

Condensed consolidated interim financial statements of

## **Ivanhoe Mines Ltd.**

September 30, 2015  
(Stated in U.S. dollars)

(Unaudited)

# Ivanhoe Mines Ltd.

September 30, 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 September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and project expenditure		8,553	23,388	30,480	76,755
Share-based payments	15	1,655	7,060	5,377	95,049
Salaries and benefits		1,495	3,208	4,599	9,660
Office and administration		579	1,360	1,718	3,910
Travel		510	587	1,531	2,115
Professional fees		349	523	1,290	2,049
Legal		109	221	330	676
Foreign exchange losses		1,014	1,657	714	2,208
Other expenditure		374	504	1,429	1,393
<b>Loss from operating activities</b>		<b>14,638</b>	<b>38,508</b>	<b>47,468</b>	<b>193,815</b>
Other income		228	(1,084)	(478)	(1,095)
Interest income		(273)	(310)	(1,013)	(753)
Finance costs	16	36	377	118	1,859
Mark-to-market gain on revaluation of warrants	12 (c)	(970)	(12,360)	(6,516)	(7,208)
<b>Loss before income taxes</b>		<b>13,659</b>	<b>25,131</b>	<b>39,579</b>	<b>186,618</b>
Income tax expense					
Current		-	-	189	-
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>13,659</b>	<b>25,131</b>	<b>39,768</b>	<b>186,618</b>
<b>Subsidiary held for partial sale</b>					
(Gain) loss from subsidiary held for partial sale	9	(7,958)	10,129	(5,074)	33,724
<b>LOSS FOR THE PERIOD</b>		<b>5,701</b>	<b>35,260</b>	<b>34,694</b>	<b>220,342</b>
<b>Other comprehensive loss</b>					
Items that may subsequently be reclassified to loss:					
Exchange losses on translation of foreign operations - continuing operations		7,157	3,134	11,745	2,743
Exchange losses on translation of foreign operations - subsidiary held for partial sale		-	172	-	42
Other comprehensive loss for the period, net of tax		7,157	3,306	11,745	2,785
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>12,858</b>	<b>38,566</b>	<b>46,439</b>	<b>223,127</b>
Loss (gain) attributable to:					
Owners of the Company - continuing operations		10,740	10,316	30,098	159,447
Owners of the Company - subsidiary held for partial sale		(7,932)	10,129	(5,074)	33,724
Non-controlling interest		2,893	14,815	9,670	27,171
		<b>5,701</b>	<b>35,260</b>	<b>34,694</b>	<b>220,342</b>
Total comprehensive loss (gain) attributable to:					
Owners of the Company - continuing operations		17,351	13,173	41,012	161,932
Owners of the Company - subsidiary held for partial sale		(7,932)	10,301	(5,074)	33,766
Non-controlling interest		3,439	15,092	10,501	27,429
		<b>12,858</b>	<b>38,566</b>	<b>46,439</b>	<b>223,127</b>
Basic and diluted loss per share - continuing operations	17	0.02	0.02	0.05	0.26
Basic and diluted (income) loss per share - subsidiary held for partial sale	17	(0.01)	0.01	(0.01)	0.05
Weighted average number of basic and diluted shares outstanding	17	778,959,807	699,780,201	747,663,984	631,397,673

# Ivanhoe Mines Ltd.

## Condensed consolidated interim statements of financial position as at

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	September 30, 2015	December 31, 2014
		\$	\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	72,740	50,859
Mineral properties	5	6,940	6,940
Other assets		10,706	13,030
Total non-current assets		90,386	70,829
<b>Current assets</b>			
Trade and other receivables	7	2,420	4,115
Prepaid expenses		7,384	8,965
Financial assets at fair value through profit or loss	9	1,204	-
Short-term deposits	8	55,265	55,223
Cash and cash equivalents	8	85,431	110,983
Total current assets		151,704	179,286
Assets of subsidiary held for partial sale	9	46,783	-
Assets of subsidiary held for sale	9	-	2,962
<b>Total assets</b>		<b>288,873</b>	<b>253,077</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	1,124,032	1,038,868
Share option reserve	12	129,556	124,179
Currency translation reserve	13	(22,463)	(11,549)
Accumulated deficit		(852,912)	(827,888)
Equity attributable to owners of the Company		378,213	323,610
Non-controlling interest	14	(131,708)	(121,207)
Total equity		246,505	202,403
<b>Non-current liabilities</b>			
Non-current borrowings	10	25,745	21,133
Deferred tax liabilities		2,045	2,037
Other non-current liabilities		1,030	433
Total non-current liabilities		28,820	23,603
<b>Current liabilities</b>			
Financial Liability	12 (c)	429	6,945
Current borrowings	10	-	3,656
Trade and other payables	11	10,789	16,214
Current tax liabilities		2	200
Total current liabilities		11,220	27,015
Liabilities of subsidiary held for partial sale	9	2,328	-
Liabilities of subsidiary held for sale	9	-	56
Total liabilities		42,368	50,674
<b>Total equity and liabilities</b>		<b>288,873</b>	<b>253,077</b>

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								
		\$		\$	\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2014</b>	<b>584,423,212</b>	<b>900,866</b>	<b>13,941,940</b>	<b>7,949</b>	<b>27,695</b>	<b>(7,405)</b>	<b>(612,634)</b>	<b>316,471</b>	<b>(89,233)</b>	<b>227,238</b>
Loss for the period	-	-	-	-	-	-	(193,171)	(193,171)	(27,171)	(220,342)
Other comprehensive income	-	-	-	-	-	(2,527)	-	(2,527)	(258)	(2,785)
Total comprehensive loss	-	-	-	-	-	(2,527)	(193,171)	(195,698)	(27,429)	(223,127)
<i>Transactions with owners</i>										
Changes in non-controlling interest in subsidiary (Note 14)	-	-	-	-	-	-	-	-	889	889
Share based payments										
charged to operations (Note 15)	-	-	-	-	94,822	-	-	94,822	-	94,822
Shares issued (Note 12)	115,000,767	134,977	-	-	-	-	-	134,977	-	134,977
Options exercised (Note 12)	634,000	1,220	-	-	(377)	-	-	843	-	843
<b>Balance at September 30, 2014</b>	<b>700,057,979</b>	<b>1,037,063</b>	<b>13,941,940</b>	<b>7,949</b>	<b>122,140</b>	<b>(9,932)</b>	<b>(805,805)</b>	<b>351,415</b>	<b>(115,773)</b>	<b>235,642</b>
<b>Balance at January 1, 2015</b>	<b>702,142,787</b>	<b>1,038,868</b>	<b>-</b>	<b>-</b>	<b>124,179</b>	<b>(11,549)</b>	<b>(827,888)</b>	<b>323,610</b>	<b>(121,207)</b>	<b>202,403</b>
Loss for the period	-	-	-	-	-	-	(25,024)	(25,024)	(9,670)	(34,694)
Other comprehensive income	-	-	-	-	-	(10,914)	-	(10,914)	(831)	(11,745)
Total comprehensive loss	-	-	-	-	-	(10,914)	(25,024)	(35,938)	(10,501)	(46,439)
<i>Transactions with owners</i>										
Share based payments										
charged to operations (Note 15)	-	-	-	-	5,377	-	-	5,377	-	5,377
Shares issued (Note 12)	76,817,020	85,164	-	-	-	-	-	85,164	-	85,164
<b>Balance at September 30, 2015</b>	<b>778,959,807</b>	<b>1,124,032</b>	<b>-</b>	<b>-</b>	<b>129,556</b>	<b>(22,463)</b>	<b>(852,912)</b>	<b>378,213</b>	<b>(131,708)</b>	<b>246,505</b>

# Ivanhoe Mines Ltd.

## Condensed consolidated interim statements of cash flows

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Loss before income taxes including subsidiary held for partial sale		(5,701)	(35,260)	(34,505)	(220,342)
Items not involving cash					
Share-based payments	15	1,844	7,060	5,974	95,049
Depreciation and amortization		1,368	1,424	4,160	3,914
Unrealized foreign exchange loss (gain)		921	112	2,064	(135)
Mark-to-market gain on revaluation of warrants		(970)	(12,360)	(6,516)	(7,208)
Borrowing costs capitalised		(701)	-	-	-
Interest income and finance costs		(237)	67	(895)	1,106
(Gain) loss on disposal of property, plant and equipment		(2)	(2)	(15)	20
Loss on sale of subsidiary held for sale		-	-	309	-
Reversal of impairment		-	(1,000)	-	(1,000)
		(3,478)	(39,959)	(29,424)	(128,596)
Change in non-cash working capital items	19	(8,748)	(3,949)	(10,177)	(7,142)
Working capital items classified as held for sale		-	21	-	21
Interest paid		1,034	(484)	952	(559)
Interest received		273	310	1,013	753
Income taxes paid		-	-	(374)	-
<b>Net cash used in operating activities</b>		<b>(10,919)</b>	<b>(44,061)</b>	<b>(38,010)</b>	<b>(135,523)</b>
<b>Cash flows from investing activities</b>					
Property, plant and equipment acquired		(20,936)	(4,033)	(63,971)	(15,514)
Other assets acquired		153	(99)	(3,049)	(3,506)
Proceeds from sale of property, plant and equipment		6	1	58	77
(Decrease) increase in investment in short-term deposits		(20)	25,182	(42)	25,057
Decrease in investment in other assets		-	-	1,272	-
Proceeds from sale of other assets		-	2,351	-	2,351
<b>Net cash (used) generated in investing activities</b>		<b>(20,797)</b>	<b>23,402</b>	<b>(65,732)</b>	<b>8,465</b>
<b>Cash flows from financing activities</b>					
Issue of units, net of issue costs		-	4,077	85,164	151,133
Proceeds from sale of interest in subsidiary		-	889	-	889
Options exercised		-	-	-	843
<b>Net cash generated by financing activities</b>		<b>-</b>	<b>4,966</b>	<b>85,164</b>	<b>152,865</b>
Effect of foreign exchange rate changes on cash		(2,657)	(1,959)	(5,209)	(1,485)
Net cash out flow		(34,373)	(17,652)	(23,787)	24,322
Cash and cash equivalents, beginning of period		119,739	185,763	110,983	143,789
Cash included in assets of subsidiary held for partial sale		65	-	(1,765)	-
<b>Cash and cash equivalents, end of period</b>		<b>85,431</b>	<b>168,111</b>	<b>85,431</b>	<b>168,111</b>
Cash and cash equivalents consists of					
Cash		78,683	164,928	78,683	164,928
Short-term fixed deposits		6,748	3,183	6,748	3,183
		<b>85,431</b>	<b>168,111</b>	<b>85,431</b>	<b>168,111</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 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 development and 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 \$852.9 million at September 30, 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 September 30, 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 September 30, 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 ending 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 September 30, 2015

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

### 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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

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

### 4. Property, plant and equipment

	Land	Office equipment	Furniture and fixtures	Motor vehicles	Plant, equipment and buildings	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
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 of subsidiary held for partial 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	-	153	249	26	2,075	61,468	63,971
Disposals	-	(89)	-	(88)	(37)	-	(214)
Reclassified to assets of subsidiary held for partial sale	(90)	(1,226)	(597)	(4,475)	(5,869)	(29,128)	(41,385)
Foreign exchange translation	(339)	(499)	(108)	(227)	(1,125)	(4,205)	(6,503)
<b>Balance as at September 30, 2015</b>	<b>1,576</b>	<b>3,095</b>	<b>1,461</b>	<b>2,093</b>	<b>28,940</b>	<b>46,913</b>	<b>84,078</b>
<b>Accumulated depreciation and impairment</b>							
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 of subsidiary held for partial 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	-	654	201	515	2,790	-	4,160
Disposals	-	(64)	-	(89)	(18)	-	(171)
Reclassified to assets of subsidiary held for partial sale	-	(1,050)	(378)	(3,804)	(4,115)	-	(9,347)
Foreign exchange translation	-	(410)	(53)	3	(194)	-	(654)
<b>Balance as at September 30, 2015</b>	<b>-</b>	<b>2,356</b>	<b>608</b>	<b>964</b>	<b>7,410</b>	<b>-</b>	<b>11,338</b>
<b>Carrying value</b>							
December 31, 2014	2,005	1,530	1,079	2,518	24,949	18,778	50,859
<b>September 30, 2015</b>	<b>1,576</b>	<b>739</b>	<b>853</b>	<b>1,129</b>	<b>21,530</b>	<b>46,913</b>	<b>72,740</b>

### Assets pledged as security

Buildings with a carrying amount of \$10.8 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 September 30, 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:

	September 30, 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 \$10.8 million (2014: \$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.

### 7. Trade and other receivables

	September 30, 2015	December 31, 2014
	\$	\$
Refundable taxes	886	1,647
Advances	1,052	1,052
Other	482	1,416
	2,420	4,115

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

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

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

### 8. Cash and cash equivalents and short term deposits

As at September 30, 2015, the cash and cash equivalents of \$85.4 million (December 31, 2014 - \$111.0 million) included \$17.2 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 \$55.3 million (December 31, 2014 - \$55.2 million) are subject to the same contractual restrictions.

### 9. Subsidiaries held for sale and partial sale

#### *Subsidiary held for sale - Australian subsidiaries*

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 value of \$0.8 million, which has been classified as financial assets at fair value through profit or loss, and an A\$3 million promissory note with a deemed present value of \$1.8 million as the purchase consideration. The loss recognised on sale of \$0.3 million has been included in other expenditure on the statements of comprehensive loss. The trading value of the listed shares as at September 30, 2015 is \$1.2 million.

#### *Subsidiary held for partial sale - Kamoa Holding Limited and subsidiaries*

The Company and Zijin Mining Group Co., Ltd. have agreed to a strategic co-development of the Kamoa copper discovery in the Democratic Republic of Congo. Under terms of agreements the Company will sell a 49.5% share interest in Kamoa Holding Limited, an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of \$412 million.

The comprehensive loss from the subsidiaries held for sale and partial sale included in the comprehensive loss for the period is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b><i>Kamoa Holding Limited and subsidiaries</i></b>				
Exploration and project expenditure	945	9,996	3,788	33,335
Professional fees	137	4	147	28
Foreign exchange losses	(22)	(19)	22	236
Other expenses	60	2	60	2
Other income	(9,078)	-	(9,091)	-
<b><i>Australian subsidiaries</i></b>				
Exploration and project expenditure	-	146	-	123
(Gain) loss for the period	(7,958)	10,129	(5,074)	33,724

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

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

### 9. Subsidiaries held for sale and partial sale (continued)

The effect of the subsidiaries held for sale and partial sale on the statement of cash flows is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b><i>Kamoa Holding Limited and subsidiaries</i></b>				
Cash used in operating activities	(908)	(11,544)	(10,189)	(43,199)
Cash used in investing activities	(7,443)	(3,001)	(23,204)	(3,952)
Cash flow from financing activities	8,287	14,635	34,278	46,913
Net cash (outflow) inflow	(64)	90	885	(238)

The assets and liabilities of the subsidiaries held for sale and partial sale on the statement of financial position are as follows:

	September 30, 2015	December 31, 2014
	\$	\$
<b><i>Kamoa Holding Limited and subsidiaries</i></b>		
Assets of subsidiary held for partial sale consist of:		
Property, plant and equipment	32,037	-
Other assets	2,626	-
Trade and other receivables	9,077	-
Prepaid expenses	1,278	-
Cash and cash equivalents	1,765	-
	46,783	2,962
<b><i>Australian subsidiaries</i></b>		
Assets of subsidiary held for sale consisted of:		
Freehold land	-	1,908
Mineral properties	-	1,000
Other assets	-	54
	46,783	2,962
<b><i>Kamoa Holding Limited and subsidiaries</i></b>		
Liabilities directly associated with subsidiary held for partial sale: accruals and payables	2,328	-
<b><i>Australian subsidiaries</i></b>		
Liabilities directly associated with subsidiary held for sale: accruals and payables	-	56
	2,328	56

The comparative loss and cash flows from subsidiaries held for partial sale have been re-presented to include Kamoa Holding Limited and its subsidiaries classified as held for partial sale in the current year.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

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

	September 30, 2015	December 31, 2014
	\$	\$
<i>Unsecured - at amortised cost</i>		
(a) Loans from other entities	20,852	19,783
<i>Secured - at amortised cost</i>		
(b) Citi bank loan	3,573	3,656
(c) Citi bank loan	1,320	1,350
	<b>25,745</b>	<b>24,789</b>
Current	-	3,656
Non-current	<b>25,745</b>	<b>21,133</b>
	<b>25,745</b>	<b>24,789</b>

- (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 \$0.4 million (2014: \$0.3 million) was recognised during the three months ended September 30, 2015.
- (b) The Citi bank loan of \$3.6 million (£2.36 million) is secured by the Rhenfield property acquired during May, 2007 (see note 4), is an interest only term loan repayable at June 30, 2020, 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 September 30, 2015

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

### 11. Trade and other payables

	September 30, 2015	December 31, 2014
	\$	\$
Trade payables	1,974	9,917
Trade accruals	6,202	2,729
Indirect taxes payable	1,436	404
Other payables	1,177	3,164
	<b>10,789</b>	<b>16,214</b>

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 September 30, 2015, 772,179,162 Class A Shares, 6,780,645 Class B Shares and nil Preferred Shares were issued and outstanding. As at September 30, 2015, 115,562,529 shares were subject to a lock-up, pursuant to lockup agreements and were not freely tradable.

In April 2015, the Company concluded a private placement for 76,817,020 Class A Shares, which were sold at a price of C\$1.36 per unit for gross proceeds of C\$104 million (\$85 million). Issue costs amounted to \$0.2 million.

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)).

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

(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 September 30, 2015, 38,775,000 share options have been granted and exercised, and 34,475,000 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:

	September 30, 2015		December 31, 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	(4,690,000)	1.80	(2,470,000)	1.57
Forfeited	(1,025,000)	2.95	(2,360,000)	2.44
Balance, end of period	34,475,000	1.89	40,190,000	1.92

No options were granted in the nine months ended September 30, 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.



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)  
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### 12. Share capital (continued)

#### (b) Options (continued)

The total share based payment expense for the three months ended September 30, 2015 was \$1.8 million (2014: \$7.1 million), inclusive of the share based payment charge relating to the Broad-Based Black Economic Empowerment (B-BBEE) transaction of \$0.2 million (2014: \$5.0 million). The total share based payment expense for the nine months ended September 30, 2015 was \$6.0 million (2014: \$95.0 million), inclusive of the share based payment charge relating to the B-BBEE transaction of \$0.6 million (2014: \$88.4 million).

The following table summarizes information about share options outstanding and exercisable as at September 30, 2015:

Expiry date	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
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	800,000	3.00
April 20, 2017	2,500,000	3.00	2,000,000	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	397,500	4.45
May 17, 2018	30,000	2.44	22,500	2.44
August 14, 2018	100,000	1.44	50,000	1.44
August 16, 2018	750,000	1.45	375,000	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	125,000	1.57
August 15, 2019	1,000,000	1.33	250,000	1.33
December 8, 2019	12,475,000	0.86	-	1.33
	34,475,000	1.89	13,907,500	2.62

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)  
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### 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 nine months ended September 30, 2015, there was a derivative gain of \$6.5 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)
<b>Balance as at December 31, 2014</b>	<b>115,000,767</b>	<b>6,945</b>
Mark-to-market gain on revaluation of warrants	-	(6,516)
<b>Balance as at September 30, 2015</b>	<b>115,000,767</b>	<b>429</b>

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

### 13. Currency translation reserve

	September 30, 2015	December 31, 2014
	\$	\$
Balance at the beginning of the year	(11,549)	(7,405)
Exchange differences arising on translation of the foreign operations	(10,914)	(4,144)
<b>Balance at the end of the period</b>	<b>(22,463)</b>	<b>(11,549)</b>

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 September 30, 2015

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

### 14. Non-controlling interests

	September 30, 2015	December 31, 2014
	\$	\$
Balance at beginning of the year	(121,207)	(89,233)
Share of comprehensive loss for the period	(10,501)	(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
<b>Balance at end of the period</b>	<b>(131,708)</b>	<b>(121,207)</b>

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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<i>Equity settled share-based payments</i>				
Options granted (note 12(b))	1,655	2,022	5,377	6,629
B-BBEE transaction expense	-	4,811	-	88,193
	<b>1,655</b>	<b>6,833</b>	<b>5,377</b>	<b>94,822</b>
<i>Cash settled share-based payments</i>				
B-BBEE transaction expense	189	227	597	227
	<b>189</b>	<b>227</b>	<b>597</b>	<b>227</b>

### 16. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Transaction costs on issue of warrants	-	-	-	758
Interest on non-current borrowings	35	350	101	1,020
Interest on current borrowings	-	27	-	80
Other financing costs	1	-	17	1
	<b>36</b>	<b>377</b>	<b>118</b>	<b>1,859</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 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 nine months ended September 30, 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	
		September 30, 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 September 30, 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Global Mining Management Corporation (a)	525	756	1,882	2,727
Ivanhoe Capital Aviation LLC (b)	300	300	900	900
Ivanhoe Capital Services Ltd. (c)	130	132	399	366
Ivanhoe Capital Pte Ltd (d)	100	59	211	152
Global Mining Services Ltd. (e)	(1)	36	111	285
HCF International Advisors (f)	46	132	137	316
Ivanhoe Capital Corporation (UK) Ltd (g)	9	5	14	8
	<b>1,109</b>	<b>1,420</b>	<b>3,654</b>	<b>4,754</b>
Salaries and benefits	655	926	2,306	3,277
Travel	374	352	1 064	1 040
Office and administration	22	6	92	94
Consulting	58	136	192	343
	<b>1,109</b>	<b>1,420</b>	<b>3,654</b>	<b>4,754</b>

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 September 30, 2015, trade and other payables included \$0.27 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 September 30, 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) 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.
- (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) 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.
- (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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net decrease (increase) in				
Trade and other receivables	(9,418)	3,700	(7,272)	2,410
Prepaid expenses	279	(3,847)	303	(5,888)
Net (decrease) increase in				
Trade and other payables	391	(3,802)	(3,208)	(3,664)
	(8,748)	(3,949)	(10,177)	(7,142)

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)  
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### 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 September 30, 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:

	September 30, 2015	December 31, 2014
	\$	\$
Assets		
Canadian dollar	4,823	19,659
Australian dollar	-	66
South African rand	23,878	28,068
British pounds	1,403	5,880
Liabilities		
Canadian dollar	(168)	(425)
Australian dollar	(10)	(249)
South African rand	(5,391)	(10,936)
British pounds	(50)	(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.

	Nine months ended September 30,	
	2015	2014
	\$	\$
Decrease in loss for the period	67	1,625



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2015

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)  
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### 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
	\$	\$	\$	\$	\$
<b>As at September 30, 2015</b>					
Trade and other receivables	-	2,420	-	-	<b>2,420</b>
	-	2,420	-	-	<b>2,420</b>
<b>As at December 31, 2014</b>					
Trade and other receivables	-	4,115	-	-	<b>4,115</b>
	-	4,115	-	-	<b>4,115</b>

##### (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 September 30, 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 un- discounted cash flows
	\$	\$	\$	\$	\$
<b>As at September 30, 2015</b>					
Trade and other payables	-	10,789	-	-	<b>10,789</b>
Current income tax liabilities	2	-	-	-	<b>2</b>
Non-current borrowings	-	-	-	34,408	<b>34,408</b>
<b>As at December 31, 2014</b>					
Trade and other payables	-	16,214	-	-	<b>16,214</b>
Current income tax liabilities	200	-	-	-	<b>200</b>
Non-current borrowings	-	-	-	30,392	<b>30,392</b>
Current borrowings	3,656	-	-	-	<b>3,656</b>

### 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 September 30, 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	264	-	-	-	264
Advancement of loan to SNEL (i)	250,000	-	-	-	250,000
	250,264	-	-	-	250,264

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 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 September 30, 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 September 30, 2015	61,046	10,090	19,250	90,386
As at December 31, 2014	35,960	24,694	10,175	70,829

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 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
	\$	\$	\$	\$	\$
<b>Segment Assets</b>					
As at September 30, 2015	132,753	42,765	14,339	99,016	288,873
As at December 31, 2014	138,871	11,443	15,885	86,878	253,077
<b>Segment Liabilities</b>					
As at September 30, 2015	14,041	1,647	3,944	22,736	42,368
As at December 31, 2014	13,586	4,314	4,834	27,940	50,674
<b>Segment Losses</b>					
Three months ended September 30, 2015	191	(8,229)	7,223	6,516	5,701
Three months ended September 30, 2014	12,578	9,535	11,495	1,652	35,260
Nine months ended September 30, 2015	(997)	(8,232)	21,796	22,127	34,694
Nine months ended September 30, 2014	115,413	31,919	33,506	39,504	220,342
<b>Capital expenditures</b>					
Three months ended September 30, 2015	12,845	7,434	59	598	20,936
Three months ended September 30, 2014	164	2,911	516	442	4,033
Nine months ended September 30, 2015	38,202	23,952	323	1,494	63,971
Nine months ended September 30, 2014	8,126	3,440	2,547	1,401	15,514
<b>Exploration expenditure</b>					
Three months ended September 30, 2015	-	652	7,192	709	8,553
Three months ended September 30, 2014	9,147	9,557	11,499	3,182	33,385
Nine months ended September 30, 2015	-	659	21,710	8,111	30,480
Nine months ended September 30, 2014	25,591	31,690	33,233	19,576	110,090
<b>Interest Income</b>					
Three months ended September 30, 2015	154	-	-	119	273
Three months ended September 30, 2014	68	-	-	242	310
Nine months ended September 30, 2015	606	-	-	407	1,013
Nine months ended September 30, 2014	268	-	-	485	753
<b>Finance Costs</b>					
Three months ended September 30, 2015	1	-	-	35	36
Three months ended September 30, 2014	339	(3)	-	41	377
Nine months ended September 30, 2015	17	-	-	101	118
Nine months ended September 30, 2014	988	-	-	871	1,859
<b>Depreciation</b>					
Three months ended September 30, 2015	207	279	701	181	1,368
Three months ended September 30, 2014	130	324	666	304	1,424
Nine months ended September 30, 2015	631	874	2,094	561	4,160
Nine months ended September 30, 2014	393	940	1,807	774	3,914

(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. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three and nine months ended September 30, 2015 were approved and authorized for issue by the Board of Directors on November 13, 2015.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2015**

***DATED: NOVEMBER 13, 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 and nine months ended September 30, 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 **November 13, 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 in early 2016; (ii) statements regarding the date that construction of the first set of Kamoa twin declines 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 further drilling at Kakula; (v) statements regarding the construction of a concrete roadway, drains and de-watering sumps in the Kamoa Project box cut; (vi) statements regarding the projected depth of Shaft 1 at the Platreef Project in 2018 and the timing of the commencement of Shaft 2 development; (vii) statements regarding the operational and technical capacity of Shaft 1; (viii) statements regarding the internal diameter and hoisting capacity of Shaft 2 (ix) statements regarding peak water use of 10 million litres per day at the Platreef Project and development of the Pruissen Pipeline Project; (x) statements regarding the completion of a new resource estimate at the Platreef Project in 2015; (xi) efforts to upgrade historical resource estimates at the Kipushi Project; (xii) the de-watering program at the Kipushi Project; (xiii) statements regarding the completion of the Kipushi Project Environmental, Social and Health Impact Assessment (ESHIA) baseline study and (xiv) statements regarding the timing, size and objectives for completion of drilling and other exploration programs for 2015 and future periods; (xv) statements regarding the completion of installation and repair works at the Mwadingusha power plant in Q4 2015.

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 Project, based on development of a planned mine on the Company's copper discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of Congo. (See "*Kamoa Project*".)
- The Platreef Project, with construction of a planned mine now underway on the Company's discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Complex. The South African beneficiaries of a broad-based, black economic empowerment structure have a 26% stake in the Platreef Project and the remaining 10% is owned by a Japanese consortium of ITOCHU Corporation and its affiliate, ITC Platinum Development Ltd.; Japan Oil, Gas and Metals Corporation; and Japan Gas Corporation. (See "*Platreef Project*".)
- The Kipushi Project, involving the confirmation and expansion of resources at the historic, high-grade Kipushi zinc, copper and germanium mine, also on the Copperbelt in the DRC, which now are being drilled and upgraded by Ivanhoe following its acquisition of a majority interest in the mine in 2011. Kipushi was operated by previous owners between 1924 and 1993. (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 Lubumbashi. Ivanhoe has agreed to sell a 49.5% share interest in Kamoa Holding Limited (Kamoa Holding), the Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, to Zijin Mining Group Co., Ltd (Zijin) for an aggregate consideration of \$412 million. The purchase price will be satisfied by an initial payment of \$206 million in cash upon the closing of the transaction. The agreements specify that the remaining \$206 million will be paid in five equal instalments, payable every 3.5 months from closing.

In addition, Ivanhoe has agreed to sell 1% of its share interest in Kamoa Holding to Crystal River Global Limited (Crystal River) for \$8.32 million – which Crystal River will pay through a non-interest-bearing, 10-year promissory note.

A 5%, non-dilutable interest in the Kamoa Project was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Ivanhoe also has offered to transfer an additional 15% interest to the DRC government on 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 issued 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.

### ***Health and safety at Kamoa***

Health and safety remain key priorities at the mine site. The Kamoa Project is very proud of the excellent safety record achieved to date. By the end of Q3 2015, 4,396,729 hours had been worked without a lost-time injury.

The Ivanhoe Mines Fionet program was launched during Q3 2015. The first phase of the program will cover two established provincial health zones that provide services to a total of approximately 300,000 residents living in 40 urban centres and 330 villages. The Kipushi Health Zone, in southern Haut-Katanga province, includes Ivanhoe's Kipushi Mine project. The Kanzenze Health Zone, in Lualaba province, includes Ivanhoe's Kamoa Project.

The Fionet™ system, developed by Canada-based Fio Corporation, will be introduced into the DRC through the three-year program being sponsored by Ivanhoe Mines. Fionet combines mobile, intelligent devices and cloud data services to help health workers improve the accuracy of diagnostic testing and quality of care that they provide to patients. The Fionet system also improves the quality and usefulness of the accumulated data, which can be accessed to assist with the monitoring of patient care, research and the planning of future prevention and treatment programs. With support from U.S.-based Chemonics International, DRC health workers will use Fionet to strengthen activities under the country's National Malaria Control Program.



**Figure 1: Fio's Deki Reader introduces a new dimension in malaria detection, helping to deliver a rapid, accurate diagnosis and transmitting results to a cloud database.**

The program utilizes mobile smart devices to rapidly diagnose infectious diseases in rural settings. The initiative is being implemented by Chemonics International, an organization with extensive experience in managing development projects in the DRC and elsewhere in Africa.

### ***Diamond drilling progress***

Limited drilling occurred in Q3 2015, with 725 metres completed in five shallow holes. This brought the total metres drilled to 1,719 for the nine months ended September 30, 2015. One hole was completed in Kamoa Nord to test for shallow mineralization close to the Kamoa Dome, three holes were completed in Kansoko Nord to gain confidence in the high grade mineralization up-dip, and one hole was drilled on one of the regional exploration licences to assist with relinquishment decisions.

The newly purchased deep-drilling Dando rig began drilling in Q3 2015 and is expected to continue drilling through the remainder of 2015. Ivanhoe also is considering mobilizing the two company-owned Landcruiser-mounted rigs. The exploration program will focus on completing the assessment of regional exploration targets to the west of Kamoia, then begin on an exploration drilling program at Kakula where previously high-grade copper mineralization was intersected. Initial drilling at Kakula is planned at 800-metre centres within the previously intersected high-grade zone, with additional, wider spaced drilling to increase the potential size of the mineralized 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 hole intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

Byrnescut Underground Congo SARL (BUCS) was selected as the contractor to carry out the permanent support of the box-cut walls and the initial, 1.2 kilometres of development for each of the two declines. Contract negotiations are complete and a letter of award has been issued to BUCS for the permanent support of the box cut. Work is expected to start early in 2016, expected to be followed by the initial development for each of the two declines. In the meantime, Ivanhoe is conducting repair and modification work on the box-cut berms. A geotechnical evaluation report for decline support design has been completed by SRK; the findings have been incorporated into the design.

**Figure 2: Box-cut civil works in progress on the sump and roadway.**



A local DRC contractor, Tanga Logistics and Mining SA (TLM), recently completed the civil works in the box cut, including the drains, sump and roadway. Ivanhoe is preparing the box-cut site for the mobilization of the decline contractor, which includes upgrading of existing accommodation, the supply of power, diesel fuel, workshops and offices.

### ***Pre-feasibility study progressing***

The Kamoia pre-feasibility study (PFS) is progressing and the completed report is expected to be finalized in early 2016. The PFS is based on the project's planned first phase and therefore will be consistent with the phased approach to project development outlined in the 2013 Kamoia preliminary economic assessment. Phase one will see the construction of an underground operation producing three million tonnes a year and feeding an adjacent concentrator.

Metallurgical test work has indicated that copper recoveries averaging 86% and concentrate grades averaging 39% copper are achievable.

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

During Q3 2015, the construction of the community office for the Muvunda chiefdom was completed and handed over to the community. A local contractor has been appointed and soon will start work on upgrades and extensions to the Mbwetsi school.

**Figure 3: Newly built community office for the Muvunda chiefdom.**



Ivanhoe continued with its Livelihood sustainability program. During the quarter, the team focused on vegetable production, establishing new beehives, training village residents on poultry management and harvesting of the 2014/2015 maize (corn) crop. Current community-based activities include the construction of poultry coops in two local villages, the ploughing of maize fields and ongoing training.

A social and environmental management system has been developed to monitor and record environmental and community statistics. The environment team continued with regular monitoring of air quality, ground and surface water and noise during Q3 2015.



### ***Hydroelectric power plant upgrading project***

The installation of four new overhead cranes and the repair of turbine number one, under the terms of the pre-financing agreement with SNEL, is progressing well at the Mwadingusha hydroelectric power plant on the Lufira River near the town of Mwadingusha, approximately 250 kilometres northeast of Kamoja. The repairs are required to secure 10 megawatts (MW) of power for the construction of the Kamoja Project. Electrical connection to the national power grid is underway and expected to be completed in Q4 2015.

Tender documents for the implementation of the construction power line and substation are being finalized.

**Figure 4: Mechanical installation of four overhead cranes completed at the Mwadingusha hydroelectric plant.**



## **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 and its affiliate, ITC Platinum; Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. The consortium's 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 (B-BBEE) partners, which include communities, employees and entrepreneurs. Ivanplats announced in February that it had achieved Level 3 status in its first verification assessment on a B-BBEE 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 is hosted primarily within the Platreef, a mineralized sequence that is traced more than 30 kilometres along strike. Ivanhoe's Platreef Project, within the Platreef's southern sector, is comprised of three contiguous properties: Turfspruit, Macalacaskop and Rietfontein. Turfspruit, the northernmost property, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of mining operations and properties.

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

### ***Health and safety at Platreef***

The Platreef Project achieved more than four years without a lost time injury to the end of Q3 2015, accumulating 4,828,558 Lost-Time-Injury-Free worker hours. However, two unfortunate lost-time injuries occurred in October 2015. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to any employees, contractors, sub-contractors and consultants.

**Figure 5: Aerial view of the Platreef Project infrastructure area, October 2015.**



### ***Shaft 1 construction***

The construction of the large, concrete shaft collar and ventilation intake plenum is complete. Mechanical installations continue on the stage and kibble winders. The pre-sink winder that will be operated during initial sinking down to 60 metres has been commissioned. Initial sinking activities (drilling, blasting and mucking) have begun. Work is complete on the internal electricity substation, which will have a capacity of five-million volt-amperes (MVA). Construction is underway of the power transmission lines from Eskom, the South African public electricity utility, which will be used for the sinking of Shaft 1. Back-up generators have been installed to ensure continuous sinking operations even if the power supply from Eskom is interrupted.



**Figure 6: Top of Shaft 1 collar and pre-sink winder installation.**



**Figure 7: Initial sinking activities at Shaft 1 bottom.**



**Figure 8: Overall view of Shaft 1 works.**



Other on-site work includes the construction of the primary terraces for Shaft 1, storm-water drains and ponds, workshops and stores. A total of 485, or 72% of the 678 permanent and contract workers presently employed by Ivanplats are from the local area.

### ***Platreef implementing a phased approach to a large, underground, mechanized mine***

Ivanplats 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. There will be opportunities to refine and modify the timing and capacities of subsequent phases of production to suit market conditions during the development and commissioning of the first phase. The feasibility study, based on the first phase, began in August 2015.

### ***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 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 development scenarios describe a staged approach structured to provide opportunities to expand the operation based on demand, smelting and refining capacity and capital availability. As the Phase one 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.

### ***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. Ivanplats 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***

The selected mining areas in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface. The main access to the ore body and ventilation system is expected to be comprised of four vertical shafts. Shaft 2 will host the main personnel transport cage, material and ore-handling systems, while Shafts 1, 3 and 4 will be utilized for ventilation to 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, drift-and-bench and drift-and-fill mining methods. The mined out areas within the ore body 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 a series of ore passes that connect to a main haulage level, connected to Shaft 2, where it will be crushed and hoisted to surface for further beneficiation.

### ***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 one stage of mainstream grinding followed by conventional flotation, without the need for concentrate 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 and 2015 includes the use of industry-standard reagents and has replaced the previous circuit that included niche flotation reagents.

Platreef ore is classified as ranging from hard to very hard, and thus is 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.

### ***Contracts for Shafts 1 and 2***

Shaft 1 will have an internal diameter of 7.25 metres; it is projected to intersect the Flatreef deposit at a depth of 777 metres below surface in late 2017 and reach its total depth of 975 metres in 2018. South Africa-based Aveng Mining, the shaft-sinking contractor, also is responsible for the excavation of the box-cut access for the shaft collar and vent plenum. The fabrication of the temporary, sinking head-frame and centre tower was completed during the quarter and delivered to site.

Shaft 2 will have an internal diameter of 10.0 metres and will be capable of hoisting six million tonnes per year. Ivanhoe awarded the contract for the design and engineering of Shaft 2 to South Africa-based Murray & Roberts Cementation in June 2014. Ivanhoe expects to start Shaft 2 early works in 2016, including civil work for the box-cut and hitch-foundation. Designs for the box-cut have been completed 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 has directed that the Trans-Caledon Tunnel Authority will serve as the implementing agent for the outstanding phases of the ORWRDP 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 also 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 100 million volt amperes (MVA). As power is required for the initial mine development work, including shaft sinking, before the

main power supply becomes available, an agreement with Eskom has been reached for the supply of 5MVA of temporary construction power.

**Figure 9: Construction of a 5MVA substation at Platreef is complete.**



#### ***Exploration and resource expansion drilling***

There was no exploration diamond drilling undertaken during Q3 2015. Exploration and resource development activities were focused on completing structural and geological interpretations across the property in preparation for a new resource estimate.

#### ***Development of human resource and job skills***

Work is progressing well on implementation of Ivanplats' Social and Labour Plan, to which the Company has pledged a total of R160 million (\$12 million) during the next five years. The approved plan includes R67.2 million (\$5 million) for the development of job skills among local residents and R87.7 million (\$7 million) for local economic development projects. A total of 134 employees participated in planned internal training that provided members of the current workforce with opportunities to expand their skills.

Adult Basic Education and Training for the communities has begun in four community centres, following a partnership with the Department of Higher Education and Training. Offices were established for facilitator preparation and class attendance is planned to be boosted by an open day in November 2015.

The first 78 students completed their technical training in July 2015 and 225 students now are conducting similar skills programs planned for completion in November and December 2015.

Ivanhoe offered seven local internships in different disciplines from January 2015 and subsequently received five Mine Qualification Authority (MQA) grants supporting the initiative. Five fully paid bursaries were allocated to local university students.

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. The official launch took place in September 2015 and the first students from South Africa are enrolled in M.Sc. studies at Laurentian University.

### ***Local enterprise and supplier development***

Ivanhoe embarked on a supplier development initiative with various local businesses following pre-assessments. This resulted in referrals for development and training with various governmental agencies. The Company facilitated the start of three local community businesses: a mine-site kiosk, a manufacturer of personal protective equipment and a mine-site laundry business.

### ***Local economic development***

The first year local economic development commitments in the Social and Labour Plan are well advanced. Installation of waterless sanitation units at 36 local schools is progressing well. Six schools were furnished with educational infrastructure, which included new science and computer laboratories, vegetable gardens and educational equipment. Planning for a local multi-purpose community centre and the Lesedi Early Childhood Development Centre also is progressing well. Various special projects were completed during 2015, including sanitation units in public open spaces, refurbishing the Lesedi community centre, and installing rainwater harvesting units at indigent households. Installation of rainwater units and upgrading of a community water reservoir is progressing well. The reservoir upgrade will provide an additional 261 kilolitres of water capacity for village areas surrounding the Platreef Project.

**Figure 10: Renovation of a local community care centre.**





## KIPUSHI PROJECT

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

### *Health and safety at Kipushi*

The Kipushi project achieved a total of 3,612,106 lost-time-injury-free hours (1,505 days) to the end of Q3 2015.

Malaria remains the most frequent health concern at Kipushi, with 21 cases reported for Q3 2015. In an effort to reduce the malaria incidence in the Kipushi community, a Water Sanitation and Health (WASH) program has been initiated in cooperation with the Territorial Administrator and the local community. The main emphasis in the program's first phase is cleaning storm drains in the municipality to prevent the accumulation of ponded water, where malarial mosquitos breed.

The Ivanhoe Mines Fionet Program was rolled-out in the Kipushi Health Zone on August 31, 2015, at the provincial Cinquantenaire Hospital.

**Figure 11: Safety meeting for shaft workers taken from top of Shaft #2 headframe.**



### *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 previous three years following the Company's 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. At its peak, water reached 851 metres below the surface level. 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 included refurbishment and commissioning of the friction-reeler gearbox in Shaft 5, secondary emergency exit ladders and platforms completed in shafts P2, P3 and P15, emergency hoist installed in Shaft 3 and safety-cage door interlocks installed in shafts P2, P3 and P5 Maryanne.

Water levels have stabilized below the 1,150-metre-level haulway and the 1,272-metre-level hanging-wall drift, enabling access for drilling that has targeted the Série Récurrente, Fault and Big Zinc zones.

**Figure 12: Shaft repair workers replacing guide rails and installing emergency escape ladders and platforms.**



### ***Environmental studies and sustainability***

Golder Associates was engaged in early 2014 to conduct an International Finance Corporation-compliant Environmental, Social and Health Impact Assessment (ESHIA) baseline study to determine the impact of previous mining activities by Gécamines and provide a baseline for the future. Sampling of mine discharge, ground and surface water and air quality is ongoing to meet regulatory requirements.

Current sustainability programs include the continued maintenance and operation of the potable-water pump station and well field supplying the Kipushi municipality, logistical support to the Kipushi Health Zone and small animal husbandry programs.



**Figure 13: Community relations officer Olivia Simamba with primary school students in Mukoma Village. Ivanhoe supported renovations at the school after severe wind tore off its roof.**



**Figure 14: Refurbishment of a borehole pump in the potable water wellfield supplying all of Kipushi municipality.**



### ***Confirmatory and exploration drilling***

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

As a result of the success of the exploration program, a decision was made in Q3 to again extend the program of follow-up exploration on previously identified, promising holes on the Fault Zone south of the Big Zinc and at depth on the Nord Riche.

A total of 2,708 metres in six drill holes were completed in Q3 2015 in the Big Zinc, Nord Riche zones and the southern exploration area. By the end of Q3 2015, a total of 24,035 metres of drilling had been completed in 96 holes since Ivanhoe started its drilling program in March 2014. Ivanhoe completed the exploration drill program in October 2015.

Ivanhoe is working with MSA of Johannesburg to finalize an updated Mineral Resource Estimate for the Kipushi Project that will incorporate all of the drill results received to date. The independent estimate, which is being prepared in accordance with 2014 CIM definition standards, is expected to be completed and issued during Q4 2015. A Preliminary Economic Assessment will be undertaken based on the updated resource estimate.

### ***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 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, however, no formal record of the production of precious metals on the property.



## 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			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure *	8,553	9,009	12,918	21,201
General administrative expenditure *	4,430	1,323	5,859	8,987
Share-based payments	1,655	1,736	1,986	2,245
Finance costs	36	48	34	382
Mark-to-market gain on revaluation of warrants	(970)	(1,334)	(4,212)	(2,316)
Deferred tax recovery	-	-	-	(46)
(Gain) loss from subsidiary held for partial sale	(7,958)	2,675	209	4,910
Total comprehensive loss attributable to:				
Owners of the Company	9,420	11,008	15,511	31,649
Non-controlling interest	3,439	3,564	3,498	5,434
Loss per share (basic and diluted)	0.01	0.01	0.02	0.05

	3 Months ended			
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure *	23,388	26,678	26,689	36,918
General administrative expenditure *	8,060	4,879	9,072	11,467
Share-based payments	7,060	85,428	2,561	2,029
Impairment of mineral property, goodwill and other	-	-	-	334,338
Finance costs	377	1,124	358	559
Mark-to-market (gain) loss on revaluation of warrants	(12,360)	5,152	-	-
Deferred tax recovery	-	-	-	(75,701)
Loss from subsidiary held for partial sale	10,129	12,936	10,659	23,820
Total comprehensive loss attributable to:				
Owners of the Company	23,474	129,474	42,750	240,262
Non-controlling interest	15,092	6,280	6,057	92,606
Loss per share (basic and diluted)	0.03	0.21	0.07	0.41

*\* Prior period amounts have been amended to show the (gains)/losses from subsidiary held for partial sale separately in order to improve comparability.*

## DISCUSSION OF RESULTS OF OPERATIONS

### *Review of the three months ended September 30, 2015 vs. September 30, 2014*

The Company's total comprehensive loss for Q3 2015 of \$12.9 million was \$25.7 million lower than for the same period in 2014 (\$38.6 million). The decrease mainly was due to the gain from subsidiary held for partial sale of \$8.0 million in Q3 2015 compared to a loss from subsidiary held for partial sale of \$10.1 million for the same period in 2014.

On May 26, 2015, Ivanhoe announced that Zijin Mining Group Co., Ltd. had agreed to buy a 49.5% share interest in Kamoa Holding Limited, an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of \$412 million. In addition, Ivanhoe agreed to sell 1% of its share interest in Kamoa Holding to Crystal River Global Limited for \$8.32 million.

Kamoa Holding and its subsidiaries, which include the Kamoa Project, have been classified as a subsidiary held for partial sale in terms of IFRS 5, in anticipation of the sale. Ivanhoe continues to work with all parties to satisfy the conditions to closing of the purchase and sale of the 49.5% interest in Kamoa Holding to Zijin, prior to the agreement's expiry on November 26, 2015.

The Kamoa Project received \$9.1 million from the DRC government relating to an indirect tax refund previously expensed, resulting in a gain in Q3 2015. Exploration expenditure at the Kamoa Project for the three months ended September 30, 2015, amounted to \$0.7 million compared to \$10.8 million for the same period in 2014. Most of the costs incurred at Kamoa during 2015 have been capitalized as development costs, resulting in the decrease when compared to 2014.

The mark-to-market gain on revaluation of warrants decreased to \$1.0 million, compared to \$12.4 million in Q3 2014, due to a reduction of the active trading price of these warrants.

Exploration and project expenditures for the three months ending September 30, 2015, were \$14.8 million less than for the same period in 2014. With the focus also on development at the Platreef Project during 2015, \$8.0 million of the total \$8.6 million exploration and project expenditure related to Kipushi, where the drilling program and upgrading of the underground and surface infrastructure continued.

Expenditure at the Kipushi Project decreased by \$5.1 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project in Q3 2015 and Q3 2014 are set out in the following table:

	Three months ended September 30, 2015 \$'000	Three months ended September 30, 2014 \$'000
<b>Kipushi Project</b>		
Salaries and benefits	2,641	4,674
Electricity	1,463	1,118
Drilling	748	2,091
Repair and maintenance	499	1,748
Contracting work	331	304
Site security and safety	111	554
Other expenditure	2,184	2,592
Total project expenditure	<u>7,977</u>	<u>13,081</u>

*Review of the nine months ended September 30, 2015 vs. September 30, 2014*

The Company's total comprehensive loss for the nine months ended September 30, 2015, of \$46.4 million was \$176.7 million lower than for the same period in 2014 (\$223.1 million). The decrease mainly was due to the share-based payment expense of \$88.4 million, recognized in 2014 as a result of the Platreef B-BBEE transaction, as well as the capitalization of development costs in the current period on the Platreef and Kamoa projects of \$38.0 million and \$23.5 million respectively.

During the nine months ended September 30, 2015 the Company recognized a gain from subsidiary held for partial sale of \$5.1 million, while a loss of \$33.7 million was recognized in the same period in 2014. The variance resulted from the \$9.1 million indirect tax refund received at the Kamoa Project, as well as the capitalization of development costs in the current period. Exploration drilling and related costs of \$0.7 million were expensed during the nine months ended September 30, 2015, on the Kamoa Project, compared to \$36.5 million for the same period in 2014, while \$23.5 million was capitalized as development costs in 2015 to date.

Exploration and project expenditures for the nine months ending September 30, 2015, were \$46.3 million less than for the same period in 2014. With the focus on development at the Kamoa and Platreef projects during 2015, \$25.0 million of the total \$30.5 million exploration and project expenditure related to Kipushi. 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 \$13.2 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project for the nine months ending September 30, 2015 and 2014 are set out in the following table:

	Nine months ended September 30, 2015 \$'000	Nine months ended September 30, 2014 \$'000
<b>Kipushi Project</b>		
Salaries and benefits	8,494	12,500
Electricity	4,717	4,521
Drilling	2,505	4,439
Repair and maintenance	1,413	4,086
Site security and safety	793	1,359
Contracting work	754	2,060
Other expenditure	6,368	9,284
Total project expenditure	<u>25,044</u>	<u>38,249</u>

*Financial position as at September 30, 2015 vs. December 31, 2014*

The Company's total assets increased by \$35.8 million, from \$253.1 million, as at December 31, 2014, to \$288.9 million as at September 30, 2015. This mainly was due to the increase in assets of subsidiary held for partial sale of \$46.8 million and an increase in property, plant and equipment of \$21.9 million.

As at September 30, 2015, Kamoa Holding and its subsidiaries, which include the Kamoa Project, continued to be classified as a subsidiary held for partial sale, as Ivanhoe awaits the closure of the transaction with Zijin, after which Ivanhoe will retain 49.5% of Kamoa Holding. As at December 31, 2014, assets of a subsidiary held for sale amounted to \$3.0 million that represented the carrying value of Ivanhoe's Australian subsidiaries sold in Q1 2015, while the assets of a subsidiary held for partial sale of \$46.8 million as at September 30, 2015, represents the carrying value of assets of Kamoa Holding and its subsidiaries.

The carrying amount of the group is significantly lower than the anticipated fair value, less costs to sell, and therefore no adjustment was made to the carrying value of the Kamoa assets.

The Company utilized \$38.0 million of its cash resources in its operations and earned interest income of \$1.0 million on cash balances in the nine months ended September 30, 2015. A total of \$64.0 million was spent on project development and to acquire other property, plant and equipment. Development costs on the Platreef and Kamoa projects amounted to \$38.0 million and \$23.5 million respectively.

The Company's total liabilities decreased to \$42.4 million as at September 30, 2015, from \$50.7 million as at December 31, 2014. This was due to a decrease in trade and other payables of \$5.4 million, as well as a \$6.5 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 \$0.4 million at September 30, 2015.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had \$85.4 million in cash and cash equivalents and \$55.3 million in short-term deposits as at September 30, 2015. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of \$72.5 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at September 30, 2015, the Company had consolidated working capital of approximately \$185.4 million, compared to \$162.1 million at December 31, 2014. The Platreef Project working capital is restricted and amounted to \$65.6 million at September 30, 2015, and \$104.3 million at December 31, 2014. Excluding the Platreef Project working capital, the resultant working capital was \$119.8 million at September 30, 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 always is uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

On May 26, 2015, the Company signed agreements with Zijin to buy a 49.5% share interest in Kamoa Holding, an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of \$412 million. The purchase price will be satisfied by an initial payment of \$206 million in cash upon the closing of the transaction. The agreements specify that the remaining \$206 million will be paid in five equal instalments, payable every 3.5 months from closing. The remaining payments are secured.

The Company's main objectives for the remainder of 2015, and early 2016 at the Kamoa Project remain the finalization of the phase one pre-feasibility study; commencement of the phase one feasibility study; the continuation of drilling and starting construction of the twin declines at Kamoa. At Platreef, priorities are the continuation of the phase one feasibility study, as well as the commencement of Shaft 2 early works, subject to funding. At the Kipushi Project, the principal objective is the completion of a current mineral resource statement and a preliminary economic analysis.

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 (\$3.6 million) and £0.9 million (\$1.3 million) respectively. The first is fully repayable on June 30, 2020, 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 \$20.9 million as at September 30, 2015, and a contractual amount due of \$29.5 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 \$8.6 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:

<b>Contractual Obligations as at September 30, 2015</b>	<b>Payments Due By Period</b>				
	<b>Total \$'000</b>	<b>Less than 1 year \$'000</b>	<b>1-3 years \$'000</b>	<b>4-5 years \$'000</b>	<b>After 5 years \$'000</b>
Debt	34,408	-	683	4,210	29,515
Operating leases	264	264	-	-	-
Advancement of interest * free loan	138,475	17,375	121,100	-	-
<b>Total contractual obligations</b>	<b>173,147</b>	<b>17,639</b>	<b>121,783</b>	<b>4,210</b>	<b>29,515</b>

\* Based on indicative disbursement schedules in the financing agreement.

#### **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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Global Mining Management Corporation (a)	525	756	1,882	2,727
Ivanhoe Capital Aviation LLC (b)	300	300	900	900
Ivanhoe Capital Services Ltd. (c)	130	132	399	366
Ivanhoe Capital Pte Ltd (d)	100	59	211	152
Global Mining Services Ltd. (e)	(1)	36	111	285
HCF International Advisers (f)	46	132	137	316
Ivanhoe Capital Corporation (UK) Limited (g)	9	5	14	8
	<b>1,109</b>	<b>1,420</b>	<b>3,654</b>	<b>4,754</b>
Salaries and benefits	655	926	2,306	3,277
Travel	374	352	1,064	1,040
Office and administration	22	6	92	94
Consulting	58	136	192	343
	<b>1,109</b>	<b>1,420</b>	<b>3,654</b>	<b>4,754</b>

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 September 30, 2015, trade and other payables included \$0.3 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.

- (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) 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.

- (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) 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.
- (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.

(vi) *Subsidiary held for partial sale*

As at September 30, 2015, even though the share sale had not closed, the Company believes that Kamoa Holding meets the criteria to be classified as a subsidiary held for partial sale in terms of IFRS 5. Kamoa Holding is therefore held at the lower of the carrying amount and the fair value, less costs to sell. The carrying amount of Kamoa Holding is significantly lower than the anticipated fair value, less costs to sell, and therefore no adjustment was made to the carrying value of the Kamoa assets.

## **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 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)
  - 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)
- (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	September 30, 2015 \$'000	December 31, 2014 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	Loans and receivables	85,431	110,983
Short-term deposits	Loans and receivables	55,265	55,223
Financial assets	Fair value through profit or loss	1,204	-
Trade and other receivables	Loans and receivables	2,420	4,115
<b>Financial liabilities</b>			
Trade and other payables	Other liabilities	10,789	16,214
Borrowings	Other liabilities	25,745	24,789
Share purchase warrants	Fair value through profit and loss	429	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:

	<b>September 30, 2015</b>	December 31, 2014
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Canadian dollar	<b>4,823</b>	19,659
Australian dollar	-	66
South African rand	<b>23,878</b>	28,068
British pounds	<b>1,403</b>	5,880
<b>Liabilities</b>		
Canadian dollar	<b>(168)</b>	(425)
Australian dollar	<b>(10)</b>	(249)
South African rand	<b>(5,391)</b>	(10,936)
British pounds	<b>(50)</b>	(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.

	<b>Nine months ended September 30</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in loss for the period	<b>67</b>	1,625

### *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	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at September 30, 2015</b>					
Trade and other receivables	-	2,420	-	-	<b>2,420</b>
	-	2,420	-	-	<b>2,420</b>
<b>As at December 31, 2014</b>					
Trade and other receivables	-	4,115	-	-	<b>4,115</b>
	-	4,115	-	-	<b>4,115</b>

### *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	<b>Total undiscounted cash flows</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at September 30, 2015</b>					
Trade and other payables	-	10,789	-	-	<b>10,789</b>
Current income tax liabilities	2	-	-	-	<b>2</b>
Non-current borrowings	-	-	-	34,408	<b>34,408</b>
<b>As at December 31, 2014</b>					
Trade and other payables	-	16,214	-	-	<b>16,214</b>
Current income tax liabilities	200	-	-	-	<b>200</b>
Non-current borrowings	-	-	-	30,392	<b>30,392</b>
Current borrowings	3,656	-	-	-	<b>3,656</b>

### DESCRIPTION OF CAPITAL STOCK

As at November 13, 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 6,780,645 Class B Shares, 772,179,162 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 November 13, 2015, there were 10,930,000 options, from individual stock-option agreements exercisable into 10,930,000 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 November 13, 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 September 30, 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 September 30, 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 and nine months ended September 30, 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](http://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](http://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.