

July 14, 2016

Mine-building enters new phase with start of permanent sinking work on first shaft at Ivanhoe Mines' Platreef platinum-group metals, nickel, copper and gold project in South Africa

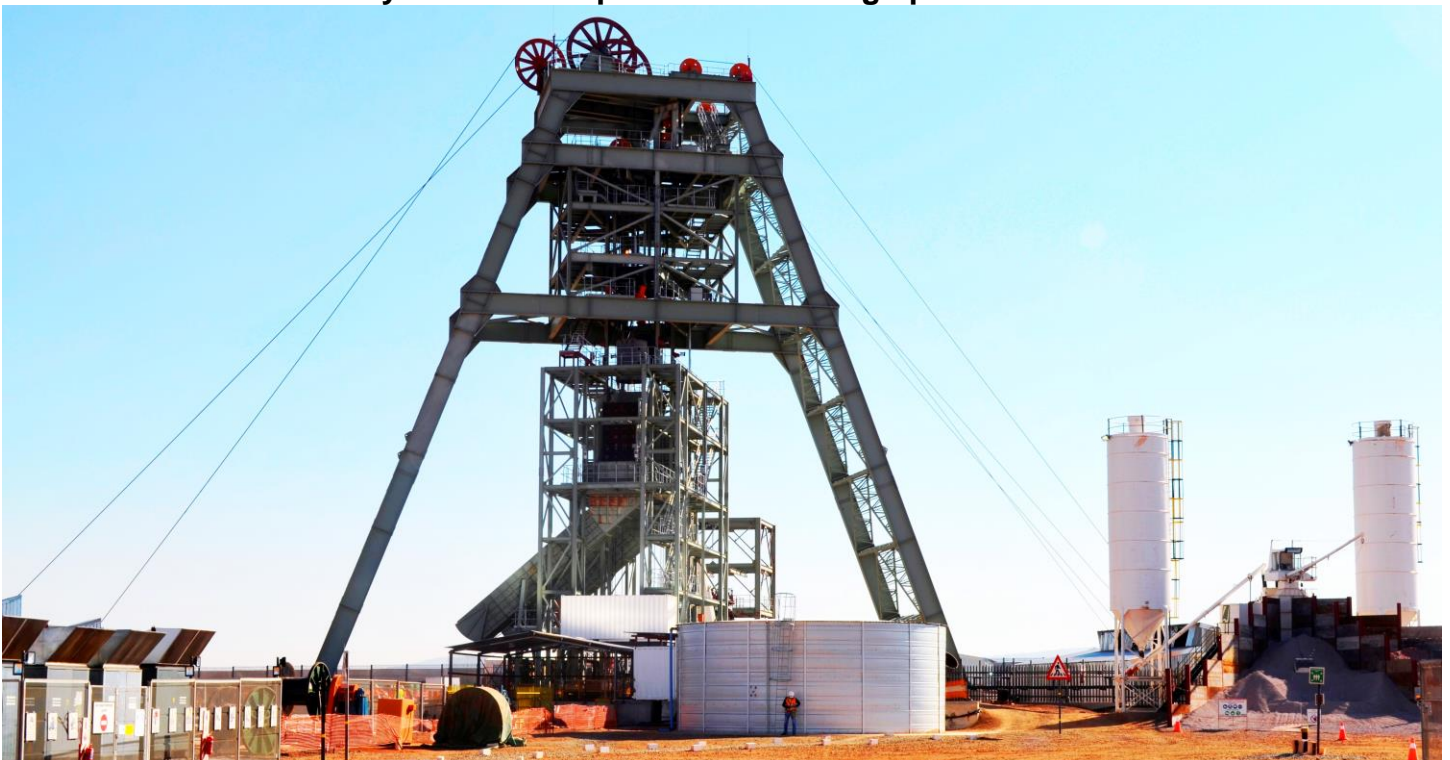
MOKOPANE, SOUTH AFRICA – Robert Friedland, Executive Chairman of Ivanhoe Mines (TSX: IVN), and Lars-Eric Johansson, Chief Executive Officer, announced today that permanent sinking work has begun on Shaft 1 at the Platreef platinum-group metals, nickel, copper and gold mine in South Africa.

Shaft 1, which will have an internal diameter of 7.25 metres, will provide initial access for early underground development at the Flatreef Deposit and will be utilized to fast-track production during the first phase of the project.

Following the successful commissioning and licensing of the required equipment, the permanent sinking phase started at a planned, initial rate of 1.8 metres per day. This is planned to double the current depth of Shaft 1 from 54 metres to 107 metres below surface – the point at which the main sinking phase will begin. Ivanhoe expects that the subsequent main sinking phase will advance at an average rate of 2.7 metres a day until it reaches the planned, final depth at 1,025 metres below surface in 2018.

“This is an important milestone in the building of a major, new underground mine at Platreef and we are extremely proud of our employees and contractors for the safe and efficient job they have done in transitioning Shaft 1 from the pre-sinking phase to the permanent-sinking phase,” said Mr. Friedland.

Platreef's Shaft 1 officially licensed for permanent sinking operations.



The Shaft 1 sinking contract, held by Aveng Mining, of South Africa, will include the development of two main stations at below-surface depths of 450 metres and 750 metres. Shaft 1 is expected to reach the Flatreef Deposit, at a depth of 777 metres, during the third quarter of 2017.

The selected mining areas proposed in Platreef's current pre-feasibility study mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface.

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

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

Shaft 1, including initial lateral underground development work, will be funded from dedicated funds remaining in Ivanhoe's treasury from the US\$280-million received in 2011 for the sale of an 8% interest in the Platreef Project to the ITOCHU-led Japanese consortium.

Early works for the 10-metre-diameter Shaft 2, the main production shaft with the capacity to hoist six million tonnes per year, are planned to begin next year. The headgear design has been completed by South Africa-based Murray & Roberts Cementation.

Drilling with a six-boom jumbo drill rig at the bottom of Shaft 1.



New lines to supply electrical power from South Africa's national grid

Work now is complete on the internal electricity substation, which will have a capacity of five-million volt-amperes. Construction is underway of the power transmission lines from the main lines of Eskom, the South African public electricity utility, which will be used for shaft sinking. Back-up generators also have been installed to ensure continuous sinking operations in the event of power interruptions.

The new power transmission lines also will provide electric power to an adjacent community near the Platreef Project, which currently has no supply of electricity.

Other on-site work includes the construction of the permanent road intersection leading to the Platreef Project from the N11 national highway, which will assist with management of safe access to the mine.

Feasibility study update

Ivanplats plans to develop the Platreef Mine in three phases: an initial annual rate of four million tonnes per annum (Mtpa) to establish an operating platform to support future expansions; followed by a doubling of production to eight Mtpa; and then a third expansion phase to a steady-state 12 Mtpa. At a projected production rate of 12 Mtpa, Platreef would be among the largest platinum-group metals mines in the world.

Good progress is being made in advancing the feasibility study for Platreef's first-phase production scenario toward completion. The study, which began in August 2015, is being managed by principal consultant DRA Global, with specialized sub-consultants including Stantec Consulting, Murray & Roberts Cementation, SRK, Golder Associates and Digby Wells Environmental.

Ivanplats completed a pre-feasibility study (PFS) in January 2015 that covered the first phase of development that includes construction of a state-of-the-art underground mine, concentrator and other associated infrastructure to support initial concentrate production.

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

The planned mining methods will use highly productive mechanization, including long-hole stoping and drift-and-fill mining. The mined-out areas within the deposit will be backfilled with a paste mixture that utilizes tailings from the process plant and cement. The ore will be hauled from the stopes to a series of ore passes that will connect to a main haulage level connected to Shaft 2, where it will be hoisted to the surface for processing.

Construction of the new permanent N11 national road intersection to the Platreef mine site.



Safety Achievements

The Platreef Project reached a total of 5,903,038 million hours in terms of the Mines Health and Safety Act and the Occupational Health and Safety Act by the end of June 2016. A total of 1,266,480 Lost Time Injury-Free (LTI) hours worked have been achieved since the previous LTI in October 2015. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to any employees, contractors, sub-contractors and consultants.

Ivanplats' staff and Aveng employees who have now achieved more than 5.9 million hours on the Platreef Project.



Qualified person

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

Information on sample preparation, analyses and security is contained in the Platreef Project NI 43-101 Technical Report dated January 8, 2015, filed on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com.

About Ivanhoe Mines

Ivanhoe Mines is advancing and developing its three principal projects:

- The Kamoa Copper Discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of the Congo (DRC).
- The Platreef Discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa.
- The historic, high-grade Kipushi zinc-copper mine, also on the Copperbelt in the DRC.

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FORWARD-LOOKING STATEMENTS

Statements in this news release that are forward-looking statements or information are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in the company's periodic filings with Canadian securities regulators. When used in this news release, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should" and similar expressions, are forward-looking statements. Information provided in this document is necessarily summarized and may not contain all available material information.

The forward-looking information and statements in this news release include, but is not limited to, (i) statements regarding Shaft 1 providing initial access for early underground development at the Flatreef Deposit and that Shaft 1 will be utilized to fast-track production during the first phase of the project; (ii) statements regarding the sinking of Shaft 1, including at a daily rate of approximately 1.8 metres per day and 2.7 metres per day; statements regarding Shaft 1 reaching the Flatreef Deposit, at a depth of 777 metres, during the third quarter of 2017, and reaching the planned, final depth at 1,025 metres below surface in 2018; statements regarding the expectation that Shaft 1, including some initial, lateral, underground development work, is to be fully funded from dedicated funds remaining in Ivanhoe's treasury from the US\$280-million received in 2011; statements regarding the expectation that early works for Shaft 2 are to begin next year; statements regarding the company's plans to develop the Platreef Mine in three phases: an initial annual rate of four million tonnes per annum (Mtpa) to establish an operating platform to support future expansions; followed by a doubling of production to eight Mtpa; and then a third expansion phase to a steady-state 12 Mtpa; and statements regarding the planned underground mining methods. Readers are cautioned that actual results may vary from those presented.

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

the actual results to differ materially are presented in the Platreef 2016 Resource Technical Report dated June 24, 2016, available on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com.

Although the forward-looking statements contained in this news release are based upon what management of the company believes are reasonable assumptions, the company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release.