

## **Ivanhoe Mines and Rio Tinto, expecting finalization of the Oyu Tolgoi Investment Agreement, reaffirm long-term commitment to three-year-old strategic partnership**

### **Ivanhoe Mines and Rio Tinto agree to fine-tune two provisions in 2006 private-placement agreement**

ULAANBAATAR, MONGOLIA — Ivanhoe Mines' President and CEO John Macken said today that executives of Ivanhoe Mines and its strategic partner, Rio Tinto, are working with Mongolian Government representatives to finalize an Investment Agreement for the Oyu Tolgoi copper-gold project as quickly as possible.

Mr. Macken said that the managements of Ivanhoe Mines and Rio Tinto accept assurances by members of the Mongolian Government's Cabinet that the Government is preparing to sign an Investment Agreement for the Oyu Tolgoi copper-gold project.

In expectation of the signing of a final Investment Agreement, the companies have mutually agreed to fine-tune two provisions of Rio Tinto's phased investment of approximately US\$2.4 billion in Ivanhoe Mines. A proposed minor adjustment to the inter-company investment package would grant Rio Tinto a short-term, month-to-month extension of the approaching October 27 deadline for completing Tranche 2 of Rio Tinto's approved schedule of a series of investments in Ivanhoe Mines. A second adjustment would permit Ivanhoe Mines to sell an aggregate interest totalling up to 9.9% to one or two strategic investors – without affecting Rio Tinto's anti-dilution rights to acquire an equity interest of 43.1% in Ivanhoe Mines, which may be increased to a maximum of 46.65% by acquiring additional shares on the open market.

Bret Clayton, Rio Tinto's Chief Executive, Copper & Diamonds, said in a statement that Rio Tinto expected that any delay in concluding the Tranche 2 investment would be short-lived.

"Rio Tinto is committed to its partnership with Ivanhoe in developing Oyu Tolgoi," Mr. Clayton said. "We have made good progress with the Government of Mongolia and expect to sign the Investment Agreement shortly. We then can move forward with completing the conditions precedent to taking up our second tranche of Ivanhoe shares."

When completed, the Tranche 2 financing will provide Ivanhoe with a further US\$388 million toward the development and construction of the Oyu Tolgoi copper-gold mining complex in Mongolia.

Mr. Macken said that the proposed temporary deferment of the Tranche 2 investment would not affect the conditions or timing of Rio Tinto's options to exercise warrants as part of the private-placement agreement with Ivanhoe. "The estimated total value of the package, inclusive of equipment purchased from Ivanhoe, is approximately US\$2.4 billion. Rio Tinto will acquire an interest of up to 43.1% in Ivanhoe Mines and Ivanhoe will use the funds to cover its share of costs for the development and construction of the Oyu Tolgoi mining complex," he added.

Ivanhoe and Rio Tinto now have agreed that the deadline for completing the Tranche 2 investment will be extended in successive 30-day increments, at the discretion of the Ivanhoe Board of Directors, either until the completion of an approved, unconditional Investment Agreement for Oyu Tolgoi, or until April 27, 2010 – whichever occurs first.

Mr. Macken said that the extension is a logical modification. Despite the pending conclusion of the Investment Agreement, there may not be sufficient time before the October 27, 2009, expiry of the Tranche 2 financing period to satisfy a number of procedural and administrative conditions that Ivanhoe and Rio Tinto require as part of the final Investment Agreement. The Investment Agreement will come into full effect when the conditions are fulfilled to the satisfaction of Ivanhoe and Rio Tinto.

The conditions precedent will include the completion of consideration of a project feasibility study; a transfer of interests in certain exploration licences adjacent to Oyu Tolgoi and their conversion to mining licences; the registration of an appropriate company structure to give effect to the Investment Agreement; the establishment of a working committee to expedite permits and customs clearances during construction and operation of Oyu Tolgoi; and confirmation by taxation authorities of tax losses and capitalized expenditures to be used for tax depreciation purposes available for future deduction against taxable income.

The private-placement agreement originally negotiated in 2006, together with other financing transactions negotiated in 2007 and 2008, includes the following elements:

	<b>Exercise Price (US\$) unless noted</b>	<b>Shares</b>	<b>Minimum &amp; Maximum Proceeds (millions)</b>
Tranche 1 – Oct 2006	\$8.18	37,089,883	\$ 303.4
Tranche 2 - extended	\$8.38	46,304,473	\$ 388.0
Warrants (A) – expire Oct 2010	\$8.38 - 8.54	46,026,522	\$ 385.7 to \$ 393.1
Warrants (B) – expire Oct 2011	\$8.38 - 9.02	46,026,522	\$ 385.7 to \$ 415.2
Warrants (C) – expire Oct 2012	\$10.00	35,000,000	\$ 350.0
Anti Dilution Warrants and Shares	Cdn \$3.15	1,684,178	\$ 4.8
Equipment purchased from Ivanhoe	n/a	n/a	\$ 121.5
Convertible Debt <sup>(1)</sup>	n/a	45,800,000	\$ 400.0 to \$ 458.0
		<b>257,931,578</b>	<b>\$2,339.1 to \$2,434.0</b>

<sup>(1)</sup> The Convertible Debt bears interest at LIBOR plus 3.3% and matures on September 12, 2010. The principal amount of \$350 million and up to \$108 million in interest automatically convert into a maximum of 45.8 million shares at a price of \$10.00 per share upon maturity. Based on current interest rates, the amount may approximate \$400 million on conversion.

### **Opportunities for other potential strategic shareholders**

Ivanhoe Mines and Rio Tinto also have agreed to cooperate in considering potential investments in Ivanhoe by one or more strategic shareholders. Mr. Macken said several sovereign-wealth funds are among potential investors who have expressed unsolicited interest in participating in Ivanhoe's growth opportunities. Rio Tinto will not exercise its existing right of first offer in respect of any third-party equity financings that meet certain conditions, including 1) that the number of new common shares issued not exceed a total of 9.9% of Ivanhoe's issued and outstanding common shares following the completion of such financings; and 2) that Rio Tinto's anti-dilution equity rights remain intact. Ivanhoe would use a minimum of 90% of the proceeds from any such financings to advance the Oyu Tolgoi Project.

Ivanhoe Mines has scheduled a special meeting of shareholders on October 20, 2009, when shareholders will be asked to approve the extension of the deadline for completing the Tranche 2 investment. Robert M. Friedland, Ivanhoe's Executive Chairman and largest shareholder, and the Ivanhoe Board of Directors are recommending approval of the proposed adjustments to the private-placement agreement.

An information circular outlining the terms of the proposed extension is being filed today and will be available online, at [www.sedar.com](http://www.sedar.com), and on the Ivanhoe website at [www.ivanhoemines.com](http://www.ivanhoemines.com). Copies of the circular will be mailed to all Ivanhoe shareholders this week.

More information about Ivanhoe Mines, its mining interests and exploration projects is available at [www.ivanhoemines.com](http://www.ivanhoemines.com).

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**FORWARD-LOOKING STATEMENTS:** This document includes forward-looking statements regarding Ivanhoe Mines' plans. Forward-looking statements include, but are not limited to, statements concerning the completion of the second tranche of Rio Tinto's private placement financing, receipt of an unconditional investment agreement for the Oyu Tolgoi Project, and the development of the Oyu Tolgoi Project. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Ivanhoe Mines believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are disclosed under the heading "Risk Factors" and elsewhere in the corporation's periodic filings with Canadian and US securities regulators.