

## **IVANHOE MINES ANNOUNCES Q3 2007 RESULTS**

**SINGAPORE** — Ivanhoe Mines today announced its results for the third quarter of 2007 (Q3'07). All figures are in US dollars, unless otherwise stated.

Ivanhoe Mines is continuing to advance its wholly-owned Oyu Tolgoi copper and gold mine development project in Mongolia. Also in Mongolia, the majority-owned SouthGobi Energy Resources is scheduled to commence coal mining in 2008 at its Ovoot Tolgoi deposit in the South Gobi Region, near the Mongolia-China border. Ivanhoe has made significant progress in developing financing options for its Cloncurry copper-gold-uranium exploration project in Queensland, Australia, and for its Bakyrchik gold project in Kazakhstan, to maximize value for Ivanhoe's shareholders.

### **MONGOLIA — OYU TOLGOI COPPER-GOLD PROJECT**

#### **Members of Mongolia's Parliament visiting mines in the US, Australia and Chile in preparation for discussion of Oyu Tolgoi draft Investment Agreement**

During the third quarter, members of the Mongolian National Parliament's Standing Committee on Economics formed a Working Group to review and evaluate the draft Investment Agreement that Ivanhoe Mines and its strategic partner, Rio Tinto, had negotiated in April 2007 with a separate Working Group appointed by the Government of Mongolia. Standing Committee Working Group members began a series of visits to international mines owned by Rio Tinto PLC, BHP Billiton and other companies to familiarize themselves with industry-leading mining practices that could be introduced to Mongolia and economic benefits that could be expected with the construction of the copper-gold mining complex at Oyu Tolgoi planned by Ivanhoe Mines and Rio Tinto.

In late September 2007, Mongolia's Finance Minister and several members of the Standing Committee's Working Group visited the Bingham Canyon Mine near Salt Lake City, Utah. Owned by Kennecott Utah Copper Company, which is part of Rio Tinto's global portfolio of assets, Bingham Canyon has been in production for more than 100 years and is the second-largest copper producer in the US. The Mongolian MPs inspected the mine's open pit, concentrator, smelter and refinery operations and were briefed by Rio Tinto executives and community leaders. In early October, other MPs who are also members of the Standing Committee's Working Group visited Rio Tinto's North Parkes underground block-cave mine in Australia, which utilizes advanced ore recovery technologies similar to those planned for the underground portion of the Oyu Tolgoi development. Mongolia's Minister of Industry and Trade accompanied MPs on an inspection of Chilean mines in November.

The Mongolian Parliament began its autumn session in early October and consideration of the draft Investment Agreement for Oyu Tolgoi is on Parliament's official schedule of business. The Mongolian Government's Cabinet completed its review of the draft Investment Agreement in June. The agreement is structured to stabilize tax and fiscal issues and guide the planned development and long-term operation of the Oyu Tolgoi Project. Consideration and approval by the Parliament is expected to be the final step in the process of concluding an Investment Agreement in accordance with the revised Minerals Law enacted by Parliament last year. The draft agreement also remains subject to approvals by the Ivanhoe Mines and Rio Tinto boards of directors.

Ivanhoe Mines and Rio Tinto have been meeting with Members of Parliament to discuss issues relating to the planned development of Oyu Tolgoi and lawmakers have visited the Oyu Tolgoi Project site to see work in progress. Ivanhoe Mines and Rio Tinto also have expressed their concerns to Members of Parliament, the Government's Cabinet and the President about adverse impacts on the cost and timing for the Oyu Tolgoi project that would result from further unexpected delays in the parliamentary approval process.

Ivanhoe Mines is monitoring the deliberations of the National Parliament and the anticipated formation of a reconstituted cabinet under Sanjaa Bayar, who was recently elected Chairman of the Mongolian People's Revolutionary Party (MPRP) and who is expected to be appointed Prime Minister. Ivanhoe is continuing to assess any implications for the Oyu Tolgoi development schedule. A plan prepared by the joint Ivanhoe Mines-Rio Tinto Technical Committee would guide an orderly curtailment of development activities and a significant reduction of expenditures at the Oyu Tolgoi Project if an Investment Agreement with the Mongolian Government is not finalized within an acceptable period of time.

### **Oyu Tolgoi development activities see Shaft No. 1 nearing completion**

The Oyu Tolgoi site celebrated a safety record with 2.5 million hours worked without a lost-time incident in early October 2007. Site preparation continued during Q3'07, positioning the project to commence full construction upon final approval of an Investment Agreement. Activities on site during the third quarter focused on the sinking of Shaft No. 1, sub-surface collar works at Shaft No. 2, excavation of the full concentrator area and continued enlargement of the construction camp facilities.

As expected, Shaft No. 1 reached 1,300 metres, the depth of the characterization drift level, at the end of Q3'07. Additional sinking to allow for underground infrastructure will continue to the end of the year. Planned lateral development will allow for additional exploration of the Oyu Tolgoi high-grade underground deposits and also will provide initial production — and ultimately ventilation — to the underground mine. Lateral development work is expected to formally commence in early 2008. The expected completion of Shaft No. 1, together with the horizontal exploration tunnels, will provide access to the Hugo Dummett Deposit, enabling the Company to complete its geotechnical assessment that is required to advance the underground deposit to a feasibility level — a milestone expected to be reached in 2008.

Work continued on Shaft No. 2, which is planned to be the initial, primary underground production and service shaft at Oyu Tolgoi. Site work completed in Q3'07 included concrete work to bring the sub-surface works to grade or near to grade by the onset of winter. This work includes the below-surface collar foundation to support the headframe, and accommodate a conveyor gallery and vent plenum. Engineering work is continuing on schedule.

On the concentrator, total excavation work is approximately 20% complete. Concentrator engineering reached 71% completion as of October 2007 and is scheduled for substantial completion in March 2008.

Work also continued on the temporary facilities during Q3'07. The main construction camp continues to be built out to allow for full mobilization of the construction workforce. The combined capacity of the three camps is 2,408 beds. Planning for the mobilization of the construction crew continued throughout the quarter.

Infrastructure engineering progressed during Q3'07. The principal activities included engineering for the diesel power station, which will provide construction power to the project, and engineering on the Gunii Hooloi bore field, which will serve as a permanent water source for the mine.

## **Oyu Tolgoi block-cave planning advances**

Block-cave planning for the Hugo Dummett Deposit continued during Q3'07 with the commencement of a detailed study of the first production lift. This study will extend throughout 2008 and will incorporate the findings of the characterization drift. This drift will provide the geotechnical parameters to determine the detailed block-cave footprint design and mine development requirements. Additionally, information from the characterization drift will provide data for the underground engineering design criteria that will be used to optimize the production schedule and to upgrade the underground resources to reserves.

Other aspects of this detailed study include further optimization evaluations for the future concentrator expansion and smelter.

Work continued in Q3'07 on detailed design of the plant and infrastructure, which is approximately 60% complete. Continued negotiations with equipment suppliers for the open pit and plant operations took place and major critical-path equipment items are fully specified.

The update to the Integrated Development Plan (IDP) was advanced and awaits the finalization of the Investment Agreement prior to completion of the economic model. All major capital estimates will be updated and included in the revised IDP.

## **Ongoing drilling expands Oyu Tolgoi geological trend to 20 KM (Entrée Gold—Ivanhoe Mines' earn-in joint-venture property immediately south of Oyu Tolgoi)**

Ivanhoe Mines completed approximately 14,755 metres of drilling on the Oyu Tolgoi Project during Q3'07, including 9,176 metres on the newly identified Heruga Deposit within the Javkhlan concession of the Entrée Gold-Ivanhoe Mines' earn-in joint-venture property adjoining the southern boundary of Oyu Tolgoi. In addition, 2,600 metres of drilling was completed for geotechnical characterization on the Entrée Gold-Ivanhoe Shivee Tolgoi earn-in joint venture property on the northern boundary of Oyu Tolgoi and on the east side of the Hugo North Deposit. The remaining 2,972 metres of drilling was split between sterilization drilling under the proposed coal-fired power plant in the southwest corner of Oyu Tolgoi and exploration drilling on other induced polarization (IP) targets.

The Heruga Deposit, formerly referred to as the Sparrow South IP target, now has been identified by 19 drill holes, totalling 21,000 metres of core drilling. The holes, which are spaced on 200- to 300-metre centres, have defined a 1,100-metre strike length of continuous copper, gold and molybdenum mineralization up to 400 metres in width. The north-south-striking deposit is open on the east side and to the south. While a series of drill holes across the northern strike extension failed to intersect the deposit, they may have been terminated in the hanging wall of the mineralization.

The discovery of the Heruga Deposit marks a new style of molybdenum-rich mineralization not previously encountered on the Oyu Tolgoi trend. While no age dating has been done yet on this mineralization, the deposit is hosted by late-Devonian basaltic volcanics and quartz monzodiorite that are nearly identical to the host rocks of the Oyu Tolgoi deposits. The structural corridor that bounds the Heruga Deposit also is flanked by Devonian and Carboniferous volcanic rocks similar to the Oyu Tolgoi structural corridor.

In all, the Oyu Tolgoi trend, including the Heruga Deposit and an area of lower-grade copper and gold mineralization — known as the Airport North Zone (discovered in 2006), approximately 10 kilometres northeast of the Hugo Dummett Deposit and on the same structural corridor — now has a strike length in excess of 20 kilometres. In addition, the "trend" has been well defined by the regional gradient-array IP surveys conducted by Ivanhoe Mines' geophysical team. The IP has located four

chargeability anomalies along the Oyu Tolgoi trend-line extending approximately 15 kilometres south-southwest into Ivanhoe Mines' 100%-owned exploration tenements from the Heruga discovery, which are untested by drilling. Three of the anomalies and a portion of the fourth are on Ivanhoe's ground.

By the end of Q3'07, Ivanhoe Mines had incurred in excess of \$20 million in exploration expenditures on the Entrée Gold-Ivanhoe Mines JV agreement areas and now has earned a 51% interest in all minerals — including the Heruga Deposit — on the Javkhant exploration tenement and the northern extension of the Hugo Dummett North Deposit on the Shivee Tolgoi exploration tenement. Ivanhoe Mines intends to continue incurring earn-in expenditures in accordance with the terms of the JV agreement to increase its participating interest in the project. Subject to Ivanhoe Mines spending a total of US\$35.0 million on exploration and/or development on the JV properties prior to November 2012, Ivanhoe Mines will earn a participating interest of 80% in all minerals extracted below a sub-surface depth of 560 metres on the optioned property and a 70% participating interest in all minerals extracted from surface to a depth of 560 metres.

Ivanhoe Mines held directly approximately 14.8% of the issued and outstanding share capital of Entrée, in addition to the earn-in rights, at September 30, 2007. In November 2007, Entrée announced a C\$30.0 million treasury offering consisting of 10 million common shares at an issue price of \$3.00 per share. Ivanhoe Mines has exercised its pre-emptive rights to acquire an additional 2.1 million common shares for proceeds of C\$6.4 million to maintain its 14.8% ownership interest in Entrée.

### **Rio Tinto provides \$350 million convertible credit facility to Ivanhoe Mines**

In September 2007, Ivanhoe Mines announced that Rio Tinto would provide a convertible credit facility of up to \$350 million to finance ongoing mine development activities at the Oyu Tolgoi Project pending the finalization of an Investment Agreement between Ivanhoe Mines and the state of Mongolia. A definitive Credit Agreement was signed in October 2007, following which Ivanhoe Mines made an initial draw against the credit facility of \$150 million.

The proceeds of the credit facility will be used to ensure that long-lead-time orders for the manufacture of mining equipment such as trucks, tires, electric motors and ball mills, and development work on Shafts No. 1 and No. 2 at Oyu Tolgoi, remain on schedule pending a satisfactory conclusion of an Investment Agreement with the Mongolian Government. The Credit Agreement contemplates that all such development activities and expenditures will be made in accordance with an Operating Plan and Budget unanimously approved by the Ivanhoe Mines and Rio Tinto representatives on the Oyu Tolgoi Technical Committee.

Amounts advanced under the credit facility will bear interest at a rate per annum equal to the three-month London Inter-Bank Offered Rate, plus 3.3%, and mature on September 12, 2010. The outstanding principal amount and up to \$108 million in interest are convertible into up to 45.8 million common shares of Ivanhoe Mines at a price of US\$10.00 per share and will be automatically converted into common shares upon maturity.

As part of the credit facility transaction, Rio Tinto also received share-purchase warrants exercisable to purchase up to 35 million common shares of Ivanhoe Mines at a price of US\$10.00 per share for a period of five years. These warrants may be exercised on a basis proportionate to the amount of funds drawn down by Ivanhoe Mines under the credit facility.

Assuming the completion of the second tranche equity investment contemplated by the October 2006 Private Placement Agreement, if Rio Tinto were to fully convert the maximum amount available for conversion under the credit facility and exercise all of its share purchase warrants, it would hold

approximately 256.2 million common shares of Ivanhoe Mines representing 42.2% of Ivanhoe Mines' then outstanding common shares on a fully diluted basis (43.1% undiluted).

Ivanhoe Mines and Rio Tinto also agreed to amend certain terms of the October 2006 Private Placement Agreement. Rio Tinto now has the right to appoint the Chairman of the Technical Committee overseeing development and operation of the Oyu Tolgoi project in 2009 rather than in 2011 and Rio Tinto's maximum permitted shareholding in Ivanhoe Mines has been increased to 46.65% from 40%.

## **MONGOLIA – COAL ASSETS**

### **SouthGobi Energy Resources receives mining license for its Ovoot Tolgoi coal operations in Mongolia**

On September 11, 2007, SouthGobi Energy Resources received official notification from the Government of Mongolia that it had been granted a mining license for its open-pit coal mine at its Ovoot Tolgoi Project. This step was conditional on paying the first year mining licence fees within 10 days of the receipt of the letter. The fees were paid on September 17, 2007, and the 30-year Mining Licence Certificate, dated September 20, 2007, was received on October 1, 2007. SouthGobi expects to receive the Permit to Mine by the end of 2007.

On November 5, 2007, SouthGobi announced that it had committed to purchase a fleet of coal-mining equipment for Ovoot Tolgoi. Delivery of the equipment, valued at approximately \$16.0 million, is scheduled for Q1'08. Site facilities have been designed and construction is scheduled for spring 2008, subject to favourable weather.

SouthGobi plans an initial mine start up in Q1'08, with the first shipment of coal in Q3'08. The Ovoot Tolgoi work camp has been winterized and will service the mine during the pre-production phase. The engineering and design for a permanent camp, maintenance facilities and offices has been completed.

SouthGobi also announced on November 5 that it had arranged a new credit facility with Ivanhoe Mines, which allows SouthGobi to obtain advances from Ivanhoe Mines to an aggregate maximum of \$32.5 million. The new credit facility is unsecured and is not convertible into equity. The facility will be used to fund certain operating, development and administrative expenditures.

SouthGobi has commissioned Norwest Corporation to complete an updated mining study on Ovoot Tolgoi. The study is expected to be completed by the end of Q4'07 and will be an enhancement of two earlier Scoping Studies. This report will be used to fulfill the legal requirement to file a technical and economical study with applicable Mongolian authorities as required by Mongolian Mining Laws within 60 days of receiving a mining licence.

Further drilling in the Ovoot Tolgoi Extension will focus on gaining a better geological, structural and quality understanding of the coal resources from identified coal occurrences on two different fields and delineating spoil areas and specific site facilities areas.

In June 2007, Norwest completed a study of Ovoot Tolgoi's underground mining potential as part of SouthGobi's plans for the potential development of Ovoot Tolgoi's underground coal seams — prompted by increasing demand for high-quality metallurgical and thermal coal from Northern China. An underground mining consultant has been retained and is working on a plan to advance the project. The Ovoot Tolgoi underground project requires further drilling before a resource estimate can be

completed. This program was initiated during this year's drilling program and will be continued in the spring of 2008.

SouthGobi Energy has been approached by a number of significant industry participants and investors with respect to potential project participation and investments. Discussions are ongoing.

Ivanhoe Mines at September 30, 2007, held approximately 86% of the issued and outstanding share capital of SouthGobi. Ivanhoe Mines also has 25.6 million SouthGobi preferred shares that, when aggregated with Ivanhoe Mines' existing holding of common shares, represent approximately 90% of the total number of issued and outstanding common shares of SouthGobi.

## AUSTRALIA

### Cloncurry IOCG Project expanding exploration

Ivanhoe Mines' recent exploration at the Cloncurry project has discovered a series of related iron-oxide-copper-gold (IOCG) systems, with associated uranium. Ivanhoe Mines continued its significant exploration activities at Cloncurry, spending \$7.9 million during Q3'07 compared to \$1.1 million in Q3'06.

**Swan Prospect.** In October 2007, Ivanhoe Mines announced that continued exploration drilling had resulted in the discovery of a significant high-grade zone of copper and gold mineralization on the western margin of the large, open-ended SWAN IOCG Project. Drill hole MEHQ071130, on the western margin of the SWAN system, intersected 90 metres grading 2.02% copper and 1.3 g/t gold from 582 metres to 672 metres, including 54 metres grading approximately 3.04% copper and 1.89 g/t gold. The intersection is missing a 3.5-metre section of high-grade core resulting from loss during drilling of the very friable composition of the intense chalcopyrite-rich mineralization. As such, this zone is being re-drilled and recovery improved by using a triple-tube core-barrel to preserve the entire high-grade intercept. Additional drilling will define the attitude and dip of the high-grade zone and also the true thicknesses of the drill intersections.

The Hole 1130 intersection highlights the potential for further large, high-grade zones in and around the extensive SWAN system. The tenor and thickness of the high-grade mineralization appears to be superior to that previously mined at the Mt. Elliott Mine, approximately one kilometre away. The high-grade sections within the 90-metre intercept are associated with one- to three-metre-wide veins of chalcopyrite, magnetite, pyrite and calcite. These veins are sub-vertical and have a north-northeast trend. These zones might represent long-lived feeder zones to the main body of mineralization or be cross-cutting late-stage mineralization. The style and structure of the mineralization intersected in the newly discovered high-grade zone indicates that repeat structures with similar grades and thicknesses are possible within the SWAN system.

Ivanhoe Mines is conducting an aggressive drilling campaign to explore the immediate area around the high-grade zone to expand the size and to better understand the structural controls of the mineralization. An additional 150-metre-wide intersection of visibly strong chalcopyrite-dominated mineralization was intercepted in Hole 1118 (assay results pending), approximately 100 metres up-dip from Hole 1130 and within the same stratigraphic position. Given the tenor of the intersection in holes 1130 and 1118, a pattern of drilling to achieve a mineral resource on this high-grade portion of SWAN will be completed as a priority undertaking.

During Q3'07, 32 diamond core holes were drilled at SWAN, totalling 25,087 metres. The recent drilling at SWAN has included testing of the northwest strike extent and also the SWELL mineralization to the east of SWAN and southwest of Mt Elliot; drilling is continuing at SWELL with a view to establishing the relationship between the SWAN and Elliott deposits. Seven drill rigs are

located at SWAN, but soon will be reduced to four as some rigs move on to the testing of other targets. One six-kilometre-long line of dipole-dipole IP was completed close to the North Gossans area. Mapping commenced this quarter on the Central and Northern Leases, located immediately northwest of the SWAN and Mt Elliot prospects. This work will continue into the next quarter and is expected to define additional drill targets.

The SWAN-Mt. Elliott IOCG system is the first of numerous targets to be intensively drill tested by Ivanhoe in the Cloncurry district. Delineation drilling has just begun at Mt. Dore (see below) and Amethyst Castle, the second and third targets to be drill tested in the district. Reconnaissance drilling at the other IOCG targets will proceed when sufficient delineation on the SWAN and Mt. Dore prospects has been completed.

Reconnaissance drilling at the Amethyst Castle and Castle Mount prospects has intercepted significant intersections of classic, IOCG-style breccias similar to those that host economic mineralization at the Ernest Henry Mine, near Cloncurry, and the Olympic Dam and Prominent Hill deposits in South Australia's Gawler Craton. A first-pass drill program at the Metal Ridge prospect has intercepted anomalous copper and gold mineralization similar in alteration style to the SWAN Deposit.

**Central and Northern Gossans.** Detailed geological mapping and sampling are taking place at the Central and Northern Gossans areas where copper and gold mineralization was intersected in limited, shallow drilling carried out decades ago. To date, mineralized zones have been intersected over a strike length of at least four kilometres. This north-trending zone could represent the northern strike extension of the SWAN deposit, which already has been demonstrated to be approximately 1.3 kilometres long.

**Mt. Dore Prospect.** Significant Mineral Resources have been previously declared at the Mt Dore Prospect and drilling is underway to re-establish a valid 43-101 compliant resource. Copper within this system is hosted within east-dipping shales and siltstones overlain by granites. One drill rig is located at this prospect, drilling vertical infill holes up to 400 metres deep, as follow-up to the previous programs. A total of 19 holes are planned, with a second rig to move to Mt. Dore from SWAN in Q4'07. Mt Dore is one of the most advanced prospects in the field and provides the earliest opportunity for copper production on the Cloncurry prospect.

**Amethyst Castle Prospect.** Copper, gold and uranium are hosted in a widespread, large-scale breccia body in the Amethyst Castle area. Ivanhoe Mines has identified the presence of uranium and the IOCG-style of mineralization and has carried out magnetic, conductivity, IP and gravity surveys. The drill results indicate a large breccia structure containing pods of high-grade gold, copper and uranium that requires further investigation. In Q3'07, six lines of 200-metre-deep dipole-dipole IP were completed at 400-metre line spacings, producing a number of anomalies that require follow-up exploration and/or drilling.

**Metal Ridge.** Air-core drilling over the western portion of this prospect has identified a zone of higher copper values associated with a gravity feature striking north-easterly from Amethyst Castle across to Metal Ridge. Deep IP is planned for this project.

**Starra Line.** The Line on the Western Ironstone System produced a reported 170,000 tonnes of copper and one million ounces of gold from ore grading 2.23% copper and 4.56 g/t gold between 1987 and 2003. The system had been previously drilled to an average depth of 230 metres. Testing of this system at depth is expected to commence later this year or early in 2008.

**Uranium Prospects.** In addition to the IOCG prospects identified above, Ivanhoe's Cloncurry Project hosts a significant number of uranium exploration prospects, including Robert Heg, Elizabeth Anne,

Great Wall and Dairy Bore. Five diamond-drill holes were completed on Robert Heg in the previous quarters, totalling 1,676 metres. Uranium was encountered in chloritic shear zones and low-grade, possibly disseminated uranium within sections of the granite and calc silicate country rock. Secondary uranium minerals were seen on many fracture planes as coatings that were easily washed off during core cutting and drilling. This problem will be addressed in future core-handling procedures. The drill results re-affirm the results obtained by the early Rio Tinto drilling in 1991.

At Elizabeth Anne, a program of air-core drilling detected anomalous copper, lead and uranium, while rock-chip samples highlighted the presence of strong secondary uranium minerals seen in ironstone outcrops associated with this prospect. A detailed SAM conductivity survey with a 50-metre line separation is in progress in the Elizabeth Anne-Great Wall area, with the objective of more detailed mapping of the structures, revealed by conductivity trends, associated with anomalous uranium. Eight rock-chip samples from an ironstone outcrop at the Great Wall prospect assayed between 0.8% and 1.1% U, with associated anomalous copper mineralization.

Gravity and air-core drilling was completed over the Dairy Bore prospect, with assay results confirming a correlation between copper, magnetics and gravity features. This target is expected to be an IOCG-style of mineralization, with drilling to follow a further detailed mapping program. The rock-chips from the air-core programs at Dairy Bore and Elizabeth Anne will be logged and reported on in Q4'07.

More detailed follow-up on the uranium targets will commence in early 2008. Work in Q4'07 will focus on the SWAN and Mt. Dore deposits.

## **KAZAKHSTAN**

### **Progress on commercial-scale demonstration plant at Bakyrchik Gold Project**

The Bakyrchik Mining Venture (BMV) is in the process of completing construction of a commercial-scale demonstration plant capable of processing 200,000 tonnes per annum, using a rotary kiln to oxidize the ore, followed by conventional grinding and cyanidation. BMV has a stockpile of approximately 100,000 tonnes of ore grading 8.17 g/t of gold that will be run through the demonstration plant to confirm metallurgical parameters.

During Q3'07, the remaining contracts for the construction of the demonstration plant were signed and advance payments made. Construction of the plant continued during the quarter and currently involves nine major contractors. Most purchase orders for the major mechanical equipment have been placed. The work program is being reviewed to ensure that all technical, budgetary and scheduling commitments are being met for the construction. It is expected that the scheduled completion date for the demonstration plant may be extended to the summer of 2008 following the review. This is due largely to the competition for contracting resources in Far East Kazakhstan, which reflects economic growth and high levels of construction activity being experienced throughout Kazakhstan. Ivanhoe Mines is continuing to assess numerous financing alternatives for the Bakyrchik Gold Project, including a potential equity offering in the project in international financial markets.

## **CHINA**

### **Inner Mongolia and Northern China exploration**

Reconnaissance field exploration in western Inner Mongolia and elsewhere in Northern China continued during Q3'07. The program consisted of the field geological assessment of more than 50 licenced intrusive-related and breccia-hosted gold-silver and copper-molybdenum deposits within and

along the margins of the North China Craton. Reconnaissance exploration will continue into Q4'07 and follow-up ranking, detailed legal and geological assessment of previously assessed targets will be completed prior to cessation of the field season in early December.

### **Gold Production tops 10,000 ounces at Jinshan's CSH 217 Gold Mine**

In July 2007, Jinshan Gold Mines announced the pouring of the first 500-ounce gold doré bar at the CSH 217 Gold Mine in Inner Mongolia, China. The pouring marked the start of pre-commercial production at the mine, which is expected to produce an average of approximately 120,000 ounces per year once full production is achieved during the next few months.

On October 17, Jinshan reported that gold production since July 2007 from the CSH Gold Mine had reached 13,926 gold doré ounces, or 10,143 ounces of gold. Silver comprises approximately 30% of each doré bar. All production at Jinshan's CSH gold mine is un-hedged and sold at the prevailing Shanghai Gold exchange price, which closely tracks the London Gold Fixing price.

A drilling program at the CSH 217 Gold Mine is designed to delineate additional mineralization along strike, to infill zones with Inferred resources and bring them up to the Indicated category, and to expand other mineralized zones that remain open or untested. The drilling program recently has been increased to approximately 11,000 metres, more than double the originally planned 5,000 metres. Once this drilling is complete, an updated resource estimate will be commissioned and is expected in early 2008.

An expansion study, expected to be completed by the end of 2007, is underway to determine the potential to scale up gold production to approximately 180,000 ounces per year.

Ivanhoe Mines held approximately 43% of Jinshan's issued and outstanding share capital at September 30, 2007.

### **Review of operations**

In Q3'07, Ivanhoe Mines recorded a net loss of \$83.1 million (or \$0.22 per share), compared to a net loss of \$66.5 million (or \$0.20 per share) in Q3'06. The \$16.6 million increase in the loss from 2006 to 2007 was largely due to a \$7.5 million increase in exploration expenses. Included in exploration expenses are shaft sinking and engineering and development costs for the Oyu Tolgoi Project that have been expensed and not capitalized. Results for the quarter also were affected by a \$2.5 million increase in foreign exchange gains and a \$5.3 million increase in income from discontinued operations, less a \$6.7 million write-down of asset backed commercial paper.

Ivanhoe Mines is engaged primarily in exploration activities, although a significant portion of its expenditures relate directly to development activities at its Oyu Tolgoi Project in Mongolia. Exploration costs are charged to operations in the period incurred and often constitute the bulk of the company's operating loss for that period. It is expected that the company will commence capitalizing Oyu Tolgoi development costs once an Investment Agreement is finalized with the Government of Mongolia.

Ivanhoe's results for the first nine months of 2007 are contained in the unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and Ivanhoe's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

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**QUALIFIED PERSONS**


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Disclosure of a scientific or technical nature in this release in respect of each of the following projects of Ivanhoe Mines was prepared by or under the supervision of the "qualified persons" (as that term is defined in NI 43-101) listed below:

| <b>Project</b>                                    | <b>Qualified Person</b> | <b>Relationship to Ivanhoe Mines</b> |
|---|-------------------------|--------------------------------------|
| Mongolia - Oyu Tolgoi Exploration and Heruga      | Charles Forster         | Employee of the Company              |
| Mongolia - Other Copper Gold Exploration Projects | Charles Forster         | Employee of the Company              |
| Australia - Cloncurry Project                     | Douglas Kirwin          | Employee of the Company              |

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**SELECTED QUARTERLY DATA**


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*(\$ in millions of U.S. dollars, except per share information)*

|   | Quarter Ended  |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | Sep-30<br>2007 | Jun-30<br>2007 | Mar-31<br>2007 | Dec-31<br>2006 |
| Exploration expenses                          | (\$74.8)       | (\$79.1)       | (\$53.5)       | (\$70.4)       |
| General and administrative                    | (\$7.0)        | (\$5.9)        | (\$5.2)        | (\$8.9)        |
| Share of income from investment held for sale | \$0.0          | \$0.0          | \$0.4          | \$7.4          |
| Foreign exchange gains (losses)               | \$2.1          | \$6.7          | \$0.8          | (\$3.7)        |
| Net (loss) from continuing operations         | (\$90.0)       | (\$78.7)       | (\$55.4)       | (\$73.5)       |
| Income from discontinued operations           | \$6.8          | \$4.6          | \$8.6          | \$4.8          |
| Net (loss)                                    | (\$83.1)       | (\$74.2)       | (\$46.8)       | (\$68.7)       |
| Net (loss) income per share                   |                |                |                |                |
| Continuing operations                         | (\$0.24)       | (\$0.21)       | (\$0.15)       | (\$0.21)       |
| Discontinued operations                       | \$0.02         | \$0.01         | \$0.02         | \$0.01         |
| Total   | (\$0.22)       | (\$0.20)       | (\$0.13)       | (\$0.20)       |

|  | Quarter Ended  |                |                |                |
|--|----------------|----------------|----------------|----------------|
|  | Sep-30<br>2006 | Jun-30<br>2006 | Mar-31<br>2006 | Dec-31<br>2005 |
| Exploration expenses                                 | (\$67.3)       | (\$43.7)       | (\$31.6)       | (\$41.7)       |
| General and administrative                           | (\$6.9)        | (\$6.0)        | (\$6.4)        | (\$4.2)        |
| Share of income (loss) from investment held for sale | \$9.0          | (\$2.4)        | \$4.5          | (\$0.5)        |
| Foreign exchange gains (losses)                      | (\$0.4)        | \$4.7          | (\$0.2)        | (\$0.4)        |
| Net (loss) from continuing operations                | (\$68.0)       | (\$45.7)       | (\$31.1)       | (\$49.8)       |
| Income from discontinued operations                  | \$1.5          | \$5.4          | \$7.9          | \$7.9          |
| Net (loss)   | (\$66.5)       | (\$40.3)       | (\$23.2)       | (\$41.8)       |
| Net (loss) income per share                          |                |                |                |                |
| Continuing operations                                | (\$0.20)       | (\$0.14)       | (\$0.10)       | (\$0.16)       |
| Discontinued operations                              | \$0.00         | \$0.02         | \$0.03         | \$0.03         |
| Total  | (\$0.20)       | (\$0.12)       | (\$0.07)       | (\$0.13)       |

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**Forward-Looking Statements:** Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the “safe harbor” provisions of the *United States Private Securities Litigation Reform Act of 1995*. Forward-looking information and statements are typically identified by words such as “anticipate,” “could,” “should,” “expect,” “seek,” “may,” “intend,” “likely,” “plan,” “estimate,” “believe” and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting anticipated business activities; planned expenditures; corporate strategies; proposed acquisitions and dispositions of assets; discussions with third parties respecting material agreements; the expected timing and outcome of Ivanhoe Mines’ discussions with representatives of the Government of Mongolia for an Investment Agreement in respect of the Oyu Tolgoi Project; the estimated timing and cost of bringing the Oyu Tolgoi Project into commercial production; anticipated future production and cash flows; target milling rates; the impact of amendments to the laws of Mongolia and other countries in which Ivanhoe Mines carries on business; the timing for completion of the 2007 IDP and changes in mine plan contemplated thereunder; the timing of commencement of full construction of the Oyu Tolgoi Project; the completion of an updated mine plan for the Ovoot Tolgoi Project and other statements that are not historical facts.