

Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

March 31, 2015
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.

March 31, 2015

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Ivanhoe Mines Ltd.

Condensed consolidated interim statements of comprehensive loss

(stated in thousands of U.S. dollars, except for share and per share amounts)

(Unaudited)

	Notes	Three months ended March 31,	
		2015	2014
		\$	\$
Expenses			
Exploration and project expenditure		13,241	37,102
Share-based payments	15	1,986	2,561
Salaries and benefits		1,390	3,140
Office and administration		607	1,242
Travel		464	939
Professional fees		418	736
Legal		179	327
Foreign exchange loss		2,040	2,558
Other expenditure		677	376
Loss from operating activities		21,002	48,981
Other income		(89)	(8)
Interest income		(295)	(283)
Finance costs	16	34	358
Mark-to-market gain on revaluation of warrants	12 (c)	(4,212)	-
Loss before income taxes		16,440	49,048
Income tax expense			
Current		-	-
LOSS FOR THE PERIOD		16,440	49,048
Other comprehensive loss			
Items that may subsequently be reclassified to loss:			
Exchange losses (gains) on translation of foreign operations		2,569	(241)
Other comprehensive loss (profit) for the period, net of tax		2,569	(241)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		19,009	48,807
Loss attributable to:			
Owners of the Company		13,107	42,971
Non-controlling interest		3,333	6,077
		16,440	49,048
Total comprehensive loss attributable to:			
Owners of the Company		15,511	42,750
Non-controlling interest		3,498	6,057
		19,009	48,807
Basic and diluted loss per share	17	0.02	0.07
Weighted average number of basic and diluted shares outstanding	17	702,142,787	584,434,545

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position as at

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	March 31, 2015 \$	December 31, 2014 \$
ASSETS			
Non-current assets			
Property, plant and equipment	4	68,238	50,859
Mineral properties	5	6,940	6,940
Other assets		13,988	13,030
Total non-current assets		89,166	70,829
Current assets			
Trade and other receivables	7	2,690	4,115
Prepaid expenses		9,122	8,965
Financial assets at fair value through profit or loss	9	797	-
Assets classified as held for sale	9	-	2,962
Short-term deposits	8	55,235	55,223
Cash and cash equivalents	8	69,070	110,983
Total current assets		136,914	182,248
Total assets		226,080	253,077
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,038,868	1,038,868
Share option reserve	12	126,165	124,179
Currency translation reserve	13	(13,953)	(11,549)
Accumulated deficit		(840,995)	(827,888)
Equity attributable to owners of the Company		310,085	323,610
Non-controlling interest	14	(124,705)	(121,207)
Total equity		185,380	202,403
Non-current liabilities			
Non-current borrowings	10	21,371	21,133
Deferred tax liabilities		2,039	2,037
Other non-current liabilities		641	433
Total non-current liabilities		24,051	23,603
Current liabilities			
Financial Liability	12 (c)	2,733	6,945
Current borrowings	10	3,499	3,656
Trade and other payables	11	10,407	16,214
Liabilities directly associated with assets classified as held for sale	9	-	56
Current tax liabilities		10	200
Total current liabilities		16,649	27,071
Total liabilities		40,700	50,674
Total equity and liabilities		226,080	253,077

Continuing operations (Note 1)

Commitments and contingencies (Note 21)

(Signed) Oyvind Hushovd

Oyvind Hushovd, Director

(Signed) William Lamarque

William Lamarque, Director

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of changes in equity

(stated in thousands of dollars, except for share amounts)

(Unaudited)

	Share capital		Number of warrants	Warrant reserve	Share option reserve	Currency translation reserve	Accumulated deficit	Equity attributable to owners	Non-controlling interest	Total
	Number of shares	Amount								
		\$		\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2014	584,423,212	900,866	13,941,940	7,949	27,695	(7,405)	(612,634)	316,471	(89,233)	227,238
Loss for the period	-	-	-	-	-	-	(42,971)	(42,971)	(6,077)	(49,048)
Other comprehensive income	-	-	-	-	-	221	-	221	20	241
Total comprehensive loss	-	-	-	-	-	221	(42,971)	(42,750)	(6,057)	(48,807)
<i>Transactions with owners</i>										
Share based payments										
charged to operations (Note 15)	-	-	-	-	2,561	-	-	2,561	-	2,561
Options exercised (Note 12)	54,900	64	-	-	(19)	-	-	45	-	45
Balance at March 31, 2014	584,478,112	900,930	13,941,940	7,949	30,237	(7,184)	(655,605)	276,327	(95,290)	181,037
Balance at January 1, 2015	702,142,787	1,038,868	-	-	124,179	(11,549)	(827,888)	323,610	(121,207)	202,403
Loss for the period	-	-	-	-	-	-	(13,107)	(13,107)	(3,333)	(16,440)
Other comprehensive income	-	-	-	-	-	(2,404)	-	(2,404)	(165)	(2,569)
Total comprehensive loss	-	-	-	-	-	(2,404)	(13,107)	(15,511)	(3,498)	(19,009)
<i>Transactions with owners</i>										
Share based payments										
charged to operations (Note 15)	-	-	-	-	1,986	-	-	1,986	-	1,986
Balance at March 31, 2015	702,142,787	1,038,868	-	-	126,165	(13,953)	(840,995)	310,085	(124,705)	185,380

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of cash flows

(stated in thousands of U.S. dollars)

(Unaudited)

		Three months ended March 31,	
	Notes	2015	2014
		\$	\$
Cash flows from operating activities			
Loss before income taxes		(16,440)	(49,048)
Items not involving cash			
Share-based payments	15	2,194	2,561
Depreciation and amortization		888	1,417
Unrealized foreign exchange loss		1,645	1,770
(Gain) loss on disposal of property, plant and equipment		(21)	19
Mark-to-market gain on revaluation of warrants		(4,212)	-
Loss of disposal of assets held for sale		309	-
Interest income and finance costs		(261)	75
		(15,898)	(43,206)
Change in non-cash working capital items	19	(4,539)	(1,929)
Income taxes paid		(190)	-
Interest received		295	283
Interest paid		(34)	(38)
Net cash used in operating activities		(20,366)	(44,890)
Cash flows from investing activities			
Property, plant and equipment acquired		(19,660)	(4,923)
Decrease in investment in other assets		1,111	-
Other assets acquired		(529)	(2,541)
Proceeds from sale of property, plant and equipment		41	74
Increase in investment in short-term deposits		(12)	(18)
Net cash used in investing activities		(19,049)	(7,408)
Cash flows from financing activities			
Options exercised		-	45
Net cash generated by financing activities		-	45
Effect of foreign exchange rate changes on cash		(2,498)	(1,641)
Net cash out flow		(41,913)	(53,894)
Cash and cash equivalents, beginning of period		110,983	143,789
Cash and cash equivalents, end of period		69,070	89,895
Cash and cash equivalents consists of			
Cash		48,530	88,290
Short-term fixed deposits		20,540	1,605
		69,070	89,895

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

1. Basis of presentation and continuing operations

Ivanhoe Mines Ltd. is a Canadian mining exploration company incorporated in Canada which, together with its subsidiaries (collectively referred to as the Company), is focused on the exploration, development and recovery of minerals and precious gems from its property interests located primarily in Africa.

The registered and records office of the Company are located at Suite 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1.

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are also prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company has incurred losses since inception and has an accumulated deficit of \$841.0 million at March 31, 2015. Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future, in which case, the Company may be unable to meet its obligations as they come due in the normal course of business. In the event the Company was unable to continue as a going concern, then material adjustments would be required to the carrying value of the assets and liabilities in the statement of financial position.

2. Significant accounting policies

(a) *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes. Results for the period ended March 31, 2015, are not necessarily indicative of future results. The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements as at and for the year ended December 31, 2014 except for the adoption of the new and amended accounting policies mentioned in Note 3.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

2. Significant accounting policies (continued)

(b) Significant accounting estimates

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires the Company's management to make estimates and assumptions concerning the future. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates used in the preparation of these condensed consolidated interim financial statements include, but are not limited to, the fair value of assets and liabilities acquired in business combinations, the assumptions used in accounting for recoverability of assets and share-based payments.

(c) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Significant accounting judgments are, amongst other things, the determination of the functional currency, the translation of foreign operations from their currencies to the Company's presentation currency as well as the determination whether an exploration and evaluation property is technically feasible and commercially viable.

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as (i) the determination of the level of control or significant influence held by the Company (ii) the standard's applicability to the operations, (iii) the legal structure and contractual terms of the arrangement, (iv) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement, and (v) when relevant, other facts and circumstances.

(d) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2015:

- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (i)
- IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (ii)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations: Provides guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. (iii)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. (iii)
- Annual improvements for IFRS 2012 to 2014 cycle. (iii)

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)
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2. Significant accounting policies (continued)

(d) Future accounting changes (continued)

- (i) The IASB tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9.
- (ii) Effective for annual periods beginning on or after January 1, 2017
- (iii) Effective for annual periods beginning on or after January 1, 2016

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

3. Application of new and revised standards

(a) Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2015. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IFRS 7 Financial Instruments: (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard.
- IFRS's (Amendment) Annual Improvements to IFRSs 2010-2012.
- IFRS's (Amendment) Annual Improvements to IFRSs 2011-2013.
- Amendment to IAS 19 Defined Benefit Plans Employee contributions.

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(Unaudited)

4. Property, plant and equipment

	Land	Office equipment	Furniture and fixtures	Motor vehicles	Plant, equipment and buildings	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance as at December 31, 2013	4,744	4,373	1,769	6,286	26,402	4,732	48,306
Additions	-	856	231	863	8,572	15,660	26,182
Disposals	-	(127)	(6)	(159)	(5)	-	(297)
Reclassified to assets held for sale	(3,476)	(52)	-	-	-	-	(3,528)
Foreign exchange translation	737	(294)	(77)	(133)	(1,073)	(1,614)	(2,454)
Balance as at December 31, 2014	2,005	4,756	1,917	6,857	33,896	18,778	68,209
Additions	-	32	3	-	609	19,016	19,660
Disposals	-	(85)	-	(89)	-	-	(174)
Foreign exchange translation	(69)	(102)	(33)	(45)	(638)	(572)	(1,459)
Balance as at March 31, 2015	1,936	4,601	1,887	6,723	33,867	37,222	86,236
Accumulated depreciation and impairment							
Balance as at December 31, 2013	619	2,340	613	3,750	5,551	-	12,873
Depreciation	-	1,265	261	695	3,502	-	5,723
Disposals	-	(122)	(3)	(50)	(4)	-	(179)
Reclassified to assets held for sale	(569)	(52)	-	-	-	-	(621)
Foreign exchange translation	(50)	(205)	(33)	(56)	(102)	-	(446)
Balance as at December 31, 2014	-	3,226	838	4,339	8,947	-	17,350
Depreciation	-	110	34	56	688	-	888
Disposals	-	(66)	-	(88)	-	-	(154)
Foreign exchange translation	-	(80)	(16)	67	(57)	-	(86)
Balance as at March 31, 2015	-	3,190	856	4,374	9,578	-	17,998
Carrying value							
December 31, 2014	2,005	1,530	1,079	2,518	24,949	18,778	50,859
March 31, 2015	1,936	1,411	1,031	2,349	24,289	37,222	68,238

Assets pledged as security

Buildings with a carrying amount of \$9.9 million (December 31, 2014 - \$9.9 million) have been pledged to secure borrowings of the Company (see note 10). The buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

5. Mineral properties

The following table summarizes the carrying values of the Company's mineral property interests as described below:

	March 31, 2015	December 31, 2014
	\$	\$
Platreef property, South Africa	6,940	6,940
	6,940	6,940

Platreef property

The Platreef Project is located in the northern limb of the Bushveld Complex approximately 11 km from Mokopane and 280 km northeast of Johannesburg, South Africa. In November 2014 the mining right for the development and operation of the company's Platreef mining project had been granted and executed. The mining right, authorizes the Company to mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome at its Platreef discovery. The mining right was issued for an initial period of 30 years and may be renewed for further periods, each of which may not exceed 30 years at a time, in accordance with the terms of section 24 of the Mineral and Petroleum Resources Development Act.

6. Joint operations

The Company has a 50% interest in Rhenfield Limited, a British Virgin Islands registered company. Rhenfield Limited purchased buildings in London, England which the Company uses for office space. The buildings have a carrying value of \$9.9 million (2013: \$9.9 million) and are included in Property, Plant and Equipment (note 4).

The Company has a 25% interest in the RK1 consortium ("RK1") through its subsidiaries Gardner and Barnard Mining (UK) Limited ("GBUK") and RKR Mining (UK) Ltd. and their subsidiaries, the remainder of which is held 50% by Aquarius Platinum Limited and 25% by Sylvania Resources Limited, operating at the Aquarius Kroondal platinum mine on the western limb of the Bushveld Complex in South Africa's North West Province. The RK1 Consortium is currently undergoing care and maintenance which is managed by a subsidiary of Aquarius Platinum Limited.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

7. Trade and other receivables

	March 31, 2015	December 31, 2014
	\$	\$
Refundable taxes	1,078	1,647
Advances	1,052	1,052
Other	560	1,416
	2,690	4,115

Refundable taxes are net of a provision for value-added taxes incurred in foreign jurisdictions where recoverability of those taxes are uncertain.

8. Cash and cash equivalents and short term deposits

As at March 31, 2015, the cash and cash equivalents of \$69.1 million (December 31, 2014 - \$111.0 million) included \$39.4 million (December 31, 2014 - \$53.6 million) which are subject to contractual restrictions as to their use and are reserved for the Platreef Project and were not available for the Company's general corporate purposes. There are no other restrictions on the cash and cash equivalents. The short-term deposits of \$55.2 million (December 31, 2014 - \$55.2 million) are subject to the same contractual restrictions.

9. Assets classified as held for sale

On March 31, 2015, the Company disposed of its Australian subsidiaries. The carrying value of assets net of liabilities immediately prior to the sale amounted to \$2.9 million.

The Company received listed shares with a trading value of \$0.8 million, which has been classified as financial assets at fair value through profit or loss, and a A\$3 million promissory note with a deemed present value of \$1.8 million as the purchase consideration. The loss recognised on disposal of \$0.3 million has been included in other expenditure on the statements of comprehensive loss.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

10. Borrowings

	March 31, 2015	December 31, 2014
	\$	\$
<i>Unsecured - at amortised cost</i>		
(a) Loans from other entities	20,079	19,783
<i>Secured - at amortised cost</i>		
(b) Citi bank loan	3,499	3,656
(c) Citi bank loan	1,292	1,350
	24,870	24,789
Current	3,499	3,656
Non-current	21,371	21,133
	24,870	24,789

- (a) On June 6, 2013, the Company became party to a \$28.0 million loan payable to ITC Platinum Development Limited, through its subsidiary Ivanplats (Pty) Ltd ("Ivanplats") the owner of the Platreef Project. The loan is repayable only once Ivanplats has residual cashflow, which is defined in the loan agreement as gross revenue generated by Ivanplats, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not compounded. Using prevailing market interest rates for an equivalent loan of LIBOR plus 7% at June 6, 2013, the fair value of the loan was estimated at \$17.7 million. The difference of \$9.3 million on initial recognition between the contractual amount due and the fair value of the loan was the benefit derived from the low-interest loan. An interest expense of \$0.3 million (2014: \$0.3 million) was recognised during the three months ended March 31, 2015.
- (b) The Citi bank loan of \$3.5 million (£2.36 million) is secured by the Rhenfield property acquired during May, 2007 (see note 4), is repayable on demand and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears.
- (c) The Citi bank loan of \$1.3 million (£0.87 million) is a five year mortgage bond, in which the first three years only interest will be payable. The loan is secured by the Rhenfield property purchased in June, 2013 (see note 4) and incurs interest at a rate of LIBOR plus 2.5% payable monthly in arrears.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

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(Unaudited)

11. Trade and other payables

	March 31, 2015	December 31, 2014
	\$	\$
Trade payables	2,642	9,917
Trade accruals	5,350	2,729
Indirect taxes payable	189	404
Other payables	2,226	3,164
	10,407	16,214

The Company has policies in place to ensure trade and other payables are paid within agreed terms.

12. Share capital

(a) Shares issued

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares (together with the Class A Shares, the "common shares") and an unlimited number of Preferred Shares. As at March 31, 2015, 695,277,087 Class A Shares, 6,865,700 Class B Shares and nil Preferred Shares were issued and outstanding. As at March 31, 2015, 151,794,038 shares were subject to a lock-up, pursuant to lockup agreements and were not freely tradable.

In June 2014, the Company concluded a public offering for 83,334,000 units, each consisting of one Class A common share and one Class A common share purchase warrant, which were sold at a price of C\$1.50 per unit for gross proceeds of C\$125 million (\$114 million). In addition, the underwriters exercised their over-allotment option in full, resulting in the Company issuing a further 12,500,100 units and increasing the total gross proceeds received by the Company to C\$144 million (\$132 million). Issue costs amounted to \$7 million which were allocated pro-rata to equity and share purchase warrant derivative liability, with the portion allocated to share purchase warrant derivative liability being expensed in the period.

The Company completed a concurrent private placement of an additional 16,666,667 units, on the same terms and conditions as the public offering, to raise additional gross proceeds of C\$25 million (\$23 million). As a result of the exercise by the underwriters of their over-allotment option in its entirety, the option to purchase an additional 2,500,000 units in terms of this concurrent private placement became effective and was exercised on July 10, 2014, for proceeds of C\$4 million (\$4 million).

The Company allocated \$16.5 million to financial liabilities based on the fair value of the warrants (note 12(c)).

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Notes to the condensed consolidated interim financial statements

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(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

12. Share capital (continued)

(b) Options

Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant. As at March 31, 2015, 38,775,000 share options have been granted and exercised, and 39,540,000 have been granted and are outstanding.

All share options granted prior to December 31, 2012, vest in five equal stages with the first stage vesting on the date of the grant, and the remainder in four equal annual stages commencing on the first anniversary of the date of the grant. The Company established a new equity incentive plan for all options granted after December 31, 2012. Options granted under this plan vest in four equal parts, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. The maximum term of options awarded is five years.

A summary of changes in the Company's outstanding share options is presented below:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of period	40,190,000	1.92	31,479,000	2.36
Granted	-	-	14,175,000	0.92
Exercised	-	-	(634,000)	1.33
Expired	(100,000)	1.80	(2,470,000)	1.57
Forfeited	(550,000)	2.95	(2,360,000)	2.44
Balance, end of period	39,540,000	1.89	40,190,000	1.92

No options were granted in the three months ended March 31, 2015. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions was used for the share option grants in 2014 and 2013:

	2014	2013
Risk free interest rate	1.17%	1.17%
Expected volatility (i)	63%	69%
Expected life	3.75 years	3.75 years
Expected dividends	\$Nil	\$Nil
Forfeiture rate	1.0%	1.0%

(i) Expected volatility was based on the historical volatility of a peer company analysis.

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March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

12. Share capital (continued)

(b) Options (continued)

The total share based payment expense for the three months ended March 31, 2015 was \$2.2 million (2014: \$2.6 million), inclusive of the share based payment charge relating to the Broad-Based Black Economic Empowerment (B-BBEE) transaction of \$0.2 million (2014: \$Nil).

The following table summarizes information about share options outstanding and exercisable as at March 31, 2015:

Expiry date	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
April 8, 2015	500,000	1.80	500,000	1.80
May 28, 2015	625,000	1.80	625,000	1.80
May 31, 2015	400,000	3.00	400,000	3.00
July 21, 2015	75,000	3.00	75,000	3.00
August 30, 2015	40,000	2.40	40,000	2.40
September 9, 2015	3,425,000	1.80	3,425,000	1.80
February 17, 2016	7,330,000	2.40	7,330,000	2.40
March 22, 2017	100,000	3.00	80,000	3.00
April 1, 2017	1,000,000	3.00	600,000	3.00
April 20, 2017	2,500,000	3.00	1,500,000	3.00
January 11, 2018	1,650,000	4.90	825,000	4.90
February 1, 2018	100,000	4.81	50,000	4.81
April 1, 2018	530,000	4.45	265,000	4.45
May 17, 2018	30,000	2.44	15,000	2.44
August 14, 2018	100,000	1.44	25,000	1.44
August 16, 2018	750,000	1.45	187,500	1.45
December 13, 2018	6,210,000	1.86	1,552,500	1.86
March 31, 2019	200,000	1.57	50,000	1.57
June 16, 2019	500,000	1.20	-	1.57
August 15, 2019	1,000,000	1.33	-	1.33
December 8, 2019	12,475,000	0.86	-	1.33
	39,540,000	1.89	17,545,000	2.43

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

12. Share capital (continued)

(c) Warrants

The Company's warrants are denominated in Canadian dollars and classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. Each warrant entitles the holder to purchase 1 common share for every warrant held at C\$1.80 for a period of eighteen months following the issue date. During the three months ended March 31, 2015, there was a derivative gain of \$4.2 million. The following table provides detail on the movement of the warrant liability:

	Number of warrants	Amount \$
Balance as at January 1, 2014	-	-
Warrants issued on June 10, 2014	112,500,767	15,954
Warrants issued on July 10, 2014	2,500,000	515
Mark-to-market gain on revaluation of warrants	-	(9,524)
Balance as at December 31, 2014	115,000,767	6,945
Mark-to-market gain on revaluation of warrants	-	(4,212)
Balance as at March 31, 2015	115,000,767	2,733

The Company uses quoted prices in active markets to determine the fair value of the Canadian dollar denominated warrants.

13. Currency translation reserve

	March 31, 2015 \$	December 31, 2014 \$
Balance at the beginning of the year	(11,549)	(7,405)
Exchange differences arising on translation of the foreign operations	(2,404)	(4,144)
Balance at the end of the period	(13,953)	(11,549)

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the currency translation reserve.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

14. Non-controlling interests

	March 31, 2015	December 31, 2014
	\$	\$
Balance at beginning of the year	(121,207)	(89,233)
Share of comprehensive loss for the period	(3,498)	(32,863)
Change in non-controlling interest arising from a sale of 0.1% of Ivanplats (Pty) Ltd to self-funded historically disadvantaged entrepreneurs	-	889
Balance at end of the period	(124,705)	(121,207)

On September 3, 2014, as part of the Company's broad-based black economic empowerment transaction, self-funded historically disadvantaged entrepreneurs purchased an effective 0.1% in Ivanplats for \$0.9 million.

15. Share-based payments

The share-based payment expense of the Company is summarized as follows:

	Three months ended March 31,	
	2015	2014
	\$	\$
<i>Equity settled share-based payments</i>		
Options granted (note 12(b))	1,986	2,561
<i>Cash settled share-based payments</i>		
B-BBEE transaction expense	208	-
	2,194	2,561

16. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended March 31,	
	2015	2014
	\$	\$
Interest on non-current borrowings	10	331
Interest on current borrowings	24	26
Other financing costs	-	1
	34	358

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

17. Loss per share

The basic loss per share is computed by dividing the loss attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All outstanding stock options and share purchase warrants were anti-dilutive for the three ended March 31, 2015.

18. Related party transactions

The financial statements include the financial statements of Ivanhoe Mines Ltd. and its subsidiaries listed in the following table:

Name	Country of Incorporation	% equity interest as at	
		March 31, 2015	December 31, 2014
Ivanhoe Mines (Barbados) Limited	Barbados	100%	100%
Ivanplats Holding SARL	Luxembourg	97%	97%
Ivanplats Finance Limited	Ireland	100%	100%
Rhenfield Limited	British Virgin Islands	50%	50%
Gabon Holding Company Ltd.	Barbados	100%	100%
Kamoa Copper SA	Democratic Republic of Congo	95%	95%
Ivanhoe (Zambia) Ltd.	Zambia	100%	100%
Kamoa Holding Limited	Barbados	100%	100%
Kipushi Holding Limited	Barbados	100%	100%
Ivanhoe DRC Holding Ltd.	Barbados	100%	100%
Kipushi Corporation SA	Democratic Republic of Congo	68%	68%
Ivanhoe Mines Energy DRC SARL	Democratic Republic of Congo	100%	100%
Ivanhoe Mines Exploration DRC SARL	Democratic Republic of Congo	100%	100%
Ivanhoe Mines DRC SARL	Democratic Republic of Congo	100%	100%
Africa Consolidated Mineral Exploration (Pty) Ltd.	South Africa	100%	100%
Ivanplats (Pty) Ltd.	South Africa	64%	64%
Ivanhoe Mines SA (Pty) Ltd.	South Africa	100%	100%
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	100%	100%
RK Mining (SA) (Pty) Ltd.	South Africa	100%	100%
Ivanplats Syerston (Pty) Ltd.	Australia	0%	100%
Ivanplats Uranium (Pty) Ltd.	Australia	0%	100%
Ivanhoe Mines UK Limited	United Kingdom	100%	100%
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	100%	100%
RK1 Consortium	South Africa	25%	25%
Ivanhoe Gabon SA	Gabon	100%	100%

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

18. Related party transactions (continued)

The following tables summarize related party expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Three months ended	
	March 31,	
	2015	2014
	\$	\$
Global Mining Management Corporation (a)	745	985
Ivanhoe Capital Aviation LLC (b)	300	300
Ivanhoe Capital Services Ltd. (c)	129	107
HCF International Advisors (d)	45	100
Global Mining Services Ltd. (e)	39	143
Ivanhoe Capital Pte Ltd (f)	22	32
Ivanhoe Capital Corporation (UK) Ltd (g)	5	-
	1,285	1,667
Salaries and benefits	864	1,171
Travel	319	329
Office and administration	39	60
Consulting	63	107
	1,285	1,667

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2015, trade and other payables included \$0.5 million (December 31, 2014: \$0.4 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

18. Related party transactions (continued)

- (a) Global Mining Management Corporation ("Global") is a private company based in Vancouver. The Company holds an equity interest in Global, and has each of a director and significant shareholder in common therewith. Global provides administration, accounting and other services to the Company on a cost-recovery basis.
- (b) Ivanhoe Capital Aviation LLC ("Aviation") is a private company 100% owned by a director of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.
- (c) Ivanhoe Capital Services Ltd. ("Services") is a private company 100% owned by a director of the Company. Services provide for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (d) HCF International Advisers ("HCF") is a corporate finance adviser specialising in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. HCF has a director in common with the Company and provides financial advisory services to the Company on an arm's length basis.
- (e) Global Mining Services Ltd. ("Mining") is a private company incorporated in Delaware 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.
- (f) Ivanhoe Capital Pte Ltd. ("Capital") is a private company 100% owned by a director of the Company. Capital provides administration, accounting and other services in London on a cost-recovery basis.
- (g) Ivanhoe Capital Corporation (UK) Ltd. ("UK") is a private company 100% owned by a director of the Company. UK provides administration, accounting and other services in Singapore on a cost-recovery basis.

19. Cash flow information

Net change in non-cash working capital items:

	Three months ended March 31,	
	2015	2014
	\$	\$
Net decrease (increase) in		
Trade and other receivables	1,425	238
Prepaid expenses	(157)	694
Net (decrease) increase in		
Trade and other payables	(5,807)	(2,861)
	(4,539)	(1,929)

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

20. Financial instruments

(a) Fair value of financial instruments

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification
Financial assets	
Cash and cash equivalents	Loans and receivables
Short-term deposits	Loans and receivables
Trade and other receivables	Loans and receivables
Financial assets at fair value through profit or loss	Fair value through profit and loss
Financial liabilities	
Trade and other payables	Other liabilities
Borrowings	Other liabilities
Share purchase warrants	Fair value through profit and loss

IFRS 13 - "*Fair value measurement*", requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and established a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

The Company's financial instruments include cash and cash equivalents, short-term deposits, trade and other receivables, financial assets at fair value through profit or loss, borrowings, share purchase warrants and trade and other payables.

The fair value of borrowings are determined in accordance with generally accepted pricing models based on discounted future cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited (note 10 (a)) was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%. The carrying value of borrowings is not significantly different to their fair value.

The Company's warrants and financial assets at fair value through profit or loss are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. Changes in the fair values are included in net earnings.

The fair value of the Company's remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments and as such are classified as Level 2.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

20. Financial instruments (continued)

(b) Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations, however, management monitors foreign exchange exposure.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	March 31, 2015	December 31, 2014
	\$	\$
Assets		
Canadian dollar	13,268	19,659
Australian dollar	-	66
South African rand	41,971	28,068
British pounds	1,930	5,880
Liabilities		
Canadian dollar	(248)	(425)
Australian dollar	(26)	(249)
South African rand	(4,312)	(10,936)
British pounds	(87)	(1 255)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Three months ended March 31, 2015	2014
	\$	\$
Decrease in loss for the period	429	599

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

20. Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position date to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk on cash equivalents is limited because the cash equivalents are composed of financial instruments issued by major banks and companies with high credit ratings assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

The following table details the Company's aging of accounts receivable:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	Total
	\$	\$	\$	\$	\$
As at March 31, 2015					
Trade and other receivables	-	2,690	-	-	2,690
	-	2,690	-	-	2,690
As at December 31, 2014					
Trade and other receivables	-	4,115	-	-	4,115
	-	4,115	-	-	4,115

(iii) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

20. Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	Total undiscounted cash flows
	\$	\$	\$	\$	\$
As at March 31, 2015					
Trade and other payables	-	10,407	-	-	10,407
Current income tax liabilities	10	-	-	-	10
Non-current borrowings	-	-	-	30,490	30,490
Current borrowings	3,499	-	-	-	3,499
As at December 31, 2014					
Trade and other payables	-	16,214	-	-	16,214
Current income tax liabilities	200	-	-	-	200
Non-current borrowings	-	-	-	30,392	30,392
Current borrowings	3,656	-	-	-	3,656

21. Commitments and contingencies

The tax affairs of GB Mining and Exploration SA (Pty) Ltd ("GBSA") and Gardner & Barnard UK Limited ("GBUK") were under investigation by the South African Revenue Authorities. As part of the consent award in the arbitration between the Company and the vendors of GBUK, the vendors of GBUK undertook to pay any tax liabilities as finally determined by a court of competent jurisdiction in South Africa for the period up to June 30, 2006 in respect of GBUK and its subsidiary, GBSA. The Supreme Court of Appeal of South Africa issued its judgment on March 4, 2015, ruling the taxation payable to the South African Revenue Service relating to periods prior to June 30, 2006, to be R2 million (\$0.2 million).

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements for the Company.

As at March 31, 2015, the Company's commitments that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	\$	\$	\$	\$	\$
Operating leases	361	124	-	-	485
Advancement of loan to SNEL (i)	1,054	248,946	-	-	250,000
	1,415	249,070	-	-	250,485

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

21. Commitments and contingencies (continued)

- (i) On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricité SARL ("SNEL") relating to the first stage upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Company's DRC projects.

Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be \$141 million (including a \$4.5 million pre-finance loan), but is capped at a maximum commitment of \$250 million. The term for repayment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two year grace period from the signing date of the agreement. The actual repayment period will ultimately depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of the actual bill as per the terms of the loan repayment. The interest rate is 6 month LIBOR + 3%.

The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

22. Segmented information

At March 31, 2015, the Company has three reportable segments, being the Platreef property, Kamoa property and Kipushi property.

A reportable segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

For these three reportable segments, the Company receives discrete financial information that is used by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

The reportable segments are principally engaged in the exploration and development of mineral properties in South Africa, the Democratic Republic of Congo ("DRC") and the restoration of a mine in the DRC respectively. The following is an analysis of the non-current assets by geographical area and reconciled to the Company financial statements:

	South Africa	DRC	Other	Total
	\$	\$	\$	\$
Non-current assets				
As at March 31, 2015	40,599	30,669	17,898	89,166
As at December 31, 2014	35,960	24,694	10,175	70,829

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

(Unaudited)

22. Segmented information (continued)

	Platreef Properties	Kamoa Property	Kipushi Property	Unallocated (i)	Consolidated Total
	\$	\$	\$	\$	\$
Segment Assets					
As at March 31, 2015	135,900	17,901	15,295	56,984	226,080
As at December 31, 2014	138,871	11,443	15,885	86,878	253,077
Segment Liabilities					
As at March 31, 2015	12,666	1,096	3,268	23,912	40,943
As at December 31, 2014	13,586	4,314	4,834	27,940	50,674
Segment Losses					
Three months ended March 31, 2015	3,459	(108)	7,027	6,305	16,683
Three months ended March 31, 2014	9,743	11,296	11,545	16,464	49,048
Capital expenditures					
Three months ended March 31, 2015	12,341	6,724	262	333	19,660
Three months ended March 31, 2014	3,555	235	746	387	4,923
Exploration expenditure					
Three months ended March 31, 2015	-	3	7,069	6,169	13,241
Three months ended March 31, 2014	9,386	10,032	10,337	7,347	37,102
Interest Income					
Three months ended March 31, 2015	36	-	-	259	295
Three months ended March 31, 2014	143	-	-	140	283
Finance Costs					
Three months ended March 31, 2015	-	-	-	34	34
Three months ended March 31, 2014	320	-	-	38	358
Depreciation					
Three months ended March 31, 2015	-	-	692	196	888
Three months ended March 31, 2014	131	301	752	233	1,417

(i) The Company's Corporate Division and other divisions that do not meet the quantitative thresholds of IFRS 8 Operating segments, are included in the segmental analysis under the unallocated column.

23. Subsequent events

On April 20, 2015, Zijin Mining Group Co., Ltd., acquired a minority stake in the Company. The Company issued 76,817,020 common shares to a Zijin Mining Group Co., Ltd. subsidiary, through a private placement at a price of C\$1.36 per share, yielding gross proceeds of approximately C\$105 million (US\$85 million).

24. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three months ended March 31, 2015 were approved and authorized for issue by the Board of Directors on May 8, 2015.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2015

DATED: MAY 8, 2015

INTRODUCTION

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ivanhoe Mines Ltd. ("Ivanhoe" or the "Company"), for the three months ended March 31, 2015, which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and the audited consolidated financial statements of Ivanhoe for the years ended December 31, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures stated herein are in U.S. dollars, unless otherwise specified. References to "C\$" mean Canadian dollars.

The effective date of this MD&A is **May 8, 2015**. Additional information relating to the Company is available on SEDAR. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, including without limitation, the timing and results of: (i) a pre-feasibility study (PFS) at the Kamoa Project; (ii) statements regarding the expected date that the contract to develop the first set of Kamoa twin declines is awarded and statements regarding the date construction is expected to commence; (iii) statements regarding the declines having been designed to intersect the high-grade copper mineralization in the Kansoko Sud area; (iv) statements regarding the construction of a concrete roadway, drains and de-watering sumps in the Kamoa Project box cut; (v) statements regarding the projected depth of Shaft 1 at the Platreef Project in 2018 and the timing of the commencement of the start of Shaft 2 development; (vi) statements regarding the operational and technical capacity of Shaft 1; (vii) statements regarding peak water use of 10 million litres per day at the Platreef Project and development of the Pruissen Pipeline Project; (viii) statements regarding the completion of a new resource estimate at the Platreef Project in 2015; (ix) statements regarding underground mining to use mechanized room-and-pillar and drift-and-fill methods; (x) efforts to upgrade historical resource estimates at the Kipushi Project; (xi) the de-watering program at the Kipushi Project; (xii) statements regarding the completion of the Kipushi Project Environmental, Social and Health Impact Assessment (ESHIA) baseline study and (xiii) statements regarding the timing, size and objectives for completion of drilling and other exploration programs for 2015 and future periods.

Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, 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 MD&A.

As well, the results of the preliminary economic assessment of the Kamoa Project and the pre-feasibility study of the Platreef Project constitute forward-looking 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, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoa and Platreef 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, 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 availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. 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 estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, 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 (vi) the possible failure to receive required permits, approvals and licenses.

Forward-looking statements 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, 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 MD&A 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 MD&A 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 MD&A.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below in the "Risk Factors" section beginning on page 35 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

Ivanhoe Mines is a mineral exploration and development company. The Company's financial performance is primarily affected by ongoing exploration and development activities being conducted at its three material properties. The Company has no producing properties and does not have operating revenues. The Company expects to fund all of its exploration and development activities through debt and equity financing until operating revenues commence. The Company's material properties consist of:

- The Kamoa copper discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of Congo's southern province of Katanga. (See "*Kamoa Project*".)
- The Platreef Discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa. (See "*Platreef Project*".)
- The historic, high-grade Kipushi zinc-copper mine, also on the Copperbelt in the DRC and now being drilled and upgraded following a care-and-maintenance program conducted between 1993 and 2011. (See "*Kipushi Project*".)

KAMOA PROJECT

The Kamoa Project is a very large, stratiform copper deposit with adjacent prospective exploration areas within the Central African Copperbelt, approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of the Katangan provincial capital of Lubumbashi. Ivanhoe holds its 95% interest in the Kamoa Project through a subsidiary company, Kamoa Copper SA (formerly African Minerals Barbados Limited SPRL). A 5%, non-dilutable interest in Kamoa Copper SA was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Ivanhoe also has offered to sell an additional 15% interest to the DRC government on commercial terms to be negotiated.

Kamoa is the world's largest undeveloped, high-grade copper deposit. On January 17, 2013, an updated mineral resource estimate was announced that increased Kamoa's Indicated Mineral Resources to a total of 739 million tonnes grading 2.67% copper and containing 43.5 billion pounds of copper. This was an increase of 115% over the previous estimate prepared in September 2011 of 348 million tonnes grading 2.64% copper and containing 20.2 billion pounds of copper. Both estimates used a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

In addition to the Indicated Resources, the updated estimate included Inferred Mineral Resources of 227 million tonnes grading 1.96% copper and containing 9.8 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

At a higher, 2.0% copper cut-off grade, Kamoa's Indicated Resources total an estimated 550 million tonnes grading 3.04% copper and containing 36.9 billion pounds of copper. At the 2.0% cut-off, Kamoa also has 93 million tonnes of Inferred Resources grading 2.64% copper, which contain an estimated 5.4 billion pounds of copper.

Diamond drilling

Limited drilling occurred in Q1 2015 with only 100 metres completed in three shallow holes drilled by company-owned rigs in the Kansoko Nord area.

Ivanhoe plans to continue drilling in 2015 with two company-owned rigs and a recently purchased new rig that is capable of drilling to a depth of 1,000 metres. The 2015 exploration program will focus on the southern portion of the project area where the successful 2014 program highlighted a promising target – the Kakula discovery, which is similar in style and stratigraphic position to the high-grade Kansoko trend. Exploration also will continue to look for shallow, high-grade zones in the Kamo North area.

Preparation for construction of first declines

The construction of the box cut for the first access declines to the initial, planned underground mine was completed at the end of 2014. This will enable the construction of the twin declines that have been designed to intersect the high-grade copper mineralization in the Kansoko Sud area, approximately 150 metres below the surface.

Ivanhoe's drilling program in this area has defined a thick, near-surface zone of high-grade copper mineralization, where a recent drill hole intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

Figure 1: Completed box cut with access roadway under construction.



A tender for construction of the twin declines to the first mining area and a raise-bore ventilation shaft was issued at the end of November. The Company anticipates awarding the contract for the work in Q2 2015 and commencing construction in Q3 2015. The tendered work also will include bolting, meshing and shotcreting required to permanently support the walls of the box cut. The construction of a concrete roadway, drains and de-watering sumps in the box cut began at the end of 2014 and is due to be completed in Q3 2015.

Pre-feasibility study

In line with the phased approach to project development outlined in the 2013 Kamoia preliminary economic assessment, the Kamoia PFS is progressing based on the planned first phase of the project, which will be the construction of an underground operation producing three million tonnes a year and feeding an adjacent concentrator.

Given the relatively undeformed, continuous mineralization of the Kamoia resource, it is considered amenable to large-scale, mechanized stepped-room-and-pillar mining, transitioning to drift-and-fill mining in the deeper sections of the mine.

A consortium of MDM and AMEC Foster Wheeler has been appointed to complete the PFS for the processing plant and infrastructure.

The concentrator plant consists of three stages of crushing followed by ball milling to a grind of 80% passing 53µm (micrometres). The flotation circuit consists of a fast-floating rougher and cleaner section followed by a slower-floating rougher and cleaner section, including a concentrate regrind. Concentrate from the two sections is combined, dewatered and bagged for sale. Testwork consistently has resulted in copper recoveries in excess of 85% at concentrate grades approaching 40% copper, depending on copper-feed mineralogy. The scope of work for the infrastructure includes the access road, rail siding, raw-water supply from a borefield and power supply for the mine.

Work on the mining portion of the PFS is progressing well, with the majority of the underground design and mine scheduling completed. Additional design and testwork is continuing for the paste backfill system that is planned to be used in drift-and-fill mining.

Continued focus on sustainability

There remains a key focus on safety, health, environmental management and community relations at the Kamoia site. By the end of Q1 2015, 4,047,743 lost-time-injury-free (LTIF) hours had been worked. Ivanhoe is continuing to maintain health programs relating to malaria and HIV monitoring, prevention and treatment in the workplace and in the communities.

Baseline data collection for ESHIA purposes was completed in 2014 and the team continues to monitor surface and ground-water conditions, dust fallout and noise levels for regulatory purposes. A reforestation program involving more the 3,000 square metres and 800 seedlings has been developed.

A total of 165 stakeholder meetings were conducted in Q1 2015 involving 2,052 participants ranging from community members and traditional leaders to governmental officials. The construction of the Kaponda School was completed and a handover ceremony was attended by the community members, authorities, partners and Kamoia representatives. Livelihood initiatives during Q1 2015 included the monitoring of the 343 hectares of maize, honey and vegetable production and marketing and the training of women on poultry production.

Figure 2: Chief Musokantanda cutting the ribbon during the Kaponda School handover ceremony.



A social and environmental management system has been developed that monitors and records environmental and community statistics. Resettlement planning and updating of the environmental and social impact assessment await the finalization of the project schedule.

PLATREEF PROJECT

The Platreef Project in South Africa's Limpopo province is 64%-owned by Ivanhoe through its subsidiary, Ivanplats (Pty) Ltd. (Ivanplats) and 10%-owned by a Japanese consortium of ITOCHU Corporation; ITC Platinum, an ITOCHU affiliate; Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. The Japanese consortium's 10% interest in the Platreef Project was acquired in two tranches for a total investment of \$290 million. The remaining 26% interest is held by Ivanhoe's broad-based, black economic empowerment (BBBEE) partners, which include communities, employees and entrepreneurs. Ivanplats achieved Level 3 status in its first verification assessment on a BBBEE scorecard, the highest-ranking platinum-sector mining company in compliance with South Africa's black empowerment laws.

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

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

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

Figure 3: Aerial view of Platreef Project, March 25, 2015.



Mining right activated

The Ivanplats mining right was officially executed by the national government's Department of Mineral Resources on November 4, 2014. The mining right authorizes the Company to exclusively mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome from the mining area for an initial period of 30 years, and may be renewed for an unlimited number of consecutive periods each of up to 30 years, in accordance with section 24 of the Mineral and Petroleum Resources Development Act.

Mining operations must be conducted in accordance with the Mining Work Program (MWP) and any amendment to such MWP, and with an approved Environmental Management Plan (EMP). The Company commenced the roll-out of its Social and Labour Plan (SLP), which includes the planning, implementation and execution of local economic development projects, human resource development and enterprise/supplier development.

Shaft 1 construction

The excavation of the box cut is complete and the construction of the large concrete shaft collar is underway. Construction also is underway of the foundations for the large winding equipment required for shaft sinking. The winding equipment has been refurbished and is being stored off-site.

Figure 4: Construction of Shaft 1 collar, April 22, 2015.



Figure 5: Construction of Shaft 1 collar, May 8, 2015.



Other work on site includes the construction of the primary terraces for Shaft 1 and the 5MVA temporary power supply. The construction of the pollution control dam is ongoing. A total of 83% of the 638 permanent and contract workers currently employed by the Company are from the local area.

Figure 6: Construction of Shaft 1 kibble winder foundation.



Platreef planning a phased approach to a large, underground, mechanized mine

The Company completed a pre-feasibility study (PFS) in January 2015 that covered the first phase of development that is expected to include construction of an underground mine, concentrator and other associated infrastructure to support initial concentrate production by 2019. As the first phase is being developed and commissioned, there will be opportunities to refine the timing and scope of subsequent phases of production.

PFS highlights

- Development of a large, mechanized, underground mine with an initial four-million-tonne-per-year concentrator and associated infrastructure.
- Planned initial average annual production rate of 433,000 ounces (oz) of platinum, palladium, rhodium and gold (3PE+Au), plus 19 million pounds of nickel and 12 million pounds of copper.
- Estimated pre-production capital requirement of approximately \$1.2 billion, including \$114 million in contingencies, at a ZAR:USD exchange rate of 11 to 1.
- Platreef would rank at the bottom of the cash-cost curve, at an estimated \$322 per ounce of 3PE+Au, net of by-products.

- The planned Platreef mine is projected to require a workforce of approximately 2,200 within four years of the start of production.
- After-tax Net Present Value (NPV) of \$972 million, at an 8% discount rate.
- After-tax Internal Rate of Return (IRR) of 13%.

The scenarios describe a staged approach, where there would be opportunities to expand the operation depending on demand, smelting and refining capacity and capital availability. As the Phase 1 production scenario is developed and placed into production, there is expected to be an opportunity to modify and optimize the subsequent phases, allowing for changes to the timing of capacity expansions to suit market conditions.

Ivanhoe also has retained Whittle Consulting of Melbourne, Australia, to conduct an optimization study based on the Platreef PFS. This work is complete and certain recommendations from the study will be carried forward into the feasibility study during 2015.

Mineral resources in the Flatreef underground discovery

The Flatreef Mineral Resource, with a strike length of 6.5 kilometres, lies predominantly within a flat to gently dipping portion of the Platreef mineralized belt at relatively shallow depths of approximately 700 to 1,100 metres below the surface.

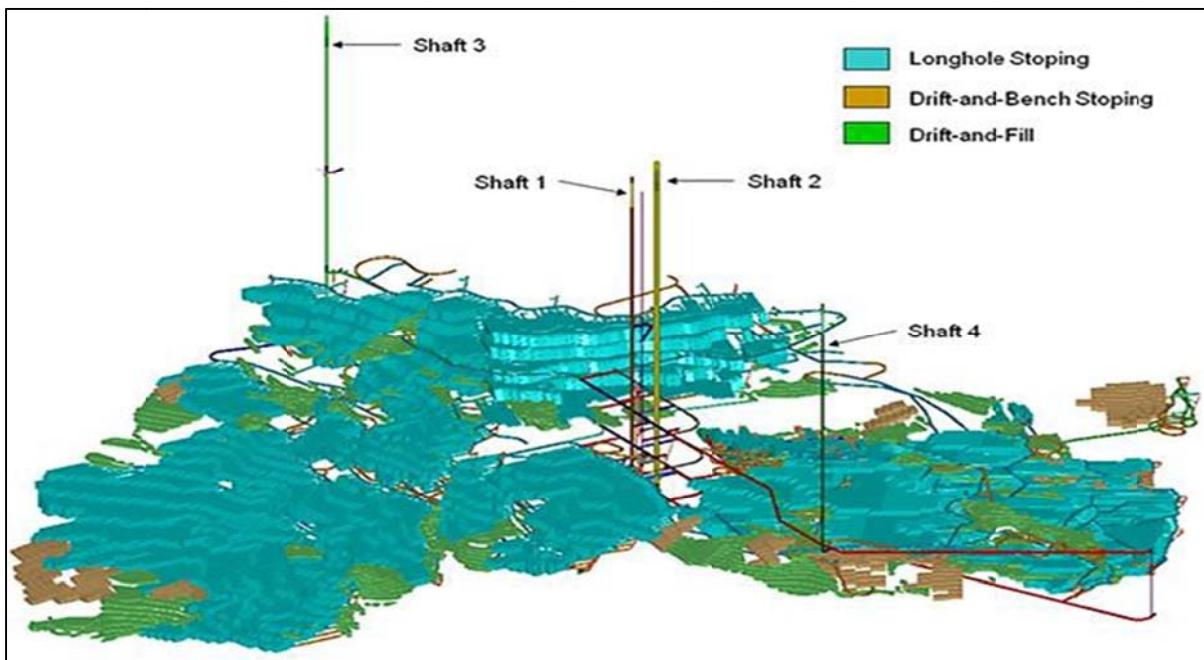
The Flatreef Deposit is characterized by its very large vertical thicknesses of high-grade mineralization and a platinum-to-palladium ratio of approximately 1:1, which is significantly higher than other recent PGM discoveries on the Bushveld's Northern Limb. The grade shells used to constrain mineralization in the Flatreef Indicated Mineral Resource area have average true thicknesses of approximately 24 metres at a cut-off grade of 2.0 grams per tonne (g/t) of platinum, palladium and gold (2PE+Au). The Indicated Mineral Resource grade at an equivalent 2.0-gram-per-tonne 3PE+Au cut-off is 4.1 g/t 3PE+Au, 0.34% nickel and 0.17% copper. Flatreef's Indicated Mineral Resources of 214 million tonnes contain an estimated 28.5 million ounces of platinum, palladium, gold and rhodium, 1.6 billion pounds of nickel and 0.8 billion pounds of copper. The Company has declared an initial Probable Mineral Reserve of 15.5 million ounces of platinum, palladium, rhodium and gold, using a declining Net Smelter Return (NSR) cut-off of \$100/t-\$80/t.

Mining methods

Mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface. Four vertical shafts will provide access to the mine. Shaft 2 will host the main personnel transport cage, material and ore handling systems, while Shafts 1, 3 and 4 will provide ventilation for the underground workings. Shaft 1, now under development, will be used for initial access to the ore body and early underground development.

Mining will be performed using highly productive, mechanized methods, including long-hole stoping and drift-and-fill mining. The mined drift-and-fill and long-hole stopes will be backfilled with a paste mixture that utilizes tailings from the process plant and cement. The ore will be hauled from the stopes to the bottom of Shaft 2, where it will be crushed and hoisted to surface.

Figure 7: Elevated view of areas to be mined by different methods.



Metallurgical and processing

Metallurgical test work has focused on maximizing the recovery of platinum-group elements (PGE) and base metals, while producing an acceptably high-grade concentrate suitable for further processing and/or sale to a third party. The three main geo-metallurgical units and composites have produced smelter-grade final concentrates of approximately 85 g/t PGE + Au at acceptable PGE recoveries. Testwork also has shown that the material is amenable to treatment by conventional flotation without the need for re-grinding. Batch open-circuit and locked-cycle flotation testwork has been performed.

Comminution and flotation testwork has indicated that the optimum grind size is 80% passing 75 μm (micrometres), which is consistent with sizes commonly reported by platinum mines in South Africa. The circuit developed during 2014 includes the use of industry-standard reagents and has replaced the previous circuit that used niche flotation reagents. Current flotation test work is focused on improving the concentrate specification to facilitate discussions around future off-take agreements.

Platreef ore is classified as ranging from hard to very hard, and thus not suitable for semi-autogenous grinding. A multi-stage crushing and ball-milling circuit is the preferred option.

A two-phased development approach was used for PFS flow-sheet design. The selected flow sheet is comprised of a four-million-tonne-per-year, three-stage crushing circuit that will feed crushed material to two parallel milling-flotation modules, each with a capacity of two million tonnes per year. Flotation is followed by a four-million-tonne-per-year tailings handling and concentrate thickening, filtration and storage circuit.

Shafts 1 and 2

Shaft 1 will have an internal diameter of 7.25 metres, with an annual planned hoisting capacity of 2.5 million tonnes. It is projected to reach a total depth of 975 metres in 2018. South Africa-based Aveng Mining, the shaft-sinking contractor, is responsible for the excavation of the box-cut access for the shaft collar and vent plenum and will be the sinking contractor for Shaft 1. The fabrication of the temporary, sinking head-frame and centre tower has begun.

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

Ivanhoe awarded the contract for the design and engineering of Shaft 2, the 10-metre-diameter main production shaft that will be capable of hoisting six million tonnes a year, to South Africa-based Murray & Roberts Cementation in June 2014. This will enable Ivanhoe to start Shaft 2 development works this year, subject to necessary approvals and funding. The box-cut designs are complete and the contract for the early engineering works for the winding equipment has been awarded to South Africa-based FLSmidth.

Bulk water and electricity supply

The Olifants River Water Resource Development Project (ORWRDP) is designed to deliver water to the Eastern and Northern limbs of South Africa's Bushveld Igneous Complex. The project consists of the new De Hoop Dam, the raised wall of the Flag Boshielo Dam and related pipeline infrastructure that ultimately will deliver water to Pruissen, southeast of the Northern Limb. The Pruissen Pipeline Project will be developed to deliver water onward from Pruissen to the municipalities, communities and mining projects on the Northern Limb. Ivanhoe is a member of the ORWRDP's Joint Water Forum. The Minister of Water & Sanitation issued a directive that the Trans Caledonian Tunnel Authority was appointed as the implementing agent for the outstanding phases of the ORWRDP's scheme, which include the Phase 2B pipeline from Flag Boshielo Dam to Mokopane.

Participants in the water development scheme are required to indicate their water requirements so that the total water demand may be calculated relative to the scheme's capacity. The Platreef Project's water requirement for the first phase of development is projected to peak at approximately 10 million litres per day. Ivanhoe is continuing to investigate various alternative bulk water sources.

The Platreef Project's power requirement for a four-million-tonne per year underground mine, concentrator and associated infrastructure has been estimated at approximately 100MVA. As power is required for the initial mine development (shaft sinking), prior to the main power supply being available, an agreement with Eskom has been reached for the supply of 5MVA of temporary construction power. Ivanhoe is awaiting the budget quote from Eskom on the permanent supply.

Exploration and resource expansion drilling

A total of 5,349 metres in 10 holes of Zone 1 resource-expansion drilling was completed on February 11, 2015. There are no current plans to continue with exploration drilling in 2015 as the focus of activities shifts to shaft development and the feasibility study. Despite the pause in exploration activity, the Platreef Project remains highly prospective with the mineralised horizon open to the south and west. Additional resources potentially could be defined or the confidence in existing resources improved through exploration drilling as and when required.

There have been significant advances in the understanding of the structural framework of the Platreef Project since the completion of the 2012 resource model. Ongoing modelling and the collection of significant additional structural data have culminated in a fully revised structural model for inclusion in a new resource estimate to be completed in 2015. Since 2013, additional diamond drilling, a three-dimensional seismic survey, comprehensive photography of all Main Zone intersections and a systematic, section-by-section re-logging of all UMT drill holes has provided significant additional information.

Through the collection of this data and a very systematic approach to identifying, validating and re-modelling observed features, a revised structural model was completed at the end of Q1 2015.

Job-skills training and environmental management commitments

As required under South African legislation, and in conjunction with the approval of the mining right, an integrated water-use licence application was submitted to the Department of Water and Sanitation (DWS); a waste-management licence application was submitted to the National Department of Environmental Affairs; and an application for environmental authorization was submitted to the Limpopo Department of Economic Development, Environment and Tourism (LEDET). Extensive environmental, social and engineering baseline studies were conducted in 2013 in support of these applications.

The Platreef Project received environmental authorization in June 2014 from LEDET. Ivanhoe is working closely with this department to ensure continual compliance during the implementation of the approved environmental management plan and the conditions stipulated in the environmental authorization. Authorization also was received from the DWS for the extraction of specified quantities of water from groundwater resources.

Ivanhoe has engaged with the South African Heritage Resources Agency (SAHRA) to obtain input and guidance on the management of archaeological and heritage resources in the area.

The Platreef Project recently achieved more than four million person hours worked without a lost-time injury. Through teamwork, and in partnership with employees, consultants and contractors, Ivanhoe is working to establish a sustainable culture of harm prevention to benefit workers, communities, other stakeholders and the environment through an effective health, safety and environmental management system that recognizes and utilizes best industry practices.

Following the activation of the Platreef mining right in November 2014, Ivanhoe began investing in its Social and Labour Plan, to which the Company has pledged a total of R160 million (\$14 million) during the next five years. The approved plan includes R67.2 million (\$6 million) for the development of job skills among local residents and R87.7 million (\$8 million) for local economic development projects. This allocation includes R26 million (\$2 million) to build a community skills development and a training facility in the Mokopane area as part of Ivanhoe's objective of helping to establish a roster of qualified, local candidates for jobs at the mine and its associated minerals processing plant. The facility will be accredited by the Mining Qualifications Authority (MQA).

A total of 21 employees will participate in a planned internal training to provide members of the current workforce with opportunities to expand their skills, predominantly focused on exploration activities.

A total of 13 employees who do not meet the minimum Grade 12 employment requirement are enrolled in Adult Basic Education and Training (ABET). Internships for two employees in the Safety Department also are continuing.

Under a community training initiative launched in 2015, in partnership with the Department of Education, ABET began in four centres in communities directly affected by the planned development of the Platreef mine. Non-core technical training began in February 2015 at the Ergo Maphelong Training Centre in Masodi, where 78 local students are being trained in various non-core activities for employment during the mine's construction phase.

Figure 8: Non-core technical training with Maphelong Training Centre.



Ivanhoe has initiated a R24 million (\$2 million) partnership between South Africa's University of Limpopo and Laurentian University in Canada to develop and equip Limpopo's geology department to improve its curriculum choices for students, conduct research on the Platreef Project and offer post-graduate studies in geology. Ivanhoe will allocate approximately R12 million (\$1 million) to the University of Limpopo and R12 million (\$1 million) to Laurentian University over the next five years, and has committed to renewing the partnership for a further five-year period.

Figure 9: Recipients of the water harvesting community project at Platreef.



In addition to its SLP and BBBEE commitments, Ivanhoe has begun an R11 million (\$1 million) water harvesting and community sanitation facility renovation project in its host communities. The Platreef Project will provide internships to help university students complete practical components of their studies and, in the process, provide the mine with potential candidates for permanent employment.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-lead mine, in the Democratic Republic of Congo's southern Katanga province, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of the provincial capital of Lubumbashi. It also is located on the Central African Copperbelt, southeast of Ivanhoe's Kamoanga 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).

Project development and infrastructure

Work began in early March 2014 on the planned underground diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing dewatering program directed by Ivanhoe during the past three years following its acquisition of the historic mine in November 2011.

The mine, which had been placed on care and maintenance in 1993, flooded in early 2011 due to a lack of pump maintenance over an extended period. Water reached 851 metres below surface at its peak. A major milestone was reached in December 2013 when Ivanhoe restored access to the mine's principal haulage level at 1,150 metres below the surface.

Since then, crews have been upgrading underground infrastructure to permanently stabilize the water levels and support the drilling program. Recent improvements have included the establishment of pump stations at the 1,112-metre and 1,272-metre levels, refurbishment of a ventilation shaft fan, ventilation along the hanging-wall drift on the 1,272-metre level, continued removal of corroded ventilation column from Shaft 5 and inspections of all shaft conveyances, ropes and guides.

Water levels are stabilized below the 1,150-metre-level haul way and 1,272-metre-level hanging-wall drift, enabling access for drilling, with two rigs targeting the Série Récurrente and Big Zinc mineralization.

Figure 10: Commissioning of pump station at the 1,144-metre level.



Figure 11: Testing 54-kilowatt Flygt pump in test pit.



Figure 12: Ventilation shaft fan refurbishment.



Environmental studies

Golder Associates was engaged in early 2014 to conduct an IFC-compliant ESHIA baseline study to determine the impact of previous mining activities by Gécamines, and provide a baseline for the future. A year-long environmental monitoring and sampling program was completed in Q1 2015, with a final report expected in Q2 2015.

Monitoring of surface and groundwater, air quality, and climate is continuing, to meet DRC regulatory reporting requirements.

Confirmatory and exploration drilling

Ivanhoe's underground drilling program at Kipushi is designed to confirm and update the mine's estimated historical resources and to further expand the resources along strike and at depth.

A total of 4,140 metres in 11 drill holes were completed in Q1 2015 in the Big Zinc and Nord Riche zones. A total of 17,413 metres of drilling had been completed in 81 holes by the end of Q1 2015.

Ivanhoe disclosed analytical results from the Kipushi drilling on February 17 and April 13, 2015 including the following highlights:

Press Release February 17, 2015

- KPU051 drilled on section line 7: 188.5 metres grading 49.7% zinc, 0.3% copper, 15 grams per tonne (g/t) silver and 58 g/t germanium.
- KPU055 drilled on section line 7: 162.9 metres grading 51.1% zinc, 0.4% copper, 11 g/t silver and 59 g/t germanium.
- KPU057 drilled on section line 5: 175.7 metres grading 50.3% zinc, 0.3% copper, 11 g/t silver and 27 g/t germanium.
- KPU058 drilled on section line 11: 41.4 metres grading 42.1% zinc, 3.8% copper, 54 g/t silver and 71 g/t germanium, including a copper-rich intercept of 6.0 metres grading 6.0% zinc, 22.6% copper, 203 g/t silver and 177 g/t germanium.
- KPU061 drilled on section line 5: 75.6 metres grading 46.2% zinc, 0.3% copper, 20 g/t silver and 89 g/t germanium, plus a second intercept of 64.9 metres grading 44.7% zinc, 1.1% copper, 14 g/t silver and 128 g/t germanium.

The disclosed assay results also included results from the Série Récurrente (Recurring Series) zone. With the following significant intercept:

- KPU049 (Série Récurrente zone): 9.7 metres true thickness grading 11.8% copper, 6.0% zinc and 73.0 g/t silver, including a higher grade intercept of 6.4-metre true thickness grading 16.8% copper, 7.7% zinc, 104 g/t silver.

Full details of the drill results reported in the February 17, 2015 news release are posted on Ivanhoe Mines website at www.ivanhoemines.com

Press Release April 13, 2015

- KPU067 drilled on section line 3: 18.9 metres, drilled length, grading 38.5% zinc, 0.2% copper, 7 grams per tonne (g/t) silver and 44 g/t germanium, plus a second intercept of 39.7 metres grading 23.0% zinc, 0.2% copper, 4 g/t silver and 34 g/t germanium.
- KPU068 drilled on section line 15: 79.8 metres, drilled length, grading 28.3% zinc, 0.3% copper, 31 g/t silver and 31 g/t germanium, including an intercept of 23.8 metres grading 41.8% zinc, 0.1% copper, 28 g/t silver and 40 g/t germanium.
- KPU069 drilled on section line 17: 40.2 metres, drilled length, grading 37.5% zinc, 0.1% copper, 57 g/t silver and 45 g/t germanium.
- KPU070 drilled on section line 17: 6.7 metres true thickness grading 7.9% copper, 0.2% zinc, 55 g/t silver and 0.52% cobalt.
- KPU071 drilled on section line 9: 85.0 metres, drilled length, grading 49.0% zinc, 0.3% copper, 12 g/t silver and 61 g/t germanium.

The disclosed assay results were also returned for the Nord Riche area of the Kipushi fault zone,

- KPU073: 7.9 metres true thickness grading 8.2% copper, 1.9% zinc and 17.0 g/t silver and 0.26% cobalt.

Results also were received for a potentially significant zone of sphalerite mineralization previously reported to the south and below the historical Big Zinc Resource.

- KPU072: 57.7 metres, drilled length, grading 37.0% zinc, 0.6% copper and 6 g/t silver and 54 g/t germanium including an interval of 50.8 metres grading 40.7% zinc, 0.6% copper, 6 g/t silver and 54 g/t germanium.

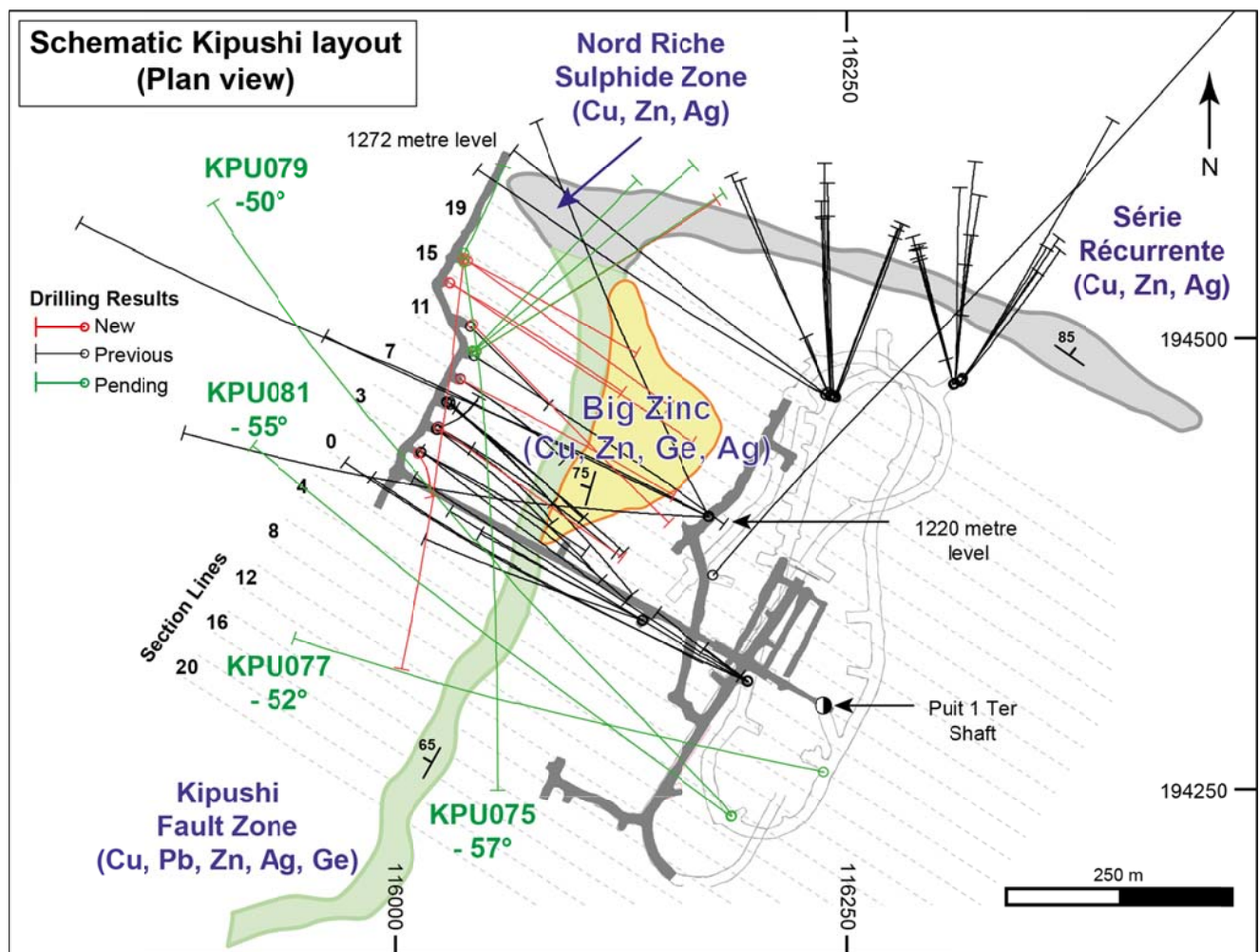
KPU071 was the first hole to commence in 2015 and also the last resource hole designed to confirm the historical Gécamines drilling of the Big Zinc Zone. All further drilling in Q1 was exploratory with the aim of the extending the known limits of the Big Zinc, Copper Nord Riche and Kipushi Fault Zone. Holes KPU072, KPU075, KPU077, KPU079 and KPU081 targeted an area down plunge of the defined Big Zinc to the south and were successful in identifying massive sphalerite zones thought to represent

the extension of the Big Zinc system. Hole KPU079 also intersected a zone of massive sphalerite and chalcopyrite mineralisation from 688 metres to 700 metres or 1,825 metres below surface – the deepest mineralised intersection so far, the intersection appears to be in the footwall of the Kipushi Fault and Ivanhoe intends to extend this hole through the Kipushi Fault Zone in Q2 when suitable drilling equipment is available.

Another hole disclosed in the April 13, 2015 release was KPU081 which intersected 55 metres of mixed sphalerite and chalcopyrite. Assay results are pending.

Full details of the drill results reported in the April 13, 2015 news release are posted on Ivanhoe Mines website at www.ivanhoemines.com.

Figure 13: Plan of the 1,272-metre level with drill sections, showing schematically the location of the mineralized zones and infrastructure in the Cascades side of the mine. The Big Zinc zone is interpreted to plunge steeply to the south-west.



Kipushi's 68 years of production history

Following its start-up in 1924 as the Prince Léopold Mine, available records show that Kipushi produced a total of 6.6 million tonnes of zinc and 4.0 million tonnes of copper – from 60 million tonnes grading 11% zinc and approximately 7% copper – until political instability prompted the suspension of operations in 1993. The mine also produced 278 tonnes of germanium between 1956 and 1978.

In addition to the recorded production of copper, zinc, lead and germanium, Gécamines' mine-level plans for Kipushi also report the presence of precious metals, specifically silver and rhenium. There is no formal record of the production of precious metals on the property.

Historical resources

IMC Group Consulting, which prepared the current Kipushi Technical Report, considers the historical estimate prepared by Techpro Mining and Metallurgy (Techpro) in 1997 to be the most reliable. Techpro reported the following resources:

Resource Category	Tonnes	Copper %	Zinc %
Measured	8,899,979	2.53	9.99
Indicated	8,029,127	2.09	24.21
Total	16,929,106	2.32	16.76
Inferred	9,046,352	1.93	23.32
Totals shown above include the following Big Zinc resources:			
Measured	793,086	1.16	33.52
Indicated	3,918,366	0.68	39.57
Measured & Indicated	4,711,452	0.76	38.55

IMC is of the opinion that the Techpro estimate generally is fair and reasonable for demonstrated Measured plus Indicated Resources and that Inferred Mineral Resources largely represent the projection of Kipushi's Fault Zone mineralization from the 1,500-metre level to the 1,800-metre level.

A Qualified Person has not done sufficient work to classify the historical estimates as current Mineral Resources and Ivanhoe Mines is not treating such estimates as current Mineral Resources. The Techpro estimate was prepared in accordance with the Australasian JORC Code. Ivanhoe Mines will need to validate previous work through new drilling, sampling, assaying and other procedures to produce a Mineral Resource that is current for CIM purposes.

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.

	3 Months ended			
	March 31,	December 31,	September 30,	June 30,
	2015	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	13,241	26,122	33,385	39,580
General administrative expenditure	5,775	8,976	8,045	4,913
Shared-based payments	1,986	2,245	7,060	85,428
Finance costs	34	382	377	1,124
Mark-to-market (gain) loss on revaluation of warrants	(4,212)	(2,316)	(12,360)	5,152
Deferred tax recovery	-	(46)	-	-
Total comprehensive loss attributable to:				
Owners of the Company	15,511	31,649	23,474	129,474
Non-controlling interest	3,498	5,434	15,092	6,280
Loss per share (basic and diluted)	0.02	0.05	0.03	0.21

	3 Months ended			
	March 31,	December 31,	September 30,	June 30,
	2014	2013	2013	2013
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	37,102	60,638	39,793	41,281
General administrative expenditure	9,318	11,567	6,259	6,270
Shared-based payments	2,561	2,029	1,898	2,143
Impairment of mineral property, goodwill and other	-	334,338	-	-
Legal settlement	-	-	10,000	-
Finance costs	358	559	543	319
Deferred tax recovery	-	(75,701)	-	-
Total comprehensive loss attributable to:				
Owners of the Company	42,750	240,262	51,787	43,804
Non-controlling interest	6,057	92,606	6,248	7,198
Loss per share (basic and diluted)	0.07	0.41	0.10	0.08

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended March 31, 2015 vs. March 31, 2014

The Company's total comprehensive loss for Q1 2015 of \$19.0 million was \$29.8 million lower than for the same period in 2014 (\$48.8 million). The decrease mainly was due to the capitalization of development costs in the current period on the Platreef and Kamoia projects of \$12.3 million and \$6.7 million respectively.

Exploration and project expenditures for the three months ending March 31, 2015 were \$23.9 million less than for the same period in 2014. With the focus during 2015 at the Kamoia and Platreef projects on development, \$8.2 million of the total \$13.2 million exploration and project expenditure related to Kipushi where the drilling program and upgrading of the underground and surface infrastructure continued. A total of \$4.1 million related to retrenchment costs incurred in the closure of Ivanhoe's regional exploration company in the DRC.

Expenditure at the Kipushi Project decreased by \$3.9 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project in Q1 2015 and 2014 are set out in the following table:

	Three months ended March 31, 2015 \$'000	Three months ended March 31, 2014 \$'000
Kipushi Project		
Salaries and benefits	2,891	3,916
Electricity	1,502	1,684
Drilling	857	1,134
Repair and maintenance	495	817
Site security and safety	429	426
Contracting work	234	1,193
Other expenditure	1,841	2,929
Total project expenditure	8,249	12,099

Financial position as at March 31, 2015 vs. December 31, 2014

The Company's total assets decreased by \$27.0 million, from \$253.1 million as at December 31, 2014, to \$226.1 million as at March 31, 2015. This mainly was due to a \$41.9 million decrease in cash and cash equivalents that was partially offset by the increase in property, plant and equipment of \$17.4 million.

The Company utilized \$20.4 million of its cash resources in its operations and earned interest income of \$0.3 million on cash balances in Q1 2015. A total of \$19.7 million was spent on project development and to acquire other property, plant and equipment. Development costs on the Platreef and Kamoia projects amounted to \$12.3 million and \$6.7 million respectively.

The Company's total liabilities decreased to \$40.7 million as at March 31, 2015, from \$50.7 million as at December 31, 2014. This was due to a decrease in trade and other payables of \$5.8 million, as well as a \$4.2 million decrease in the fair value of the share purchase warrant financial liability that arose with the issuance of the purchase warrants in Q2 2014 and had a fair value of \$2.7 million at March 31, 2015.

The Company disposed of its Australian subsidiaries previously classified as assets and liabilities as held for sale on March 31, 2015. The Company received \$0.8 million worth of shares of Clean Teq Holdings Limited, which has been classified as financial assets at fair value through profit or loss, an A\$3 million promissory note with a present value of \$1.8 million on March 31, 2015, and a 2.5% NSR royalty over these assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$69.1 million in cash and cash equivalents and \$55.2 million in short-term deposits as at March 31, 2015. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of \$94.6 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at March 31, 2015, the Company had consolidated working capital of approximately \$123.0 million, compared to \$162.1 million at December 31, 2014. The Platreef Project working capital is restricted and amounted to \$92.1 million at March 31, 2015, and \$104.3 million at December 31, 2014. Excluding the Platreef Project working capital, the resultant working capital was \$30.9 million at March 31, 2015, and \$57.8 million at December 31, 2014. The Company believes it has sufficient resources to cover its short-term cash requirements. However, the Company's access to financing is always uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

On April 20, 2015, Zijin Mining Group Co., Ltd., acquired a minority interest in the Company through a private placement. The Company issued 76,817,020 common shares to a Zijin Mining Group Co., Ltd. subsidiary, through a private placement at a price of C\$1.36 per share, yielding gross proceeds of approximately C\$105 million (US\$85 million).

The company's main objectives for 2015 at the Kamoia Project are the finalization of the Phase 1 pre-feasibility study; commencement of the Phase 1 feasibility study; the continuation of drilling and starting construction of the twin declines at Kamoia, subject to funding. At Platreef, priorities are to commence the feasibility study and complete the Shaft 2 design at the Platreef Project. At the Kipushi Project, the principal objectives are completion the underground drilling program and preparation of a development plan.

The Company has a three-year mortgage bond and a five-year mortgage bond outstanding on its offices in London, United Kingdom, of £2.4 million (\$3.5 million) and £0.9 million (\$1.3 million)

respectively. The first is fully repayable during May 2015, secured by the property and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears, with the latter also secured by the property, incurring interest at a rate of LIBOR plus 2.5% payable monthly in arrears. During the first three years, from June 2014 until May 2017, only interest will be payable.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited, which had a carrying value of \$20.1 million as at March 31, 2015, and a contractual amount due of \$29.2 million. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalized. The difference of \$9.1 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricité SARL (SNEL) relating to the upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Company's DRC projects. Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be \$141 million (including a \$4.5 million pre-finance loan), but is capped at a maximum commitment of \$250 million. The term for repayment of the loan and payment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two-year grace period from the signing date of the agreement. The actual repayment period ultimately will depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of the actual bill as per the terms of the loan repayment. The interest rate is six-month LIBOR + 3%. The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

The Company has an implied commitment in terms of spending on work programs submitted to regulatory bodies to maintain the good standing of exploration and exploitation permits at its mineral properties. The following table sets forth the Company's long-term obligations:

	Payments Due By Period				
	Total	Less than	1-3 years	4-5 years	After
Contractual Obligations as at March 31, 2015	\$'000	1 year \$'000	\$'000	\$'000	5 years \$'000
Debt	33,989	3,499	517	775	29,198
Operating Leases	485	361	124	-	-
Advancement of interest free loan	250,000	1,054	248,946	-	-
Total Contractual Obligations	284,474	4,914	249,587	775	29,198

USE OF PROCEEDS

The below table describes how the proceeds from the public offering and concurrent private placement that closed on June 10, 2014, have been used to date, against how the proceeds were expected to be used as disclosed in the final prospectus.

Principal Purpose	Use of proceeds					Total use to date
	Intended \$'million	Q2 2014 \$'million	Q3 2014 \$'million	Q4 2014 \$'million	Q1 2015 \$'million	
Kamoa Project						
Box cut and decline	15	-	4	7	4	15
Power Supply	15	1	1	2	-	4
Project studies	11	3	3	3	1	10
Drilling	9	4	5	1	-	10
Subtotal	50	8	13	13	5	39
Kipushi Project						
Site costs (including dewatering)	28	5	8	12	4	29
Drilling & Studies	10	1	2	2	2	7
Refurbishing infrastructure	7	1	3	1	1	6
Subtotal	45	7	13	15	7	42
Other						
Regional Exploration and General & Administrative Expenses	37	7	5	14	8	34
Subtotal	37	7	5	14	8	34
TOTAL (exclusive of Over-Allotment Option and Private Placement Option)						
	132	22	31	42	20	115
Exploration and pre-development activities of the Projects and general corporate purposes	15	2	2	6	2	12
TOTAL NET PROCEEDS	147	24	33	48	22	127

Proceeds from the private placement that close on April 20, 2015 are intended to be used for working capital and general corporate purposes.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements for the periods under review.

TRANSACTIONS WITH RELATED PARTIES

The following tables summarize related party expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or significant shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Three months ended March 31,	
	2015	2014
	\$'000	\$'000
Global Mining Management Corporation (a)	745	985
Ivanhoe Capital Aviation LLC (b)	300	300
Ivanhoe Capital Services Ltd. (c)	129	107
HCF International Advisers (d)	45	100
Global Mining Services Ltd. (e)	39	143
Ivanhoe Capital Pte Ltd (f)	22	32
Ivanhoe Capital Corporation (UK) Limited (g)	5	-
	1,285	1,667
Salaries and benefits	864	1,171
Travel	319	329
Office and administration	39	60
Consulting	63	107
	1,285	1,667

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2015, trade and other payables included \$0.5 million (December 31, 2015: \$0.4 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

- (a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and the Executive Chairman has a significant shareholding in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.
- (b) Ivanhoe Capital Aviation LLC (Aviation) is a private company owned indirectly by the Executive Chairman of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.
- (c) Ivanhoe Capital Services Ltd. (Services) is a private company owned indirectly by the Executive Chairman of the Company. Services provide for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (d) HCF International Advisers (HCF) is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. Guy de Selliers is the President and co-founder of HCF, which provides financial advisory services to the Company.

- (e) Global Mining Services Ltd. (Mining) is a private company incorporated in Delaware and is 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.
- (f) Ivanhoe Capital Pte Ltd. (Capital) is a private company owned indirectly by the Executive Chairman of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.
- (g) Ivanhoe Capital Corporation (UK) Limited (UK) is a private company owned indirectly by the Executive Chairman of the Company. UK provides administration, accounting and other services in London on a cost-recovery basis.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 to the consolidated financial statements for the year ended December 31, 2014. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during said reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) *Impairment Analysis of Assets*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets.

Changes in any of the assumptions used to determine impairment testing could materially affect the results of the analysis.

(ii) *Income Taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statements of financial position and their corresponding tax values, generally using the substantively enacted or enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource-related pools and other deductions. A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

A deferred tax liability is generally recognized for all taxable temporary differences. The Company recognizes net deferred tax liabilities as it believes it does not control the timing of the reversal of these temporary differences even though management has made the judgment that the reversal is not expected to occur in the foreseeable future.

(iii) *Mineral Property and Exploration Costs*

All direct costs related to the acquisition of mineral property interests are capitalized by property or project. Exploration costs are charged to operations in the period incurred, until such time as the Company determines that a property is technically feasible and commercially viable, where after development costs are capitalized. In making this determination, the Company considers whether a proposed project is capable of being developed at a sufficient return to justify the capital and managerial resources that must be committed to the project. The determination is made on a property by property basis and generally coincides with the finalization of a preliminary economic assessment or pre-feasibility study of the property. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

In determining whether an exploration and evaluation property is technically feasible and commercially viable, the Company considers several criteria, including:

- a technical analysis of the basic geology of the project;
- a mine plan for accessing and exploiting the ore body;
- a process flow sheet for processing the ore generated from mining;
- projections as to the capital cost of constructing the project;
- projections as to the cost of operating the project in accordance with the mine plan;
- projections as to revenues from the concentrate or other mineral product to be generated from operations in accordance with the mine plan; and
- an economic analysis of the project based on the projected capital and operating costs and production revenues.

(iv) *Business Combinations*

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. If an acquired set of assets and liabilities includes goodwill, the set of assets and liabilities is presumed to be a business.

(v) *Functional Currency*

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determine the primary economic environment.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IFRS 7 Financial Instruments: (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard.
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012.
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

Accounting standards issued but not yet effective

- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (i)
 - IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (ii)
 - Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations: Provides guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. (iii)
 - Annual improvements for IFRS 2012 to 2014 cycle. (iii)
- (i) The IASB tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9.
- (ii) Effective for annual periods beginning on or after January 1, 2017
- (iii) Effective for annual periods beginning on or after January 1, 2016

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification	March 31, 2015 \$'000	December 31, 2014 \$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	69,070	110,983
Short-term deposits	Loans and receivables	55,235	55,223
Financial assets	Fair value through profit or loss	797	-
Trade and other receivables	Loans and receivables	2,690	4,115
Financial liabilities			
Trade and other payables	Other liabilities	10,407	16,214
Borrowings	Other liabilities	24,870	24,789
Share purchase warrants	Fair value through profit and loss	2,733	6,945

IAS 32 - "*Financial Instruments: Presentation*", requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establishes a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore requires an entity to develop its own assumptions.

The Company's financial instruments include cash and cash equivalents, short-term deposits, publicly traded shares, trade and other receivables, borrowings, share purchase warrants and trade and other payables.

The fair value of borrowings is determined in accordance with generally accepted pricing models based on discounted cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%.

The Company's share purchase warrants and financial assets at fair value through profit and loss are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. The fair value of the share purchase warrants is determined using quoted prices in active markets. The fair value of the financial assets at fair value through profit and loss is determined using quoted prices in active markets.

The fair value of the Company's remaining financial instruments was estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments and as such are classified as Level 2.

Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations, however, management monitors foreign exchange exposure.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	March 31, 2015	December 31, 2014
	\$'000	\$'000
Assets		
Canadian dollar	13,268	19,659
Australian dollar	-	66
South African rand	41,971	28,068
British pounds	1,930	5,880
Liabilities		
Canadian dollar	(248)	(425)
Australian dollar	(26)	(249)
South African rand	(4,312)	(10,936)
British pounds	(87)	(1,255)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Three months ended March 31,	
	2015	2014
	\$'000	\$'000
Decrease in loss for the period	429	599

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position date to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk on cash equivalents is limited because the cash equivalents are composed of financial instruments issued by major banks and companies with high credit ratings assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

The following table details the Company's aging of accounts receivable:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at March 31, 2015					
Trade and other receivables	-	2,690	-	-	2,690
	-	2,690	-	-	2,690
As at December 31, 2014					
Trade and other receivables	-	4,115	-	-	4,115
	-	4,115	-	-	4,115

Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position with the goal of maintaining adequate sources of funding to finance the Company's projects and operations.

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	Total undiscounted cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
As at March 31, 2015					
Trade and other payables	-	10,407	-	-	10,407
Current income tax liabilities	10	-	-	-	10
Non-current borrowings	-	-	-	30,490	30,490
Current borrowings	3,499	-	-	-	3,499
As at December 31, 2014					
Trade and other payables	-	16,214	-	-	16,214
Current income tax liabilities	200	-	-	-	200
Non-current borrowings	-	-	-	30,392	30,392
Current borrowings	3,656	-	-	-	3,656

DESCRIPTION OF CAPITAL STOCK

As at May 8, 2015, the Company's capital structure consists of an unlimited number of Class A common shares without par value (the "**Class A Shares**"), an unlimited number of Class B common shares without par value (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"), an unlimited number of preferred shares without par value, warrants and options. At this date 6,850,620 Class B Shares, 772,109,187 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted no options in 2015 to date and 14,175,000 options to certain employees during 2014, per the amended and restated employees' and directors' equity incentive plan (the Equity Incentive Plan). Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at May 8, 2015, there were 15,495,000 options, from individual stock-option agreements exercisable into 15,495,000 Class A Shares and 23,545,000 options issued in terms of the Equity Incentive Plan exercisable into 23,545,000 Class A Shares.

As at May 8, 2015, 115,000,767 warrants, issued on June 10 and July 10, 2014, are outstanding, each of which entitles the holder thereof to purchase equity securities in the capital of the Company at C\$1.80 each, exercisable into 115,000,767 Class A Shares. These warrants expire on December 10, 2015, if not exercised by this date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design effectiveness of the Company's DC&P and ICFR as of March 31, 2015 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of March 31, 2015 and have concluded that these controls and procedures have been designed effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the three months ended March 31, 2015, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

The risk factors are discussed in the Company's Annual Information Form filed with Canadian provincial regulatory authorities and available at www.sedar.com.

DISCLOSURE OF TECHNICAL INFORMATION

Disclosures of a scientific or technical nature in this MD&A has 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 the Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this MD&A.

Ivanhoe has prepared a current independent NI 43-101-compliant technical report for each of the Kamoa Project, the Platreef Project and the Kipushi Project, which are available under the Company's SEDAR profile at www.sedar.com. These technical reports include relevant information regarding the effective date and the assumptions, parameters and methods of the mineral resource estimates on the Kamoa Project and Platreef Project cited in this MD&A, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this MD&A in respect of the Kamoa Project, Platreef Project and Kipushi Project.