Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

March 31, 2016
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.
March 31, 2016

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Ivanhoe Mines Ltd.

Condensed consolidated interim statements of comprehensive loss

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

	Notes	Three months ended March 31, 2016	2015
		$	$
Expenses			
Exploration and project expenditure		**6,917**	13,241
Salaries and benefits		**1,849**	1,390
Share-based payments	16	**1,473**	1,986
Office and administration		**738**	607
Travel		**526**	464
Professional fees		**299**	418
Legal		**94**	179
Other expenditure		**414**	677
Foreign exchange (gain) loss		**(227)**	2,040
Loss from operating activities		**12,083**	21,002
Finance income	17	**(8,469)**	(295)
Other income		**(1,022)**	(89)
Finance costs	18	**428**	34
Share of losses from joint venture	6	**4,216**	-
Mark-to-market gain on revaluation of warrants	13(c)	**-**	(4,212)
Loss before income taxes		**7,236**	16,440
Income tax expense			
Current		**-**	-
Deferred tax recovery		**142**	-
		142	-
LOSS FOR THE PERIOD		**7,378**	16,440
Other comprehensive (profit) loss			
Items that may subsequently be reclassified to loss:			
Exchange (gains) losses on translation of foreign operations		**(278)**	2,569
Other comprehensive (profit) loss for the period, net of tax		**(278)**	2,569
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**7,100**	19,009
Loss attributable to:			
Owners of the Company		**4,405**	13,107
Non-controlling interests		**2,973**	3,333
		7,378	16,440
Total comprehensive loss attributable to:			
Owners of the Company		**4,203**	15,511
Non-controlling interests	15	**2,897**	3,498
		7,100	19,009
Basic and diluted loss per share	19	**0.01**	0.02
Weighted average number of basic and diluted shares outstanding	19	**778,959,807**	702,142,787

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position
as at

(stated in thousands of U.S. dollars)
(unaudited)

	Notes	March 31, 2016	December 31, 2015
		$	$
ASSETS			
Non-current assets			
Property, plant and equipment	4	**87,109**	77,386
Mineral properties	5	**6,940**	6,940
Investment in joint venture	6	**420,032**	411,984
Purchase price receivable	6	**35,511**	70,072
Promissory notes receivable	7	**9,535**	9,076
Deferred tax asset		**1,490**	1,621
Other assets		**4,143**	6,462
Total non-current assets		**564,760**	583,541
Current assets			
Purchase price receivable	6	**111,368**	121,784
Other receivables	8	**9,652**	15,627
Prepaid expenses		**11,632**	6,651
Financial assets at fair value through profit or loss	9	**842**	1,027
Cash and cash equivalents	10	**314,007**	293,948
Total current assets		**447,501**	439,037
Total assets		**1,012,261**	1,022,578
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**1,124,032**	1,124,032
Share option reserve	13	**132,448**	131,129
Foreign currency translation reserve	14	**(30,456)**	(30,658)
Accumulated deficit		**(131,910)**	(127,505)
Equity attributable to owners of the Company		**1,094,114**	1,096,998
Non-controlling interests	15	**(121,071)**	(118,174)
Total equity		**973,043**	978,824
Non-current liabilities			
Non-current borrowings	11	**26,266**	26,021
Deferred tax liabilities		**2,082**	2,082
Total non-current liabilities		**28,348**	28,103
Current liabilities			
Financial liability		**1,358**	1,204
Trade and other payables	12	**9,390**	14,327
Current tax liabilities		**122**	120
Total current liabilities		**10,870**	15,651
Total liabilities		**39,218**	43,754
Total equity and liabilities		**1,012,261**	1,022,578

Continuing operations (Note 1)
Commitments and contingencies (Note 23)

(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 U.S. dollars, except for share amounts)

(Unaudited)

	Share capital							
	Number of shares	Amount	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Equity attributable to owners	Non-controlling interests	Total
		$	$	$	$	$	$	$
Balance at January 1, 2015	**702,142,787**	**1,038,868**	**124,179**	**(11,549)**	**(827,888)**	**323,610**	**(121,207)**	**202,403**
Loss for the period	-	-	-	-	(13,107)	(13,107)	(3,333)	(16,440)
Other comprehensive loss	-	-	-	(2,404)	-	(2,404)	(165)	(2,569)
Total comprehensive loss	-	-	-	(2,404)	(13,107)	(15,511)	(3,498)	(19,009)
Transactions with owners								
Share-based payments								
charged to operations (Note 16)	-	-	1,986	-	-	1,986	-	1,986
Balance at March 31, 2015	**702,142,787**	**1,038,868**	**126,165**	**(13,953)**	**(840,995)**	**310,085**	**(124,705)**	**185,380**
Balance at January 1, 2016	**778,959,807**	**1,124,032**	**131,129**	**(30,658)**	**(127,505)**	**1,096,998**	**(118,174)**	**978,824**
Loss for the period	-	-	-	-	(4,405)	(4,405)	(2,973)	(7,378)
Other comprehensive profit	-	-	-	202	-	202	76	278
Total comprehensive (profit) loss	-	-	-	202	(4,405)	(4,203)	(2,897)	(7,100)
Transactions with owners								
Share-based payments								
charged to operations (Note 16)	-	-	1,319	-	-	1,319	-	1,319
Balance at March 31, 2016	**778,959,807**	**1,124,032**	**132,448**	**(30,456)**	**(131,910)**	**1,094,114**	**(121,071)**	**973,043**

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of cash flows

(stated in thousands of U.S. dollars)
(unaudited)

	Notes	Three months ended March 31, 2016	2015
		$	$
Cash flows from operating activities			
Loss before income taxes		**(7,236)**	(16,440)
Items not involving cash			
Share of losses from joint venture	6	**4,216**	-
Share-based payments	16	**1,473**	2,194
Depreciation and amortization		**1,148**	888
Finance costs		**428**	34
Increase in fair value of financial asset		**185**	-
Finance income	17	**(8,469)**	(295)
Unrealized foreign exchange (gain) loss		**(312)**	1,645
Promissory note fair value adjustment		**(303)**	-
Profit on disposal of property, plant and equipment		**(10)**	(21)
Loss on disposal of assets held for sale		**-**	309
Mark-to-market gain on revaluation of warrants	13(c)	**-**	(4,212)
		(8,880)	(15,898)
Change in non-cash working capital items	21	**(5,599)**	(4,539)
Income taxes paid		**-**	(190)
Interest received		**676**	295
Interest paid		**(33)**	(34)
Net cash used in operating activities		**(13,836)**	(20,366)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**19**	41
Property, plant and equipment acquired	4	**(10,284)**	(19,660)
Investment in joint venture		**(7,725)**	-
Other assets acquired		**(1,970)**	(529)
Proceeds from the sale of other assets		**-**	1,111
Decrease in investment in short-term deposits		**-**	(12)
Net cash used in investing activities		**(19,960)**	(19,049)
Cash flows from financing activities			
Cash received from partial sale of subsidiary		**51,947**	-
Transaction costs on partial sale of subsidiary		**(2,060)**	-
Cash paid on behalf of joint venturer		**(156)**	-
Net cash generated by financing activities		**49,731**	-
Effect of foreign exchange rate changes on cash		**4,124**	(2,498)
Net cash inflow (outflow)		**20,059**	(41,913)
Cash and cash equivalents, beginning of period		**293,948**	110,983
Cash and cash equivalents, end of period		**314,007**	69,070
Cash and cash equivalents consists of			
Cash		**288,007**	48,530
Short-term fixed deposits		**26,000**	20,540
		314,007	69,070

Supplemental cash flow information (Note 21)

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, Canada V6C 3E1. The Company is listed on the Toronto Stock Exchange ("TSX") under the ticker symbol IVN.

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 an accumulated deficit of $131.9 million at March 31, 2016. 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. The Company's total current assets exceeds the Company's total liabilities and spending plan for 2016. As at March 31, 2016, the Company's total assets exceeds its total liabilities by $973.0 million and current assets exceeds current liabilities by $436.6 million. The Company therefore believes it has sufficient resources to continue as a going concern for the foreseeable future.

2. Significant accounting policies

(a) *Statement of compliance*

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

These condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended March 31, 2016, 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, 2015 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, 2015.

2. Significant accounting policies (continued)

(b) Significant accounting estimates and judgements

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

Significant accounting estimates and judgments include, amongst other things, the recoverability of assets, share-based payment assumptions, the determination of the functional currency, technical feasibility and commercial viability of projects, the classification of Kamoa Holding Limited as a joint venture and the preparation of the financial statements on a going concern basis.

(c) Future accounting changes

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

- Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. (i)

  The Company has considered the change and assessed that it will have no material impact on adoption.

- Amendment to IAS 7 – Cash flow statements. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. (i)

  The Company has considered the change and assessed that it will have no material impact on adoption.

- IFRS 15 – Revenue from contracts with customers. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. (ii)

  The Company has considered the change and assessed that it will have no material impact on adoption.

- IFRS 9 – Financial Instruments (2009 &2010). IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. (ii)

  The Company has considered the change and assessed that it will have no material impact on adoption.

2. Significant accounting policies (continued)

(c) Future accounting changes (continued)

- Amendment to IFRS 9 -'Financial instruments', on general hedge accounting. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. (ii)

  The Company has considered the change and assessed that it will have no material impact on adoption.

- IFRS 16 – Leases. The standard requires lessees to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. (iii)

  The Company has considered the change and assessed that it will have no material impact on adoption.

(i) Effective for annual periods beginning on or after January 1, 2017
(ii) Effective for annual periods beginning on or after January 1, 2018
(iii) Effective for annual periods beginning on or after January 1, 2019

The Company has not yet adopted these new and amended standards.

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, 2016. The Company adopted these standards in the current period and they did not have a material impact on its consolidated financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortization. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- Amendments to IAS 27, 'Separate financial statements' on equity accounting. In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

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

4. Property, plant and equipment

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Assets under construction	Total
	$		$	$	$	$	$
Cost							
Balance as at December 31, 2014	2,005	14,768	6,673	6,857	19,128	18,778	68,209
Additions	555	3,629	552	2	1,099	81,678	87,515
Disposals	-	(21)	(233)	(287)	(57)	-	(598)
Partial sale of subsidiary	(90)	(1,136)	(1,849)	(4,253)	(5,238)	(38,542)	(51,108)
Foreign exchange translation	(556)	(1,663)	(825)	(310)	(325)	(11,049)	(14,728)
Balance as at December 31, 2015	1,914	15,577	4,318	2,009	14,607	50,865	89,290
Additions	79	76	45	8	422	9,654	10,284
Disposals	-	-	(1)	(24)	-	-	(25)
Foreign exchange translation	19	(322)	(2)	8	-	793	496
Balance as at March 31, 2016	**2,012**	**15,331**	**4,360**	**2,001**	**15,029**	**61,312**	**100,045**
Accumulated depreciation and impairment							
Balance as at December 31, 2014	-	892	4,064	4,339	8,055	-	17,350
Depreciation	-	555	1,085	631	3,194	-	5,465
Disposals	-	(14)	(207)	(287)	(20)	-	(528)
Reclassified to assets held for sale	-	(249)	(1,479)	(3,691)	(3,956)	-	(9,375)
Foreign exchange translation	-	(177)	(637)	(26)	(168)	-	(1,008)
Balance as at December 31, 2015	-	1,007	2,826	966	7,105	-	11,904
Depreciation	-	192	180	63	714	-	1 149
Disposals	-	-	-	(16)	-	-	(16)
Foreign exchange translation	-	(79)	(24)	3	(1)	-	(101)
Balance as at March 31, 2016	**-**	**1,120**	**2,982**	**1,016**	**7,818**	**-**	**12,936**
							-
Carrying value							-
December 31, 2015	1,914	14,570	1,492	1,043	7,502	50,865	77,386
March 31, 2016	**2,012**	**14,211**	**1,378**	**985**	**7,211**	**61,312**	**87,109**

Assets under construction

Assets under construction includes development costs capitalised as property, plant and equipment which are costs incurred to obtain access and to provide facilities for extracting, treating, gathering, transporting and storing the minerals.

Assets pledged as security

Buildings with a carrying amount of $10.6 million (December 31, 2015 - $10.6 million) have been pledged to secure borrowings of the Company (see Note 11). 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.

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

5. Mineral properties

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

	March 31, 2016	December 31, 2015
	$	$
Platreef property, South Africa	**6,940**	6,940
	6,940	6,940

Direct costs related to the acquisition of mineral properties are capitalized on a property by property basis. Exploration costs are expensed in the period incurred (refer below), until such time as the Company determines that a property is technically feasible and commercially viable, where after development costs are capitalized as property, plant and equipment in the assets under construction category (see Note 4).

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.

Itochu, together with other Japanese-based investors, holds an effective 10% interest in the Platreef Project. The Company transferred an additional 26% of Platreef to a B-BBEE special purpose vehicle in compliance with South African ownership requirements (see Note 16).

6. Joint arrangements

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 (December 31, 2014: $10.8 million) and are included in Property, Plant and Equipment (see 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 Kroondaal 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.

6. Joint arrangements (continued)

Joint venture

Partial sale of Kamoa Holding Limited

On December 8, 2015 the Company sold a 50.5% stake in Kamoa Holding Limited ("Kamoa Holding"), the company that owns 95% of the Kamoa project.

The Company sold a 49.5% stake to Zijin Mining Group Co., Ltd. ("Zijin") – through its subsidiary, Gold Mountains (H.K.) International Mining Company Limited. Under the terms of the share acquisition agreement, Zijin bought a 49.5% share interest for an aggregate consideration of $412 million. The purchase price was 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 and continuing through 2016 and into 2017.

In addition, the Company sold 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. Crystal River is a private company incorporated in the British Virgin Islands.

Upon closing of the transaction, each shareholder is required to fund Kamoa Holding in an amount equivalent to its proportionate shareholding interest.

(a) Consideration received

Zijin bought a 49.5% share interest in Kamoa Holding for an aggregate consideration of $412 million. In addition, the Company sold 1% of its share interest in Kamoa Holding to Crystal River for $8.32 million, which Crystal River will pay through a non-interest-bearing, 10 year promissory note. The consideration received, net of transaction costs, was discounted using a risk free rate adjusted for country risk premium of 8.3% on the date of closing, resulting in a purchase price receivable of $390.4 million.

Zijin paid $206 million of the purchase consideration on closing and the remaining $206 million will be received in five equal instalments, payable every 3.5 months from the date of closing. The first installment of $41.2 million was received in March 2016. The present value of the remaining consideration receivable, net of transaction costs, is $147 million as at March 31, 2016 (December 31, 2015: $192 million), of which $111 million (December 31, 2015: $122 million) is expected to be received before March 31, 2017 and the remaining $36 million (December 31, 2015: $70 million) in the year thereafter.

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

6. Joint arrangements (continued)

Joint venture (continued)

(b) Assets and liabilities over which the Company lost control

	December 8, 2015
	$
Non-current assets	
Property, plant and equipment	41,731
Current assets	
Prepaid expenses	4,154
Cash and cash equivalents	9,143
Current liabilities	
Trade and other payables	(6,254)
	48,774

(c) Gain on partial sale of subsidiary

	December 8, 2015
	$
Present value of consideration received (net of transaction costs)	390,382
Fair value of interest retained	408,213
	798,595
Net assets disposed of	(48,774)
Non-controlling interest	(16,002)
Re-measurement to fair value of the interest retained in joint venture	(376,148)
Gain on partial sale of subsidiary	357,671

Non-controlling interest of $16 million relating to Kamoa Holding up until the date of partial sale was re-allocated to the statement of comprehensive income as part of the gain on the partial sale of subsidiary.

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

6. Joint arrangements (continued)

Joint venture (continued)

The following table summarizes the Company's share of comprehensive loss of Kamoa Holding for the period ending March 31, 2016.

	March 31, 2016
	$
Interest expense	7,064
Exploration costs	1,684
Foreign exchange gains	189
Loss for the period	8,937
Non-controlling interest	(419)
Loss for the period	8,518
Share of losses from joint venture (49.5%)	4,216

The assets and liabilities of the joint venture were as follows:

	March 31, 2016		December 31, 2015	
	100%	**49.5%**	100%	49.5%
	$	**$**	$	$
Non-current assets				
Property, plant and equipment	**56,588**	**28,011**	44,281	21,919
Other assets	**2,493**	**1,234**	3,133	1,551
Mineral property	**802,022**	**397,001**	802,022	397,001
Current assets				
Prepaid expenses	**2,581**	**1,278**	3,537	1,751
Cash and cash equivalents	**21,743**	**10,763**	9,836	4,869
Current liabilities				
Accruals and payables	**(12,153)**	**(6,016)**	(5,376)	(2,661)
Non-controlling interest	**(24,724)**	**(12,238)**	(25,143)	(12,446)
Company's share of net assets in joint venture	**848,550**	**420,032**	832,290	411,984

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

6. Joint arrangements (continued)

Joint venture (continued)

Commitments in respect of joint venture

The Company is required to fund its Kamoa joint venture in an amount equivalent to its proportionate shareholding interest. The following table summarizes the Company's proportionate share of the joint venture's commitments:

	Less than1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$	$	$	$	$
Advancement of interest free loan	126,250	-	-	-	126,250
	126,250	-	-	-	126,250

On March 21, 2014, a financing agreement was entered into between a subsidiary of Kamoa Holding and La Société Nationale d'Electricieé 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 Kamoa project.

Under the agreement, the Kamoa Holding 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 loan advanced as at December 31, 2015 by the subsidiary of Kamoa Holding amounted to $3.1 million and is included in the investment in joint venture. 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 Kamoa project will be given a priority electricity right by which SNEL commits to make available as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Kamoa project, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the production and mine expansion scenarios.

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

7. Promissory notes receivable

The Company has the following promissory notes receivable:

	March 31, 2016	December 31, 2015
	$	$
A$3 million promissory note receivable (a)	**1,948**	1,827
Promissory note receivable from Crystal River (b)	**7,587**	7,249
	9,535	9,076

(a) The promissory note receivable with a carrying value of $1.9 million is an A$3 million promissory note which bears no interest and is receivable on March 31, 2018. This note was received as part of the purchase consideration when the Company sold its Australian subsidiaries (see Note 9).

(b) The promissory note receivable with a carrying value of $7.6 million is an $8.70 million non-interest-bearing, 10 year promissory note, of which $8.32 million was received by the Company as the purchase consideration for selling 1% of its share in Kamoa Holding (see Note 6).

8. Other receivables

	March 31, 2016	December 31, 2015
	$	$
Refundable taxes (a)	**2,467**	9,587
Advances	**1,057**	1,046
Loan receivable from joint venture	**73**	2,537
Other	**6,055**	2,457
	9,652	15,627

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

9. Financial assets at fair value through profit or loss

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 March 31, 2016 is $0.8 million.

10. Cash and cash equivalents and short term deposits

As at March 31, 2016, the cash and cash equivalents of $314.0 million (December 31, 2015 - $293.9 million) included $43.9 million (December 31, 2015 - $57.1 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.

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

11. Borrowings

	March 31, 2016	December 31, 2015
	$	$
Unsecured - at amortised cost		
(a) Loans from other entities	**21,630**	21,235
Secured - at amortised cost		
(b) Citi bank loan	**3,386**	3,495
(c) Citi bank loan	**1,250**	1,291
	26,266	26,021

(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 at March 31, 2016 was estimated at $21.6 million (December 31, 2015: $21.2 million). The difference of $8.5 million (December 31, 2015: $8.4 million) between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan. An interest expense of $0.4 million (December 31, 2015: $1.4 million) was recognised during the three months ended March 31, 2015.

(b) The Citi bank loan of $3.4 million (£2.36 million) is secured by the Rhenfield property acquired during May, 2007 (see Note 4), is repayable on demand and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears.

(c) The Citi bank loan of $1.3 million (£0.87 million) is a five year mortgage bond, in which the first three years only interest will be payable. The loan is secured by the Rhenfield property purchased in June, 2013 (see Note 4) and incurs interest at a rate of LIBOR plus 2.5% payable monthly in arrears.

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

12. Trade and other payables

	March 31, 2016	December 31, 2015
	$	$
Trade payables	**2,807**	8,384
Trade accruals	**5,618**	3,720
Indirect taxes payable	**145**	280
Other payables	**820**	1,943
	9,390	14,327

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

13. Share capital

(a) Shares issued

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares (together with the Class A Shares, the "common shares") and an unlimited number of Preferred Shares. As at March 31, 2016, 778,959,807 Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding. As at March 31, 2016, nil shares were subject to a lock-up, pursuant to lock-up agreements.

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.

(b) Options

Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant.

As at March 31, 2016, 38,775,000 share options have been granted and exercised, and 32,895,000 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.

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

13. Share capital (continued)

(b) Options (continued)

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

	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance, beginning of year	**40,825,000**	**1.68**	40,190,000	1.92
Granted	**-**	**-**	6,350,000	0.47
Exercised	**-**	**-**	-	-
Expired	**(7,330,000)**	**2.40**	(4,690,000)	1.80
Forfeited	**(600,000)**	**1.03**	(1,025,000)	2.95
Balance, end of year	**32,895,000**	**1.52**	40,825,000	1.68

No options were granted in the three months ended March 31, 2016. 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 2015 and 2014:

	2015	2014
Risk free interest rate	**1.17%**	1.17%
Expected volatility (i)	**67%**	63%
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.

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

13. Share capital (continued)

(b) Options (continued)

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

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
March 22, 2017	100,000	3.00	100,000	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	1,237,500	4.90
February 1, 2018	100,000	4.81	75,000	4.81
April 1, 2018	530,000	4.45	265,000	4.45
May 17, 2018	30,000	2.44	15,000	2.44
August 14, 2018	100,000	1.44	50,000	1.44
August 16, 2018	750,000	1.45	375,000	1.45
December 13, 2018	6,110,000	1.86	3,055,000	1.86
March 31, 2019	200,000	1.57	100,000	1.57
June 16, 2019	500,000	1.20	125,000	1.20
August 15, 2019	1,000,000	1.33	250,000	1.33
December 8, 2019	11,975,000	0.86	2,993,750	0.86
December 15, 2020	6,350,000	0.47	-	0.47
	32,895,000	1.52	11,441,250	2.26

(c) Warrants

The Company's warrants issued on June 10, 2014, remained unexercised and expired on December 10, 2015.

(d) Restricted share units

The Company started issuing restricted share units ("RSUs") as a security based compensation arrangement during December 2015. Each restricted share unit represents the right of an eligible participant to receive one Class A Share or a cash payment equal to the equivalent thereof.

RSUs vest in three equal parts, commencing on the one year anniversary of the date of grant and on each of the two anniversaries thereafter, subject to the satisfaction of any performance conditions.

During December 2015, a total of 7,277,081 restricted share units were issued to senior executives and some employees as a performance reward. An expense of $3.4 million for the RSUs granted during the year ended December 31, 2015, using the fair value of a common share at time of grant, will be amortized over the vesting period, of which $0.1 million was recognized in the three months ended March 31, 2016 (see Note 16).

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

14. Foreign currency translation reserve

	March 31, 2016	December 31, 2015
	$	$
Balance at the beginning of the year	**(30,658)**	(11,549)
Exchange differences arising on translation of the foreign operations	**202**	(19,109)
Balance at the end of the period	**(30,456)**	(30,658)

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 loss and accumulated in the foreign currency translation reserve.

15. Non-controlling interests

	March 31, 2016	December 31, 2015
	$	$
Balance at beginning of the year	**(118,174)**	(121,207)
Share of comprehensive loss for the period	**(2,897)**	(12,969)
Changes in non-controlling interest on partial sale of subsidiary	**-**	16,002
Balance at end of the period	**(121,071)**	(118,174)

Non-controlling interest of $16 million relating to Kamoa Holding up until the date of the partial sale of the subsidiary on December 8, 2015 was re-allocated to the statement of comprehensive income as part of the gain on the partial sale of subsidiary in December 2015.

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

16. Share-based payments

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

	Three months ended March 31,	
	2016	2015
	$	$
Equity settled share-based payments		
Options granted (Note 12(b))	**1,188**	1,986
Restricted share unit expense	**131**	-
Cash settled share-based payments		
B-BBEE transaction expense	**154**	208
	1,473	2,194

In addition to the options granted share-based payment expense noted above the Company has a restricted share unit expense (see Note 13(d)).

Of the share-based payment expense recognised for the period ending March 31, 2016, $0.2 million (2015: $0.2 million) related to the B-BBEE transaction, with the remaining $1.3 million (2015: $2.0 million) being the expense for options granted to employees recognised over the vesting period.

17. Finance income

Finance income is summarized as follows:

	Three months ended March 31,	
	2016	2015
	$	$
Unwinding discount	**(4,285)**	-
Interest income	**(4,184)**	(295)
	(8,469)	(295)

The unwinding discount is the unwinding of the purchase price receivable from Zijin (see Note 6).

18. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended March 31,	
	2016	2015
	$	$
Interest on non-current borrowings	**427**	10
Interest on current borrowings	**-**	24
Other financing costs	**1**	-
	428	34

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

19. Loss per share

The basic loss per share is computed by dividing the loss attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All outstanding stock options and share purchase warrants were anti-dilutive for the three months ended March 31, 2016.

	Three months ended March 31, 2016	2015
	$	$
Basic and diluted loss per share	**0.01**	0.02
Weighted average number of basic and diluted shares outstanding	**778,959,807**	702,142,787

20. Related party transactions

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

Name	Country of Incorporation	% equity interest as at March 31, 2016	December 31, 2015
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%
Ivanplats Holding SARL	Luxembourg	**97%**	97%
Ivanplats Finance Limited	Ireland	**100%**	100%
Gabon Holding Company Ltd.	Barbados	**100%**	100%
Ivanhoe (Zambia) Ltd.	Zambia	**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 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%
Ivanhoe Mines UK Limited	United Kingdom	**100%**	100%
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	**100%**	100%
Ivanhoe Gabon SA	Gabon	**100%**	100%
Joint ventures			
Kamoa Holding Limited	Barbados	**49.5%**	49.5%
Joint operations			
Rhenfield Limited	British Virgin Islands	**50%**	50%
RK1 Consortium	South Africa	**25%**	25%

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

20. Related party transactions (continued)

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

	Three months ended March 31,	
	2016	2015
	$	$
Global Mining Management Corporation (a)	**689**	745
Ivanhoe Capital Aviation LLC (b)	**300**	300
Ivanhoe Capital Services Ltd. (c)	**218**	129
Ivanhoe Capital Pte Ltd (d)	**66**	22
HCF International Advisors (e)	**55**	45
Global Mining Services Ltd. (f)	**-**	39
Ivanhoe Capital Corporation (UK) Ltd (g)	**-**	5
	1,328	1,285
Salaries and benefits	**709**	864
Travel	**377**	319
Office and administration	**178**	39
Consulting	**64**	63
	1,328	1,285

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

As at March 31, 2016, trade and other payables included $0.1 million (March 31, 2015: $0.5 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.

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

20. 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) 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.

(f) 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.

(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.

21. Cash flow information

Net change in non-cash working capital items:

	Three months ended March 31,	
	2016	2015
	$	$
Net decrease (increase) in		
Other receivables	**5,975**	1,425
Prepaid expenses	**(4,981)**	(157)
Net (decrease) increase in		
Trade and other payables	**(6,593)**	(5,807)
	(5,599)	(4,539)

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

22. Financial instruments

(a) Fair value of financial instruments

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

Financial instrument	Level	**March 31, 2016**	December 31, 2015
Financial assets			
Financial assets at fair value through profit or loss			
Investment in listed entity	Level 1	**842**	1,027
Loans and receivables			
Purchase price receivable	Level 2	**146,879**	191,856
Promissory note receivable	Level 2	**9,535**	9,076
Financial liabilities			
Borrowings	Level 2	**26,266**	26,021
Option liability	Level 2	**1,358**	1,204

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 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 (see Note 11 (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 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.

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

22. Financial instruments (continued)

(b) Financial risk management objectives and policies

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

(i) Foreign exchange risk

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

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

	March 31, 2016	December 31, 2015
	$	$
Assets		
Canadian dollar	**1,345**	1,786
Australian dollar	**-**	-
South African rand	**23,953**	22,266
British pounds	**1,038**	1,316
Liabilities		
Canadian dollar	**(98)**	(246)
Australian dollar	**(58)**	(21)
South African rand	**(3,907)**	(4,262)
British pounds	**(38)**	(92)

Foreign currency sensitivity analysis

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

	Three months ended March 31,	
	2016	2015
	$	$
Canadian dollar	**62**	651
Australian dollar	**(3)**	(1)
South African rand	**(26)**	(216)
British Pounds	**1**	(4)

22. 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 with major banks who have investment grade credit ratings assigned by international credit rating agencies and have low risk of default. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference historical information about counterparty default rates. The Company has a purchase price receivable from Zijin which will be received in five equal instalments, payable every 3.5 months from the date of closing. The first instalment was received in March 2016. The installment payments owing from Zijin are secured by a pledge of shares of Kamoa Holding Limited owned by Zijin and which originally represented 24.75% of the outstanding shares of that entity. Should Zijin default on any installment payment, a subsidiary of the Company is entitled to enforce on the pledge of shares, including by requiring the re-transfer of ownership of 1/5th of the pledged shares back to a subsidiary of the Company, which, if it occurred, would result in a reduction in the share ownership of Kamoa Holding Limited by Zijin.

Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

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

22. Financial instruments (continued)

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

(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.

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

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total undiscounted cash flows**
	$	$	$	$	**$**
As at March 31, 2016					
Trade and other payables	7,836	693	7	854	**9,390**
Current income tax liabilities	122	-	-	-	**122**
Non-current borrowings	-	-	-	34,469	**34,469**
As at December 31, 2015					
Trade and other payables	10,335	3,185	10	797	**14,327**
Current income tax liabilities	120	-	-	-	**120**
Non-current borrowings	-	-	-	34,460	**34,460**

(iv) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long term borrowings. Interest rate risk is not considered to be significant for the Company. The risk is managed by borrowing at fixed rates.

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

23. Commitments and contingencies

The commitments in respect of the joint venture is set out in Note 6.

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

As at March 31, 2016, 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
	$	$	$	$	$
Shaft 1 construction Platreef project	16,066	5,692	-	-	21,758
Operating leases	98	-	-	-	98
	16,164	5,692	-	-	21,856

The Company contracted Aveng Mining for the sinking of shaft 1 at the Platreef Project. The contract will conclude once the shaft reaches the contracted depth of 777 metres below surface, which is expected in late 2017.

24. Segmented information

At March 31, 2016, the Company has four reportable segments, being the Platreef property, Kamoa property and joint venture, Kipushi property and the Company's treasury offices.

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

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

	South Africa	DRC	Other	Total
	$	$	$	$
Non-current assets				
As at March 31, 2016	71,486	430,247	63,027	564,760
As at December 31, 2015	62,150	429,577	91,814	583,541

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

24. Segmented information (continued)

	March 31, 2016	December 31, 2015
	$	$
Segment assets		
Platreef properties	**121,121**	120,822
Kamoa Holding Limited joint venture	**420,104**	414,521
Kipushi properties	**20,621**	22,173
Treasury (ii)	**421,090**	438,976
Unallocated (i)	**29,325**	26,086
Total	**1,012,261**	1,022,578
Segment liabilities		
Platreef properties	**25,482**	25,799
Kamoa Holding Limited joint venture	**-**	101
Kipushi properties	**3,475**	3,720
Treasury (ii)	**3,569**	6,475
Unallocated (i)	**6,692**	7,659
Total	**39,218**	43,754

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

24. Segmented information (continued)

	Three months ended March 31, 2016	2015
	$	$
Segment (profits) losses		
Platreef properties	**1,011**	3,459
Kamoa Holding Limited joint venture	**4,216**	(108)
Kipushi properties	**6,946**	7,027
Treasury (ii)	**(4,226)**	-
Unallocated (i)	**(569)**	6,305
Total	**7,378**	16,683
Capital expenditures		
Platreef properties	**9,745**	12,341
Kamoa Holding Limited joint venture	**-**	6,724
Kipushi properties	**432**	262
Unallocated (i)	**107**	333
Total	**10,284**	19,660
Exploration and project expenditure		
Platreef properties	**40**	-
Kamoa properties	**-**	3
Kipushi properties	**6,199**	7,069
Unallocated (i)	**678**	6,169
Total	**6,917**	13,241

(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.

(ii) Treasury includes cash balances and the purchase price receivable.

25. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three months ended March 31, 2016 were approved and authorized for issue by the Board of Directors on May 11, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

DATED: MAY 11, 2016

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", "Ivanhoe Mines" or the "Company"), for the three months ended March 31, 2016, 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, 2015 and 2014, 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 and references to "R" mean South African Rands.

The effective date of this MD&A is ***May 11, 2016***. 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) statements regarding the projected depth of Shaft 1 at the Platreef Project and the timing of the commencement of Shaft 2 development, including early works; (ii) statements regarding the operational and technical capacity of Shaft 1; (iii) statements regarding the internal diameter and hoisting capacity of Shaft 2; (iv) statements regarding peak water use of 10 million litres per day at the Platreef Project and development of the Pruissen Pipeline Project; (v) statements regarding the Platreef Project's electricity requirement; (vi) statements regarding the de-watering program at the Kipushi Project; (vii) statements regarding the completion of the Kipushi Project Environmental, Social and Health Impact Assessment (ESHIA) baseline study; (viii) statements regarding the declines having been designed to intersect the high-grade copper mineralization in the Kansoko Sud area; (ix) statements regarding further drilling at Kakula; (x) statements regarding the timing, size and objectives of drilling and other exploration programs for 2016 and future periods; (xi) statements regarding the completion of installation and repair works at the Mwadingusha power plant; (xii) statements regarding the implementation of Social and Labour Plan at the Platreef Project; (xiii) statement regarding the completion of 25,000 metres of drilling at the Kakula Discovery in 2016; and (xiv) statements regarding expected further expenditure in 2016 of $32 million for the further development of the Platreef Project, $24 million for the Kipushi Project and $18 million on corporate overheads.

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 pre-feasibility study of the Kamoa Project, the pre-feasibility study of the Platreef Project and the preliminary economic assessment of the Kipushi 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, estimates of capital and operating costs and the size and timing of phased development of the projects. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoa, Platreef and Kipushi 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, zinc, 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 compliance by joint venture partners with terms of agreements, (xiii) the availability and productivity of skilled labour; (xiv) 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 and Mineral Reserves. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Estimates of Mineral Reserves provide more certainty but still involve similar subjective judgements. 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 or Mineral Reserve estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, zinc, 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/or changes in mine plans; (vi) the possible failure to receive required permits, approvals and licenses; and (vii) changes in law or regulation.

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 46 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 Platreef Project.** Construction of the planned Platreef mine now is 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 combined 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.** The existing Kipushi Mine is located on the Central African Copperbelt in the Democratic Republic of Congo's (DRC) southern Haut-Katanga province, one of Africa's major mining hubs. The mine, which operated between 1924 and 1993, is approximately 30 kilometres southwest of the provincial capital, Lubumbashi, and less than one kilometre from the DRC-Zambia border. Ivanhoe holds a 68% interest in Kipushi; the state-owned mining company, Gécamines, holds the remaining 32% interest. (See "*Kipushi Project*".)

- **The Kamoa Copper Project.** A joint venture between Ivanhoe Mines and Zijin Mining Group Co., Ltd., ("Zijin" or "Zijin Mining"), and a very large, stratiform copper deposit with adjacent prospective exploration areas within the Central African Copperbelt in the Democratic Republic of Congo's southern Lualaba province. (See "*Kamoa Project*".)

PLATREEF PROJECT

The Platreef Project is owned by Ivanplats (Pty.) Ltd., which is 64%-owned by Ivanhoe Mines. A 26% interest is held by Ivanplats' broad-based, black economic empowerment partners, which include 20 local host communities with a total of approximately 150,000 people, historically-disadvantaged project employees and local entrepreneurs. Ivanplats reconfirmed its Level 3 status in its second verification assessment on a B-BBEE scorecard. A Japanese consortium of ITOCHU Corporation and its affiliate, ITC Platinum, plus Japan Oil, Gas and Metals National Corporation and JGC Corporation, owns a 10% interest in Ivanplats, which it acquired in two tranches for a total investment of $290 million.

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 and eight kilometres from the town of Mokopane in Limpopo Province.

On the Northern Limb, platinum-group metals 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, which form part of the Company's mining right.

South Africa's new draft Mining Charter

On April 15, 2016, the South African Government's Department of Mineral Resources published a draft revision of the Mining Charter for public comment. The draft is likely to be amended following negotiations between the Government and various stakeholders, including the mining industry.

It would be inappropriate to speculate at this stage about the extent to which the draft Mining Charter will be changed. However, if the draft Mining Charter were to be enforced in its current form, Ivanhoe is confident that it either would be compliant already, in relation to the majority of the revised compliance targets, and/or be able to achieve the revised compliance targets within the transitional period of three years postulated in the draft.

Updated Mineral Resource Estimate results in substantial increase in Indicated and Inferred Mineral Resources at Platreef

On May 11, 2016, Ivanhoe Mines issued a news release announcing a substantial increase in Indicated and Inferred Mineral Resources at the company's Platreef Project. The updated Mineral Resource estimate was prepared by Ivanhoe Mines under the direction of Dr. Harry Parker, RM SME of Amec Foster Wheeler E&C Services Inc (Amec Foster Wheeler). Dr. Parker and Mr. Timothy Kuhl RM SME, also of Amec Foster Wheeler, have independently confirmed the Mineral Resource estimate and are the Qualified Persons for the estimate, which has an effective date of April 22, 2016.

A technical report will be filed on SEDAR at www.sedar.com and on the Ivanhoe Mines website at www.ivanhoemines.com within 45 days of the issuance of the news release.

Highlights of the updated Platreef Project Mineral Resource estimate, reported on a project basis in which Ivanhoe has an attributable 64% interest, include:

- An increase of 58% in the Indicated Mineral Resources tonnage to 346 million tonnes, at a grade of 3.77 grams per tonne (g/t) platinum, palladium, rhodium plus gold (3PE+Au), 0.32% nickel and 0.16% copper, at a cut-off grade of 2.0 g/t 3PE+Au.

- An increase of 21% in the Inferred Mineral Resources tonnage to 506 million tonnes, at a grade of 3.24 g/t 3PE+Au, 0.31% nickel and 0.16% copper, at a cut-off grade of 2.0 g/t 3PE+Au.

- An increase of 45% in the contained metal in Indicated Mineral Resources, at a cut-off grade of 2.0 g/t 3PE+Au, totalling 41.95 million ounces of 3PE+Au, plus a 47% increase in nickel to 2.44 billion pounds and a 50% increase in copper to 1.23 billion pounds.

- Contained metal in Inferred Mineral Resources, at a cut-off grade of 2.0 g/t 3PE+Au, has increased by 11% to total 52.77 million ounces of 3PE+Au, nickel has increased by 13% to total 3.44 billion pounds and copper has increased by 18% to 1.78 billion pounds.

- An average thickness of 19 metres in the area of the TCU-T2 mineralized zone where Indicated Mineral Resources are estimated and an average thickness of 12.7 metres for the area where Inferred Mineral Resources are estimated, using the 2.0 g/t 3PE+Au cut-off.

The substantial increase in the Platreef Project's Indicated and Inferred Mineral Resources in the updated 2016 estimate results primarily from the additional 97,737 metres of detailed infill and exploration drilling that was completed between August 2012 and February 2015. A plan view of the additional drilling is shown in Figure 1.

The increase also is driven by a revised and improved geological interpretation by Ivanhoe's geologists, with additional Mineral Resources now estimated in areas that were drilled before 2013. Since the February 2013 Mineral Resource estimate, Ivanhoe's geologists have completed relogging of cores and an updated geological interpretation of the entire portion of the Platreef Project amenable to underground mining. The result is estimation of Mineral Resources amenable to selective mining in areas previously categorized as being amenable only to bulk-mining methods.

The consolidated Mineral Resources for the Platreef Project now include Bikkuri Mineral Resources (UMT-BIK) and additional mineralized zones in the footwall of the key mineralized zone, the TCU, referred to collectively as the UMT-FW Mineral Resources. The consolidated Mineral Resources for the Platreef Project are shown in Table 1 (2.0 g/t 3PE+Au base case highlighted). The UMT-FW consists of two zones, the FWcpx and FWpnz. The location of the various mineralized zones (Resource Areas) in a plan view is shown in Figure 2. The Mineral Resource is presented on a 100% project basis, with the Company having an attributable interest of 64%.

Table 1: Platreef Mineral Resource - all mineralized zones (2.0 g/t 3PE+Au is the base case).

Indicated Mineral Resources - Tonnage and Grades								
Cut-off Grade (3PE+Au)	Mt	Pt (g/t)	Pd (g/t)	Au (g/t)	Rh (g/t)	3PE+Au (g/t)	Cu (%)	Ni (%)
3.0 g/t	204	2.11	2.11	0.34	0.14	4.7	0.18	0.35

2.0 g/t	346	1.68	1.70	0.28	0.11	3.77	0.16	0.32
1.0 g/t	716	1.11	1.16	0.19	0.08	2.55	0.13	0.26
Indicated Mineral Resources - Contained Metal								
Cut-off Grade (3PE+Au)		**Pt (Moz)**	**Pd (Moz)**	**Au (Moz)**	**Rh (Moz)**	**3PE+Au (Moz)**	**Cu (Mlbs)**	**Ni (Mlbs)**
3.0 g/t		13.86	13.86	2.23	0.92	30.86	800	1,597
2.0 g/t		18.66	18.94	3.12	1.23	41.95	1,226	2,438
1.0 g/t		25.63	26.81	4.49	1.82	58.75	2,076	4,108
Inferred Mineral Resources - Tonnage and Grades								
Cut-off Grade (3PE+Au)	**Mt**	**Pt (g/t)**	**Pd (g/t)**	**Au (g/t)**	**Rh (g/t)**	**3PE+Au (g/t)**	**Cu (%)**	**Ni (%)**
3.0 g/t	225	1.91	1.93	0.32	0.13	4.29	0.17	0.35
2.0 g/t	506	1.42	1.46	0.26	0.10	3.24	0.16	0.31
1.0 g/t	1431	0.88	0.94	0.17	0.07	2.05	0.13	0.25
Inferred Mineral Resources - Contained Metal								
Cut-off Grade (3PE+Au)		**Pt (Moz)**	**Pd (Moz)**	**Au (Moz)**	**Rh (Moz)**	**3PE+Au (Moz)**	**Cu (Mlbs)**	**Ni (Mlbs)**
3.0 g/t		13.78	13.96	2.33	0.94	31.01	865	1,736
2.0 g/t		23.17	23.78	4.26	1.56	52.77	1,775	3,440
1.0 g/t		40.38	43.01	7.81	3.06	94.27	4,129	7,759

1. Mineral Resources have an effective date of April 22, 2016. The Qualified Persons for the estimate are Dr. Harry Parker, RM SME, and Timothy Kuhl, RM SME, who are employees of Amec Foster Wheeler E&C Services Inc. and independent of Ivanhoe. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
2. The 2 g/t 3PE+Au cut-off is considered the base case estimate and is highlighted. The rows are not additive.
3. Mineral Resources are reported on a 100% basis. Mineral Resources are stated from approximately -200 m to 650 m elevation (from 500 m to 1,350 m depth). Indicated Mineral Resources are drilled on approximately 100 x 100 m spacing (locally 150 m spacing); Inferred Mineral Resources are drilled on 400 x 400 m (locally to 400 x 200 m and 200 x 200 m) spacing.
4. Mineral Resources have been estimated on an externally undiluted basis and without consideration for mining recovery. Dilution and mining recoveries will vary with the geometry (dip, thickness, faulting and or irregularities in contacts) of the mineralization and the eventual mining method used.
5. Reasonable prospects for eventual economic extraction were determined using the following assumptions. Assumed commodity prices are Pt: $1,600/oz, Pd: $815/oz, Au: $1,300/oz, Rh: $1,500/oz, Cu: $3.00/lb and Ni: $8.90/lb. It has been assumed that payable metals would be 82% from smelter/refinery and that mining costs (average $34.27/t) and process, G&A, and concentrate transport costs (average $15.83/t of mill feed for a 4 Mtpa operation) would be covered. The processing recoveries vary with block grade but typically would be 80%–90% for Pt, Pd and Rh; 70-90% for Au, 60-90% for Cu, and 65-75% for Ni.
6. 3PE+Au = Pt + Pd + Rh + Au.
7. Totals may not sum due to rounding.

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 500 metres to 1,350 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.

Figure 1: Platreef's Indicated Resources shown in green; Inferred Resources in blue; areas of resource expansion indicated with diagonal lines; exploration target areas in beige.

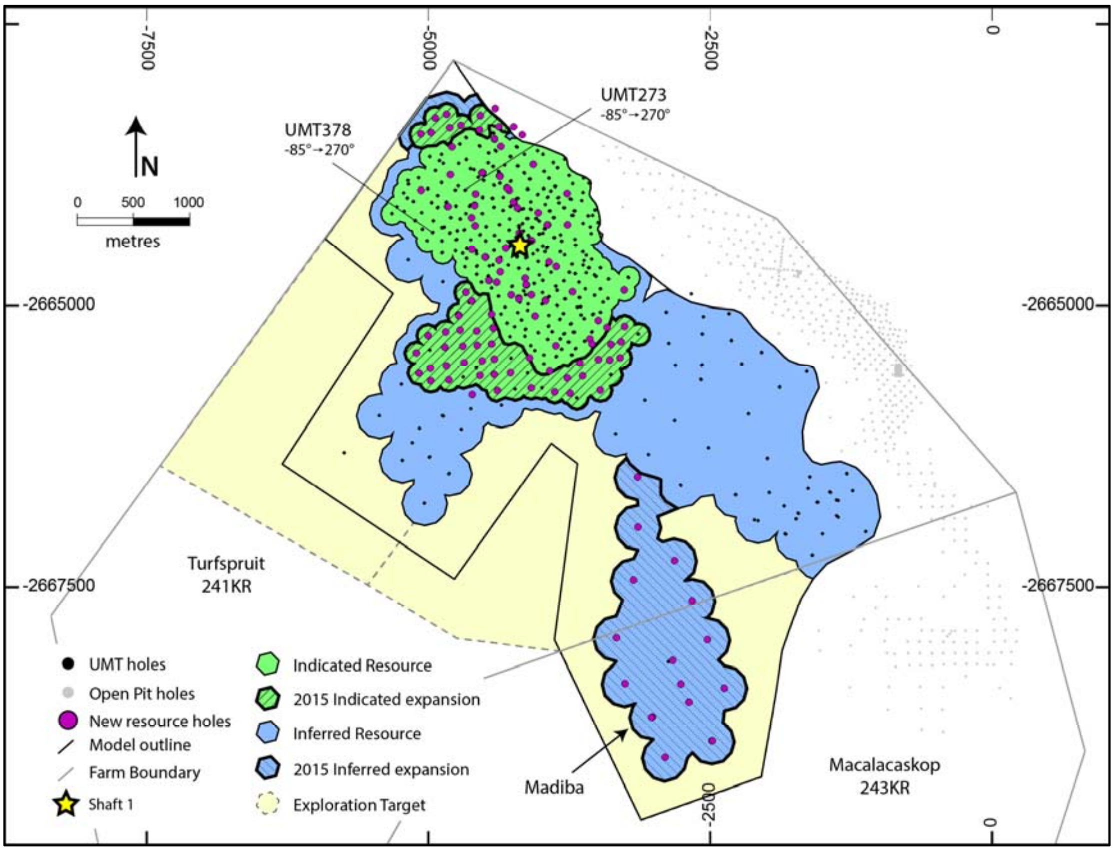
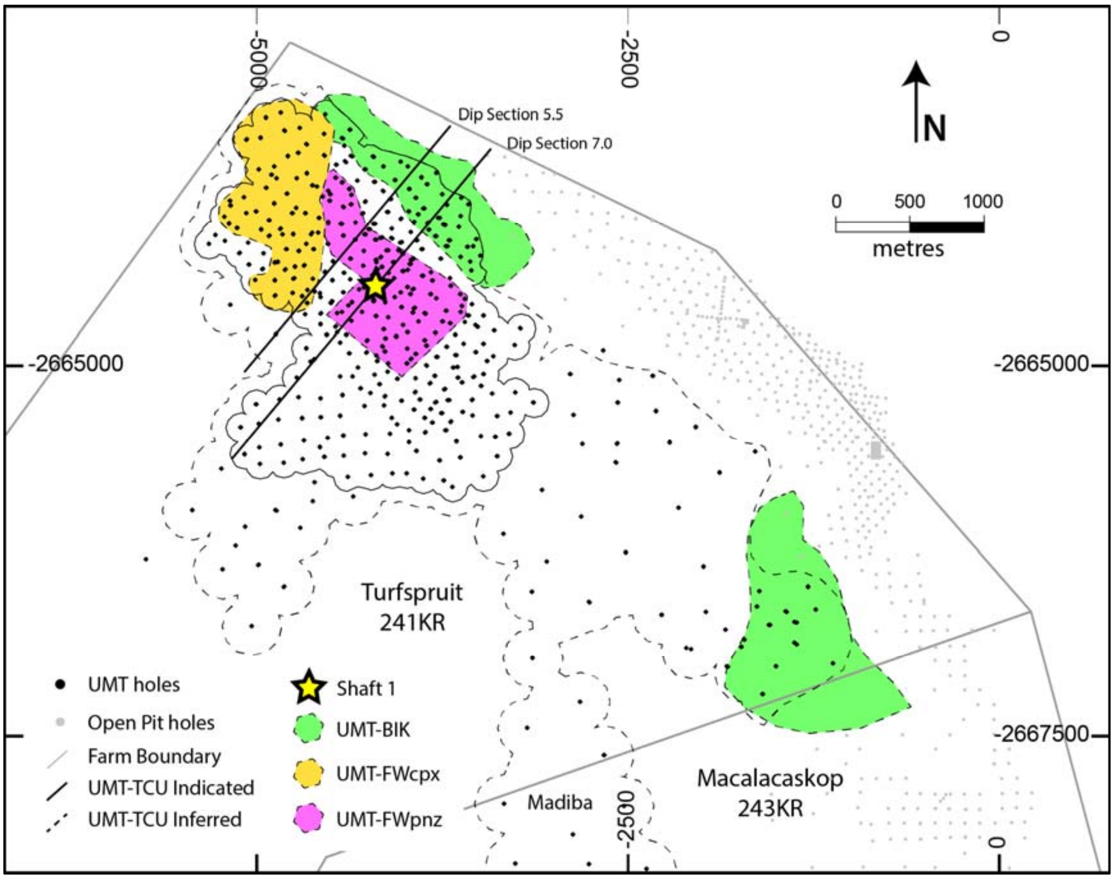


Figure 2: Plan view showing the location of the new resource areas relative to Shaft 1. Bikkuri Mineral Resources (UMT-BIK) is shown in green; the two separate domains of Footwall Mineral Resources (UMT-FW) are shown in orange (UMT-FWcpx) and purple (UMT-FWpnz).



Potential for additional UMT-TCU mineralization within targets for further exploration

Exploration potential exists immediately outside the area of Inferred Mineral Resources that has not been explored by Ivanhoe. Amec Foster Wheeler has defined four targets for further exploration (exploration targets) in areas that are contiguous with the current Mineral Resource areas that are shown in Figure 3.

Target 1 could contain 150 to 250 million tonnes grading 1.2 to 1.9 g/t Pt, 1.2 to 1.9 g/t Pd, 0.19 to 0.32 g/t Au, 0.08 to 0.14 g/t Rh, (2.6 to 4.3 g/t 3PE+Au), 0.11 to 0.19% Cu and 0.23 to 0.38% Ni over an area of 4.1 km2. The tonnage and grades are based on intersections of 2.0 g/t 3PE+Au mineralization in drill holes located adjacent to the target.

Target 2 could contain 50 to 90 million tonnes grading 1.3 to 2.1 g/t Pt, 1.4 to 2.3 g/t Pd, 0.19 to 0.31 g/t Au, 0.11 to 0.18 g/t Rh, (2.9 to 4.9 g/t 3PE+Au), 0.11 to 0.19% Cu and 0.23 to 0.39% Ni over an area of 3.9 km2. The tonnage and grades are based on intersections of 2.0 g/t 3PE+Au mineralization in drill holes located adjacent to the target.

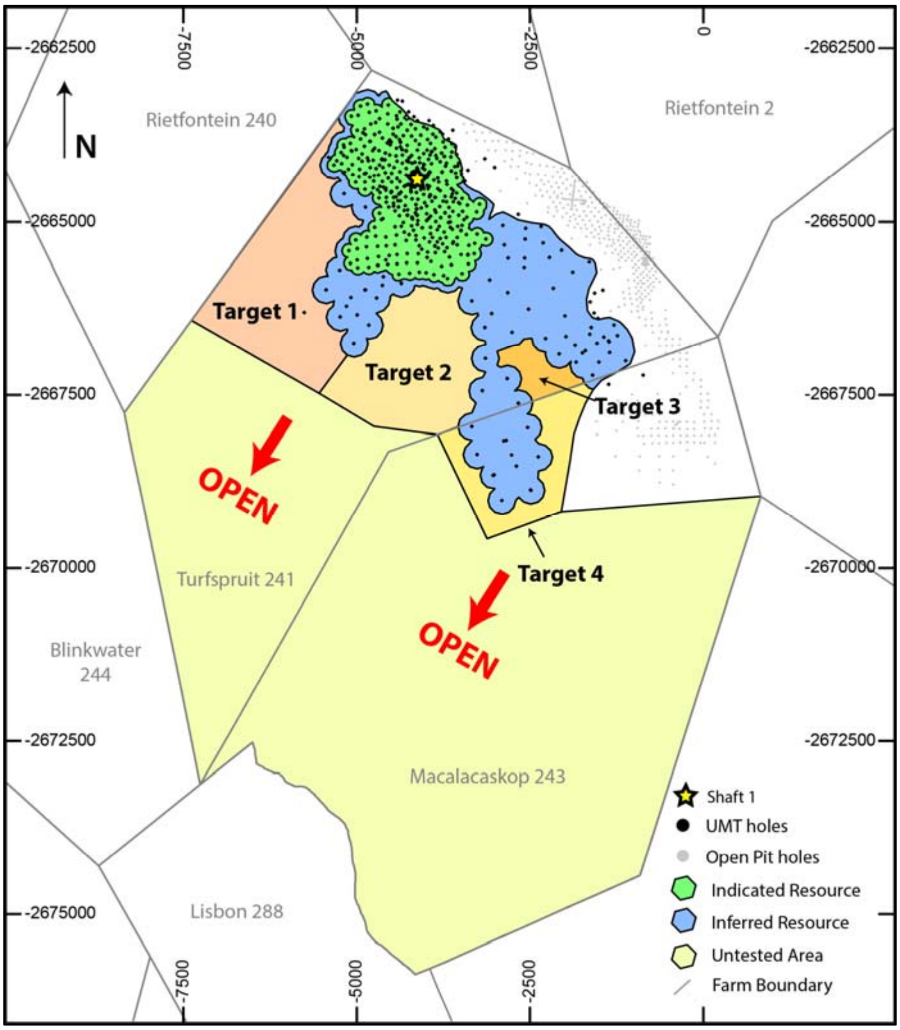
Target 3 could contain 5 to 10 million tonnes grading 1.3 to 2.2 g/t Pt, 1.1 to 1.9 g/t Pd, 0.20 to 0.34 g/t Au, 0.10 to 0.17 g/t Rh, (2.7 to 4.6 g/t 3PE+Au), 0.11 to 0.18% Cu and 0.23 to 0.38% Ni over an area of 0.5 km2. The tonnage and grades are based on intersections of 2.0 g/t 3PE+Au mineralization in drill holes located adjacent to the target.

Target 4 could contain 40 to 60 million tonnes grading 1.3 to 2.2 g/t Pt, 1.5 to 2.5 g/t Pd, 0.18 to 0.30 g/t Au, 0.12 to 0.20 g/t Rh, (3.1 to 5.2 g/t 3PE+Au), 0.10 to 0.17% Cu and 0.22 to 0.36% Ni over an area of 1.5 km2. The tonnage and grades are based on intersections of 2.0 g/t 3PE+Au mineralization in drill holes located adjacent to the target.

The potential quantity and grade of these exploration targets is conceptual in nature. There has been insufficient exploration and/or study to define these exploration targets as Mineral Resources. It is uncertain if additional exploration will result in these exploration targets being delineated as a Mineral Resource.

In addition, there are approximately 48 km2 of unexplored ground beyond these exploration target areas on the property under which the prospective stratigraphy is projected to lie. It is not possible to estimate a range of tonnages and grades for this ground with current information. There is excellent potential for mineralization to significantly increase with further step-out drilling to the southwest.

Figure 3: Mineralization at the Platreef Project is open to expansion to the south and west, beyond the area of the current Indicated Mineral Resources shown in green, and the Inferred Mineral Resources, shown in blue.



Health and safety at Platreef

The Platreef Project reached 5,505,507 million hours worked by March 30, 2016. The project recorded 873,461 lost-time-injury-free (LTIF) hours at Platreef up until the end of Q1 2016. No lost-time injuries (LTIs) were recorded in the reporting period and the Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to employees, contractors, sub-contractors and consultants.

Figure 4: Aerial view of Shaft 1 headgear and related surface works.

Shaft 1 construction

Following the changeover from the pre-sinking phase, the main sinking work at Shaft 1 is expected to begin in early June 2016. Aveng Mining, the shaft-sinking contractor, expects sinking to advance at an average daily rate of approximately 2.5 metres once the main sink has commenced. Shaft 1 is expected to reach the Flatreef Deposit at a depth of 777 metres below surface by late 2017. Sinking will continue to a planned final depth of 975 metres below surface. Development work will include three stations at depths of 450 metres, 750 metres and 850 metres below surface.

Work has been completed on the internal electricity substation, which will have a capacity of five million volt-amperes (MVA). Construction is underway on the power transmission lines from Eskom, the South African public electricity utility, which will supply the electrical power to be used for the sinking of Shaft 1. Back-up generators have been installed to ensure continuous sinking operations if the power supply from Eskom is interrupted and will be utilized while construction of the powerlines is in progress.

Figure 5: Rope-up complete from stage winder drums to headgear and five-deck stage on Shaft 1.

National Road (N11) Intersection Construction

Construction of the Platreef Project's permanent vehicle access intersection from the National Road carriage (N11) commenced in April 2016. The works include the widening (extra lanes) of the existing roadway, official on- and off-ramps, storm water management and resurfacing of the new intersection. Once completed this intersection will serve as the primary entry and exit gateway to the project.

Figure 6: Construction of the new intersection to the project.

Other on-site surface related work includes the construction of the secondary terraces for Shaft 1, storm-water drains and ponds, workshops and stores. 423, or 67% of the 631 permanent and contract workers presently employed by Ivanplats, are from the local area.

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

Ivanhoe 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.

In August 2015, Ivanhoe started work on a feasibility study (FS) based on the first phase of development. The FS is being managed by principal consultant, DRA Global, with other specialized sub-consultants including Stantec Consulting, Murray & Roberts Cementation, SRK, Golder Associates and Digby Wells Environmental. The FS is scheduled to be completed by Q2 2017.

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.

Platreef 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.

Metallurgical testwork and processing

Metallurgical testwork 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 3PE + gold 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. The development and optimisation of this circuit will be concluded during the FS.

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

Planned mining methods to incorporate highly productive, mechanized methods

The selected mining areas in the current mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface. The main access to the Flatreef Deposit 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 deposit 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 deposit 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, which will be connected to Shaft 2, where it will be hoisted to the surface for further processing.

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.

Shaft 2 will have an internal diameter of 10.0 metres and will be capable of hoisting six million tonnes per year. The headgear design for the six-million-tonne-per-year permanent hoisting facility has been completed by South Africa-based Murray & Roberts Cementation. Ivanhoe expects to start Shaft 2 early works in 2017, including civil work for the box-cut and hitch-foundation.

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, including bulk grey water allocations from local municipalities.

The Platreef Project's electricity 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. Ivanhoe opted for a self-build option for the permanent power, which enables Ivanhoe to manage the construction of the distribution lines from the Eskom Borutho sub-station to the Platreef Mine.

Exploration and resource expansion drilling

There was no exploration diamond drilling undertaken during Q1 2016. Exploration and resource development activities were focused on finalising the new resource estimate for the feasibility study.

Development of human resource and job skills

Work is progressing well on the further implementation of Ivanhoe's Social and Labour Plan (SLP), to which the Company has pledged a total of R160 million ($11 million) during the first five years, until November 2019. The approved plan includes R67 million ($4 million) for the development of job skills among local residents and R88 million ($6 million) for local economic development projects. Additional internal training is planned to provide members of the current workforce with opportunities to expand their skills.

Adult basic education and training for the communities is progressing well, in four community centres run by the Department of Higher Education and Training, further forging a partnership between Ivanhoe and the Department.

The first 80 students to participate in Platreef's non-core training program started their training at the beginning of March 2016. Additional related training programs are planned later in the year.

Ivanhoe awarded five fully-paid bursaries to local university students in 2015. To date in 2016, Ivanhoe has awarded fully-paid bursaries to seven local university students in diverse disciplines. In addition, Ivanhoe also is developing local artisans with the establishment of fully paid engineering scholarships.

Ivanhoe's R24 million ($2 million) partnership between South Africa's University of Limpopo and Canada's Laurentian University to develop and equip Limpopo University's geology department is well underway. A principal goal of the five-year partnership, which is renewable for a further five years, is to help establish the University of Limpopo's geology department as a centre of excellence in geosciences. Combined with a scholarship awarded to Laurentian by the International Development Research Centre, these funds will create educational opportunities for 35 University of Limpopo students to study in Canada. Ivanhoe also will provide in-service training opportunities for students from both universities and assist them in conducting research on the Northern Limb of the Bushveld Complex.

Local Enterprise and Supplier Development (ESD)

Ivanhoe continued its supplier development initiative with various local businesses following pre-assessments. The focus is on finding potential and developing businesses which can tender for possible construction contracts when they become available. The Company facilitated the start of three local community businesses: a mine-site kiosk, a mine-site laundry business and a manufacturer of personal protective equipment. During Q1 2016, the ESD team focused on identifying and developing the technical skills of various electrical and plumbing services companies.

Figure 7: Mr. Lars-Eric Johansson, CEO of Ivanhoe, meets the owners of Tlhwekisha laundry and cleaning services.

The Company embarked on a basic computer literacy training program and planned to reach 120 businesses during the course of 2016. The computer literacy training program has started with 20 local community members and the feedback to date is very positive and interest in the program is growing.

As part of Ivanhoe's commitment to provide expanded work opportunities, 2016 will see the launch of the first Youth Development Program. Young people from the local communities, aged between 21 and 32, will be enrolled in a development course that will work toward a final product of bankable business plans, to be submitted for funding. Applications for the Youth Development Program closed on March 22, 2016 and a total of 51 applications were submitted.

Local economic development (LED)

The planning and development of a community centre close to the project and surrounding communities is progressing well. The centre is expected to accommodate Ivanplats ESD initiatives, human resources development training, a library, a board room, a heritage display area and space for use by the B-BBEE Trust Advisory Council and government institutions.

The school infrastructure support program commenced with an HIV, AIDS and substance abuse awareness program at schools in the host communities. Ivanhoe will also assist the Mogalakwena Local Municipality to supply a 261-kilolitre water tank for the supply of water to the Mzombane community and surrounding areas. In addition, Ivanhoe will provide assistance to the Mokopane Traditional Council Office through the refurbishment of buildings.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-lead mine, in the Democratic Republic of Congo (DRC), is adjacent to the town of Kipushi and approximately 30 kilometres southwest of Lubumbashi. It also is located on the Central African Copperbelt, approximately 250 kilometres 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, safety and community development at Kipushi

The Kipushi Project achieved a total of 4,260,651 lost-time-injury-free hours (1,333 days) to the end of Q1 2016. Malaria remains the most frequent health concern at Kipushi; in Q1 2016, there was an average of 17 cases each month among employees, which is the seasonal peak at the end of the rainy season.

In an effort to reduce the incidence of malaria 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.

Following DRC government approval of the Fionet program, training of medical staff at medical service providers in the Kipushi Health Zone on the use of the Deki™ rapid malaria test reader started in December 2015 and will continue on an ongoing basis. The objective is to establish the Fionet program in 37 medical centres in the Kipushi Health Zone. The program eventually will be rolled out to 300 clinics in the Haut-Katanga province. To date, 37 Deki readers have been installed, and local medical staff trained, in the Kipushi Health Zone.

As part of the Kipushi municipality development program, Ivanhoe has contracted Mining Company Katanga (MCK) to repair the main road through the community, which has been damaged by rain erosion and heavy traffic over many years.

Figure 8: Refurbishment of the main road through Kipushi municipality as part of community development.

Project development and infrastructure

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.

A Mineral Resource estimate has been declared and the findings of a preliminary economic assessment (PEA) for the Kipushi Project were announced on May 2, 2016.

Since completion of the drilling program, water levels have been lowered to approximately the 1,400-metre-level in Shaft 5. Engineering work has focussed on refurbishment of Shaft 5 conveyances and infrastructure, cleaning of the shaft bottom to facilitate the installation of new hoist ropes, repairs and upgrades to the hoisting infrastructure and cleaning and stripping of the main pump station at the 1,200-metre-level.

Figure 9: Replacing wire rope on Shaft 5 personnel cage using the friction winder.

Figure 10: Sulzer centrifugal pump on the 1,200-metre-level pump station.

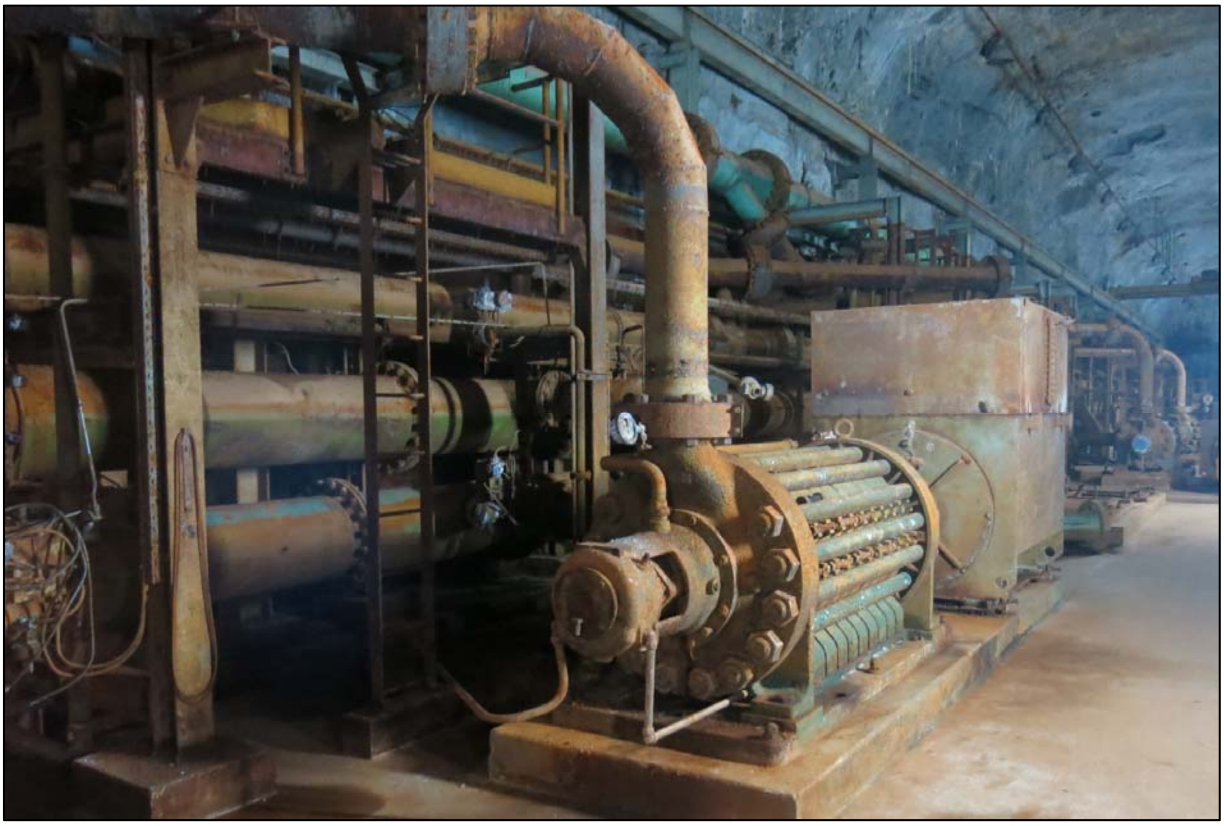


Figure 11: Y junction on 1,200-metre-level, personnel cage to left, ore silos to right.

Environmental studies

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.

Confirmatory and exploration drilling

The Kipushi underground drilling project was completed in October 2015 and no additional drilling has been undertaken since.

Independent Mineral Resource estimate

Ivanhoe announced a Mineral Resource estimate for Kipushi on January 27, 2016. The estimate was prepared in accordance with the 2014 CIM definition standards, incorporated by reference into Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Highlights of the initial estimate, prepared by the MSA Group, of Johannesburg, South Africa:

- Measured and Indicated Mineral Resources in the Big Zinc Zone of 10.2 million tonnes at grades of 34.89% zinc, 0.65% copper, 19 grams per tonne (g/t) silver and 51 g/t germanium, at a 7% zinc cut-off, containing an estimated 7.8 billion pounds of zinc.

- The zinc grade of Kipushi's Measured and Indicated Mineral Resources in the Big Zinc Zone is more than twice as high as the world's next-highest-grade zinc project, independently ranked by Wood Mackenzie, an international industry research and consulting group, based on contained zinc.

- Zinc-rich Inferred Mineral Resources total an additional 1.9 million tonnes at grades of 28.24% zinc, 1.18% copper, 10 g/t silver and 53 g/t germanium. The Inferred Mineral Resources are contained partially in the Big Zinc Zone and partially in the Southern Zinc Zone.

- Kipushi's copper-rich Measured and Indicated Mineral Resources contained in the adjacent Fault Zone, Fault Zone Splay and Série Récurrente Zone total an additional 1.63 million tonnes at grades of 4.01% copper, 2.87% zinc and 22 g/t silver, at a 1.5% copper cut-off, containing 144 million pounds of copper. Copper-rich Inferred Mineral Resources in these zones total an additional 1.64 million tonnes at grades of 3.30% copper, 6.97% zinc and 19 g/t silver.

- Ivanhoe's exploration program has demonstrated that zinc and copper mineralization of the Kipushi system remains open laterally and at depth. Results recently received from hole KPU081, drilled on section line 6S, confirm high-grade copper-zinc mineralization at depth. KPU081 intersected 60.5 metres (21.7 metres true thickness) grading 2.6% copper, 36.2% zinc, 19 g/t silver and 204 g/t germanium to a depth of 1,763 metres. Included in this interval was an intersection from 580.9 metres to 591.3 metres (3.8 metres true thickness) grading 56.3% zinc, 0.5% copper, 12 g/t silver and 397 g/t germanium.

The MSA Mineral Resource estimate was based on the results of 84 drill holes completed at Kipushi by Ivanhoe Mines and an additional 107 historical holes drilled by Gécamines. Mineral Resource estimates were completed below the -1,150-metre-level on the Big Zinc Zone, Southern Zinc Zone, Fault Zone and Série Récurrente Zone. The Mineral Resources were categorized either as zinc-rich resources or copper-rich resources, depending on the most abundant metal.

For the zinc-rich zones, the Mineral Resource is reported at a base-case cut-off grade of 7.0% zinc and the copper-rich zones at a base-case cut-off grade of 1.5% copper. Given the considerable revenue that could be obtained from the additional metals in each zone, MSA considers that mineralization at these cut-off grades will satisfy reasonable prospects for economic extraction.

The Mineral Resource is presented on a 100% project basis, with the attributable interest of the Company being 68%.

Table 2: Kipushi Zinc-Rich Mineral Resource at 7% Zn Cut-Off Grade, January 23, 2016								
Zone	**Category**	**Tonnes (Millions)**	**Zn %**	**Cu %**	**Pb %**	**Ag g/t**	**Co ppm**	**Ge g/t**
Big Zinc	Measured	3.59	38.39	0.67	0.36	18	17	54
	Indicated	6.60	32.99	0.63	1.29	20	14	50
	Inferred	0.98	36.96	0.79	0.14	7	16	62
Southern Zinc Zone	Indicated	0.00	-	-	-	-	-	-
	Inferred	0.89	18.70	1.61	1.70	13	15	43
Total	**Measured**	**3.59**	**38.39**	**0.67**	**0.36**	**18**	**17**	**54**
	Indicated	**6.60**	**32.99**	**0.63**	**1.29**	**20**	**14**	**50**
	Measured & Indicated	**10.18**	**34.89**	**0.65**	**0.96**	**19**	**15**	**51**
	Inferred	**1.87**	**28.24**	**1.18**	**0.88**	**10**	**15**	**53**
			Contained Metal Quantities					
Zone	**Category**	**Tonnes (Millions)**	**Zn Pounds (Millions)**	**Cu Pounds (Millions)**	**Pb Pounds (Millions)**	**Ag Ounces (Millions)**	**Co Pounds (Millions)**	**Ge Ounces (Millions)**
Big Zinc	Measured	3.59	3035.8	53.1	28.7	2.08	0.13	6.18
	Indicated	6.60	4797.4	91.9	187.7	4.15	0.20	10.54
	Inferred	0.98	797.2	17.1	3.0	0.23	0.03	1.96
Southern Zinc Zone	Indicated	0.00	0.0	0.0	0.0	0.00	0.00	0.00
	Inferred	0.89	368.6	31.8	33.5	0.38	0.03	1.23
Total	**Measured**	**3.59**	**3035.8**	**53.1**	**28.7**	**2.08**	**0.13**	**6.18**
	Indicated	**6.60**	**4797.4**	**91.9**	**187.7**	**4.15**	**0.20**	**10.54**
	Measured & Indicated	**10.18**	**7833.3**	**144.9**	**216.4**	**6.22**	**0.33**	**16.71**
	Inferred	**1.87**	**1168.7**	**49.6**	**36.8**	**0.61**	**0.06**	**3.21**

Notes:

1. *All tabulated data has been rounded and as a result minor computational errors may occur.*
2. *Mineral Resources that are not Mineral Reserves have no demonstrated economic viability.*
3. *The Mineral Resource is reported as the total in-situ Mineral Resource.*
4. *Metal quantities are reported in multiples of Troy Ounces or Avoirdupois Pounds.*
5. *The cut-off grade calculation was based on the following assumptions: zinc price of 1.02 USD/lb, mining cost of 50 USD/tonne, processing cost of 10 USD/tonne, G&A and holding cost of 10 USD/tonne, transport of 55% Zn concentrate at 375 USD/tonne, 90% zinc recovery and 85% payable zinc.*

Table 3: Kipushi Copper-Rich Mineral Resource at 1.5% Cu Cut-Off Grade, January 23, 2016

Zone	Category	Tonnes (Millions)	Cu %	Zn %	Pb %	Ag g/t	Co ppm	Ge g/t
Fault Zone	Measured	0.14	2.78	1.25	0.05	19	107	20
	Indicated	1.01	4.17	2.64	0.09	23	216	20
	Inferred	0.94	2.94	5.81	0.18	22	112	26
Série Récurrente	Indicated	0.48	4.01	3.82	0.02	21	56	6
	Inferred	0.34	2.57	1.02	0.06	8	29	1
Fault Zone Splay	Inferred	0.35	4.99	15.81	0.005	20	127	81
Total	**Measured**	**0.14**	**2.78**	**1.25**	**0.05**	**19**	**107**	**20**
	Indicated	**1.49**	**4.12**	**3.02**	**0.07**	**22**	**165**	**15**
	Measured & Indicated	**1.63**	**4.01**	**2.87**	**0.06**	**22**	**160**	**16**
	Inferred	**1.64**	**3.30**	**6.97**	**0.12**	**19**	**98**	**33**

			Contained Metal Quantities					
Zone	**Category**	**Tonnes (Millions)**	**Cu Pounds (Millions)**	**Zn Pounds (Millions)**	**Pb Pounds (Millions)**	**Ag Ounces (Millions)**	**Co Pounds (Millions)**	**Ge Ounces (Millions)**
Fault Zone	Measured	0.14	8.5	3.8	0.2	0.09	0.03	0.09
	Indicated	1.01	93.2	59.1	1.9	0.75	0.48	0.64
	Inferred	0.94	61.1	120.9	3.8	0.68	0.23	0.79
Série Récurrente	Indicated	0.48	42.4	40.5	0.2	0.32	0.06	0.09
	Inferred	0.34	19.4	7.7	0.4	0.09	0.02	0.01
Fault Zone Splay	Inferred	0.35	38.9	123.3	0.0	0.23	0.10	0.92
Total	**Measured**	**0.14**	**8.5**	**3.8**	**0.2**	**0.09**	**0.03**	**0.09**
	Indicated	**1.49**	**135.7**	**99.6**	**2.1**	**1.08**	**0.54**	**0.73**
	Measured & Indicated	**1.63**	**144.1**	**103.4**	**2.3**	**1.16**	**0.58**	**0.82**
	Inferred	**1.64**	**119.4**	**251.8**	**4.3**	**1.00**	**0.35**	**1.73**

Notes:

1. *All tabulated data has been rounded and as a result minor computational errors may occur.*
2. *Mineral Resources that are not Mineral Reserves have no demonstrated economic viability.*
3. *The Mineral Resource is reported as the total in-situ Mineral Resource.*
4. *Metal quantities are reported in multiples of Troy Ounces or Avoirdupois Pounds.*
5. *The cut-off grade calculation was based on the following assumptions: copper price of 2.97 USD/lb, mining cost of 50 USD/tonne, processing cost of 10 USD/tonne, G&A and holding cost of 10 USD/tonne, 90% copper recovery and 96% payable copper.*

PEA announced for the redevelopment of the Kipushi Project

Ivanhoe announced a positive preliminary economic assessment (PEA) for the redevelopment of the Kipushi Project on May 2, 2016. The PEA was prepared in compliance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects. Ivanhoe will file a NI 43-101 Technical Report on the PEA within 45 days of the announcement.

Highlights of the PEA, prepared by OreWin Pty. Ltd., of Adelaide, Australia, and the MSA Group (Pty.) Ltd., of Johannesburg, South Africa include:

- After-tax net present value (NPV) at an 8% real discount rate is $533 million.
- After-tax real internal rate of return (IRR) is 30.9%.
- After-tax project payback period is 2.2 years.
- Leveraging existing surface and underground infrastructure significantly lowers the redevelopment capital compared to a greenfield development project, as well as the time required to reinstate production.
- Life-of-mine average planned zinc concentrate production of 530,000 dry tonnes per annum (tpa), with a concentrate grade of 53% zinc, is expected to rank Kipushi, once in production, among the world's major zinc mines.
- Life-of-mine average cash cost of $0.54/lb of zinc is expected to rank Kipushi, once in production, in the bottom quartile of the cash cost curve for zinc producers globally.

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.

KAMOA PROJECT

The Kamoa Copper Project, a joint venture between Ivanhoe Mines and Zijin Mining, 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 sold a 49.5% share interest in Kamoa Holding Limited (Kamoa Holding), the company that presently owns 95% of the Kamoa Project, to Zijin Mining for an aggregate consideration of $412 million. In addition, Ivanhoe sold a 1% share interest in Kamoa Holding to privately-owned Crystal River Global Limited 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. Constructive and cordial negotiations over the offer are continuing between Ivanhoe Mines, Zijin and senior DRC government officials. Subsequent to the sale to Zijin and Crystal River, Ivanhoe owns an effective 47% of the Kamoa

Project, which will decrease to an effective 40% should the additional 15% interest be transferred to the DRC government.

Kamoa is the world's largest, undeveloped, high-grade copper deposit. On February 23, 2016, an updated Mineral Resource estimate was issued for the Kamoa Project, with an effective date of May 2014. Kamoa's Indicated Mineral Resources total 752 million tonnes grading 2.67% copper and containing 44.3 billion pounds of copper at a 1% copper cut-off grade and an approximate minimum true thickness of three metres. In addition to the Indicated Resources, the updated estimate included Inferred Mineral Resources of 185 million tonnes grading 2.08% copper and containing 8.5 billion pounds of copper, also at a 1.0% copper cut-off grade and an approximate minimum true thickness of three metres.

Kamoa PFS highlights

The Kamoa 2016 PFS, which focuses on the initial phase of development, was filed on March 30, 2016.

Highlights include:

- Mine production of three million tonnes per annum (Mtpa) at an average grade of 3.86% copper over a 24-year mine life, resulting in annual copper production of approximately 100,000 tonnes.
- Initial capital cost, including contingency, is $1.2 billion, approximately $200 million lower than estimated in the Kamoa 2013 PEA.
- Life-of-mine average mine-site cash cost is $0.75/lb. of copper.
- After-tax NPV at an 8% discount rate of $986 million.
- After-tax IRR of 17.2% and a payback period of 4.6 years.
- High-grade copper concentrate with an average grade of 39.2% copper and very low arsenic levels.
- Improvements to the mining method have the potential to reduce average mine site cash cost during the first phase to $0.61/lb of copper, and improve the after-tax NPV at an 8% discount rate to $1.182 billion, the IRR to 18.9% and the payback period to 4.3 years.

The Kamoa 2016 PFS identified several areas for further evaluation to optimize the project's economics, including:

- The use of controlled convergence room-and-pillar mining, which has been successfully used by KGHM Polska Miedź S.A. (KGHM) at its copper-mining operations in Poland for the past 20 years. Based on detailed analysis by KGHM Cuprum R&D Centre Ltd., this mining method appears to be well suited to the Kamoa deposit and, if implemented, potentially could provide significant cost savings as there would be no requirement for cemented backfill and ore extraction ratios would increase.
- Increased production up to 4 Mtpa from the proposed initial mining area, with only limited adjustments to the ore-handling and ventilation systems, thereby resulting in a more efficient use of capital.

Ivanhoe and Zijin Mining are working together to define the scope of the feasibility study taking into account the conclusions and recommendations from the PFS, while critical path development such as refurbishment of the hydroelectrical facilities at Koni and Mwadingusha continues to progress.

Health and safety at Kamoa

Health and safety remain key priorities for workers and management alike at the Kamoa Project, where an excellent safety record has been achieved. As of April 1, 2016, a total of 4,805,212 hours had been worked without a lost-time injury.

The partnership with Fionet is a collaborative initiative to strengthen local responses to malaria in the DRC under the National Malaria Control Program. To date, 54 health centres in Haut-Katanga and Lualaba provinces are using the intelligent diagnostic device known as the Deki Reader. The device provides step-by-step guidance to health workers, helping to deliver rapid, accurate, diagnostic testing for malaria and transmitting results to a database. Since the program began, 5,393 people have visited the health centres and 4,490 malaria tests have been administered.

Kamoa exploration team makes major new copper discovery at the Kakula exploration area

Ivanhoe Mines reported on January 25, 2016, that the Kamoa exploration team had made a new, tier-one, high-grade and flat-lying stratiform copper discovery, ideally situated for low-cost mechanized mining, in the Kakula exploration area, approximately five kilometres southwest of the currently defined resources at the Kamoa copper deposit. The Kakula Discovery is located within the 400-square-kilometre Kamoa Mining Licence area and represents a major extension of the Kamoa copper deposit that the Company discovered in 2008.

Two exploration drill holes completed in late 2015 in the Kakula exploration area, DD996 and DD997, rank among the highest-grade and highest-grade-thickness intersections drilled to date within the Kamoa copper deposit licence area.

DD996 intersected 24.16 metres (24.13 metres true width) of 3.48% copper, at a 1% copper cut-off. At a higher cut-off of 2% copper, the intersection was 13.16 metres (13.14 metres true width) of 5.26% copper.

DD997 intersected 18.75 metres (18.47 metres true width) of 4.64% copper at a 1% copper cut-off and 15.17 metres (14.94 metres true width) of 5.33% copper at a 2% copper cut-off.

A total of 1,357 metres of exploration drilling was completed in five holes in the Kakula Discovery area during Q1 2016. Preparations are underway to increase drilling activity in Q2 2016.

Accelerated and expanded drill program at Kakula Discovery

The Kamoa exploration team plans to accelerate its infill drilling program at the Kakula Discovery area in May 2016. The aim is to complete approximately 25,000 metres of drilling in the Kakula Discovery area during 2016, for which $5 million has been budgeted. The program will target flat-lying, thick, shallow resources at materially higher grades than the average grades at Kamoa that could potentially improve the economics of the Kamoa pre-feasibility study, once incorporated in the mine plan.

Mineralization at Kakula appears to be consistent in nature with downward vertical zonation from chalcopyrite to bornite to chalcocite in every hole. Mineralization is consistently bottom- loaded, with grades increasing downhole toward the contact between the host Grand Conglomerate and the underlying Mwashia sandstone. The highest copper grades are associated with a siltstone/sandstone unit and the base of an overlying diamictite unit. These units overlie a less mineralized, thin, sandy clast-rich diamictite above the Mwashia sandstone contact (see Figure 12 for a section across the Kakula Discovery Area).

The bottom-loaded nature of Kakula mineralization could support the definition of selective mineralized zones at cut-offs well above the 1% copper cut-off used to define resources at Kamoa. For example, the lower portion of the mineralized intercepts in drill holes DD996 and DD997 intersected 5.59 metres grading 9.16% copper and 7.06 metres grading 8.50% copper, respectively, both at a 3% copper cut-off.

The accelerated drill program initially will focus on a 12-square-kilometre area along the projected trend of mineralization intersected in holes DD996 and DD997, with follow-up infill drilling aimed at defining Indicated Resources in areas where the continuity of higher grades is confirmed. The company is in the process of upgrading access and drill roads in the Kakula Discovery area to support the additional diamond-drill rigs that are being mobilized to site in May. The area of the 2016 drill program is shown in Figure 11.

Figure 12: Kamoa Project area map showing the Kakula exploration area.

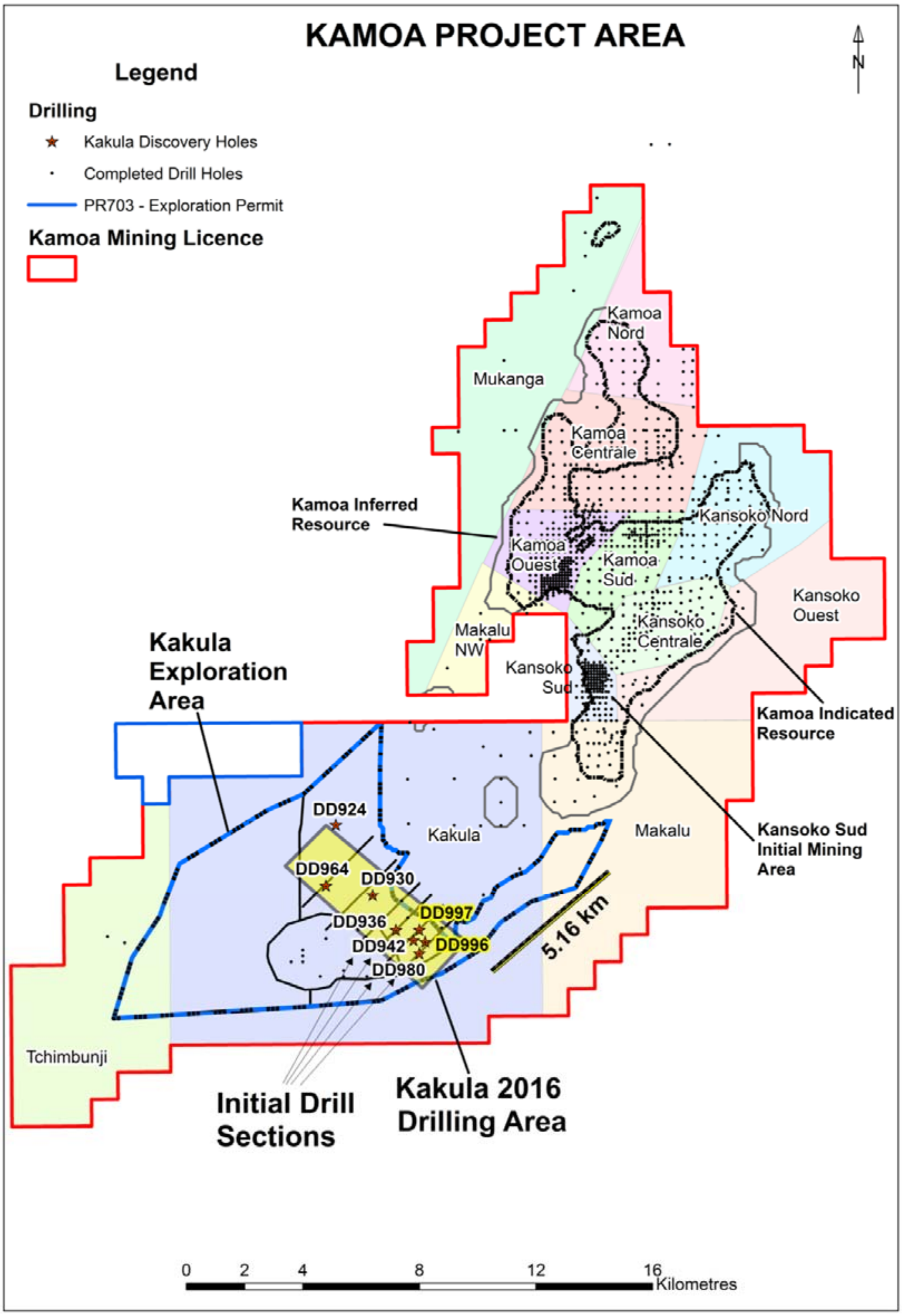
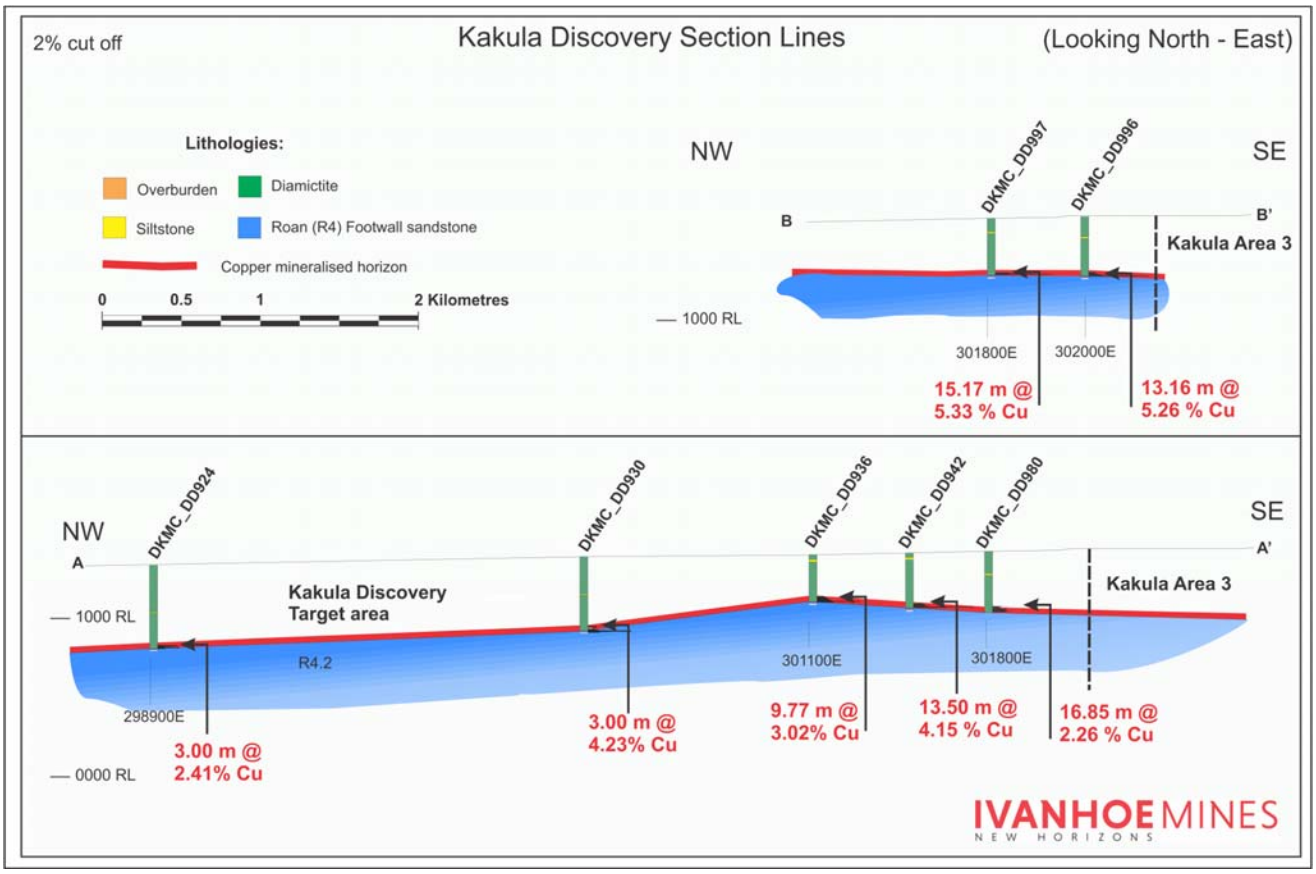


Figure 13: Sections across the Kakula Discovery Area.



Updated estimate of Mineral Resources at Kamoa

On February 23, 2016, Ivanhoe Mines released an updated estimate of Mineral Resources as part of its disclosure of the Kamoa 2016 PFS. The Mineral Resources have been defined taking into account the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves. The Mineral Resource is presented on a 100% project basis, with the attributable effective interest of the Company being 47%.

Table 4: Kamoa Project Indicated and Inferred Mineral Resources (May 2014).

Category	Tonnage (Mt)	Area (km^2)	Copper (%)	True Thickness (m)	Contained Copper (kt)	Contained Copper (billions lbs)
Indicated	752	50.5	2.67	5.24	20,110	44.3
Inferred	185	16.8	2.08	3.87	3,840	8.5

- Dr. Harry Parker and Gordon Seibel, RM of SME, employees of Amec Foster Wheeler, are the Qualified Persons for the Mineral Resource estimate. The effective date of the estimate is May 5, 2014. Mineral Resources are reported inclusive of Mineral Reserves.
- Mineral Resources are reported using a total copper (TCu) cut-off grade of 1% TCu and an approximate minimum true thickness of 3 metres. There are reasonable prospects for eventual economic extraction under assumptions of a copper price of US$3.30/lb; employment of underground mechanized room and pillar and drift-and-fill mining methods; and that copper concentrates will be produced and sold to a smelter. Mining costs are assumed to be $34/t. Concentrator and General and Administrative costs are assumed to be $19/t. Metallurgical recovery will be 77% (supergene) and 85% (hypogene) at the average grade of the resource.
- Reported Mineral Resources contain no allowances for hanging wall or footwall contact boundary loss and dilution. No mining recovery has been applied.
- For Indicated Mineral Resources, 97.4% of the resource model blocks have a true thickness greater than 3 metres (range from 2.3 metres to 15.8 metres), for Inferred Mineral Resources, 94.7% of the resource blocks have a true thickness greater than 3 metres (range from 2.7 metres to 8.4 metres).
- Depth of mineralization below the surface ranges from 10 metres to 1,320 metres for Indicated Mineral Resources and 20 metres to 1,560 metres for Inferred Mineral Resources.
- Approximate drill-hole spacings are 800 metres for Inferred Mineral Resources and 400 metres for Indicated Mineral Resources.
- Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.

First blast at Kamoa declines marks beginning of underground mine development work

Byrnecut Underground Congo SARL (BUCS) is progressing well with the box-cut support work. The work consists of drilling either three- or six-metre holes into the box-cut side walls, supporting a wire mesh cover with either three-metre rebar bolts or six-metre cable anchors and then sealing the mesh with a cover of shotcrete. Bench tops have been sealed by pouring a concrete layer.

Figure 14: Double-boom drill rig drilling three-metre rebar holes on the bottom bench.

Figure 15: Installed mesh and three-metre rebar bolts.

Figure 16: Shotcrete application on the bottom bench.

The first blast at the twin declines at the bottom of the box-cut, marking the beginning of underground mine development, is expected to take place on May 12, 2016.

The project team at Kamoa has completed the construction of site offices, a workshop and stores, a vehicle wash bay, a brake test ramp and infrastructure for temporary supply of power and water.

Continued focus on community and sustainability

Kamoa has started a compensation process for land owners within the proposed 12 kilometre project area, which is required before fence construction can begin. A survey of the area has been completed and 199 farm fields have been identified which belong to 65 owners. Negotiations with the owners are underway to agree on the compensation to be paid and in addition alternative farm land will be supplied. Community projects are also under consideration as compensation to the local communities.

A number of unskilled job opportunities have arisen during Q1 2016 due to the increase in activity around the camp and mine area. Preference is always given to local employment and numerous jobs have been offered and accepted. Planned community projects for 2016 include the construction of schools and clinics.

Kamoa continued with its livelihood sustainability program during Q1 2016. The major areas of activity were maize harvesting and planting, vegetable production, livestock management and bee keeping.

Figure 17: Pest control at the Kamoa farm.

Hydroelectric power plant upgrading project

The repairs to turbine number one at the Mwadingusha hydroelectric power plant are progressing and are expected to be completed by the end of June 2016. The repairs are needed to allow the Mwadingusha plant to increase its output of electrical power to the national grid and thereby allow Kamoa to secure 10 megawatts of power from the grid for use during the development of the Kamoa Project. In addition, Kamoa is required to construct a 120kV power line linking the mine to the national grid and procure a substation to be located at the mine to step the voltage down from 120kV to 11kV. Orders have been placed for the power line and the substation.

The bidding process for the supply of the four new turbines for the Mwadingusha power station has closed and bids now are being adjudicated.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial information for the prior eight quarters. Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	3 Months ended			
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
	$'000	$'000	$'000	$'000
Exploration and project expenditure *	6,917	10,271	8,553	9,009
General administrative expenditure *	3,693	5,833	4,430	1,323
Share-based payments	1,473	2,345	1,655	1,736
Gain on partial sale of subsidiary	-	(357,671)	-	-
Re-measurement to fair value of the interest retained in joint venture	-	(376,148)	-	-
Finance costs	428	1,556	36	48
Mark-to-market gain on revaluation of warrants	-	(429)	(970)	(1,334)
Loss (gain) from subsidiary held for partial sale	-	755	(7,958)	2 675
Total comprehensive loss (gain) attributable to:				
Owners of the Company	4,203	(717,213)	9,420	11,008
Non-controlling interest	2,897	2,468	3,439	3,564
Loss (profit) per share (basic and diluted)	0.01	(0.92)	0.01	0.01

	3 Months ended			
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	$'000	$'000	$'000	$'000
Exploration and project expenditure *	12,918	21,178	23,388	26,678
General administrative expenditure *	5,859	8,987	8,060	4,879
Share-based payments	1,986	2,245	7,060	85,428
Finance costs	34	382	377	1,124
Mark-to-market (gain) loss on revaluation of warrants	(4,212)	(2,316)	(12,360)	5,152
Loss from subsidiary held for partial sale	209	4,813	10,129	12,936
Total comprehensive loss attributable to:				
Owners of the Company	15,511	31,649	23,474	129,474
Non-controlling interest	3,498	5,434	15,092	6,280
Loss per share (basic and diluted)	0.02	0.05	0.03	0.21

** 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 March 31, 2016 vs. March 31, 2015

The Company's total comprehensive loss for Q1 2016 of $7.1 million was $11.9 million lower than for the same period in 2015 ($19.0 million). The decrease mainly was due to a $6.0 million decrease in exploration and project expenditure, together with deemed finance income on the purchase price receivable from the partial sale of the Kamoa Project included in other income which amounted to $4.3 million.

Exploration and project expenditures for the three months ending March 31, 2016, amounted to $6.9 million and were $6.0 million less than for the same period in 2015 ($12.9 million). The $4.1 million retrenchment costs incurred in 2015 relating to the closure of Ivanhoe's regional exploration company in the DRC were the main reason for the decrease.

With the focus at the Platreef Project on development and the Kamoa Project being accounted for as a joint venture, $6.7 million of the total $6.9 million exploration and project expenditure related to the Kipushi Project. Expenditure at the Kipushi Project decreased by $1.6 million compared to the same period in 2015. The main classes of expenditure at the Kipushi Project in Q1 2016 and Q1 2015 are set out in the following table:

	Three months ended March 31, 2016 $'000	Three months ended March 31, 2015 $'000
Kipushi Project		
Salaries and benefits	2,668	2,891
Electricity	1,106	1,502
Depreciation	760	714
Repair and maintenance	483	495
Contracting work	165	234
Site security and safety	138	429
Drilling	-	857
Other expenditure	1,364	1,127
Total project expenditure	6,684	8,249

Financial position as at March 31, 2016 vs. December 31, 2015

The Company's total assets decreased by $10.3 million, from $1,022.6 million as at December 31, 2015, to $1,012.3 million as at March 31, 2016. This mainly was due to the Company utilizing its cash resources in its operations.

The remaining purchase price receivable due to the Company as a result of the sale of 49.5% of Kamoa Holding decreased as the Company received $51.9 million from Zijin during Q1 2016. The present value of the remaining consideration receivable, net of transaction costs, was $146.9 million as at March 31, 2016. The next of the four remaining installments is due on July 8, 2016.

The Company's investment in the Kamoa Holding joint venture increased by $8.0 million from $412.0 as at December 31, 2015, to $420.0 million as at March 31, 2016, with the current shareholders funding the operations equivalent to their proportionate shareholding interest. At Kamoa, the focus remained on development, together with an exploration program at the Kakula Discovery that will be accelerated in Q2 2016.

Property, plant and equipment increased by $9.7 million, with a total of $10.3 million in Q1 2016 being spent on project development and to acquire other property, plant and equipment, $9.7 million of which was development costs of the Platreef Project.

The Company utilized $13.8 million of its cash resources in its operations and earned interest income of $0.7 million on cash balances in the three months ended March 31, 2016; the Company's portion of the Kamoa joint venture cash calls amounted to $7.7 million.

The Company generated cash inflow from financing activities during the three months ended March 31, 2016, of $49.7 million. This mainly was a result of proceeds received from Zijin for the partial sale of Kamoa Holding.

The Company's total liabilities decreased to $39.2 million as at March 31, 2016, from $43.8 million as at December 31, 2015. This mainly was due to the decrease in trade and other payables of $4.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $314.0 million in cash and cash equivalents as at March 31, 2016. Certain of the Company's cash and cash equivalents, having an aggregate value of $43.9 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at March 31, 2016, the Company had consolidated working capital of approximately $438.0 million, compared to $424.6 million at December 31, 2015. The Platreef Project working capital is restricted and amounted to $46.1 million at March 31, 2016, and $53.2 million at December 31, 2015. Excluding the Platreef Project working capital, the resultant working capital was $391.9 million at March 31, 2016, and $371.4 million at December 31, 2015. 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 December 8, 2015, Zijin completed its investment in Ivanhoe's Kamoa Copper Project. Zijin, through a subsidiary company, has acquired a 49.5% interest in Kamoa Holding for a total of $412 million in a series of payments. Ivanhoe received an initial $206 million from Zijin on December 8, 2015 and a further $41.2 million on March 23, 2016; the remaining $164.8 million will be received in four equal installments, payable every 3.5 months from the previous installment. Upon closing of the transaction, each shareholder is required to fund Kamoa Holding in an amount equivalent to its proportionate shareholding interest.

The Company's main objectives for 2016 at the Platreef Project remain the continuation of the phase one feasibility study and Shaft 1 construction. At Kipushi, the principal objective is the continued refurbishment of mining infrastructure, now that the preliminary economic assessment has been successfully completed. At the Kamoa Project, priorities are the continuation of drilling and the construction of the twin declines at Kamoa. The Company expects to spend $32 million on further development at the Platreef Project; $24 million at the Kipushi Project and $18 million on corporate overheads for the remainder of 2016; as well as its proportionate funding of the Kamoa Project, in respect of which expenditures for 2016 are being evaluated with its joint venture partner.

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 ($3.4 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 $21.6 million as at March 31, 2016, and a contractual amount due of $29.7 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 $8.5 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

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

	Payments Due By Period				
Contractual Obligations as at March 31, 2016	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	34,469	-	775	3,862	29,832
Operating leases	98	98	-	-	-
Shaft 1 construction – Platreef Project	21,758	16,066	5,692	-	-
Total contractual obligations	**56,325**	**16,164**	**6,467**	**3,862**	**29,832**

Debt in the above table represents the mortgage bonds and loan payable to ITC Platinum Development Limited, as described above.

The Company is required to fund its Kamoa joint venture in an amount equivalent to its proportionate shareholding interest.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

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

	Three months ended March 31,	
	2016	2015
	$'000	$'000
Global Mining Management Corporation (a)	**689**	745
Ivanhoe Capital Aviation LLC (b)	**300**	300
Ivanhoe Capital Services Ltd. (c)	**218**	129
Ivanhoe Capital Pte Ltd (d)	**66**	22
HCF International Advisers (e)	**55**	45
Global Mining Services Ltd. (f)	**-**	39
Ivanhoe Capital Corporation (UK) Limited (g)	**-**	5
	1,328	1,285
Salaries and benefits	**709**	864
Travel	**377**	319
Office and administration	**178**	39
Consulting	**64**	63
	1,328	1,285

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

As at March 31, 2016, trade and other payables included $0.1 million (December 31, 2015: $0.4 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and the Executive Chairman has a significant shareholding in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC (Aviation) is a private company owned indirectly by the Executive Chairman of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.

(c) Ivanhoe Capital Services Ltd. (Services) is a private company owned indirectly by the Executive Chairman of the Company. Services provides 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) 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.

(f) 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.

(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, 2015. 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) Recoverability of assets

Property, plant and equipment, including capitalized development costs and finite lived intangible assets are assessed at each reporting period to determine whether there is any indication that those assets have suffered an impairment loss.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the fair value less costs of disposal for each CGU is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the CGUs using market consensus based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including any expansion projects, and its eventual disposal, based on the CGU development plans and latest technical reports. These cash flows were discounted using a discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

(ii) *Determination of functional currency*

In determining the functional currency of the Company the following was considered:

- the currency that primarily affects the selling prices of goods and services,
- the currency of the country whose competitive forces and regulations mainly determine the selling prices of their goods and services,
- the currency that mainly influences the cost of labour, materials and other costs of producing goods or providing services,
- the currency in which the funds are generated from financing activities, i.e. that corresponds to debt instruments and equity securities issued and
- the currency used to maintain the amounts utilized by operating activities were considered.

The Company's functional currency is U.S. dollar. The Company's subsidiaries have a variety of functional currencies that include, but are not limited to, South African Rand, U.S. dollar and Canadian dollar.

(iii) *Technical feasibility and commercial viability of projects*

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) *Classification of Kamoa Holding Limited as a joint venture*

Kamoa Holding Limited is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Kamoa Holding Limited is classified as a joint venture of the Company.

(v) *Preparation of the financial statements on a going concern basis*

The Company had an accumulated deficit of $127.5 million at December 31, 2015. Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future. The Company's total current assets exceeds the Company's total liabilities and spending plan for 2016. As at December 31, 2015, the Company's total assets exceeded its total liabilities by $979 million and current assets exceeded current liabilities by $423 million. The Company therefore believes it has sufficient resources to continue as a going concern for the foreseeable future.

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, 2016, 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.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation.
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation.
- Amendments to IAS 27, 'Separate financial statements' on equity accounting.

Accounting standards issued but not yet effective

- Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. (i)
- Amendment to IAS 7 – Cash flow statements. (i)
- IFRS 15 – Revenue from contracts with customers. (ii)
- IFRS 9 – Financial Instruments (2009 & 2010), This IFRS is part of the IASB's project to replace IAS 39. (ii)
- Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting. (ii)
- IFRS 16 – Leases. (iii)

(i) Effective for annual periods beginning on or after January 1, 2017
(ii) Effective for annual periods beginning on or after January 1, 2018
(iii) Effective for annual periods beginning on or after January 1, 2019

The Company has considered these new and amended standards and assessed that it will have no material impact on adoption. The Company has not yet adopted these new and amended standards.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

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

Financial instrument	Level	**March 31, 2016**	December 31, 2015
		$'000	$'000
Financial assets			
Financial assets at fair value through profit or loss			
Investment in listed entity	Level 1	**842**	1,027
Loans and receivables			
Purchase price receivable	Level 2	**146,879**	191,856
Promissary note receivable	Level 2	**9,535**	9,076
Financial liabilities			
Other liabilities			
Borrowings	Level 2	**26,266**	26,021
Option liability	Level 2	**1,358**	1,204

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 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 require an entity to develop its own assumptions.

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 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 financial assets at fair value through profit or loss are valued using quoted prices in active markets. 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.

Financial risk management objectives and policies

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

Foreign exchange risk

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

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

	March 31, 2016	December 31, 2015
	$'000	$'000
Assets		
Canadian dollar	**1,345**	1,786
Australian dollar	**-**	-
South African rand	**23,953**	22,266
British pounds	**1,038**	1,316
Liabilities		
Canadian dollar	**(98)**	(246)
Australian dollar	**(58)**	(21)
South African rand	**(3,907)**	(4,262)
British pounds	**(38)**	(92)

Foreign currency sensitivity analysis

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

	Three months ended March 31,	
	2016	2015
	$'000	$'000
Canadian dollar	**62**	651
Australian dollar	**(3)**	(1)
South African rand	**(26)**	(216)
British pounds	**1**	(4)

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 with major banks that have investment grade credit ratings assigned by international credit-rating agencies and have low risk of default. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The Company has a purchase price receivable from Zijin which will be received in five equal instalments, payable every 3.5 months from the date of closing. The first instalment was received in March 2016. The installment payments owing from Zijin are secured by a pledge of shares of Kamoa Holding Limited owned by Zijin and which originally represented 24.75% of the outstanding shares of that entity. Should Zijin default on any installment payment, a subsidiary of the Company is entitled to enforce on the pledge of shares, including by requiring the re-transfer of ownership of 1/5th of the pledged shares back to a subsidiary of the Company, which, if it occurred, would result in a reduction in the share ownership of Kamoa Holding Limited by Zijin.

Liquidity risk

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

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

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total undiscounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at March 31, 2016					
Trade and other payables	7,836	693	7	854	**9,390**
Current income tax liabilities	122	-	-	-	**122**
Non-current borrowings	-	-	-	34,469	**34,469**
As at December 31, 2015					
Trade and other payables	10,335	3,185	10	797	**14,327**
Current income tax liabilities	120	-	-	-	**120**
Non-current borrowings	-	-	-	34,460	**34,460**

DESCRIPTION OF CAPITAL STOCK

As at May 11, 2016, 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 an unlimited number of preferred shares without par value. At this date 778,959,807 Class A Shares, nil Class B Shares, nil warrants and nil preferred shares were issued and outstanding.

The Company granted no options in 2016 and granted 6,350,000 options under the equity incentive plan (the "Equity Incentive Pan") to certain employees during 2015. Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at May 11, 2016, there were 3,600,000 options, from individual stock-option agreements exercisable into 3,600,000 Class A Shares and 29,295,000 options issued in terms of the Equity Incentive Plan exercisable into 29,295,000 Class A Shares.

The Company granted no restricted share units (RSUs) in 2016 and 7,277,081 RSUs in 2015 per the Company's restricted share unit plan. As at May 11, 2016, there were 7,277,081 RSUs exercisable into 7,277,081 Class A Shares.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design effectiveness of the Company's DC&P and ICFR as of March 31, 2016 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 and operate 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 and operation of the Company's ICFR as of March 31, 2016 and have concluded that these controls and procedures have been designed and operated effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the three months ended March 31, 2016, 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 Company have summarized its foreign exchange risk, credit risk and liquidity risk under the "Financial risk management objectives and policies" sub-heading under the "Financial instruments and other instruments" section in this MD&A. Additional risks and uncertainties are discussed in the Company's Annual Information Form filed with Canadian provincial regulatory authorities and available at www.sedar.com.

DISCLOSURE OF TECHNICAL INFORMATION

Disclosures of a scientific or technical nature in this MD&A has been reviewed and approved by Stephen Torr, who is considered, by virtue of his education, experience and professional association, a Qualified Person under the terms of NI 43-101. Mr. Torr is not considered independent under NI 43-101 as he is the Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this MD&A.

Ivanhoe has prepared a current independent NI 43-101-compliant technical report for each of the Platreef Project, the Kipushi Project and the Kamoa Project, which are available under the Company's SEDAR profile at www.sedar.com. These technical reports include relevant information regarding the effective date and the assumptions, parameters and methods of the mineral resource estimates on the Platreef Project, the Kipushi Project and the Kamoa 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 Platreef Project, Kipushi Project and Kamoa Project.