate Governance Committee established a formal process for assessing the effectiveness of the Board as a whole, its committees and individual directors. As part of this annual process, directors complete a detailed questionnaire which provides for quantitative and qualitative ratings of their and the Board's performance in key areas and seeks subjective comment in each of those areas. The Chairman of the Nominating and Corporate Governance Committee reviews a summary report consolidating individual responses. The Nominating and Corporate Governance Committee also reviews the results of the self-assessment process, identifies areas requiring follow-up, and reports to the Board on the results of the assessment process. Action plans to follow up on specific issues are monitored by the Nominating and Corporate Governance Committee.

Notwithstanding the foregoing, the Nominating and Corporate Governance Committee will, as part of its mandate: (i) examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board is of a size and composition that facilitates effective decision-making; (ii) identify and assess the necessary and desirable competencies and characteristics for the Board and the extent to which those competencies and characteristics are represented thereon; (iii) ensure that the Board has appropriate structures and procedures in order to function with the proper degree of independence from management; (iv) review practices and procedures of the Board in light of ongoing developments in securities law, stock exchange and regulatory requirements, and industry best practices, relating to matters of corporate governance; (v) consider the Board composition in light of the Diversity Policy and its goals and objectives, and (vi) review and reassess the adequacy of the Company's corporate governance policies, practices and procedures annually and recommend to the Board any changes deemed appropriate by it.

#### **ETHICAL BUSINESS CONDUCT**

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, the Company has adopted a Code of Business Conduct and Ethics (the "Code") which addresses the Company's continuing commitment to integrity and ethical behaviour. The Code establishes procedures that allow directors, officers and employees of the Company to confidentially address their concerns regarding questionable ethical, moral, accounting or auditing matters, without fear of retaliation. The Audit Committee oversees and administers the Company's policies for the receipt and review of complaints or concerns, made in writing, by telephone or online using the Company's confidential and anonymous whistleblower reporting system, with respect to questionable accounting, internal accounting controls or auditing matters.

Compliance with the Code is maintained primarily through the reporting process within the Company's organizational structure.

A copy of the Code may be obtained upon request to the Vice President, Compliance and Corporate Secretary, 654 - 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 1-604-688-6630.

In addition, the Code is available at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

The Company uses a confidential and anonymous reporting system that allows individuals to report suspected illegal, unethical or improper conduct that may be in violation of the Code through the Internet or a toll-free telephone number. The reporting system is run by an independent third party and generates reports for the Company's Corporate Secretary and the Audit Committee. The Corporate Secretary reviews the reports with the Chair of the Audit Committee as they are received and investigates any alleged breaches of the Code and certain other Company policies on behalf of the Audit Committee and in consultation with the Audit Committee Chairman.

Certain members of the Board are directors or officers of, or have significant shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Where such a conflict involves a particular Board member (i.e. where a Board member has an interest in a material contract or material transaction involving the Company), such Board member will be required to disclose his or her interest to the Board and refrain from voting at the Board meeting of the Company considering such contract or transaction in accordance with applicable law. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest are encouraged to be reported promptly to a member of senior management who is independent of the potential conflict and who will assess the issue with the advice of legal counsel. In rare instances, if deemed appropriate, the Company may establish a special committee of independent directors to review a matter in which one or more directors, or management, may have a conflict.

## COMMITTEES

### Audit Committee

The Audit Committee is comprised of Oyvind Hushovd (Chair), Dr. Markus Faber and Livia Mahler, each of whom is "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110") of the CSA. All Audit Committee members are "independent" within the meaning of NI 52-110.

The Company has adopted an Audit Committee charter which codifies the mandate of the Audit Committee, and specifically defines the relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Board will review and reassess the adequacy of the Audit Committee charter on an annual basis.

The Audit Committee meets as frequently as circumstances require, but not less frequently than four times per year to fulfill its mandate. In 2016, the Audit Committee met six (6) times.

A copy of the Audit Committee's charter may be obtained upon request to the Vice President, Compliance and Corporate Secretary, 654 - 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 1-604-688-6630. In addition, the Audit Committee charter is included in each Annual Information Form filed by the Company and available at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

The Company has complied with Section 5.1 of NI 52-110, and the disclosure required by Form 52-110F1 is included in the Company's Annual Information Form under the heading "Audit Committee Information".

### Nominating and Corporate Governance Committee

The Board's mandate includes monitoring the ethical conduct of the Company, ensuring that it complies with applicable legal and regulatory requirements and that appropriate policies and processes are in

place to ensure the Company's compliance with applicable laws and regulations, including timely disclosure of relevant corporate information and regulatory reporting. The Board recognizes its overall responsibility for corporate governance, and discharges that responsibility through the establishment and operation of its standing Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee, is comprised of Dr. Markus Faber (Chair), Ian Cockerill and Peter Meredith, and has been established to assist the Board with the nomination of directors and to develop, monitor and implement the Company's approach to corporate governance.

While Mr. Meredith is not independent, the Board views his experience with public companies and his extensive network of finance and mining industry contacts to be a positive contribution to the Nominating and Corporate Governance Committee. The Board considers the presence of three senior and experienced independent directors to be sufficient to encourage an objective nominating process.

The role of the Nominating and Corporate Governance Committee is to, amongst other things: (i) identify individuals qualified to become members of the Board and Board committees, and recommend that the Board select such persons as nominees for appointment or election to the Board; (ii) develop and recommend to the Board corporate governance policies, practices and guidelines for the Company and to make recommendations to the Board with respect to such corporate governance policies, practices and guidelines; (iii) establish such permanent or ad hoc committees as it deems necessary for the purposes of assisting in the corporate governance of the Company, and (iv) monitor the Company's Diversity Policy. All members have a working familiarity with the Company's corporate governance policies, practices and guidelines.

In fulfilling its responsibilities to identify individuals qualified to become members of the Board, the committee will consider: (i) the independence of each nominee; (ii) the experience and background of each nominee; (iii) the skill set of each nominee relative to the balance of skills required by the Board and its committees to meet their respective mandates; (iv) the past performance of directors being considered for election; (v) applicable regulatory requirements; (vi) the Diversity Policy and its objectives, and (vii) such other criteria as may be established by the Board or the Nominating and Corporate Governance Committee from time to time.

The Nominating and Corporate Governance Committee meets as many times as it deems necessary, but not less frequently than two times per year to fulfill its mandate. In 2016, the Nominating and Corporate Governance Committee met three (3) times.

A copy of the Nominating and Corporate Governance Committee's charter may be obtained upon request to the Vice President, Compliance and Corporate Secretary, 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 1-604-688-6630 and is available on the Company's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

### **Compensation and Human Resources Committee**

The Board's mandate includes reviewing and approving compensation for the directors and officers of the Company. The Board has established the Compensation Committee, which is currently comprised of Livia Mahler (Chair), Ian Cockerill and Oyvind Hushovd, each of whom is independent.

The individuals comprising the Compensation Committee have acted as directors and executive officers for a variety of publicly listed and private companies. As a group, such directors have considerable directorship experience. The Company believes that the directors' experiences in this regard are relevant to their responsibilities in considering and determining executive compensation and assists them to make informed decisions on the suitability of the Company's compensation policies and practices in light of the Company's business, its objectives and comparative market practices.

For a complete description of the Compensation Committee's mandate, please refer to page 30. The Compensation Committee's mandate includes establishing an overall compensation policy for the Company and monitoring its implementation, with special attention devoted to executive management. In

particular, the Compensation Committee is responsible for reviewing and making recommendations to the Board periodically regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans (including the Equity Incentive Plan, the DSU Plan and the RSU Plan), bonus plans, and benefit plans (including the group life and health program). In this regard, the Compensation Committee has the authority to retain such independent advisors as it may deem necessary or advisable for its purposes.

The Compensation Committee meets as many times as it deems necessary, but not less frequently than two times per year to fulfill its mandate. In 2016, the Compensation Committee met four (4) times.

A copy of the Compensation Committee's charter may be obtained upon request to the Vice President, Compliance and Corporate Secretary, 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone 1-604-688-6630 and is available on the Company's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

### Other Board Committees

In addition to the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, the roles of which have been discussed above, the Board has also created the Sustainability Committee and the Technical Committee.

#### *Sustainability Committee*

The Sustainability Committee consists of two non-independent directors in Guy de Selliers (Chair) and Peter Meredith, and one independent director in William Hayden. The Board has determined that the input of management is important in reviewing the environmental affairs of the Company and the Sustainability Committee liaises with the management of Ivanhoe on an as needed basis.

The Sustainability Committee is responsible for establishing and reviewing the Company's safety, health and environmental policies; monitoring effectiveness of, and compliance with, such policies; and receiving audit results and reports from management regarding sustainability performance.

#### *Technical Committee*

The Technical Committee consists of one independent director Ian Cockerill (Chair) and one non-independent director Guy de Selliers. The Technical Committee was formed to assist the Board in fulfilling its oversight responsibilities in respect of monitoring and reviewing any matters of significance affecting mineral resources and reserves, project development, asset operations and other operational activities in respect of the exploration, permitting, construction and development of its mineral properties and projects.

## POLICIES

### Majority Voting Policy

In 2013, the Board adopted a majority voting policy, which requires that, in an uncontested election, any nominee for director with respect to whom a majority of the votes represented by proxies validly deposited prior to the Meeting are "withheld" from his or her election (a "**Majority Withheld Vote**"), submit his or her resignation to the Board immediately following the Meeting. The Board will meet to consider the resignation and absent exceptional circumstances, the Board will accept the resignation of the Non-Supported Director. In determining whether exceptional circumstances exist the Board may consider:

- (a) whether the Company would cease to be in compliance with corporate or securities law requirements if the Board accepts the resignation of the Non-Supported Director;
- (b) whether the Company would be breaching the terms of any commercial agreement if the Board accepts the resignation of the Non-Supported Director;

- (c) whether the Non-Supported Director is a key member of an established and active special committee and whether accepting the resignation of the Non-Supported Director would jeopardize the achievement of the special committee's mandate; and
- (d) whether majority voting was used for a purpose inconsistent with the policy objectives set forth by the TSX.

Information which is generally available to shareholders at the time of their vote does not constitute exceptional circumstances, including:

- (a) the Non-Supported Director's length of service;
- (b) the Non-Supported Director's qualifications and experience;
- (c) the Non-Supported Director's attendance at meetings; and
- (d) the Non-Supported Director's contributions to the Company.

An exceptional circumstance can also not be a recurring event.

Within ninety (90) days of the date of the meeting of shareholders at which the election of directors took place:

- (a) the Board will meet to consider if there are exceptional circumstances, failing which the Board will accept the Non-Supported Director's resignation not later than such 90th day, and
- (b) the Company will issue a press release announcing the accepted resignation of the Non-Supported Director or explaining the reasons justifying the Board's decision not to accept the resignation, a copy of which will be delivered to TSX.

If the Board determines that exceptional circumstances do exist, and the Board does not accept the resignation of the Non-Supported Director, the Company will take the necessary steps to resolve the exceptional circumstance prior to the next shareholder meeting at which directors are elected. In addition, TSX will contact the Company to discuss the Board's determination.

Subject to applicable law, the Board may (1) leave a vacancy in the Board unfilled until the next annual meeting of shareholders, (2) fill the vacancy by appointing a new director whom the Board considers to merit the confidence of the shareholders, or (3) call a special meeting of shareholders to consider new board nominee(s) to fill the vacant position(s).

No Non-Supported Director may attend (unless attendance is strictly required for quorum purposes) or participate in any deliberations of the Board respecting whether or not to accept his or her resignation pursuant to the operation of this policy.

In a contested election, where the number of director nominees exceeds the number of directors to be elected, a plurality vote standard will continue to apply.

No director has received a Majority Withheld Vote since the implementation of the policy.

### **Minimum Stock Ownership Policy**

In December 2012, the Company adopted a corporate policy to encourage non-executive directors to invest in the Class A Shares of the Company by requiring each non-executive director to hold Class A Shares having an aggregate market value equal to not less than one (1) times the basic annual retainer non-executive directors. Each non-executive director is expected to meet this minimum threshold by the later of (i) the third anniversary following his initial appointment or election to the Board and (ii) two (2) years following the date of adoption of the policy by the Company.

Recognizing that the market value of publicly traded equity securities fluctuates over time, this policy does not require a director to “top up”. Once a director attains the minimum ownership threshold for the first time, he or she is considered to be in compliance with the policy for as long as he or she continues to hold at least the number of shares that he or she was required to hold as of the date that he or she first met the minimum threshold. Presently, the non-executive directors’ basic annual retainer is \$60,000 and each non-executive director has met the current minimum market value threshold and is in compliance with the policy with the exception of Ms. Mahler, who, having joined the Board of Directors in March 2015, has until March 2018 to meet the minimum ownership threshold.

The Company has also adopted a corporate policy to align the interests of the Company’s executive management with the interests of its shareholders by requiring the executive officer to hold Class A Shares having an aggregate market value equal to not less than one (1) times his annual base salary within five years of the later of (i) the date of commencement of his or her employment as executive officer or (ii) the adoption of the policy by the Company. The Company adopted such policy in December 2013 and executive management is required to meet the ownership threshold by the later of (i) December 2018, or (ii) five years from the date of commencement of his or her employment as an executive officer.

## **Diversity**

### *Diversity Policy*

The Board has adopted a written diversity policy (“**Diversity Policy**”), which includes the identification and nomination of women directors, as well as diversity generally.

The Diversity Policy has as its objectives, the advancement of the representation of women and other minority groups on the Board, and the advancement and facilitation of a range of diversity initiatives throughout the Company.

The Diversity Policy requires that senior management implement steps throughout the organization to examine and implement the goals of the Diversity Policy, and to report periodically to the Board on its efforts to do so. The Board, through the Nominating and Corporate Governance Committee, is required to assess its composition in light of the Diversity Policy, and must consider potential candidates from all backgrounds when there is the need to fill vacancies on the Board.

The Diversity Policy permits the development of measurable objectives and diversity targets throughout the organization. These will be considered by the Board and Nomination and Corporate Governance Committee. Senior management is expected to develop measurable objectives and diversity targets at the project level.

The Nominating and Corporate Governance committee is required to review the effectiveness of the Diversity Policy on an annual basis.

### *Director Identification and Selection Process*

The Diversity Policy requires the Board and the Nominating and Corporate Governance Committee to consider diversity, including the representation of women, on the Board, in identifying and nominating candidates for election or re-election to the Board.

### *Representation of Women in Executive Officer Appointments*

Ivanhoe considers the level of representation of women in executive officer positions when making executive officer appointments.

### *Targets Regarding the Representation of Women on the Board and in Executive Officer Positions*

Ivanhoe and the Board have not developed “targets” for the representation of women on the Board and in executive officer positions. The Diversity Policy permits the setting of such targets, and Ivanhoe continues

to examine the appropriateness of establishing a “target” at all levels throughout the organization, and if so, what target would be appropriate in light of its jurisdiction of operations, industry, and organizational structure.

#### *Number of Women on the Board and in Executive Officer Positions*

The Board includes one woman director, representing 12.5% of the total number of directors. If all of management’s nominees for election as a director are elected, women will represent 12.5% of the total number of the then eight (8) directors.

Ivanhoe has one woman who is an executive officer of the Company, its Chief Financial Officer. Including all of its major subsidiaries, Ivanhoe has two (2) female executive officers out of six (6) constituting 33.3% of the executive officers. When all senior managers of the organization are considered, Ivanhoe has nine (9) female senior managers out of a total senior management staff of 46, representing 19.6% of senior management.

#### **Director Term Limits and Board Renewal**

The Company has not adopted term limits for its directors. The Board considers that given the nature of the business of the Company (the development of mines), and that mine development can routinely take more than a decade from discovery to first production, that the Company and its shareholders benefit from the experience brought to projects by Board members with significant experience and continuity of time serving the Company and its shareholders.

## Section 6 – Summary of Securities-Based Compensation Arrangements

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## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity participation is accomplished through the Company's Equity Incentive Plan dated May 5, 2014. The Company also established its RSU Plan (as defined herein) in 2015 which provides for the issuance of Class A Shares upon the vesting of restricted share units. Prior to the adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to Option Agreements.

The following information is as at May 8, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options, RSUs and rights (a)	Weighted-average exercise price of outstanding options, and rights <sup>(3)</sup> (b)	Number of securities remaining available for future issuance under equity compensation plans <sup>(1)(2)</sup>
Equity compensation plans approved by the securityholders	31,320,225	\$1.09	47,196,889
Equity compensation plans not approved by the securityholders	100,000	\$3.00	Nil
Total	31,420,225	\$1.09	47,196,889

### Notes:

- (1) Excludes bonus shares and the Purchase Plan.
- (2) Includes Class A Shares issuable upon vesting of RSUs.
- (3) Does not include RSUs.

## SUMMARY OF THE EQUITY INCENTIVE PLAN

### *Summary of Amendments*

The Equity Incentive Plan, as amended and restated, was last approved by a majority of the Board on May 2, 2017, and was last approved by the shareholders on 5 May, 2014. A full summary is set forth below. However, several amendments are proposed since the last approval, and include, but are not limited to: confirming that any unvested options terminate at the date of death or the date of cessation of employment or directorship, as the case may be, of the holder of such unvested options; and ensuring that if the Company participates in an arrangement, Class A Shares receivable on the exercise of an option will participate in the arrangement and that the Company will take such required steps to bind the other corporate participants in such term.

### *Purpose*

Pursuant to the EIP, the Board may from time to time, grant, by resolution, to eligible participants: (i) non-transferable options; (ii) Class A Shares by way of a bonus-in-kind; and (iii) the right to participate in a common share purchase plan (the "**Purchase Plan**"). The purpose of the EIP is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board, will be largely responsible for the Company's future growth and success. Eligible participants include directors, employees and service providers of the Company and any of its affiliates.

### *Limits of Issuance*

The aggregate number of Class A Shares that may be reserved for issuance as options under the EIP (excluding those allocated for issuance as bonus shares and under the Purchase Plan, as described below), together with any other security based compensation arrangements of the Company outstanding

from time to time, shall not exceed 10% of the issued and outstanding Class A Shares from time to time. The EIP is a “rolling plan” and, in accordance with the rules of the Toronto Stock Exchange (the “TSX”) options that have been cancelled, have expired or have been exercised will be available to be re-granted under the EIP and, will not reduce the aggregate number of Class A Shares that may be subject to issuance under the EIP.

#### *Insider Participation Limit*

The aggregate number of Class A Shares: (i) that may be reserved for issuance to insiders under the EIP (or when combined with all of the Company's other security based compensation arrangements) shall not exceed 10% of the outstanding Class A Shares from time to time; (ii) that may be issued to insiders under the EIP (or when combined with all of the Company's other security based compensation arrangements) within any one-year period shall not exceed 10% of the Company's outstanding Class A Shares from time to time; and (iii) that may be issued to any one insider and his or her associates under the EIP within any one-year period shall not exceed 5% of the Company's outstanding Class A Shares from time to time. The number of Class A Shares at any time reserved for issuance to any one participant under all securities based compensation arrangements shall not exceed 5% of the Company's outstanding Class A Shares from time to time. In addition, non-executive directors may not be issued options with a fair market value in excess of C\$100,000 in any one calendar year.

#### *Options Terms and Exercise Price*

The Board may at any time authorize the granting of options to such eligible participants as it may select, for the number of Class A Shares that it shall designate subject to the provisions of the EIP. The term of any options granted shall be five years from the date such option is granted (or such greater or lesser duration as the Board, on the recommendation of the Compensation and Human Resources Committee of the Board, may determine at the date of grant, but subject to any applicable TSX requirements), provided that if the expiry date should be determined to occur during a “blackout period” or within ten days following the expiry of such a period, the expiry date of such option shall be deemed to be the tenth business day following expiry of the blackout period. Each option shall have an exercise price equal to the volume weighted average price of the Class A Shares on the TSX for the five days on which the Class A Shares were traded immediately preceding the date of grant.

#### *Option Vesting*

Unless otherwise determined by the Board or as otherwise set forth in the EIP, options shall vest and may be exercised (in each case to the nearest full Class A Share) in four equal parts, representing 25% of the options, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. Subject to the termination provisions of the EIP, any options previously vested but not yet exercised are exercisable until the end of the option period.

#### *Cashless Exercise*

Eligible participants may elect to, in lieu of the exercise of a vested option by cash payment, receive that number of Class A Shares which is equal to the quotient obtained by: (i) subtracting the option exercise price per Class A Share from the volume weighted average price of the Class A Shares on the TSX for the five trading days immediately preceding the date of such election and multiplying that amount by the number of Class A Shares issuable on exercise of the vested option subject to election; and (ii) dividing the product obtained from (i) by the volume weighted average price of the Class A Shares on the TSX for the five trading days immediately preceding the date of such election.

#### *Effect of Termination of Employment or Death*

Unless otherwise determined by the Board, if an eligible participant ceases to be employed by, or act as a director of, the Company or an affiliate: (i) as a result of death, any vested options held by such eligible participant at the date of death shall be exercisable, by the person or persons whom the deceased's rights under the option shall pass by the deceased's will or operation of law, only to the extent that the

eligible participant was entitled to exercise the option at the date of their death and only for 12 months after such date or the expiration of the option, whichever is sooner; (ii) for cause, no option held by such eligible participant, whether vested or unvested, will be exercisable following the date on which such eligible participant ceased to be employed or to be a director, as the case may be; or (iii) for any reason other than death or cause, any vested option held by such eligible participant at the effective date thereof shall be and become exercisable for a period of up to 90 days thereafter or the expiration of the option, whichever is sooner. In the case of (i) and (iii), any unvested options shall not vest and shall terminate at the date of death or the date of cessation of employment or directorship, as the case may be.

#### *Effect of Takeover Bid*

If an offer, which constitutes a formal take-over bid under applicable Canadian securities law, for Class A Shares is made to a holder of an option or to shareholders generally or to a class of shareholders which includes the holder of an option, and such offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company within the meaning of the Ontario *Securities Act*, then the Company shall notify each holder of an option of the particulars of the offer and such options may be conditionally exercised by the holder thereof so as to permit the holder to tender the Class A Shares received upon such exercise pursuant to the offer. If the conditions of the offer are not satisfied and the offeror does not take up those Class A Shares, the conditional exercise shall terminate and the option shall be reinstated on the same terms and conditions that prevailed immediately prior to the conditional exercise.

#### *Effect of Amalgamation, Arrangement, or Merger*

If the Company amalgamates or merges with or into another corporation, or participates in any arrangement with any other corporation, any Class A Shares receivable on the exercise of an option shall be converted into the securities, property or cash which a participant would have received upon such amalgamation, arrangement or merger if such participant had exercised their option immediately prior to the record date of such amalgamation, arrangement or merger, and the option price shall be adjusted appropriately by the Board. The Company will take such steps as are required to bind the other corporation to the foregoing.

#### *Loans to Employees*

Subject to applicable law, the Board may at any time authorize the Company to loan money to an eligible participant (excluding any director or executive officer or equivalent thereof), on such terms and conditions as the Board may reasonably determine, to assist such eligible participant to exercise an option by cash payment held by them.

#### *Bonus Share Issuances*

The Board has the right to issue or reserve for issuance, for no cash consideration, to any eligible participant, any number of Class A Shares as a discretionary bonus subject to such provisos and restrictions as the Board may determine and applicable law. The aggregate maximum number of Class A Shares that may be issued in the form of a bonus will be limited to 5,000,000 Class A Shares (equal to 0.64% of the Class A Shares issued and outstanding), of which 2,868,308 Class A Shares have been issued in the form of bonus shares, as at May 8, 2017.

#### *Purchase Plan*

Eligible participants who are eligible employees and who have been continuously employed by the Company or any of its affiliates on a full-time basis for at least 12 consecutive months may, at the Board's discretion, contribute an amount equal to not more than 10% of their basic annual salary towards the purchase of Class A Shares. In addition to the amount contributed by an eligible participant, the Company will contribute an additional amount determined by the Board, which shall not exceed the amount contributed by an eligible participant. On March 31, June 30, September 30 and December 31 in each calendar year the Company will issue to each contributing eligible participant, provided that they are an

eligible employee on any such date, that number of Class A Shares, rounded down to the nearest whole Class A Share, which is equal to the aggregate amount of an eligible participant's contribution and the Company's contribution divided by the volume weighted average price of the shares on the TSX for the 90-day period immediately preceding the date of issuance. The aggregate maximum number of shares that may be issued pursuant to this Purchase Plan will be limited to 3,000,000 Class A Shares (which represents approximately 0.38% of the total issued and outstanding Class A Shares as of the date of this Management Proxy Circular).

If an eligible participant dies or otherwise ceases to be employed by the Company or any affiliate for any reason or receives notice from the Company of the termination of his or her employment, any amounts contributed by that eligible participant but not yet applied to the purchase of Class A Shares shall be paid to that eligible participant or their estate or successor, as the case may be. If the Company amalgamates or merges with or into another corporation, or participates in any arrangement with any other corporation, eligible participants to whom Class A Shares are to be issued will receive the securities, property or cash which such participant would have been entitled to upon such amalgamation, arrangement or merger had the Class A Shares been issued immediately prior to the record date of such amalgamation, arrangement or merger.

To date, the Board has not made the Purchase Plan available for participation by its eligible employees.

#### *Amendments*

The Board may amend the terms of the EIP without shareholder approval, including for the purposes of: changes of a clerical or grammatical nature; changes regarding the persons eligible to participate in the EIP; changes to the exercise price, vesting (including to accelerate the vesting of any outstanding option), term and termination provisions of options; changes to the cashless exercise right provisions; changes to the share bonus plan provisions (other than the maximum number of Class A Shares issuable under the bonus share plan); changes to the authority and role of the Compensation and Human Resources Committee under the Plan; changes to the acceleration and vesting of options in the event of a takeover bid or arrangement; and any other matter relating to the EIP and the options and awards granted thereunder, except in those circumstances set forth in the EIP as requiring shareholder approval and as required by applicable securities regulatory authorities or any stock exchange upon which the Class A Shares are then listed. If the EIP or any option is amended, such amendment will not have a retroactive effect, unless specifically stated in the amendment.

#### **Securities Issued and Unissued under the Equity Incentive Plan**

As at May 8, 2017, there are 786,171,143 Class A Shares of the Company issued and outstanding. Pursuant to the EIP and based on the current outstanding Class A Shares of the Company, Class A Shares reserved for issuance under the EIP would be as follows:

	<b>Number of Class A Shares</b>	<b>% of Issued and Outstanding Class A Shares<sup>(4)</sup></b>
Class A Shares reserved for future issuance pursuant to issued and unexercised options under the EIP <sup>(1)</sup>	24,461,600	3.11%
Unissued Class A Shares available for future option grants under the EIP <sup>(2)(5)(7)</sup>	47,196,889	6.00%
Maximum number of Class A Shares available for issuance under the EIP <sup>(3)(7)</sup>	71,658,489 <sup>(5)</sup>	9.11% <sup>(6)</sup>

#### **Notes:**

- (1) In addition, there remain 100,000 options granted under a separate option agreement outside of the EIP, which are exercisable for 100,000 Class A Shares (the "Option Agreement").
- (2) Calculated as the difference between the maximum number of Class A Shares available for issuance under the EIP and the sum of all Class A Shares reserved for future issuance pursuant to issued and unexercised options under the EIP.

- (3) Excluding the bonus shares and the Purchase Plan
- (4) Based on 786,171,143 outstanding Class A Shares of the Company.
- (5) This number is reduced by 6,858,625 RSUs issued to date and 100,000 Class A Shares issuable pursuant to the Option Agreement.
- (6) The aggregate number of Class A Shares that may be reserved for issuance under the EIP, together with any other securities based compensation arrangement of the Company in effect from time to time, in this case the RSU Plan and the proposed DSU Plan, shall not exceed 10% of the issued and outstanding Class A Shares from time to time.
- (7) This number will be reduced by 2,000,000 if the DSU Plan is approved by shareholders at the Meeting.

## SUMMARY OF THE DEFERRED SHARE UNIT PLAN

### *Purpose*

Pursuant to the proposed Deferred Share Unit Plan (the “**DSU Plan**”), the Company may grant on one or more occasions in each calendar year vested Deferred Share Units (“**DSUs**”) to non-executive directors (being any member of the Board not otherwise an officer of, or employed by, the Company or any of its subsidiaries or affiliates) (“**Non-Executive Directors**”), each DSU granted being a unit equivalent to a Class A Share, credited by means of a bookkeeping entry in the books of the Company. The purpose of the DSU Plan is to provide Non-Executive Directors of the Company with the opportunity to acquire deferred share units in order to allow them to participate in the long-term success of the Company and to promote a greater alignment of interests between its Non-Executive Directors and shareholders. Participants in the DSU Plan include current and former Non-Executive Directors.

### *Limits of Issuance*

The aggregate maximum number of Class A Shares that may be issued pursuant to the DSU Plan is limited to 2,000,000 Class A Shares (which represents approximately 0.25% of the total issued and outstanding Class A Shares as of the date of this Management Proxy Circular).

### *Insider Participation Limit*

The aggregate number of Class A Shares (together with any other securities based compensation arrangements of the Company in effect from time to time): (i) that may be reserved for issuance to insiders under the DSU Plan (or when combined with all of the Company's other security based compensation arrangements) shall not exceed 10% of the outstanding Class A Shares from time to time; (ii) that may be issued to insiders under the DSU Plan (or when combined with all of the Company's other security based compensation arrangements) within any one-year period shall not exceed 10% of the Company's outstanding Class A Shares from time to time; and (iii) that may be issued to any one insider and their associates under the DSU Plan within any one-year period shall not exceed 5% of the Company's outstanding Class A Shares from time to time. The number of Class A Shares at any time reserved for issuance to any one participant under all securities based compensation arrangements shall not exceed 5% of the Company's outstanding Class A Shares from time to time. In addition, non-executive directors shall not be granted DSUs with a market value in excess of C\$150,000 in any one calendar year, but excluding DSUs granted in lieu of cash retainers.

### *DSU Terms*

The Company may grant vested DSUs to Non-Executive Directors as part of the retainer payable to such persons for service as a member of the Board, including any additional retainer paid to such persons for serving as the chair, or a member of any standing committee of the Board, either by identifying a fixed number of DSUs to be granted or by identifying a cash amount to be allocated to a grant of DSUs. Additionally, the Board may from time to time approve a grant of DSUs to a participant as a discretionary award in addition to such aforementioned retainer.

DSUs received by a participant shall be credited to an account maintained for such participant on the books of the Company as of the Award Date, unless such DSU is granted as a discretionary award, then same shall be credited according to a vesting schedule approved by the Board at its discretion. "Award Date" means: (i) in respect of DSUs granted as part of a retainer payable, the first day of each interval or period for the advanced grant of each instalment of such retainer, on which dates relevant DSUs shall be deemed to be awarded; or (ii) in respect of a discretionary award of DSUs, on such date as determined by the Board. The number of DSUs (including fractional DSUs) to be credited as part of the aforementioned retainer shall be determined by dividing: (i) the amount of the retainer to be paid in DSUs, by (ii) the volume weighted average trading price of the Class A Shares on the TSX on the five trading days immediately preceding the Award Date, with fractions computed to three decimal places.

### *Vesting*

DSUs granted to Non-Executive Directors as part of the retainer payable to such persons for service as a member of the Board, including any additional retainer paid to such persons for serving as the chair, or a member of any standing committee of the Board, shall be vested DSUs. If DSUs are granted to a participant by way of discretionary grant, the DSUs shall vest according to a vesting schedule approved by the Board at its discretion.

### *Distribution and Settlement*

Each DSU shall be settled on December 31<sup>st</sup> of the calendar year that is three years following its Award Date.

Provided a “blackout period” is not then in effect, and that the Non-Executive Director does not otherwise have knowledge of an undisclosed material fact or material change pertaining to the Company at the time of election, a Non-Executive Director shall, within ten business days of the date of grant, notify the Company of their election to settle their DSUs on (i) a cash-basis, (ii) share-basis, or (iii) both a cash-basis and share-basis. If a blackout period is in effect at the time the Non-Executive Director would otherwise make the election, or the Non-Executive Director has knowledge of a material fact or material change that has not been generally disclosed, such election shall be made on the first business day after the date that the blackout period is lifted or the material fact or change is generally disclosed.

Notwithstanding any of the foregoing, each Non-Executive Director will have a one-time right, exercisable within thirty days of the date on which shareholders of the Company first approve the DSU Plan to elect that any DSUs granted prior to the foregoing date and which remain outstanding and unvested be settled in Class A Shares on its respective settlement date.

Each participant shall receive on each applicable settlement date based on their election, either (i) a lump sum cash payment equal to the number of DSUs recorded in the respective participant's account having such settlement date multiplied by the volume weighted average trading price of the Class A Shares on the TSX for the five trading days immediately preceding such settlement date, or (ii) a number of whole Class A Shares from treasury equal to the number of DSUs recorded in the respective participant's account having such settlement date (disregarding fractions), in each case, less any applicable withholding taxes. All settlement elections are irrevocable once made and may not be modified, amended or varied by either an eligible participant or the Company (unless the election becomes subsequently unlawful).

### *Effect of Termination*

If a participant has retired from all positions or ceases to hold any and all positions with the Company and its subsidiaries, the Company will settle all outstanding vested DSUs on the date the participant has retired or ceases to hold any and all positions credited to the account of such participant under the DSU Plan by making a cash payment equivalent to the amount which would have been paid to the participant in cash pursuant to the DSU's settlement terms, calculated on the basis of the applicable settlement date.

In the case of the death of a participant, the Company will settle all outstanding vested DSUs of the Participant as at the date of death on or about the thirtieth day after the Company is notified of the death of the Participant by making a cash payment to the Participant's estate on that date equivalent to the amount which would have been paid to the Participant in cash pursuant to the DSU's settlement terms, calculated on the basis that the day of death is the applicable settlement date.

Any unvested DSUs at the date of death or the date the Participant retires or ceases to hold any and all positions with the Company shall not vest and instead shall be cancelled as at such date and the Company will not make and will not have any obligation to make any payment in respect of such unvested DSUs.

#### *Effect of Takeover Bid*

If an offer, which constitutes a formal take-over bid under applicable Canadian securities law, for Class A Shares is made to a participant or to shareholders generally or to a class of shareholders which includes a participant, and such offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company within the meaning of the Ontario *Securities Act*, then the Company shall notify each participant currently holding a DSU of the particulars of the offer and such DSUs shall be considered conditionally settled and any conditions shall have been conditionally waived so as to permit the holder to tender the Class A Shares to be received upon on settlement pursuant to the offer (if share election has been made). If the conditions of the offer are not satisfied and the offeror does not take up those Class A Shares, the conditional settlement and conditional waiver shall terminate and the DSU shall be reinstated on the same terms and conditions that prevailed immediately prior to the offer. If the offer is completed, all DSUs shall settle and shall be deemed to have settled and all conditions shall be deemed to have been satisfied, such that upon consummation of the offer, all DSUs shall settle in accordance with the settlement method chosen by a participant and any Class A Shares issued and tendered to the offer will be taken up in accordance with the terms of the offer.

#### *Effect of Amalgamation, Arrangement, or Merger*

If the Company amalgamates or merges with or into another corporation, or participates in any arrangement with any other corporation, any Class A Shares receivable on the settlement of a DSU shall become the right to receive the securities, property or cash which a participant would have received upon such amalgamation, arrangement or merger if the DSU had been settled immediately prior to the record date applicable to such amalgamation, arrangement or merger, and shall be adjusted appropriately by the Board. DSUs which are elected to be settled in cash shall be settled in cash at the effectiveness of such amalgamation, arrangement or merger. The Company will take such steps as are required to bind the other corporation to the foregoing.

#### *Transferability*

Any DSUs shall not be assignable or transferable except to a participant's estate as provided by the section of the DSU Plan regarding death of a participant.

#### *Amendments, Suspensions or Termination*

The Board may from time to time amend or suspend the DSU Plan in whole or in part and may at any time terminate the DSU Plan without prior notice or any shareholder approval. However, any such amendment, suspension or termination shall not adversely affect the DSUs previously granted to a participant at the time of such amendment, suspension or termination, without the consent of the affected participant. If the Board terminates this DSU Plan, no new DSUs will be credited to the account of a participant, but previously credited and vested DSUs shall be paid out in accordance with the terms and conditions of this DSU as at the time of termination.

## Securities Issued and Unissued under the Deferred Share Unit Plan

As at May 8, 2017, there are 786,171,143 Class A Shares of the Company issued and outstanding. Pursuant to the DSU Plan, Class A Shares reserved for issuance under the DSU Plan would be as follows, if the DSU Plan is approved at the Meeting:

	Number of Class A Shares	% of Issued and Outstanding Class A Shares
Class A Shares reserved for future issuance pursuant to DSUs issued under the DSU Plan	0	0%
Unissued Class A Shares available for future DSU grants under the DSU Plan <sup>(1)</sup>	2,000,000	0.25%
Maximum number of Class A Shares available for issuance under the DSU Plan <sup>(1)</sup>	2,000,000	0.25%

**Notes:**

- <sup>(1)</sup> The aggregate number of Class A Shares that may be reserved for issuance to all participants under the DSU Plan (which constitutes only Non-Executive Directors), together with any other securities based compensation arrangement of the Company in effect from time to time, in this case the EIP and RSU Plan, shall not exceed 10% of the issued and outstanding Class A Shares from time to time.

## SUMMARY OF THE RESTRICTED SHARE UNIT PLAN

### *Purpose*

Pursuant to the Restricted Share Unit Plan (the “**RSU Plan**”), the Board may, from time to time, grant to eligible participants, unit awards, with each unit award granted entitling an eligible participant to receive one (1) restricted share unit (“**RSU**”). Each RSU represents the right of an eligible participant to receive one (1) Class A Share or a cash payment equal to the equivalent thereof. The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board and the Compensation and Human Resources Committee, will be largely responsible for the Company’s future growth and success. Eligible participants under the RSU Plan include directors, employees and service providers of the Company and any of its affiliates who participate in the RSU Plan voluntarily.

### *Limits of Issuance*

The aggregate maximum number of Class A Shares that may be issued pursuant to the RSU Plan is limited to 25,000,000 Class A Shares (which represents approximately 3.18% of the total issued and outstanding Class A Shares as of the date of this Management Proxy Circular). In addition, the aggregate number of Class A Shares that may be reserved for issuance under the RSU Plan on the grant of unit awards (excluding those allocated under the EIP for issuance as bonus shares and under the Purchase Plan), together with any other securities based compensation arrangements of the Company in effect from time to time, shall not exceed 10% of the issued and outstanding Class A Shares from time to time.

### *Insider Participation Limit*

The aggregate number of Class A Shares (together with any other securities based compensation arrangements of the Company in effect from time to time): (i) that may be reserved for issuance to insiders under the RSU Plan (or when combined with all of the Company’s other security based compensation arrangements) shall not exceed 10% of the outstanding Class A Shares from time to time; (ii) that may be issued to insiders under the RSU Plan (or when combined with all of the Company’s other security based compensation arrangements) within any one-year period shall not exceed 10% of the Company’s outstanding Class A Shares from time to time; and (iii) that may be issued to any one insider and their associates under the RSU Plan within any one-year period shall not exceed 5% of the Company’s outstanding Class A Shares from time to time. The number of Class A Shares at any time reserved for issuance to any one participant under all securities based compensation arrangements shall not exceed 5% of the Company’s outstanding Class A Shares from time to time. In addition, non-executive directors shall not be granted RSUs with a fair market value in excess of \$150,000 in any one calendar year.

### *RSU Terms*

The Board, or if authority is delegated to the Compensation and Human Resources Committee, that committee, may at any time authorize the grant of unit awards to such eligible participants as it may select for the number of unit awards that it shall designate subject to the provisions of the RSU Plan. Each grant of a unit award shall specify the performance period and may (but is not required to) specify performance conditions attaching to it, with such conditions to be set by the Board or the Compensation and Human Resources Committee. Performance conditions are additional conditions that may be imposed on a unit award that are required to be satisfied or discharged before a unit award shall vest. In the case of cash dividends declared on the Class A Shares, the RSU Plan contains an adjustment through which additional RSUs equal to the value of the dividend will be issued to a holder of RSUs.

### *Vesting*

Except as otherwise provided in the RSU Plan or unless otherwise determined by the Board or the Compensation and Human Resources Committee at the time of the grant of a unit award and subject to satisfaction of any performance conditions which may be attached to the unit award during the relevant

performance period, unit awards shall vest in one-third increments, commencing on the one year anniversary of the date of grant and on each of the two anniversaries thereafter, provided that the respective participant is and has continuously been an eligible director or eligible employee in the service of the Company or any of its affiliates from the grant date until the relevant date of vesting.

#### *Settlement*

Provided a “blackout period” is not then in effect, and that the eligible participant does not otherwise have knowledge of an undisclosed material fact or material change pertaining to the Company at the time of election, an eligible participant shall, within two business days of the date of grant, notify the Company of their election to settle their RSU awards on (i) a cash-basis, (ii) share-basis, or (iii) both a cash-basis and share-basis.

If cash settlement is elected, the Company will issue that number of vested Class A Shares to which the eligible participant is entitled to a licensed securities broker, who will then sell such shares in the public market and deliver the net proceeds thereof to such eligible participant. The Company may also sell or cause to be sold such number of Class A Shares as is necessary to satisfy any applicable withholding taxes, which includes, with respect to participants in the United Kingdom, employer's national insurance contribution. Where a participant in the United Kingdom elects cash settlement, such participant shall remain entitled to acquire those Class A Shares as beneficial owner on the vesting of the unit award, but such Class A Shares shall be sold automatically on behalf of the participant in accordance with cash settlement procedures.

If share settlement is elected, the Company will cause the vested Class A Shares to be issued in certificated form to the eligible participant within five (5) business days of vesting.

If an eligible participant fails to make an election as described above, the eligible participant will be deemed to have elected to settle their RSU awards on a cash-basis. All settlement elections are irrevocable once made and may not be modified, amended or varied by either an eligible participant or the Company (unless the election becomes subsequently unlawful).

#### *Effect of Termination*

If an eligible participant ceases to be employed by, or act as, a director of the Company or an affiliate for any reason (including death, termination for cause, termination without cause, resignation or retirement): (i) any unvested unit awards held by such eligible participant at the date the eligible participant ceases to be an employee or director of the Company or an affiliate shall be terminated as of such date; and (ii) any vested unit awards held by such eligible participant at the date the eligible participant ceases to be an employee or director of the Company or an affiliate and which has not yet been settled, shall be settled within thirty (30) days of such date. If a unit award has performance conditions attached to it which remain unsatisfied at the date an eligible participant ceases to be an employee or director of the Company or an affiliate, then such unit awards shall be deemed to not have vested.

#### *Effect of Takeover Bid*

If an offer, which constitutes a formal take-over bid under applicable Canadian securities law, for Class A Shares is made to a participant or to shareholders generally or to a class of shareholders which includes a participant, and such offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company within the meaning of the Ontario *Securities Act*, then the Company shall notify each participant currently holding a unit award of the particulars of the offer and such unit awards shall be considered conditionally vested and any performance conditions shall have been conditionally waived so as to permit the holder to tender the Class A Shares received upon vesting pursuant to the offer. If the conditions of the offer are not satisfied and the offeror does not take up those Class A Shares, the conditional vesting and conditional waiver shall terminate and the unit award shall be reinstated on the same terms and conditions that prevailed immediately prior to the offer. If the offer is completed, all unit awards shall vest and shall be deemed to have vested and all performance conditions shall be deemed to have been satisfied, such that upon consummation of the offer, all unit awards shall settle in accordance

with the settlement method chosen by a participant and any Class A Shares issued and tendered to the offer will be taken up in accordance with the terms of the offer.

#### *Effect of Amalgamation, Arrangement, or Merger*

If the Company amalgamates or merges with or into another corporation, or effects an arrangement of its Class A Shares, any Class A Shares receivable on the vesting of a unit award shall become the right to receive the securities, property or cash which a participant would have received upon such amalgamation, arrangement or merger if the unit award had vested immediately prior to the record date applicable to such amalgamation, arrangement or merger, and shall be adjusted appropriately by the Board. Unit awards which are elected to be settled in cash shall be settled in cash at the effectiveness of such amalgamation, arrangement or merger. The Company will take such steps as are required to bind the other corporation to the foregoing.

#### *Transferability*

Any unit awards or RSUs accruing to any eligible participant shall not be transferable except by will or by the laws of descent and distribution. All benefits and rights granted under the RSU Plan may only be exercised by the eligible participant during their lifetime.

#### *Amendments*

The Board may amend the terms of the RSU Plan without shareholder approval, including for the purposes of: changes of a clerical or grammatical nature; changes regarding the persons eligible to participate in the RSU Plan; changes to the vesting, provisions of unit awards, performance conditions or performance period; changes to the authority and role of the Compensation and Human Resources Committee under the RSU Plan; changes to the acceleration and vesting of unit awards in the event of a takeover bid or change of control; and any other matter relating to the RSU Plan and the unit awards granted thereunder.

The Compensation and Human Resources Committee also has the power to amend the terms of the RSU Plan without shareholder approval, for the purposes of: changes of a clerical or grammatical nature; changes regarding the persons eligible to participate in the RSU Plan; and changes to the vesting, provisions of unit awards, performance conditions or performance period.

Notwithstanding the foregoing, the powers of the Board and the Compensation and Human Resources Committee shall be limited in those circumstances set forth in the RSU Plan as requiring shareholder approval and as required by applicable securities regulatory authorities or any stock exchange upon which the Class A Shares are then listed. Shareholder approval is required for:

- (i) amendment to the any amendment to the aggregate maximum number of Class A Shares issuable under the RSU Plan;
- (ii) any amendment to the aggregate percentage of Class A Shares that may be reserved for issuance under the RSU Plan or issued to insiders under the RSU Plan;
- (iii) any amendment which would accelerate the vesting of any unit awards held by insiders, except as contemplated under the RSU Plan; and
- (iv) any amendment provision under the RSU Plan.

If the RSU Plan is terminated, its provisions and any other guidelines, rules and regulations adopted by the Board or the Compensation and Human Resources Committee in respect of it will continue in effect as long as any unit awards or rights thereto remain outstanding.

The RSU Plan was last amended by the Board on May 2, 2017, which amendments were not subject to shareholder approval. Those amendments provided for the following changes: clarified the effect on RSUs resulting from a take-over bid, arrangement or merger, introduced provisions requiring participants in the United Kingdom to be responsible for employer's national insurance contribution and to permit the

Company to withhold and sell shares to satisfy such obligations, and introduced a \$150,000 fair market value limit on grants of RSUs to non-executive directors in any one calendar year. All of these amendments are included in the summary of the RSU Plan appearing above.

### Securities Issued and Unissued under the Restricted Share Unit Plan

As at May 8, 2017, there are 786,171,143 Class A Shares of the Company issued and outstanding. Pursuant to the RSU Plan, Class A Shares reserved for issuance under the RSU Plan would be as follows:

	Number of Class A Shares	% of Issued and Outstanding Class A Shares
Class A Shares reserved for future issuance pursuant to issued and unvested RSUs under the RSU Plan	6,858,625	0.87%
Unissued Class A Shares available for future RSU grants under the RSU Plan <sup>(1)</sup>	18,141,375	2.31%
Maximum number of Class A Shares available for issuance under the RSU Plan <sup>(1)</sup>	25,000,000	3.18%

**Notes:**

<sup>(1)</sup> The aggregate number of Class A Shares that may be reserved for issuance under the RSU Plan, together with any other securities based compensation arrangement of the Company in effect from time to time, in this case the EIP and proposed DSU Plan, shall not exceed 10% of the issued and outstanding Class A Shares from time to time.