



IVANHOE
MINES

Human Values, Jobs and Economic Investment

Daniel Kunz, President of Ivanhoe Mines,
addresses the company's investment in the Monywa Copper Project

Based on comments and questions directed to me from time to time, it is apparent that the investment by Ivanhoe Mines in the Monywa Copper Project in the Southeast Asian nation of Myanmar often is either misunderstood, or is deliberately misrepresented by people promoting various agendas of social and political advocacy.

General principles of corporate social responsibility require that business investments be managed with a heart and a conscience, as well as with a calculator. However, it is Ivanhoe's position that the determination of a project's social priorities cannot be a one-way street controlled by megaphone critics whose motives condone the publication of false and defamatory claims in statements that are slanted to mislead and influence decision makers in western societies.

Ivanhoe welcomes discussion and we are committed to keeping shareholders and other stakeholders fully informed about our progress. As a Canadian company whose common shares are publicly traded on the Toronto and Australian stock exchanges, Ivanhoe also must comply with regulatory obligations to publicly report significant news developments and to file periodic, comprehensive disclosures of business information.

Ivanhoe Mines' business focus is the exploration for minerals and the production of metals that are essential building blocks for

modern economies. Our company does not participate in political causes. Our corporate Statement of Values and Responsibilities acknowledges the sovereign rights of nations; however, we are not motivated by political considerations.

Safety and Environmental Standards

In Myanmar, Ivanhoe Mines is one of two equal partners in the Monywa Copper Project. Through the joint venture, we have successfully introduced state-of-the-art mining and copper-recovery technology to help realize some of the value of the country's natural-resource assets. Ongoing programs have been established by the joint venture to protect the health and safety of employees and to effectively manage the environmental impacts of mining. The commendable performance achievements by the S&K Mine since the first phase of the project began producing premium-quality cathode copper in 1998 have been recognized by such certification agencies as the International Standards Organization and independent industrial-safety monitoring groups. A comprehensive development plan has been completed for the project's intended second phase, which will mine the nearby Letpadaung deposit and increase current production by more than 500%, to a total of 155,000 tonnes of copper a year.

We are aware that some international interests are pressing for political change within Myanmar. A commonly stated objective is the installation of a democratically-elected national government. This external pressure for reform, often expressed through elected representatives and an assortment of non-governmental organizations, sometimes includes calls for the withdrawal of private investment and the imposition of state sanctions against Myanmar to compel the country's current government to agree to the desired changes.

Local Jobs and Foreign Sanctions

Demanding Ivanhoe's withdrawal from Myanmar makes no sense in human or financial terms. We know that punitive sanctions forcing us to abandon our 50% interest in the Monywa joint venture would not automatically make life better for anybody, anywhere. The truth is that cancellation of our investment could hurt thousands of ordinary people in Myanmar by denying them the income, dignity, support and hope that good jobs can provide.

Over the years, Ivanhoe representatives have had extensive contacts with many people living in communities near the Monywa Copper Project. We know that for every critic outside Myanmar who is demanding boycotts, sanctions and censures to punish the national government of the emerging, former colonial state, there are many, many more people inside Myanmar who are urging us not to abandon our partnership in the copper project. Those who support Ivanhoe's continued presence include hundreds of Monywa joint-venture employees who have been trained to operate technologically advanced equipment, ordinary people of all ages who are treated in the community hospitals with new equipment donated by the company, and prominent religious leaders.

The Interests of 1,500 Families

The human dimension of the project is often overlooked by outsiders. The production of copper has developed into an economic lifeline to approximately 6,500 people in the Monywa area, counting direct and indirect employees, their children and spouses. It is these people who could be punished if Ivanhoe Mines was forced to terminate our participation in the joint venture and abandon our investment. Yet theirs are the voices that some lobbyists outside Myanmar would prefer not to hear. In my view, there are no potential benefits to outweigh the costs of risking the unnecessary and unjust impoverishment of perhaps 1,600 families that depend on the copper project. Further, the delay or cancellation of the planned second phase of the project also would cast into doubt the 1,000 new, direct jobs that we expect will be created by the planned phase-two expansion, which in turn could deny anticipated spin-off benefits to an additional 10,000 people, or more, in Myanmar.

While our paramount obligations are to Ivanhoe shareholders, our partnership in the Monywa Copper Project is a long-term investment that is contributing in a most positive, non-political way to economic advancement and, in the process, to the betterment of the people who are employed by, and who benefit from, the project. There is ample evidence in Monywa-area communities of genuine benefits from enterprises that are stimulated and sustained by the project.

Fair Wages for Voluntary Labour

The copper project's record of accomplishment in job creation, skills training, payment of fair wages and measures to protect the health and safety of employees helps to put the lie to grotesque allegations from some critics that the project is involved with the use of involuntary labour.

No advocate, no matter how worthy his or her cause may be deemed to be, can justify spreading such a repugnant falsehood. The Ivanhoe joint-venture project in Myanmar is not, and never has been, involved with the use of forced labour. My personal stand on this matter, and the position of the Ivanhoe Board of Directors, is clear and unequivocal, and has been stated publicly on several occasions:

- ❑ The very idea of the use of forced labour by anybody, anywhere, is as abhorrent to the men and women of Ivanhoe as it is to any right-thinking person.
- ❑ Ivanhoe pays fair wages for work performed on all of its projects. We do not employ children.
- ❑ Ivanhoe has never used forced labour, or condoned such practice. Ivanhoe has never knowingly benefited from the use of any form of involuntary labour.
- ❑ Ivanhoe's investment in the Monywa Copper Project is not contributing to the alleged use of involuntary labour elsewhere in Myanmar, and no evidence to the contrary has been shown to Ivanhoe.
- ❑ Ivanhoe pledged to cooperate with the International Labour Organization's fact-finding mission to Myanmar in 2001.
- ❑ Ivanhoe respects and supports values that are fundamental to human dignity and social justice. We deplore the disinformation tactics of critics who make unfounded, public allegations against Ivanhoe that are calculated to interfere with the responsible conduct of our business.

Some critics mistakenly claim that substantial profits from the mine are a major source of revenue for the government of Myanmar and its military budgets. Such allegations are false.

The truth is:

- ❑ No profits from the Monywa copper joint venture are being paid to the Myanmar government.
- ❑ The government will not receive a share of profits from Monywa until the US\$90 million cost of building the first phase of the project has been repaid to major Japanese investors, which is not expected before 2005.
- ❑ The government currently is receiving a 2% royalty on copper sales. The total value of this payment was US\$885,000 in 2000. The money is paid directly by the joint-venture operating company, Myanmar Ivanhoe Copper Company Limited, to the Myanmar Ministry of Mines, which is an administrative department of the national government.

Investment No Barrier to Change

We respect many of the views expressed by elected leaders, organizations and individuals who may have no daily, working involvement with the ordinary people of Myanmar. In fact, we share some of their desires for positive changes that also hold the promise of improving the lives of the country's people. However, there is no evidence to suggest that Ivanhoe Mines' job-creating investment is a barrier to change.

Our bottom-up approach to fostering humanist values, wherever Ivanhoe Mines does business, respects all codified, applicable, international trade and investment policies. Because of the care taken by responsible national policy makers, Ivanhoe's long-standing investment in the copper project has never conflicted with either the letter or the spirit of selective economic sanctions that were imposed against Myanmar several years ago by Canada and the United States.

Sanctions have been described as a form of war. Our experience has convinced us that there is a viable alternative to escalating sanctions against aid and trade. We believe that measured, constructive engagement is a preferable alternative to blind-minded isolation that can indiscriminately punish the blameless. In Myanmar, Ivanhoe Mines is participating in a form of engagement that is appropriate for the circumstances. We believe that there is a place for investment that can significantly contribute at a local community level to peaceful and progressive improvement within a country. Ivanhoe Mines would prefer to contribute to such improvement within Myanmar than to become a casualty of external political confrontation that has no certain outcome.

Ultimately, as executives and directors with Ivanhoe, we are responsible to our thousands of shareholders, most of whom live in North America. But we live with our consciences, and we are keenly aware of our obligations to many, many people, half a world away, inside Myanmar. They are employees of our joint-venture company and of its contractors, and they have dependent families. We work beside these people; we know they are not asking to be summarily isolated to satisfy other people's agendas.

Our commitments to the people we know in the Monywa region, to the copper project, and to our shareholders, are reinforced by the knowledge that political diversity, freer expression and human dignity can be greatly enhanced by economic growth stimulated by new investment and exposure to new ideas.



Daniel Kunz
President and Director

Additional resources and references

Fact File: The Monywa Copper Project – Statistics, Agreements, Achievements and History; Statement of Values and Responsibilities; www.ioanhoemines.com (including news releases, shareholder reports and information filings).

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