Ivanhoe Mines begins construction of first box cut for planned underground mine at the Kamoa copper discovery in the Democratic Republic of Congo

Initial development to focus on Kansoko Sud high-grade stratiform zone where a recent drill hole intercepted 15.7 metres of 7.04% copper

LUBUMBASHI, DEMOCRATIC REPUBLIC OF CONGO – Ivanhoe Mines (TSX: IVN) Executive Chairman Robert Friedland and Chief Executive Officer Lars-Eric Johansson today announced the start of construction on the box cut for the initial portal to planned decline ramps that will provide underground access to the proposed Kamoa copper mine in the Democratic Republic of Congo’s Katanga province.

A contract for construction of the box cut was awarded to Lubumbashi-based Mining Company Katanga Sprl (MCK), which has extensive local experience in contract mining and earthworks and has worked on other significant Katanga copper mining projects, including Kinsevere, Kipoi and Kolwezi.

Construction of the box cut is expected take approximately five months, after which development of the first set of twin declines can commence. The declines have been designed to intersect the high-grade copper mineralization in Kansoko Sud area, approximately 150 metres below surface. Ivanhoe’s drilling program in this area has defined a thick, near-surface zone of high-grade copper mineralization in Kansoko Sud, where a recent drill hole, for which assays were received in April 2014, intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

“This first development step is an important milestone in Ivanhoe’s schedule to begin realizing the tremendous potential of Kamoa’s high-grade resource to deliver meaningful benefits to all of our stakeholders,” said Mr. Friedland.

“Industry experts recognize that Kamoa is a world-class copper deposit, both in terms of size and grade. In our mine planning, Kamoa’s tabular form and relatively undeformed geometry, allows utilization of simple and low-cost mining methods; no complex metallurgical processes are required and the inherent scalability of the deposit means that it can provide significant returns over a range of production scenarios.”

Kamoa is the world’s largest high-grade (>2.5% Cu) copper resource. As such, Ivanhoe’s initial, independent preliminary economic assessment (PEA) was based on an initial mining rate of three million tonnes per annum (Mtpa), which could be scaled up in phases to a steady state rate of up to 15 Mtpa.

Mr. Johansson said it is important for Ivanhoe to strike the correct balance between capital efficiency and operational risk.

“This principle will be adopted during the project’s first phase, which is being scoped to target several high-grade areas in Kansoko Sud in the initial build up. The approach is to target early cash-generation opportunities, while allowing organizational learning and operational refinements to be incorporated into the subsequent expansion phases,” Mr. Johansson added.
Figure 1: Kamoa proposed mining panel layout by mining section showing the planned initial mining area at Kansoko Sud.
Figure 2: Location of the first box cut in the Kansoko Sud area.
Underground mining to use mechanized room-and-pillar and drift-and-fill methods

Given the favourable geological characteristics of the Kamoa Deposit as derived from the December 2012 mineral resource – including its relatively undeformed, continuous mineralization – it is considered amenable to large-scale, mechanized, room-and-pillar and drift-and-fill mining. The overall dip and geometry of the resource make it conducive to room-and-pillar mining in the shallow portions of the deposit, which will transition to drift-and-fill mining in the deeper or steeper sections. These methods are the accepted industry standards for mining deposits such as Kamoa.

Infill drilling of the planned initial mining area from the PEA has confirmed the overall grade and thickness of the December 2012 resource estimate in these areas and provided invaluable refinement within localized areas. While traditionally modelled on a 1% total copper cut-off to define a selective mineralized zone (SMZ), the deposit has shown that grade continuity also exists at an elevated 1.5% total copper vertical cut-off, and that a 2.0% total copper vertical cut-off may be feasible in certain areas. Applying higher cut-offs in defining the SMZ will allow for implementation of higher-grade, narrower mining options which should improve overall mine economics. Defining the SMZ at higher vertical cut-offs also has created more expansive, contiguous zones of high-grade mineralization.

Progress on pre-feasibility study, with initial development planned at Kansoko Sud

In line with the phased approach to project development outlined in the 2013 updated Kamoa PEA, the Kamoa pre-feasibility study (PFS) is progressing on the basis of an initial three-million-tonne-per-annum (3 Mtpa) mine and concentrator. Development plans will be refined following completion of the PFS.

Reviews of the resource model, combined with results from recent infill drilling at Kansoko Sud, have confirmed grade continuity, which allows the resource model to be constrained at a higher cut-off grade. The focus in planning the early years of mine production continues to be on the near-surface and high-grade material from Kansoko Sud to maximize margins. The 3 Mtpa mine and concentrator can be split into modules to potentially better match the underground ramp-up and further reduce the pre-production development capital. This will be examined in more detail as part of the pre-feasibility study to provide flexibility to the development of the Kamoa Project.

Qualified Person

The scientific and technical information in this release has been reviewed and approved by Stephen Torr, P.Geo., Ivanhoe Mines’ Vice President, Project Geology and Evaluation, a Qualified Person under the terms of National Instrument 43-101. Mr. Torr has verified the technical data disclosed in this news release.

About Ivanhoe Mines

Ivanhoe Mines, with offices in Canada, the United Kingdom and South Africa, is advancing and developing its three principal projects:

• The Kamoa copper discovery in a previously unknown extension of the Central African Copperbelt in the DRC’s Province of Katanga.
• The Flatreef discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa.
• The historic, high-grade Kipushi zinc, copper and germanium mine, also on the Copperbelt in the DRC.

Ivanhoe Mines also is evaluating other opportunities as part of its objective to become a broadly based, international mining company.
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Cautionary statement on forward-looking information

Certain statements in this release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which 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 release.

Forward looking statements in this release include, but are not limited to: statements regarding the timing and results of a pre-feasibility study at the Kamoa Project; statements regarding the expected time it will take for construction of the box cut; statements regarding the expectation that the development of the first set of twin declines is expected to begin upon completion of the box cut; statements regarding the declines have been designed to intersect the high-grade copper mineralization in the Kansoko Sud mining area, approximately 150 metres below surface; statements regarding underground mining to use mechanized room-and-pillar and drift-and-fill methods. As well, the results of the preliminary economic assessment of the Kamoa Project constitute forward-looking information, including estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoa Project, the company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include among others: (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; (vi) the availability of equipment and facilities necessary to complete development, (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This release also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the company’s projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper price; (ii) results of drilling, (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under “Risk
Factors”, as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

Although the forward-looking statements contained in this release 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 release 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 release.

The company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth in the “Risk Factors” section and elsewhere in the company’s most recent Management’s Discussion and Analysis report and Annual Information Form, available at www.sedar.com.