

June 15, 2017

STATEMENT

Ivanhoe Mines issues fact-based response to Congo Research Group on certain business activities in the Democratic Republic of Congo

Attention: Jason Stearns
Director, Congo Research Group, Center on International Cooperation
New York University, New York, USA

While Ivanhoe Mines appreciates the opportunity to respond to aspects of recent research conducted by the Congo Research Group that you lead, Ivanhoe nonetheless remains concerned about the extent of respect for truth and objectivity to be reflected in a planned report by the Congo Research Group. This response statement addresses those priorities and what appear to be looming inaccuracies.

In your email dated June 6, 2017, you advised Ivanhoe Mines that the Congo Research Group – an activist organization that claims to be conducting “independent” research – is planning to release a report on a purported “business network” of the Democratic Republic of Congo’s President, Joseph Kabila. You advised that the report would mention some DRC business activities of Ivanhoe Mines.

You declared: “We do not conclude that Ivanhoe has engaged in illegal activity, but we do highlight the need to examine these and other assets involving the Kabila family for potential conflicts of interest.”

You further stated that if Ivanhoe Mines chose to reply to your allegations the reply “can be published in an annex to the report”. You proceeded to list 12 statements that mentioned a number of DRC companies, some ownership structures and some transactions purportedly involving Ivanhoe’s Kamoakakula copper-mine development project in the DRC.

It is essential that you take the necessary steps to ensure that readers of the Congo Research Group’s planned report have access to a completely accurate set of facts if your research is to be truly objective and fair. It also is essential that readers are aware of some of the limitations of your organization’s research and fact checking that, deliberately or otherwise, could have the effect of precluding objective enquiry and a fair, accurate and balanced presentation of information within the main body of the report, on issues involving Ivanhoe Mines.

This statement addresses these limitations first, and then proceeds to provide a correct and accurate set of facts relating to Ivanhoe Mines and the matters that have been raised by the Congo Research Group. As with all reviews of this nature, Ivanhoe expects that all organizations will strive to be factually accurate in their reporting. In Ivanhoe’s experience, this unfortunately has not always been the case. So should it be necessary, Ivanhoe will take all necessary steps to ensure its activities are accurately researched, described and reported, and that the company’s interests are protected.

Withholding of information. As Director of the Congo Research Group, you provided only 12 relatively terse assertions arising from what you claimed was “extensive research” by your organization. Then you ignored requests submitted by Ivanhoe Mines to provide additional information about your statements that might have enabled Ivanhoe to provide more informed and meaningful responses. Your claim that the Congo Research Group was providing Ivanhoe Mines with an opportunity to provide its “side of the story” is not entirely true. There can be no fair and balanced story telling when you have not shared the full version of your group’s story at the outset. This withholding of information gives rise to a concern that significant elements may be being withheld until the publication of your report. This would mean that the potential for inaccuracy is very high. Ivanhoe requests that it be given the opportunity to comment on the story in its totality. This would help to ensure the integrity of what the Congo Research Group eventually publishes and give it more credibility. But no such opportunity has been provided to this point.

No commitment to fair and balanced presentation of information. The Congo Research Group has made no commitment to ensure that Ivanhoe Mines’ responses, addressing key facts about its business activities in the DRC, will be included in the main body of the group’s planned report. You stated in your initial contact that the Congo Research Group could publish Ivanhoe’s response “in an annex to the report”. After Ivanhoe Mines expressed concern that this arbitrary separation of allegations and responses would not provide an accurate, fair and balanced presentation of information, you changed your position and suggested that Ivanhoe’s responses might be included in the body of the report if your group judged them “appropriate”. Such a qualified concession is no commitment at all to present readers with both sides of the story in a common context in the main body of the report. If the Congo Research Group chooses to issue an unbalanced report that is inaccurate and misleading, it will undermine the group’s credibility and the integrity of its research. As previously indicated, Ivanhoe Mines will publicly correct any misinformation, as may be required.

These tactics raise the possibility that the examination of issues in the Congo Research Group’s report concerning Ivanhoe Mines will be compromised by blinkered enquiry and unfair and inaccurate presentation that could misrepresent crucial facts and mislead readers.

Some fundamental facts, for the record

Ivanhoe Mines expects that key information in this response communication will be fairly and accurately presented in the main body of the Congo Research Group’s report. The omission of seemingly minor facts could compromise the report’s objectivity and misrepresent Ivanhoe Mines and its business activities in the DRC in a prejudicial and harmful manner.

Ivanhoe Mines remains available to assist the Congo Research Group with additional fact checking. Ivanhoe will defend its stakeholders’ interests, publicly correct any inaccuracies and seek published retractions and corrections, as necessary.

Ivanhoe's commitment to international contracting best practices in the DRC

It is essential that the Congo Research Group and readers of its planned report know and understand at the outset that Ivanhoe Mines is committed to using and supporting local DRC companies and service providers in the development of its resource projects in the DRC. This is not a cursory commitment, but a development activity that Ivanhoe had initiated and maintained long before recent DRC legislation was enacted to promote local content.

Ivanhoe always has adhered to a fair and objective tendering, procurement and adjudication process for all capital and construction-type contracts at all of its exploration and development projects.

When the tender is material or involves technical matters, it is administered by Ivanhoe's independent engineering, procurement and construction management (EPCM) companies that have the facilities and expertise to perform this task according to industry best practice. When they are supervising the tender, the EPCM companies prepare the tender, receive and review bids, and adjudicate and recommend the preferred bidder. Successful bidders are selected according to industry-standard parameters that include capability, expertise, quality, schedule and price. Basic procurement tenders for services such as fuel supply are run by Kamoia Copper SA.

Ivanhoe currently has a 39.6% indirect ownership interest in Kamoia Copper following Ivanhoe's transaction with Zijin Mining in December 2015 and its landmark agreement with the Government of the DRC of November 2016.

Congo Research Group's fixation on Zoe Kabila has no relevance to the conduct of Ivanhoe's business in the DRC

It is apparent from the list of statements that you submitted on behalf of the Congo Research Group that you are entertaining mistaken, ill-informed assumptions about a non-existent role that you appear to be suggesting was played by Zoe Kabila, the brother of the DRC president, in business decisions that have been made by Ivanhoe Mines.

Ivanhoe Mines states, for the record, that neither Ivanhoe Mines nor, we are assured, our representatives, have had any interaction with Zoe Kabila in:

- the tendering and awarding of any contracts for work relating to the development of Ivanhoe's Kamoia-Kakula and Kipushi projects in the DRC; and
- the disposal of non-core exploration permits, or any other assets, in the DRC in recent years.

In all of Ivanhoe's dealings with companies that you identify in your list of statements – notably La Generale Industrielle et Commerciale au Congo SPRL (GICC) and Tanga Logistics and Mining (TLM) – those two companies always were represented by General Manager Issa Ganda and the stated principal, Theo Mahuku.

Ivanhoe Mines does not have the knowledge to comment on the extended ownership structures of TLM or GICC, including the identities of their ultimately beneficial owner(s) who may stand, privately or publicly, at the pinnacles of their organizational pyramids. No information has come to Ivanhoe's attention that would enable Ivanhoe to confirm the respective ownership chains of these entities, either today or at the time when contracts were executed for work to advance Ivanhoe's projects in the DRC.

Facts about bids submitted by La Generale Industrielle et Commerical au Congo (GICC)

GICC has been invited to bid on certain tendered contracts at Ivanhoe's Kamo-Kakula Project. To date, GICC's track record is 50%: It was awarded one contract through competitive bidding, but was outbid by a competitor for a second contract. See summaries, below.

To Ivanhoe's knowledge, Zoe Kabila was not involved in any of the tendering processes on either occasion.

GICC Awarded Contracts					
Contract Services	Contract Award Date	Contract Completion Date	Tender Manager	Number of Bidders	Contract Value
Diesel supply	January 2017	Ongoing (1 year term)	Kamo-K Copper	5	US\$0.98 million

GICC Unsuccessful Bid					
Contract Tender	Bidding Date	Award Date	Tender Manager	Number of Bidders	Contract Value Awarded
Construction of Kakula box cut (Kamo-Kakula Project)	January 2017	May 2017	DRA Engineering	6	US\$2.2 million

Ivanhoe has not separately reported the values of these contracts because they are immaterial for the company's financial reporting purposes. In 2017, Ivanhoe has incurred operational and capital expenditures at the Kamo-Kakula Project totalling approximately US\$50 million. GICC's successful bid amounted to 2% of the total expenditure at the project. Viewed at an Ivanhoe consolidated level, the percentage figure falls to 1.7% so far in 2017.

Facts about bids submitted by Tanga Logistics and Mining (TLM)

Like GICC, TLM on occasion has been invited to submit bids in multiple bidding competitions on construction and supply contracts in accordance with Ivanhoe's standard tendering procedure. TLM and GICC are not always among invited bidders, given that their expertise and skills are not always in service areas where a tender is being made.

Ivanhoe has contracted with TLM on two occasions following competitive bidding, which had a combined, total value of US\$1.75 million.

But while TLM was one of five companies that participated in the open and transparent tendering process for what became the major US\$37.4 million contract for work on the Kansoko Mine development, TLM was not among the three companies selected for the shortlist.

Again, to Ivanhoe's knowledge, Zoe Kabila was not involved in any of the tendering processes.

TLM Awarded Contracts					
Contract Services	Contract Award Date	Contract Completion Date	Tender Manager	Number of Bidders	Contract Value
Construction of sump and roadways for Kansoko box cut (Kamoa-Kakula Project)	June 2015	October 2015	Kamoa Copper	3	US\$0.9 million
Construction of 11kV power lines and substations for 8km (Kamoa-Kakula Project) ¹	June 2016	January 2017	MDM Engineering	3	US\$0.85 million

¹ TLM partnered Chinese-owned power line company (Chuantie) for this contract.

TLM Unsuccessful Bid					
Contract Tender	Bidding Date	Award Date	Tender Manager	Number of Bidders	Contract Value Awarded
Development of the Kansoko decline shafts (Kamoa-Kakula Project)	July 2015	December 2015	Kamoa Copper	5	US\$37.47 million

Ivanhoe Mines has disclosed its contractual relationship with TLM in a number of public filings and news releases.

The value of these contracts has not been disclosed because they are immaterial for Ivanhoe's financial reporting purposes. For context, in the two years in which TLM was a successful bidder, Ivanhoe's operational and capital expenditures at the Kamo-Kakula Project totalled US\$37.59 million (2015) and US\$97.99 million (2016), of which TLM's bids amounted to 2.4% and 0.9% respectively of all expenditures in those years at the Kamo-Kakula Project. When extended to the Ivanhoe consolidated group financial statements reported under Canadian securities legislation, those percentages drop to 0.7% and 0.6% respectively.

Erroneous statement presented by Congo Research Group

Contrary to one of the claims contained in the Congo Research Group's list of 12 statements that you provided to Ivanhoe Mines on June 6, GICC is not "in negotiations" with Ivanhoe Mines' subsidiary Kamo Copper "for more supply and construction contracts". Unfortunately, you have chosen to ignore Ivanhoe's request for more information about the circumstances of this purported claim.

We are aware that GICC's reported associated company, TLM, previously had claimed to have entered into a "partnership" with Kamo Copper and to have held a priority in project tendering. Such claims also were fictions; no such agreements ever existed with Ivanhoe Mines or Kamo Copper.

Ivanhoe exploration permits acquired by GICC and Nzuri Copper

To understand the permit transactions, it is important to understand DRC law governing mineral exploration, the project selection process – and how that has played out with Ivanhoe.

To summarize, Ivanhoe initially assembled a portfolio of exploration permits covering an area of more than 50,000 square kilometres in the DRC in the 1990s. This is slightly larger than Slovakia and slightly less than Costa Rica. It was an immense territory. It could not all be explored. DRC mining law anticipates this and requires that 50% of exploration permit areas be "dropped" with each renewal. This requires a permit holder to seek to retain what it considers the more prospective areas. By the time of Ivanhoe's 2012 initial public offering, the company's DRC regional exploration portfolio – excluding the Kamo-Kakula and Kipushi projects – had been whittled down to permits covering approximately 9,000 square kilometres. That still constituted a large land area, which was only slightly smaller than Cyprus.

Kalongwe and Nzuri Copper. Junior exploration companies, and certainly not Ivanhoe, do not have the financial means to continue to explore and maintain title over such vast areas. As well, the results of exploration may not be as successful as anticipated. Both of these factors resulted in the sale of the Kalongwe permit.

Ivanhoe initially explored the Kalongwe permit, then known as PR688, in 2006 and 2007. But the results did not show that Kalongwe had the potential to be of the scale of mining operation Ivanhoe was seeking. The Kalongwe permit also contained uranium that would adversely impact the ability to produce copper concentrates, making the project less attractive. Then Ivanhoe discovered the Kamo Project in 2008 and the company turned its

financial resources to exploration activity at Kamoia. While Ivanhoe was focussed on the Kamoia Project, artisanal miners began working on the Kalongwe permit area, making it very difficult for Ivanhoe to resume any exploration activities on Kalongwe. The artisanal miners also were mining the uranium mineralization, creating a potential liability for Ivanhoe as the permit holder.

All of this led to the strategic decision to either sell the Kalongwe permit (if it could be sold) or return it to the DRC. It was sold in 2010 for proceeds of US\$1.2 million, thereby preserving some value in it before it was returned or eventually reduced in size. **The sale was disclosed in Ivanhoe's 2012 initial public offering prospectus, although the sale occurred when Ivanhoe still was a private company. No other public disclosure was made or required.** The actual sale was conducted through an agent under power of attorney, who identified and contracted with the buyer – which only later was revealed to Ivanhoe as GICC.

Following the approach of Regal Resources (now Nzuri Copper, a publicly-listed company on the Australian Securities Exchange), Ivanhoe subsequently agreed to joint venture the additional exploration permits PR689, 690, 701 and 702 in April 2015 for up-front consideration of US\$0.1 million and an additional payment of US\$0.15 million one year later, which was received. **This transaction was structured as an earn-in with Nzuri Copper whereby Nzuri could acquire up to 90% in the permits by spending US\$6 million over a five-year period. As such, Nzuri has a significant financial obligation to fulfil before it can acquire an ownership interest in these additional properties.**

These transactions were done for strategic and financial reasons. In 2010, Ivanhoe was turning its attention and allocating its financial resources, to its rapidly growing Kamoia Project in the DRC and Platreef Project in South Africa. These were considered more prospective than Kalongwe – a judgment that subsequently was proven correct.

On May 17, 2017, Ivanhoe announced combined mineral resources at its Kamoia-Kakula Project of 31,391 Ktonnes (69.2 billion pounds) of copper in the Indicated Mineral Resource category and a further 5,178 Ktonnes (11.5 billion pounds) of copper in the Inferred Mineral Resource category. Nzuri Copper Limited, on the other hand, has defined 302 Ktonnes (666,000 pounds) in combined Indicated and Inferred categories (combinations which are permitted under Australian Stock Exchange rules but prohibited under Canadian rule NI 43-101.) In simple terms, Ivanhoe has defined 121-times more copper than Nzuri.

Ivanhoe's strategic decision to dispose of Kalongwe so it could concentrate more resources on advancing what now is the Kamoia-Kakula Project – **an entirely greenfield discovery by Ivanhoe** – was the warranted and immensely superior course of action.

Strategic disposals of permits. The strategic disposition of remaining exploration permits did continue in 2015 and 2016, as Ivanhoe decided to end its regional exploration activities in the DRC. This was done for the strategic reason that Ivanhoe, by that time, had three world-scale projects to advance, which collectively will require billions of dollars in development capital. Exploration was no longer a priority as Ivanhoe focussed on building its three concurrent developmental mining projects, thereby enabling non-core exploration projects and their permits to be selected for disposal.

Three companies originally expressed interest in acquiring DRC exploration permits held by Ivanhoe; two did not submit offers.

GICC acquired three exploration permits (PR707, PR803 and PR806) under an October 30, 2015, contract for US\$0.1 million and a 5% retained royalty. Permits PR804 and PR805 also were sold to GICC under a January 11, 2016, contract for a further US\$0.1 million and a 5% retained royalty. It is common industry practice for vendors to retain royalty interests in potentially prospective projects.

This strategic sales process also was followed in other markets. At the time of its 2012 initial public offering, Ivanhoe had exploration projects in Australia, Gabon and Zambia, all of which have been strategically disposed of in recent years – except in the case of Gabon, where the disposal process is underway, all to enable Ivanhoe to focus its management, strategic resources and capital on those priority projects that management considers to be the most prospective.

The transaction values of these permits are quite modest (and very immaterial relative to Ivanhoe's roughly CDN\$3.4 billion market capitalization). It should be noted that:

- These were all non-core, immaterial assets to Ivanhoe.
- All of the disposals were completed in the ordinary course of business.
- All fell below any materiality threshold of applicable securities legislation and, except as noted above, have not been disclosed in Ivanhoe's securities filings and were not otherwise required to be reported.

Again, it is essential to note that Ivanhoe Mines and, we are assured, its representatives did not have any interaction with Zoe Kabila on the disposals of any of these permits either.

No grounds for suggestions of conflicts of interest in Ivanhoe transactions

There is no factual basis for the Congo Research Group's declared decision to use its planned report on the purported Kabila business network in the DRC to call for an examination of asset transactions between Ivanhoe Mines and "the Kabila family for potential conflicts of interest". The facts support the truth. Any dealings between Ivanhoe and entities in the DRC, including TLM and GICC, always have been conducted objectively and in a fair and transparent manner, as the actual factual record shows.

Ivanhoe has a **Code of Business Conduct and Ethics** and a **Companion Booklet** that are available on Ivanhoe's website:

- <https://www.ivanhoemines.com/site/assets/files/1740/code-of-conduct.pdf>
- <https://www.ivanhoemines.com/site/assets/files/1741/companion-booklet.pdf>

These reference guides to corporate conduct have been prepared with the benefit of legal counsel in multiple countries, and are reviewed on a regular basis.

The information in this corporate statement is intended to help you and the Congo Research Group understand the circumstances, considerations and responsible business practices involved in the specific transactions of interest to the group.

Ivanhoe Mines expects that the Congo Research Group will fairly report all of the facts in the main body of its planned report to responsibly inform readers in a balanced and objective manner. That would be consistent with an organization tied to a very reputable university. However, Ivanhoe ultimately will defend its stakeholders' interests, publicly correct any inaccuracies and seek published retractions and corrections, should they be required.

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