

# **IVANHOE MINES**

NEW HORIZONS

August 13, 2018

## **Ivanhoe Mines issues 2018 second quarter financial results and review of exploration and development activities**

### **CITIC Metal and Zijin Mining to invest more than C\$800 million to help advance Ivanhoe's three world-scale mine projects in Southern Africa**

**TORONTO, CANADA – Ivanhoe Mines (TSX: IVN; OTCQX: IVPAF) today announced its financial results for the second quarter ended June 30, 2018. All figures are in U.S. dollars unless otherwise stated. Ivanhoe Mines is a Canadian mining company focused on advancing its three principal projects in Southern Africa: the development of new mines at the Kamoakakula copper discovery in the Democratic Republic of Congo (DRC) and the Platreef platinum-palladium-nickel-copper-gold discovery in South Africa; and the extensive redevelopment and upgrading of the historic Kipushi zinc-copper-germanium-lead mine, also in the DRC.**

#### **Highlights**

- **On June 11, 2018, Ivanhoe Mines and China's CITIC Metal Co., Ltd. signed a long-term strategic cooperation and investment agreement that will see CITIC Metal invest approximately C\$723 million (\$557 million) to help advance Ivanhoe's three projects in Southern Africa. Under the terms of the investment agreement, CITIC Metal will acquire a significant 19.5% stake in Ivanhoe Mines through a private placement at a price of C\$3.68 per share. The transaction is expected to close in September 2018.**
- **On August 8, 2018, CITIC Metal Group Limited provided Ivanhoe Mines with an interim loan of \$100 million in accordance with a term loan facility that is an integral part of the long-term strategic cooperation and investment agreement. Having drawn the \$100 million facility, Ivanhoe has cash and cash equivalents of approximately \$165 million. The interim funds will be repaid from the proceeds of the C\$723 million strategic investment by CITIC Metal.**
- **Under the terms of the agreement, CITIC Metal has the right to nominate two directors to Ivanhoe's expanded 11-member board. Ivanhoe Mines has accepted CITIC Metal's nomination of Yufeng "Miles" Sun, President of CITIC Metal Group Limited, who will join the board at closing. Mr. Sun will become Co-Chairman of Ivanhoe Mines at that time – a position he will share with Robert Friedland, currently Executive Chairman of Ivanhoe Mines. The second CITIC Metal nominee, who also will join the board at that time, will be announced prior to closing.**
- **Zijin Mining Group Co., Ltd., which acquired a 9.9% stake in Ivanhoe Mines in 2015 through a wholly-owned subsidiary, will exercise its existing anti-dilution rights through a concurrent private placement, which will result in additional proceeds of C\$78 million (\$60 million).**

- On July 30, 2018, Ivanhoe announced a new Mineral Resource estimate for the Kipushi Mine that increased zinc-rich Measured and Indicated Mineral Resources by 16%, from 10.2 million tonnes to 11.8 million tonnes.
- The new estimate also increased Kipushi's zinc grade from 34.89% to 35.34%. In addition, the mine's copper-rich Measured and Indicated Resources have increased by 40% from 1.6 million tonnes to 2.3 million tonnes, with a slight increase in the copper grade from 4.01% to 4.03%.
- The updated Mineral Resource will be used in the preparation of the Kipushi definitive feasibility study (DFS), which is expected to be finalized later this year or early in 2019. The DFS will update and refine the findings of the pre-feasibility study (PFS) issued last December. Similar to the PFS, the DFS will focus on the initial mining of Kipushi's Big Zinc Zone. The new resource estimate is very positive for mine planning purposes, adding another 1.6 million tonnes of zinc-rich Measured and Indicated Resources and, at the same time, improving the overall zinc grade of the resources.
- The December 2017 PFS analyzed the plan to bring Kipushi's Big Zinc Zone into production in less than two years, with a life-of-mine, average annual production rate of 225,000 tonnes of zinc and cash costs of \$0.48 per pound of zinc. The planned return to production would establish Kipushi as the world's highest-grade, major zinc mine.
- Underground development at the planned initial mine at Kakula is making steady progress and is expected to reach the high-grade copper mineralization later this year. The service and conveyor declines each have been advanced more than 600 metres through underground development work. The 3,535-metre decline development contract is scheduled to be completed by the end of 2018.
- The detailed infrastructure designs for the bottom of the main decline – including rock tips, conveyor transfers, vent shaft and pump stations – have been completed, enabling procurement to commence. The design of the conveyor system and truck-tipping station for the main decline also is well advanced. Tender enquires for the various components of the conveyor and truck tipping station have been issued.
- A pre-feasibility study for phase 1 of the Kamo-a-Kakula Project is underway and is expected to be completed by the end of 2018. The planned initial, six-million-tonne-per-annum (Mtpa) mine at Kakula is estimated to cost \$1.2 billion. Subsequent expansions and a smelter can be funded from cash flows or project finance. With the new, expanded February 2018 Mineral Resource estimate, Ivanhoe and its joint-venture partner, Zijin Mining, are exploring options to accelerate building of the first two mines at Kamo-a-Kakula, and the potential for expanding production to 18 Mtpa, and beyond.
- A total of 18,633 metres of drilling was completed at Kakula and surrounding areas within the Kamo-a-Kakula mining licence during Q2 2018, increasing the total drilling completed during the first six months of 2018 to 36,926 metres. The exploration program was revised during Q2, taking into account results obtained during the Kakula West expansion campaign. Additional exploration drilling now has been planned to the north of Kakula West, following a narrow but high-grade continuation of Kakula West mineralization. Further drilling was directed to infill, and to supply data for metallurgical, hydrogeological and civil geotechnical studies, as well as a condemnation hole for the planned tailings storage site.
- Ivanhoe's DRC exploration team is continuing with its regional drilling program targeting Kamo-a-Kakula-style copper mineralization on its 100%-owned exploration licences in the Western Foreland region, located to the north and west of the Kamo-a-Kakula mining-licence area. During Q2 2018, 6,857 metres of drilling in 16 holes was completed at the high-grade Makoko area. Two rigs are continuing to drill at the Makoko area and one rig has started drilling at the Kiala area on high-grade copper trends emanating from Kamo-a-North. In September, Ivanhoe expects to be in a position to provide an important update on its Makoko and Kamo-a-North exploration programs.

- In January 2018, Ivanhoe announced that ongoing upgrading work at the Mwadingusha hydropower plant in the DRC – the first of three existing, state-owned hydroelectric plants that Ivanhoe and Zijin Mining plan to modernize to supply power to Kamoakakula – has increased power output to 32 megawatts (MW). Upgrading of the other two hydroelectric plants – Koni and Nzilo 1 – is expected to begin once Mwadingusha has been fully restored to its installed capacity of 71 MW. Kamoakakula has been conducting project development activities with clean, hydroelectric power drawn from the national grid since late 2016.
- At the Platreef platinum-palladium-nickel-copper-gold discovery in South Africa, sinking of Shaft 1 reached a depth of 750 metres below surface on April 23, 2018. Development of the 750-metre-level station – the second of four planned shaft stations – is nearing completion. Shaft 1 is expected to reach the top of the Platreef orebody, at a depth of approximately 783 metres, in Q3 2018. Sinking of the shaft will continue to a planned final depth of 982 metres.
- Surface construction for Platreef's Shaft 2 is progressing. Blasting and excavation of a box cut to a depth of approximately 29 metres below surface is underway, and construction of a concrete hitch for the headframe is expected to be completed by the end of this year.
- On May 7, 2018, Ivanhoe announced the signing of an agreement to receive local, treated bulk water for the first phase of production at Platreef. The agreement is for the supply of a minimum of five million litres of treated water a day for 32 years, beginning in 2022, from the town of Mokopane's new Masodi treatment plant.
- Based on the findings of an independent, definitive feasibility study issued in July 2017, the Platreef Mine is projected to be Africa's lowest-cost producer of platinum-group metals, with a cash cost of \$351 per ounce of platinum, palladium, rhodium and gold (3PE+Au), net of by-products, including sustaining capital cost.
- Ivanhoe has appointed five leading mine-financing institutions as Initial Mandated Lead Arrangers to arrange debt financing for the Platreef Mine's development. They are: KfW IPEX-Bank, a 100% subsidiary of the German promotional bank KfW; Swedish Export Credit Corporation; Export Development Canada; Nedbank Limited (acting through its Corporate and Investment Banking division); and Societe Generale Corporate & Investment Banking. Expressions of interest have been received for approximately \$900 million of the targeted \$1 billion project financing.
- On April 25, 2018, Ivanhoe issued its inaugural Sustainability Report. The report provides an overview of Ivanhoe's sustainability programs and initiatives conducted in 2017, highlighting the significant accomplishments achieved and the new goals set for current and future corporate activities.
- At the end of Q2 2018, Platreef had recorded 195,484 work hours free of lost-time injuries, Kipushi 1.32 million hours and Kamoakakula more than 10.38 million hours.

## Principal projects and review of activities

### 1. Platreef Project

64%-owned by Ivanhoe Mines

South Africa

The Platreef Project is owned by Ivanplats (Pty) Ltd, which is 64%-owned by Ivanhoe Mines. A 26% interest is held by Ivanplats' historically-disadvantaged, broad-based, black economic empowerment (B-BBEE) partners, which include 20 local host communities with a total of approximately 150,000 people, project employees and local entrepreneurs. In April 2018, Ivanplats reconfirmed its Level 3 status in its fourth verification assessment on a B-BBEE scorecard. A Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation and Japan Gas Corporation owns a 10% interest in Ivanplats, which it acquired in two tranches for a total investment of \$290 million.

The Platreef Project hosts an underground deposit of thick, platinum-group metals, nickel, copper and gold mineralization on the Northern Limb of the Bushveld Igneous Complex in Limpopo Province, approximately 280 kilometres northeast of Johannesburg and eight kilometres from the town of Mokopane.

On the Northern Limb, platinum-group metals mineralization is hosted primarily within the Platreef, a mineralized sequence that is traced more than 30 kilometres along strike. Ivanhoe's Platreef Project, within the Platreef's southern sector, is comprised of two contiguous properties: Turfspruit and Macalacaskop. Turfspruit, the northernmost property, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of mining operations and properties.

Since 2007, Ivanhoe has focused its exploration and development activities on defining and advancing the down-dip extension of its original discovery at Platreef, now known as the Flatreef Deposit, which is amenable to highly mechanized, underground mining methods. The Flatreef area lies entirely on the Turfspruit and Macalacaskop properties, which form part of the company's mining right.

### Health and safety at Platreef

At the end of Q2 2018, the Platreef Project reached a total of 195,484 lost-time, injury-free hours worked in terms of South Africa's Mine Health and Safety Act and Occupational Health and Safety Act. One lost-time injury occurred in Q2 2018. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to employees, contractors, sub-contractors and consultants.

### **Positive independent, definitive feasibility study for Platreef's first-phase development; Platreef projected to be Africa's lowest-cost producer of platinum-group metals**

On July 31, 2017, Ivanhoe Mines announced the positive results of an independent, definitive feasibility study (DFS) for the planned first phase of the Platreef Project's platinum-group metals, nickel, copper and gold mine in South Africa.

The Platreef DFS covers the first phase of development that would include construction of a state-of-the-art underground mine, concentrator and other associated infrastructure to support initial production of concentrate by 2022. As the first phase is being developed and commissioned, there would be opportunities to refine the timing and scope of subsequent phases of expanded production.

DFS highlights include:

- Indicated Mineral Resources containing an estimated 41.9 million ounces of platinum, palladium, rhodium and gold, with an additional 52.8 million ounces of platinum, palladium, rhodium and gold in Inferred Resources.
- Increased Mineral Reserves containing 17.6 million ounces of platinum, palladium, rhodium and gold, following stope optimization and mine sequencing work.
- Development of a large, safe, mechanized, underground mine, with an initial four-Mtpa concentrator and associated infrastructure.
- Planned initial average annual production rate of 476,000 ounces of platinum, palladium, rhodium and gold (3PE+Au), plus 21 million pounds of nickel and 13 million pounds of copper.
- Estimated pre-production capital requirement of approximately \$1.5 billion, at a ZAR:USD exchange rate of 13 to 1.
- Platreef would rank at the bottom of the cash-cost curve, at an estimated \$351 per ounce of 3PE+Au produced, net of by-products and including sustaining capital costs, and \$326 per ounce before sustaining capital costs.
- After-tax net present value (NPV) of \$916 million, at an 8% discount rate.
- After-tax internal rate of return (IRR) of 14.2%.

The DFS was prepared for Ivanhoe Mines by principal consultant DRA Global, with economic analysis led by OreWin, and specialized sub-consultants including Amec Foster Wheeler E&C Services (Amec Foster Wheeler), Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental.

### **Shaft 1 now extends to a depth of 750 metres below surface**

On April 23, 2018, Ivanhoe announced that Platreef's Shaft 1 had reached a depth of 750 metres below surface. Lateral development of the first mine-access station continued during Q2 2018.

The 750-metre-level station will provide initial, underground access to the high-grade orebody, enabling mine development to proceed during the construction of Shaft 2, which will become the mine's main production shaft, with a hoisting capacity of six million tonnes a year. Shaft 1's station at the 750-metre level also will allow access for the first raise-bore shaft that will provide ventilation to the underground workings during the mine's ramp-up phase.

Sinking of Shaft 1 will resume after the 750-metre-level station is completed. The shaft is expected to intersect the upper contact of the Flatreef Deposit (T1 mineralized zone) at an approximate shaft depth of 783 metres in Q3 2018. As shaft-sinking advances, two additional shaft stations will be developed at mine-working depths of 850 metres and 950 metres. Shaft 1 is expected to reach its projected, final depth of 982 metres below surface in Q4 2019.

Shaft 1 ultimately will become the primary ventilation intake shaft during the project's initial four-Mtpa production case.

**An engineer marking the drill-hole pattern for Platreef's ongoing underground development at the eastern-end of Shaft 1's 750-metre station.**



**An equipment operator with Platreef's 5.5-tonne, load-haul-dump machine used for excavating the 750-metre station.**



## Shaft 2 early-works construction progressing

Shaft 2, to be located approximately 100 metres northeast of Shaft 1, will have an internal diameter of 10 metres, and will be lined with concrete and sunk to a planned, final depth of more than 1,104 metres below surface. It will be equipped with two, 40-tonne, rock-hoisting skips capable of hoisting a total of six million tonnes of ore a year – the single largest hoisting capacity at any mine in Africa.

The headgear for the permanent hoisting facility was designed by South Africa-based Murray & Roberts Cementation. The first six blasts for Shaft 2's box cut were successfully completed, the most recent conducted in July. The next of two planned additional blasts is expected next month. The blasting will enable the excavation of the box cut to a depth of approximately 29 metres below surface and the construction of the concrete hitch (shaft collar foundation) for the 103-metre-tall concrete headgear that will house the shaft's permanent hoisting facilities and support the shaft collar. Excavation of the box cut and construction of the hitch foundation is expected to be completed by the end of 2018.

### Removing blasted rock from the Shaft 2 box cut.



## Underground mining to incorporate highly productive, mechanized methods

Ivanhoe plans to develop the Platreef Mine in phases. The initial annual production rate of four million tonnes a year (Mtpa) is designed to establish an operating platform to support future expansions. This is expected to be followed by a potential doubling of production to eight Mtpa, and then a third expansion phase to a steady-state 12 Mtpa, which would establish Platreef among the largest platinum-group-metals mines in the world.

The mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below surface. Shaft 2 will provide primary access to the mining zones; secondary access will be via Shaft 1. During mine production, both shafts also will serve as ventilation intakes. Three additional ventilation exhaust raises are planned to achieve steady-state production.

Planned mining methods will use highly productive, mechanized methods, including long-hole stoping and drift-and-fill mining. Each method will utilize cemented backfill for maximum ore extraction. The ore will be hauled from the stopes to a series of internal ore passes and fed to the bottom of Shaft 2, where it will be crushed and hoisted to surface.

The current mine plan has been improved beyond earlier projections in the 2015 pre-feasibility study (PFS) mine plan by optimizing stope design, employing a declining Net Smelter Return (NSR) strategy and targeting higher-grade zones early in the mine's life. This strategy has increased the grade profile by 23% on a 3PE+Au basis in the first 10 years of operation and by 10% during the life of the mine.

### **Preliminary expressions of interest received for approximately \$900 million of the targeted \$1 billion Platreef project financing**

During 2017, Ivanhoe announced the appointment of five leading financial institutions to arrange project financing for the development of the Platreef Project. The five Initial Mandated Lead Arrangers (IMLAs) will make best efforts to arrange a total debt financing of up to \$1 billion for the development of Platreef's first-phase, four-Mtpa mine. Preliminary expressions of interest have been received for approximately \$900 million of the targeted \$1 billion financing. Negotiation of a term sheet is ongoing. In addition, preliminary discussions have begun with leading financial institutions around the financing of the black economic empowerment partners' contribution to the development capital.

The IMLAs appointed Export Development Canada to direct the technical, environmental and social due diligence phase of the project. Chlumsky, Armbrust & Meyer and IBIS ESG South Africa Consulting were appointed as Independent Technical Consultant and Independent Social and Environmental Consultant, respectively.

### **Long-term supply of bulk water secured for the Platreef Mine**

On May 7, 2018, Ivanhoe announced the signing of a new agreement to receive local, treated water to supply most of the bulk water needed for the first phase of production at Platreef. The Mogalakwena Local Municipality has agreed to supply a minimum of five million litres of treated water a day for 32 years, beginning in 2022, from the town of Mokopane's new Masodi Treatment Works. Initial supply will be used in Platreef's ongoing underground mine development and surface infrastructure construction.

Under terms of the agreement, which is subject to certain suspensive conditions, Ivanplats will provide financial assistance to the municipality for certified costs of up to a maximum of R248 million (approximately \$19.6 million) to complete the Masodi treatment plant. Ivanplats will purchase the treated wastewater at a reduced rate of R5 per thousand litres for the first 10 Ml/day to offset a portion of the initial capital contributed.



**Ivanhoe Mines awarded 200 scholarships last year to secondary-school students living near the Platreef Project in South Africa for their academic achievements in science and mathematics. Precious Moremi, a student at Guerane High School, is one of the scholarship recipients.**



## **2. Kipushi Project**

68%-owned by Ivanhoe Mines  
Democratic Republic of Congo

The Kipushi copper-zinc-germanium-lead mine, in the DRC, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of Lubumbashi. It is located on the Central African Copperbelt, approximately 250 kilometres southeast of the Kamo-a-Kakula Project and less than one kilometre from the Zambian border. Ivanhoe acquired its 68% interest in the Kipushi Project in November 2011; the balance of 32% is held by the state-owned mining company, La Générale des Carrières et des Mines (Gécamines).

At the end of Q2 2018, the Kipushi Project had achieved a total 1,317,866 work hours free of lost-time injuries.

The Kipushi Project operates a potable-water station to supply the municipality with water. This includes power supply, disinfectant chemicals, routine maintenance, security and emergency repair of leaks to the primary reticulation. The Kipushi Project also installed and commissioned new overhead powerlines to the pump station. Other community development projects continued during Q2 and included the Kipushi women's literacy project.

**Yufeng “Miles” Sun, President of CITIC Metal (fourth from right), Gaoming Zhu, Vice President of CITIC Group (sixth from right), and other key representatives from CITIC Metal and CITIC Group join Robert Friedland, Ivanhoe’s Executive Chairman (fifth from right), Egizio Bianchini, Ivanhoe’s Vice Chairman (sixth from left), and other members of Ivanhoe’s senior management team during a recent site visit to Kipushi.**



**Left to right: Junchuan Liu, Steve Amos, Guoqiang Cao, Alex Picard, Matthieu Bos, Egizio Bianchini, Gaoming Zhu, Robert Friedland, Yufeng Sun, Peter Zhou, Wenhai Zhao and Shengwen Wang.**

## **Kipushi Mineral Resources**

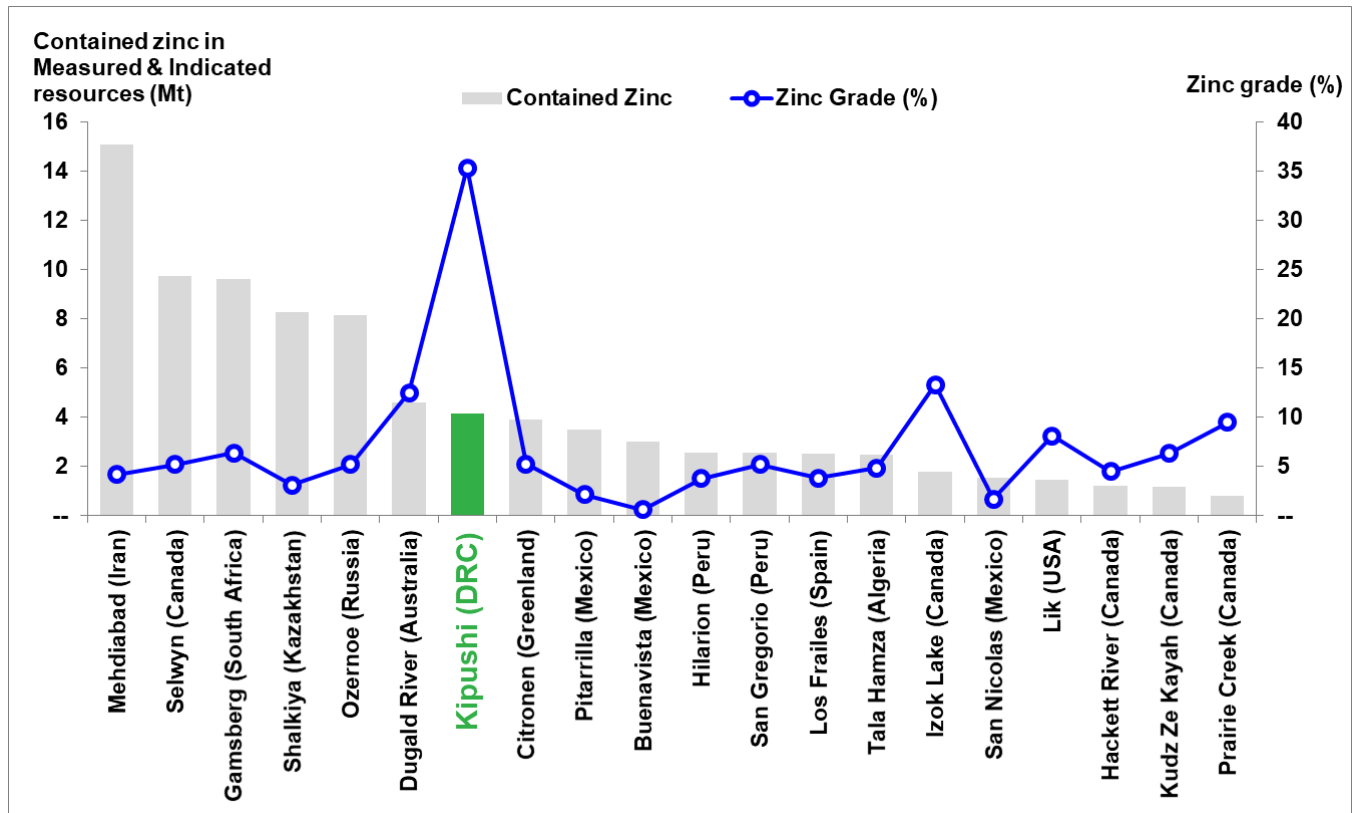
On July 30, 2018, Ivanhoe Mines announced a new Mineral Resource estimate for the Kipushi Mine – the first update to be issued for Kipushi since Ivanhoe Mines published its initial, independent CIM-compliant current Mineral Resource estimate in January 2016.

The new Mineral Resource estimate has increased Kipushi’s Measured and Indicated zinc-rich resources by 16%, from 10.2 million tonnes to 11.8 million tonnes, with an increase in zinc grade from 34.89% to 35.34%. In addition, the mine’s copper-rich Measured and Indicated Resources have increased by 40% from 1.6 million tonnes to 2.3 million tonnes, with a slight increase in the copper grade from 4.01% to 4.03%.

Highlights of this updated estimate, prepared by the MSA Group, of Johannesburg, South Africa, in compliance with CIM definition standards, are:

- Measured and Indicated Mineral Resources, primarily in the Big Zinc Zone, have increased to 11.78 million tonnes at grades of 35.34% zinc, 0.80% copper, 23 grams per tonne (g/t) silver and 64 g/t germanium, at a 7% zinc cut-off – containing an estimated 9.2 billion pounds of zinc.
- The zinc grade of Kipushi's Measured and Indicated Mineral Resources is more than twice as high as the world's next-highest-grade zinc project, independently ranked by Wood Mackenzie, an international industry research and consulting group, based on contained zinc (Figure 1).

**Figure 1: World's top 20 zinc projects, by contained zinc.**



Source: Wood Mackenzie.

Note: All tonnes and zinc grades of the above-mentioned projects (except for Kipushi) are based on public disclosure and have been compiled by Wood Mackenzie.

- Zinc-rich Inferred Mineral Resources total an additional 1.14 million tonnes at grades of 33.77% zinc, 1.24% copper, 12 g/t silver and 62 g/t germanium. The Inferred Mineral Resources are contained partly in the Big Zinc Zone and partly in the Southern Zinc Zone.
- Kipushi's copper-rich Measured and Indicated Mineral Resources contained in the adjacent Fault Zone, Fault Zone Splay and Série Récurrente Zone total an additional 2.29 million tonnes at grades of 4.03% copper, 2.85% zinc, 21 g/t silver and 19 g/t germanium, at a 1.5% copper cut-off – containing 144 million pounds of copper. Copper-rich Inferred Mineral Resources in these zones total an additional 0.44 million tonnes at grades of 3.89% copper, 10.77% zinc, 19 g/t silver and 55 g/t germanium.
- Ivanhoe's 2017 drilling program has demonstrated that zinc and copper mineralization of the Kipushi system remain open laterally and at depth.

The new Mineral Resource estimate incorporates Ivanhoe's second phase of underground drilling at Kipushi that was completed in 2017, with a total of 9,706 metres drilled in 58 holes. Eight holes were drilled for metallurgy, 31 holes in the Southern Zinc and Big Zinc, five holes in the Nord Riche and 14 holes in the Série Récurrente. The updated Mineral Resource will be used in the preparation of the Kipushi definitive feasibility study (DFS), which is expected to be finalized later this year or early in 2019.

The DFS will update and refine the findings of the PFS issued in December 2017. Similar to the PFS, the DFS will focus on the initial mining of Kipushi's Big Zinc Zone. The planned return to production would establish Kipushi as the world's highest-grade, major zinc mine.

### **New estimate enhances the Mineral Resources available for Kipushi's Definitive Feasibility Study**

The new Mineral Resource estimate was prepared in accordance with the 2014 CIM definition standards, incorporated by reference into Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

The new estimate was based on the results of the 50 new drill holes completed at Kipushi by Ivanhoe Mines in 2017, 84 drill holes completed by Ivanhoe Mines prior to 2016 and an additional 106 historical holes drilled by Gécamines. Mineral Resource estimates were completed below the 1,150-metre level on the Big Zinc Zone, Southern Zinc Zone, Fault Zone, Fault Zone Splay and Série Récurrente Zone. The Mineral Resources were categorized either as zinc-rich resources or copper-rich resources, depending on the most abundant metal.

For zinc-rich zones, the Mineral Resource is reported at a base-case cut-off grade of 7.0% zinc; for copper-rich zones, base-case cut-off grade is 1.5% copper. Given the considerable revenue that could be obtained from the additional metals in each zone, MSA considers that mineralization at these cut-off grades will satisfy reasonable prospects for economic extraction.

### **Pre-feasibility study for Kipushi completed in December 2017; definitive feasibility study underway**

The Kipushi Project's PFS, announced by Ivanhoe Mines on December 13, 2017, anticipated annual production of an average of 381,000 tonnes of zinc concentrate over an 11-year, initial mine life at a total cash cost of approximately \$0.48 per pound of zinc.

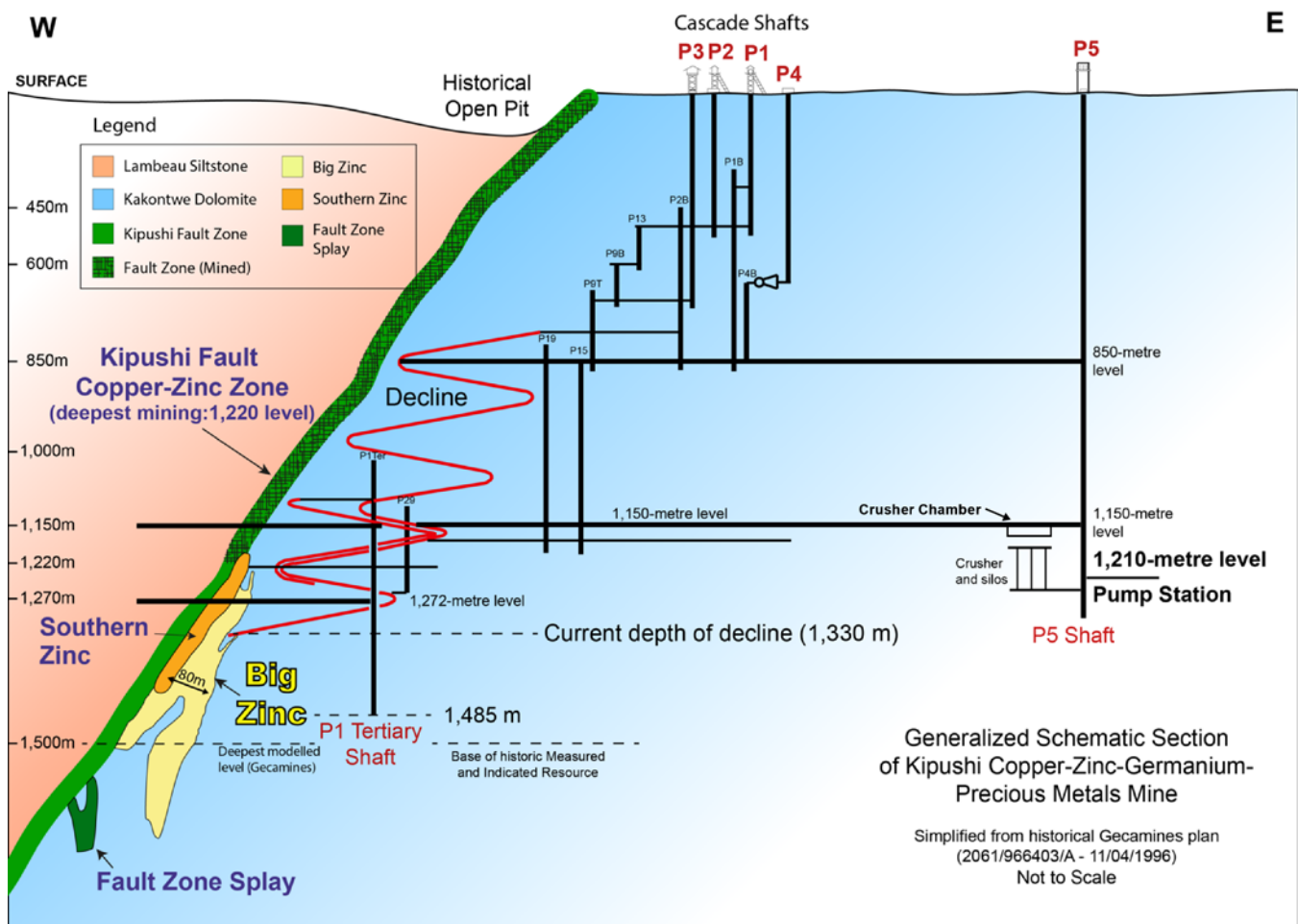
Highlights of the PFS, based on a long-term zinc price of \$1.10 per pound, include:

- After-tax net present value (NPV) at an 8% real discount rate of \$683 million.
- After-tax real internal rate of return (IRR) of 35.3%.
- After-tax project payback period of 2.2 years.
- Pre-production capital costs, including contingency, estimated at \$337 million.
- Existing surface and underground infrastructure allows for significantly lower capital costs than comparable greenfield development projects.
- Life-of-mine average planned zinc concentrate production of 381,000 dry tonnes per annum, with a concentrate grade of 59% zinc, is expected to rank Kipushi, once in production, among the world's largest zinc mines.

Estimated life-of-mine average cash cost of \$0.48 per pound of zinc is expected to rank Kipushi, once in production, in the bottom quartile of the cash-cost curve for zinc producers internationally.

The planned primary mining method for the Big Zinc Deposit in the PFS is sublevel, long-hole, open stoping, with cemented backfill. The crown pillars are expected to be mined once adjacent stopes are backfilled using a pillar-retreat mining method. The Big Zinc Deposit is expected to be accessed via the existing decline and without any significant new development. The main levels are planned to be at 60-metre vertical intervals, with sublevels at 30-metre intervals.

**Figure 2: Generalized schematic section of Kipushi Mine. The Fault Zone (green), Big Zinc Zone (yellow), Southern Zinc Zone (brown) and Fault Zone Splay (dark green) are shown in the bottom left corner of the section. Access to these zones will be via the decline (shown in red) leading from the mine's 1,150-metre level. The ore will be transported up the decline and along the 1,150-metre level to the P5 Shaft, where it will be crushed and hoisted to surface for processing.**



## Project development and infrastructure

Significant progress has been made in modernizing the Kipushi Mine's underground infrastructure as part of preparations for the mine to resume commercial production. In Q2 2018, the Kipushi Project successfully installed a large-capacity rock crusher 1,150 metres below surface. After the 54-tonne machine was disassembled on surface, the pieces were lowered down Kipushi's main production shaft – Shaft 5 – and installed in the crusher chamber. The Sandvik jaw crusher has a maximum capacity of 1,085 tonnes an hour.

**Installation of the two fly wheels (orange) onto the main frame of the new, primary rock crusher at Kipushi's 1,150-metre-level crusher station.**



Ivanhoe completed the upgrading of a significant amount of underground infrastructure at the Kipushi Project, including a series of vertical mine shafts to various depths, with associated head frames, as well as underground mine excavations. A series of crosscuts and ventilation infrastructure still are in working condition. The underground infrastructure also includes a series of pumps to manage the influx of water into the mine.

Shaft 5 is eight metres in diameter and 1,240 metres deep. It now has been upgraded and re-commissioned. The main personnel and material winder has been upgraded and modernized to meet international industry standards and safety criteria. The Shaft 5 rock-hoisting winder now is fully operational.

The main haulage way on the 1,150-metre level between the Big Zinc access decline and Shaft 5 rock load-out facilities has been resurfaced with concrete so the mine now can use modern, trackless, mobile machinery.

With the underground upgrading program nearing completion, the project's focus now will shift to modernizing and upgrading Kipushi's surface infrastructure to handle and process Kipushi's high-grade zinc and copper resources.

### **Agreement to rebuild railway spur line to support the Kipushi Project**

On October 30, 2017, Ivanhoe Mines and the DRC's state-owned railway company, Société Nationale des Chemins de Fer du Congo (SNCC), signed a Memorandum of Understanding (MOU) to rebuild 34 kilometres of track to connect the Kipushi Mine with the DRC national railway at Munama, south of the mining capital of Lubumbashi.

Under the terms of the MOU, Ivanhoe has appointed R&H Rail to conduct a front-end engineering design study to assess the scope and cost of rebuilding the spur line from the Kipushi Mine to the main Lubumbashi-Sakanika railway at Munama. The study is underway and construction on the Kipushi-Munama spur line could start later this year. Ivanhoe will finance the estimated \$32 million (plus contingency) capital cost for the rebuilding, which is included within the overall Kipushi 2017 PFS capital cost.

The proposed export route is to utilize the SNCC network from Kipushi to Ndola, connecting to the north-south rail corridor from Ndola to Durban. The rail corridor to Durban via Zimbabwe is fully operational and has significant excess capacity.

**Community adult literacy program at Kipushi, sponsored by Ivanhoe Mines and implemented in partnership with AlfaCongo, a non-profit NGO based in Kinshasa.**



### **3. Kamo-Kakula Copper Project**

39.6%-owned by Ivanhoe Mines  
Democratic Republic of Congo

The Kamo-Kakula Copper Project, a joint venture between Ivanhoe Mines and Zijin Mining Group Co., Ltd., has been independently ranked as the largest copper discovery ever made on the African continent, with adjacent prospective exploration areas within the Central African Copperbelt in the Democratic Republic of Congo. The project is approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi.

Ivanhoe sold a 49.5% share interest in Kamo Holding Limited to Zijin Mining in December 2015 for an aggregate consideration of \$412 million. At the time, Kamo Holding held a 95% interest in the Kamo Project. In addition, Ivanhoe sold a 1% share interest in Kamo Holding to privately-owned Crystal River Global Limited for \$8.32 million – which Crystal River will pay through a non-interest-bearing, 10-year promissory note. Since the conclusion of the Zijin transaction in December 2015, each shareholder has been required to fund expenditures at the Kamo-Kakula Project in an amount equivalent to its proportionate shareholding interest in Kamo Holding.

A 5%, non-dilutable interest in the Kamo-Kakula Project was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the 2002 DRC mining code. Following the signing of an agreement with the DRC government in November 2016, in which an additional 15% interest in the Kamo-Kakula Project was transferred to the DRC government, Ivanhoe and Zijin Mining

now each hold an indirect, 39.6% interest in the Kamo-Kakula Project, Crystal River holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. Kamo Holding holds an 80% interest in the project.

## Health and safety at Kamo-Kakula

Health and safety remain key priorities for all people working at the Kamo-Kakula Project. The project achieved a significant milestone during May 2018 when it recorded a combined total of 10 million hours of work without a lost-time injury. By the end of Q2 2018, a total of 10,386,840 hours had been worked free of lost-time injuries. This outstanding achievement reflects the dedication and safety-focused culture of the entire Kamo-Kakula exploration and development teams.

**Ten million hours worked by Kamo-Kakula employees and contractors without any time lost due to an on-the-job injury – an outstanding achievement celebrated at site on May 16, 2018.**



## Kamo-Kakula Mineral Resources

Ivanhoe issued an updated Mineral Resource estimate for the Kamo-Kakula Project on February 26 of this year. The update was prepared by Ivanhoe Mines under the direction of Amec Foster Wheeler E&C Services Inc., of Reno, USA, in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves. The Qualified Persons for the Kamo-Kakula Mineral Resource estimate are Dr. Harry Parker, RM, SME, and Gordon Seibel, RM, SME, both of Amec Foster Wheeler E&C Services Inc.

Indicated Mineral Resources for the combined Kamo-Kakula Project now total 1,340 million tonnes grading 2.72% copper, containing 80.7 billion pounds of copper at a 1.0% copper cut-off grade and a minimum thickness of three metres. Kamo-Kakula also has Inferred Mineral Resources of 315 million tonnes grading 1.87% copper and containing 13.0 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum thickness of three metres.



The Kakula estimate covers a mineralized strike length of 13.3 kilometres and is based on results from approximately 151,000 metres of drilling in 271 holes completed by December 31, 2017. Indicated Mineral Resources total 585 million tonnes at a grade of 2.92% copper, containing 37.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Indicated Mineral Resources total 330 million tonnes at a 4.07% copper grade, containing 29.6 billion pounds of copper. At a 3% copper cut-off, Indicated Mineral Resources total 174 million tonnes at a grade of 5.62% copper, containing 21.5 billion pounds of copper.

Inferred Mineral Resources total 113 million tonnes at a grade of 1.90% copper, containing 4.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Inferred Mineral Resources total 44 million tonnes at a 2.59% copper grade, containing 2.5 billion pounds of copper. At a 3% copper cut-off, Inferred Mineral Resources total nine million tonnes at a grade of 3.66% copper, containing 0.7 billion pounds of copper.

The average true thickness of the selective mineralized zone (SMZ) at a 1% copper cut-off is 10.1 metres in the Indicated Mineral Resources area and 6.7 metres in the Inferred Mineral Resources area. At a higher 3% copper cut-off, the average true thickness of the SMZ is 4.7 metres in the Indicated Mineral Resources area and 3.3 metres in the Inferred Mineral Resources area.

The Kakula Mineral Resources are defined within a total area of 24.9 square kilometres at a 1% copper cut-off. At the same cut-off grade, the areal extent of Indicated Mineral Resources is 19.4 square kilometres and the areal extent of the Inferred Mineral Resources is 5.5 square kilometres. The Kakula Discovery remains open for significant expansion in multiple directions, while the remainder of the southern parts of the Kamoia-Kakula mining-licence area is virtually untested.

### **Kakula PFS currently underway**

A pre-feasibility study for phase 1 of the Kamoia-Kakula Project is underway. The study is considering a six-Mtpa mine and concentrator at Kakula and is expected to be completed by the end of 2018.

### **Underground development progressing at the Kakula Deposit**

Each of the twin declines at Kakula has been advanced more than 600 metres from the portal face toward the mineralized zone, with combined development of the twin declines totalling 1,597 metres at the end of Q2 2018. The 3,535-metre decline development contract is scheduled to be completed by the end of 2018.

The detailed infrastructure designs have been completed for the bottom of the main decline, including rock tips, conveyor transfers, vent shaft and pump stations, enabling procurement to begin.

The design of the conveyor system and development truck tip for the main decline is well advanced. A single, 1.5-metre-wide steel cord conveyor has been selected. Tender enquiries for the various components of the conveyor and truck tipping station have been issued.

**Drilling holes for explosives in preparation for a blast as part of ongoing excavation of the underground decline that will house the ore conveyor at Kakula.**



### **Kakula construction facilities**

Some concrete roadways, berms and walkways were constructed in the mine area during Q2 2018, as well as two additional office blocks and a central meeting area. The site team also has started the construction of a temporary, brick control room near the top of the box cut ramp and a prefabricated change house adjacent to the workshop.

Fibre-optic internet and cellular services have been installed and commissioned at Kakula.

### **Exploration activities focused on development programs at Kakula and Kakula West**

A total of 13 rigs are drilling at Kakula and surrounding areas and completed 18,633 metres during Q2 2018. As of the end of Q2 2018, a total of 36,926 metres had been drilled for the year to date. The exploration program was revised during Q2, taking into account results obtained during the Kakula West expansion campaign. Additional exploration drilling has been planned to the north of Kakula West following a narrow but high-grade continuation of Kakula West mineralization. Further drilling was directed to infill, and to inform metallurgical, hydrogeological and civil geotechnical studies, as well as a condemnation hole for the planned tailings storage facility site.

## Exploration drilling testing a zone of strong copper mineralization at Kamo North.



### Regional geophysical surveys

A 2D seismic survey that began in February 2018 was continued during Q2 2018 after a period of demobilization and stand-down due to wet season access issues within water-logged grasslands. The study is to acquire data on a series of seismic lines planned across the Kamo-Kakula orebody and into the Western Foreland area.

A total of 74 kilometres of lines were surveyed, including a 10-kilometre line done at variable spacing to test near-surface reflectors. A downhole, vertical seismic profile study also was completed in conjunction with the surface survey to tie in identified reflectors and get a more accurate depth estimate to the surface survey. Both surveys were completed by the end of June 2018.

### Ongoing upgrading work enables Mwadingusha power station to supply 32 megawatts of clean electricity to national grid

In January 2018, Ivanhoe announced that ongoing upgrading work at the Mwadingusha hydropower plant in the DRC had almost tripled the plant's interim power output from 11 to 32 megawatts (MW). This represents 45% of the plant's designed capacity. Three of Mwadingusha's six generators now have been modernized; the remaining three generators are due to be upgraded and fully operational by the end of 2019 – restoring the plant to its installed output capacity of approximately 71 MW of power.

The work at Mwadingusha, part of a program to eventually overhaul and boost output from three hydropower plants, is being conducted by engineering firm Stucky, of Lausanne, Switzerland, under the direction of Ivanhoe Mines and its joint-venture partner, Zijin Mining, in conjunction with the DRC's

state-owned power company, La Société Nationale d'Electricité (SNEL). Once fully reconditioned, the three plants will have combined installed capacity of approximately 200 MW of electricity for the national grid, which is expected to be more than sufficient for the Kamo-Kakula Project.

The Kansoko Mine, Kakula Mine and Kamo camp have been connected to the national, hydroelectric power grid, since the completion of a 12-kilometre, 120-kilovolt, dual-circuit power line between Kansoko and Kakula last December. The design of permanent 11-kilovolt reticulation to the vent shafts and mine has started, which includes permanent 11-kilovolt substations, overhead lines and surface cables.

### **Continued focus on community and sustainability**

The Kamo-Kakula Sustainable Livelihoods program is committed to sustainable development in the communities within the project's footprint.

The main objective of the Livelihoods program is to enhance food security and the living standards of the people who reside near the Kamo-Kakula Project. The program is being implemented mainly through fish farming and agricultural activities, such as production of maize (corn), vegetables and poultry, and beekeeping.

Activities during Q2 2018 included construction of a new school at the Muvunda village; the start of a brick-making program; clearing of new maize plots; construction of an additional community fish pond; a community literacy program; training communities in vegetable and poultry production; creation of numerous job opportunities; and the progression of the Kakula housing relocation program.

**One of the gardens that supplies fresh produce to the Kamo-Kakula Project – an initiative of the Sustainable Livelihoods program, which is working to build a sustainable, independent economy in nearby communities.**



**A new secondary school in Kaponda was built as part of the community relations program being conducted by the Kamoia-Kakula Project.**



**Fish pond at one of the local villages near the Kamo-Kakula Project as part of a community-support initiative.**



#### **4. Western Foreland Exploration Project**

100%-owned by Ivanhoe Mines  
Democratic Republic of Congo

#### **Exploration continuing on Ivanhoe's 100%-owned Western Foreland exploration licences west of Kamo-Kakula**

Ivanhoe's DRC exploration group is targeting Kamo-Kakula-style copper mineralization through a regional drilling program on its 100%-owned Western Foreland exploration licences, located to the north and west of the Kamo-Kakula Project.

During Q2 2018, the team completed 6,857 metres of drilling in 16 holes and finalized detailed interpretation of the Makoko area. The acquisition of 1,626 ground gravity stations equating to 81 line kilometres of data were collected on the Western Foreland licences and the interpretation of the results is in progress.

Exploration drilling with one rig began at the Kiala area on high-grade copper trends emanating from Kamo North. One hole has been completed to date. Two rigs continued at the Makoko area and five holes were completed west of the Lufupa River.

Improvements to the Ivanhoe exploration camp are continuing; a fully functioning drill-core yard and core-storage facility were added during the quarter.

In September, Ivanhoe expects to be in a position to provide an important update on its Makoko and Kamo North exploration programs.

One of the exploration drill rigs targeting Kamo-Kakula-style copper mineralization at Makoko on Ivanhoe's 100%-owned Western Foreland exploration licences.



## Selected quarterly financial information

The following table summarizes selected financial information for the prior eight quarters. Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	<b>Three months ended</b>			
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	2,773	1,436	10,986	11,595
Share of losses from joint venture	6,702	7,200	10,193	6,759
General administrative expenditure	6,269	5,254	3,316	6,039
Share-based payments	1,764	1,412	1,111	1,224
Reversal of impairment of mineral property and other items	-	-	(286,283)	-
Finance income	(10,875)	(10,357)	(8,986)	(8,032)
Finance costs	352	343	442	434
Total comprehensive loss (profit) attributable to:				
Owners of the Company	33,710	(4,916)	(207,991)	15,893
Non-controlling interest	4,263	1,064	(77,336)	5,269
Basic loss (profit) per share	0.01	0.01	(0.25)	0.01
Diluted loss (profit) per share	0.01	0.01	(0.24)	0.01
	<b>Three months ended</b>			
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	9,626	8,296	9,507	7,769
Share of losses from joint venture	5,035	5,518	5,890	6,306
General administrative expenditure	4,952	4,953	7,272	4,213
Share-based payments	1,201	1,372	1,442	1,750
Finance income	(9,167)	(6,429)	(6,827)	(7,239)
Finance costs	355	479	471	454
Total comprehensive loss (profit) attributable to:				
Owners of the Company	7,477	1,749	14,101	(1,860)
Non-controlling interest	3,885	3,273	3,914	2,445
Loss per share (basic and diluted)	0.01	0.01	0.02	0.01



## Discussion of results of operations

### Review of the three months ended June 30, 2018, vs. June 30, 2017

The company recorded a total comprehensive loss of \$38.0 million for Q2 2018 compared to a total comprehensive loss of \$11.4 million for the same period in 2017. The increased loss mainly was due to an exchange loss on translation of foreign operations of \$30.0 million recognized in Q2 2018 resulting from the weakening of the South African Rand by 16% from March 31, 2018, to June 30, 2018, compared to an exchange gain on translation of foreign operations recognized in Q2 2017 of \$2.0 million.

Exploration and project expenditures for the three months ending June 30, 2018, amounted to \$2.8 million and were \$6.8 million less than for the same period in 2017 (\$9.6 million). The decrease is attributable to the capitalization of costs incurred at the Kipushi Project subsequent to the finalization of its pre-feasibility study in December 2017. With the focus at the Kipushi and Platreef projects being on development and the Kamo-a-Kakula Project being accounted for as a joint venture, the total \$2.8 million exploration and project expenditure in Q2 2018 related to exploration at Ivanhoe's 100%-owned Western Foreland exploration licences. In Q2 2017, \$9.5 million of the total \$9.6 million exploration and project expenditure related to the Kipushi Project.

The company's share of losses from the Kamo-a Holding joint venture increased from \$5.0 million in Q2 2017 to \$6.7 million in Q2 2018. The following table summarizes the company's share of the comprehensive loss of Kamo-a Holding for the three months ending June 30, 2018 and for the same period in 2017:

	Three months ended June 30, 2018	Three months ended June 30, 2017
	\$'000	\$'000
Interest expense	13,822	9,898
Exploration costs	3,353	4,343
Foreign exchange loss	70	78
Interest income	(989)	(352)
Loss for the period	16,256	13,967
Loss attributable to non-controlling interest	(2,716)	(3,796)
Loss for the period attributable to joint venture partners	13,540	10,171
Company's share of losses from joint venture (49.5%)	6,702	5,035

The costs associated with mine development are capitalized as development costs in Kamo-a Holding, while the exploration expenditure is expensed. Capitalization of costs at Kakula commenced during Q2 2017, coinciding with the start of the Kakula box cut. Expenditure on exploration drilling at Kakula West and in the saddle area between Kakula West and Kakula still is expensed.

The interest expense in the Kamo-a Holding joint venture relates to shareholder loans where each shareholder is required to fund Kamo-a Holding in an amount equivalent to its proportionate shareholding interest. The company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

Finance income for the three months ending June 30, 2018, amounted to \$10.9 million, and was \$1.7 million more than for the same period in 2017 (\$9.2 million). The increase mainly was due to interest earned on loans to the Kamo-a Holding joint venture to fund operations that amounted to \$9.7 million in 2018, as the accumulated loan balance increased.

## Review of the six months ended June 30, 2018, vs. June 30, 2017

The company's total comprehensive loss of \$34.1 million for the six months ended June 30, 2018, was \$17.7 million higher than for the same period in 2017 (\$16.4 million). The increased loss mainly was due to an exchange loss on translation of foreign operations of \$18.8 million for the six months ended June 30, 2018, resulting from the weakening of the South African Rand by 11% from December 31, 2017, to June 30, 2018, compared to an exchange gain on translation of foreign operations recognized in the same period of 2017 of \$7.6 million.

Exploration and project expenditures for the six months ending June 30, 2018, amounted to \$4.2 million and were \$13.7 million less than for the same period in 2017 (\$17.9 million). Exploration and project expenditures for the six months ending June 30, 2018 related to Ivanhoe's 100%-owned Western Foreland exploration licences, while \$17.6 million for the same period in 2017 related to the Kipushi Project.

The company's share of losses from the Kamoia Holding joint venture increased to \$13.9 million for the six months ended June 30, 2018, from \$10.6 million for the same period in 2017. The following table summarizes the company's share of the comprehensive loss of Kamoia Holding for the six months ending June 30, 2018, and for the same period in 2017:

	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$'000	\$'000
Interest expense	26,488	19,081
Exploration costs	8,868	9,758
Foreign exchange loss (gain)	91	(24)
Interest income	(1,609)	(644)
Loss for the period	33,838	28,171
Loss attributable to non-controlling interest	(5,753)	(6,852)
Loss for the period attributable to joint venture partners	28,085	21,319
Company's share of losses from joint venture (49.5%)	13,902	10,553

## Financial position as at June 30, 2018 vs. December 31, 2017

The company's total assets decreased by \$35.8 million, from \$1,271.3 million as at December 31, 2017, to \$1,235.5 million as at June 30, 2018. The company utilized \$11.5 million of its cash resources in its operations and received interest of \$1.7 million during the six months ending June 30, 2018.

The company's investment in the Kamoia Holding joint venture increased by \$25.3 million from \$552.4 million as at December 31, 2017, to \$577.7 million as at June 30, 2018, with each of the current shareholders funding the operations equivalent to their proportionate shareholding interest. The company's portion of the Kamoia Holding joint venture cash calls amounted to \$20.9 million during the six months ending June 30, 2018, while the company's share of comprehensive loss from the joint venture amounted to \$13.9 million.

Property, plant and equipment increased by \$36.1 million, with a total of \$57.4 million being spent on project development and to acquire other property, plant and equipment, \$26.4 million and \$30.3 million pertained to development costs and other acquisitions to property, plant and equipment of the Platreef Project and Kipushi Project respectively.

The main components of the additions to property, plant and equipment of the Platreef and Kipushi projects for the six months ending June 30, 2018, and for the same period in 2017, are set out in the following table:

	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$'000	\$'000
<b>Platreef Project</b>		
Shaft 1 construction	14,646	8,700
Salaries and benefits	4,227	3,555
Administrative and other expenditure	2,626	2,922
Shaft 2 early works	2,487	521
Social and environmental	1,029	1,093
Studies and contracting work	682	2,084
Site costs	558	405
Infrastructure	-	155
<b>Total development costs</b>	<b>26,255</b>	<b>19,435</b>
Other additions to property, plant and equipment	136	53
<b>Total additions to property, plant and equipment for Platreef</b>	<b>26,391</b>	<b>19,488</b>
<b>Kipushi Project</b>		
Salaries and benefits	7,314	5,671
Electricity	3,348	2,924
Studies and contracting work	2,909	1,744
Depreciation	1,497	1,681
Repair and maintenance	624	2,062
Other expenditure	5,961	3,545
	21,653	17,627
<i>Classified as:</i>		
Exploration and project expenditure in the loss from operating activities	-	17,627
Capitalized as development cost in property, plant and equipment	21,653	-
Other additions to property, plant and equipment	8,612	1,332
<b>Total additions to property, plant and equipment for Kipushi</b>	<b>30,265</b>	<b>1,332</b>

The company's total liabilities decreased by \$4.7 million to \$55.1 million as at June 30, 2018, from \$59.8 million as at December 31, 2017.

## Liquidity and capital resources

The company had \$87.1 million in cash and cash equivalents as at June 30, 2018. At this date, the company had consolidated working capital of approximately \$85.2 million, compared to \$181.9 million at December 31, 2017.

The Platreef Project's restricted cash, which were the funds invested by the Japanese consortium of \$290 million, has been fully utilized and the project's current expenditure is being funded solely by Ivanhoe as the Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation and Japan Gas Corporation have elected not to contribute to current expenditures. Since the Platreef Project's restricted cash was fully utilized, the company has contributed a total of \$7.0 million on behalf of the Japanese consortium.

Since December 8, 2015, each shareholder in Kamo Holding has been required to fund Kamo Holding in an amount equivalent to its proportionate shareholding interest. The company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

The company's main objectives for 2018 at the Platreef Project are the continuation of Shaft 1 construction, securing a bulk-water supply and completion of early-works construction of Shaft 2. At Kipushi, the principal objective is the completion of the feasibility study and continued upgrading of mining infrastructure. At the Kamo-Kakula Project, priorities are the continuation of decline construction at Kakula and the completion of a pre-feasibility study for Kakula. The company has budgeted to spend \$43 million on further development at the Platreef Project; \$35 million at the Kipushi Project; \$6 million on regional exploration in the DRC; and \$9 million on corporate overheads for the remainder of 2018 – as well as its proportionate funding of the Kamo-Kakula Project, expected to be \$28 million for the remainder of 2018.

On June 11, 2018, Ivanhoe announced that CITIC Metal Co., Ltd. (CITIC Metal), a wholly-owned subsidiary of CITIC Limited, had agreed to make a major investment acquiring a significant 19.9% stake in Ivanhoe Mines. Under terms of the agreement, Ivanhoe Mines will issue 196,602,037 common shares to CITIC Metal through a private placement at a price of C\$3.68 per share, yielding gross proceeds to Ivanhoe of approximately C\$723 million (\$557 million). Zijin Mining has since exercised its existing anti-dilution rights. This will result in additional proceeds of C\$78 million (\$60 million) that Ivanhoe will receive concurrently with the completion of CITIC Metal's investment and CITIC Metal's stake in Ivanhoe Mines will be reduced to 19.5% as a result.

The Toronto Stock Exchange has issued its conditional approval to the CITIC Metal private placement and the issuance of the anti-dilution common shares to Zijin. The Ivanhoe-CITIC Metal transaction now remains subject only to customary closing conditions, and the records and registration with the Chinese government regulatory agencies. These are progressing according to plan and the Ivanhoe-CITIC Metal transaction is expected to close no later than October 22, 2018. Both Ivanhoe and CITIC Metal are working toward an early closing, potentially by mid-September 2018, subject to all closing conditions being satisfied.

CITIC Metal Group Limited (CITIC Metal Group) has provided Ivanhoe with a nine-month, interim loan facility of \$100 million in accordance with a term-loan facility that was part of the long-term strategic cooperation and investment agreement between Ivanhoe and CITIC Metal. Ivanhoe issued a utilization request to CITIC Metal Group on August 6, 2018, to utilize the full \$100 million loan, which was received on August 8, 2018.

The interim loan funds, which Ivanhoe does not expect to utilize before the strategic investment closes, carry an annual interest rate of 6% and will be repaid upon receipt of the C\$723 million (\$557 million) proceeds from CITIC Metal to be received upon closing of the central investment being made by CITIC Metal, but no later than nine months following draw-down. Mr. Friedland has provided a secured, limited-recourse guarantee and share pledge securing Ivanhoe Mines' obligation under the interim loan facility. The interim loan provides an additional level of comfort to ensure that Ivanhoe can continue to advance its exploration and development activities uninterrupted and on current timetables.

This news release should be read in conjunction with Ivanhoe Mines' Q2 2018 Financial Statements and Management's Discussion and Analysis report available at [www.ivanhoemines.com](http://www.ivanhoemines.com) and at [www.sedar.com](http://www.sedar.com).

## Qualified Person

Disclosures of a scientific or technical nature in this news release have been reviewed and approved by Stephen Torr, who is considered, by virtue of his education, experience and professional association, a Qualified Person under the terms of NI 43-101. Mr. Torr is not considered independent under NI 43-101 as he is Ivanhoe Mines' Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this news release.

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

- The Kamoakakula 2018 Resource Update dated March 23, 2018, prepared by OreWin, Amec Foster Wheeler, MDM (Technical) Africa, Stantec Consulting International and SRK Consulting (South Africa), covering the company's Kamoakakula Project;
- The Platreef 2017 Feasibility Study Technical Report dated September 4, 2017, prepared by DRA Global, OreWin, Amec Foster Wheeler, Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental, covering the company's Platreef Project; and
- The Kipushi 2017 Prefeasibility Study Technical Report dated January 25, 2018, prepared by OreWin, The MSA Group, SRK Consulting (South Africa) and MDM (Technical) Africa, covering the company's Kipushi Project.

These technical reports include relevant information regarding the effective dates and the assumptions, parameters and methods of the mineral resource estimates on the Platreef Project, the Kipushi Project and the Kamoakakula Project cited in this news release, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this news release in respect of the Platreef Project, Kipushi Project and Kamoakakula Project.

## Information contacts

### Investors

Bill Trenaman +1.604.331.9834

### Media

North America: Bob Williamson +1.604.512.4856  
South Africa: Jeremy Michaels +27.82.772.1122

Website [www.ivanhoemines.com](http://www.ivanhoemines.com)

## Forward-looking statements

Certain statements in this news release constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the company, its projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect the company's current expectations regarding future events, performance and results and speak only as of the date of this release.

Such statements include without limitation, the timing and results of: (i) statements regarding Shaft 1 providing initial underground access to the high-grade orebody at the Flatreef Deposit; (ii) statements regarding the station development of Shaft 1 at the 750-, 850- and 950-metre levels; (iii) statements regarding Shaft 1 expected to intersect the upper contact of the Flatreef Deposit (T1 mineralized zone) at an approximate shaft depth of 783 metres; (iv) statements regarding Shaft 1 reaching the planned, final depth at 982 metres below surface in Q4 2019; (v) statements regarding the timing of Shaft 2 development, including that excavation of the box cut and construction of the tower hitch foundation be completed by the end of 2018 and that Shaft 2 will be sunk to a final depth of more than 1,104 metres; (vi) statements regarding the operational and technical capacity of Shaft 1; (vii) statements regarding the internal diameter and hoisting capacity of Shaft 2; (viii) 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; (ix) statements regarding the planned underground mining methods of the Platreef Project including long-hole stoping and drift-and-fill mining; (x) statements regarding supply of treated water from the town of Mokopane's new Masodi treatment plant including 5 million litres a day for 32 years; (xi) statements regarding the timing of the study and construction on the Kipushi-Munama spur line; (xii) statements regarding the timing and completion of a pre-feasibility study for a six Mtpa mine at Kakula by the end of 2018; (xiii) statements regarding the timing, size and objectives of drilling and other exploration programs for 2018 and future periods; (xiv) statements regarding exploration on the Western Foreland exploration licences; (xv) statements regarding completion of the twin declines at Kakula by the end of 2018; (xvi) statements regarding the timing and completion of a definitive feasibility study at the Kipushi Project in the second half of 2018 or early in 2019; (xvii) statements regarding expected expenditure of \$43 million on further development at the Platreef Project; \$35 million at the Kipushi Project; \$6 million on regional exploration in the DRC; and \$9 million on corporate overheads for the remainder of 2018 – as well as its proportionate funding of the Kamoakakula Project, expected to be \$28 million for the remainder of 2018; (xviii) statements regarding the inclusion of the updated Mineral Resource at Kipushi in the definitive feasibility study at the Kipushi Project; (xix) statements regarding the timing of closing of the private placement with CITIC Metal no later than October 22, 2018 and potentially by mid-September 2018; and (xx) statements regarding Ivanhoe's expectation to be in a position to provide an important update on its Makoko and Kamoakakula North exploration programs in September.

As well, all of the results of the pre-feasibility study of the Kamoakakula Project and preliminary economic assessment of development options for the Kakula deposit, the feasibility study of the Platreef Project and the pre-feasibility study of the Kipushi Project, constitute forward-looking statements or information, and include future estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, estimates of capital and operating costs and the size and timing of phased development of the projects. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoakakula, Platreef and Kipushi Projects, the company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper, nickel, zinc, platinum, palladium, rhodium and gold; (vi) the availability of equipment and facilities necessary to complete development; (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the compliance by joint venture partners with terms of agreements; (xiii) the availability and productivity of skilled labour; (xiv) the regulation of the mining industry by various governmental agencies; and (xv) political factors.

This release also contains references to estimates of Mineral Resources and Mineral Reserves. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Estimates of Mineral Reserves provide more certainty but still involve similar subjective judgments. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data,

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

Forward-looking statements and information involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements or information, including, but not limited to, the factors discussed below and under "Risk Factors", as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

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

The company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth in the "Risk Factors" section and elsewhere in the company's Q2 2018 Financial Statements and Management's Discussion and Analysis.