

Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

September 30, 2017
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.

September 30, 2017

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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)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2017	2016	2017	2016
		\$	\$	\$	\$
Expenses					
Exploration and project expenditure		11,595	7,769	29,517	22,919
Salaries and benefits		2,070	2,228	6,472	5,934
Share-based payments	18	1,224	1,750	3,797	4,535
Travel		843	811	2,604	2,183
Office and administration		878	422	2,054	1,575
Foreign exchange losses (gains)		1,324	(384)	2,045	(843)
Professional fees		264	629	895	1,407
Legal		68	144	297	292
Other expenditure		592	363	1,577	1,015
Loss from operating activities		18,858	13,732	49,258	39,017
Other income	21	(3,063)	(1,933)	(5,640)	(5,450)
Finance income	19	(8,032)	(7,239)	(23,628)	(23,075)
Finance costs	20	434	454	1,268	1,327
Share of losses from joint venture	6	6,759	6,306	17,312	15,842
Loss before income taxes		14,956	11,320	38,570	27,661
Income tax expense (recovery)					
Current tax		(60)	-	136	-
Deferred tax		70	78	221	433
		10	78	357	433
LOSS FOR THE PERIOD		14,966	11,398	38,927	28,094
Loss attributable to:					
Owners of the Company		10,301	7,987	26,459	18,231
Non-controlling interests		4,665	3,411	12,468	9,863
		14,966	11,398	38,927	28,094
Other comprehensive loss					
Items that may subsequently be reclassified to loss:					
Exchange loss (gain) on translation of foreign operations		6,196	(10,813)	(1,381)	(10,358)
Other comprehensive loss (profit) for the period, net of tax		6,196	(10,813)	(1,381)	(10,358)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		21,162	585	37,546	17,736
Total comprehensive loss (profit) attributable to:					
Owners of the Company		15,893	(1,860)	25,119	8,911
Non-controlling interest	17	5,269	2,445	12,427	8,825
		21,162	585	37,546	17,736
Basic and diluted loss per share	22	0.01	0.01	0.03	0.02
Weighted average number of basic and diluted shares	22	786,650,448	778,996,196	785,314,994	778,971,937

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position as at

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	September 30, 2017	December 31, 2016
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	162,981	125,787
Mineral properties	5	6,940	6,940
Investment in joint venture	6	538,588	473,648
Promissory note receivable	9	10,821	10,804
Deferred tax asset		825	1,033
Other assets		6,261	4,111
Total non-current assets		726,416	622,323
Current assets			
Purchase price receivable	7	-	76,177
Prepaid expenses	8	7,879	9,328
Promissory note receivable	9	2,260	-
Other receivables	10	3,765	6,653
Financial assets at fair value through profit or loss	11	6,022	2,720
Cash and cash equivalents	12	228,097	285,029
Current tax asset		9	-
Total current assets		248,032	379,907
Total assets		974,448	1,002,230
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1,139,151	1,125,434
Share option reserve	15	129,719	135,217
Foreign currency translation reserve	16	(20,169)	(21,509)
Accumulated deficit		(178,426)	(151,967)
Equity attributable to owners of the Company		1,070,275	1,087,175
Non-controlling interest	17	(143,340)	(130,913)
Total equity		926,935	956,262
Non-current liabilities			
Borrowings	13	28,663	26,875
Deferred tax liabilities		2,082	2,082
Total non-current liabilities		30,745	28,957
Current liabilities			
Financial Liability		2,424	1,870
Trade and other payables	14	14,344	15,140
Current tax liabilities		-	1
Total current liabilities		16,768	17,011
Total liabilities		47,513	45,968
Total equity and liabilities		974,448	1,002,230

Continuing operations (Note 1)

Commitments and contingencies (Note 27)

(Signed) Oyvind Hushovd

Oyvind Hushovd, Director

(Signed) Livia Mahler

Livia Mahler, Director

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of changes in equity

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

(Unaudited)

	Share capital		Share option reserve	Foreign currency translation reserve	Accumulated deficit	Equity attributable to owners	Non-controlling interest	Total
	Number of shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
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	-	-	-	-	(18,231)	(18,231)	(9,863)	(28,094)
Other comprehensive (loss) profit	-	-	-	9,320	-	9,320	1,038	10,358
Total comprehensive loss	-	-	-	9,320	(18,231)	(8,911)	(8,825)	(17,736)
<i>Transactions with owners</i>								
Share based payments	-	-	4,047	-	-	4,047	-	4,047
charged to operations (Note 18)	162,500	187	(65)	-	-	122	-	122
Balance at September 30, 2016	779,122,307	1,124,219	135,111	(21,338)	(145,736)	1,092,256	(126,999)	965,257
 Balance at January 1, 2017	 781,585,485	 1,125,434	 135,217	 (21,509)	 (151,967)	 1,087,175	 (130,913)	 956,262
Loss for the period	-	-	-	-	(26,459)	(26,459)	(12,468)	(38,927)
Other comprehensive profit	-	-	-	1,340	-	1,340	41	1,381
Total comprehensive (loss) profit	-	-	-	1,340	(26,459)	(25,119)	(12,427)	(37,546)
<i>Transactions with owners</i>								
Share based payments								
charged to operations (Note 18)	-	-	3,244	-	-	3,244	-	3,244
Options exercised (Note 15(b))	5,640,931	13,717	(8,742)	-	-	4,975	-	4,975
Balance at September 30, 2017	787,226,416	1,139,151	129,719	(20,169)	(178,426)	1,070,275	(143,340)	926,935

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of cash flows

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash flows from operating activities					
Loss before income taxes		(14,956)	(11,320)	(38,570)	(27,661)
Items not involving cash					
Share of losses from joint venture	6	6,759	6,306	17,312	15,842
Unrealized foreign exchange loss (gain)		1,342	(820)	2,097	(949)
Share-based payments	18	1,224	1,750	3,797	4,535
Depreciation and amortization	4	1,072	1,069	3,215	3,251
Transfer from other assets to working capital items		505	-	1,701	990
Finance costs	20	434	454	1,268	1,327
Borrowing costs capitalized		-	-	146	-
Finance income	19	(8,032)	(7,239)	(23,628)	(23,075)
Increase in fair value of financial asset		(2,258)	(1,109)	(3,302)	(2,430)
Promissory note fair value adjustment		(263)	(266)	(779)	(702)
Profit on disposal of property, plant and equipment		(1)	-	(1)	(7)
		(14,174)	(11,175)	(36,744)	(28,879)
Change in non-cash working capital items	25	4,427	2,165	3,543	2,343
Interest paid		61	(27)	8	(93)
Interest received		1,022	741	2,729	2,081
Income taxes paid		(13)	-	(146)	(238)
Net cash used in operating activities		(8,677)	(8,296)	(30,610)	(24,786)
Cash flows from investing activities					
Investment in joint venture		(29,046)	(39,326)	(62,890)	(47,051)
Property, plant and equipment acquired	4	(18,780)	(10,855)	(39,709)	(32,392)
Other assets acquired		(1,946)	(57)	(3,828)	(2,402)
Proceeds from sale of property, plant and equipment		-	31	2	66
Net cash used in investing activities		(49,772)	(50,207)	(106,425)	(81,779)
Cash flows from financing activities					
Options exercised		1,052	122	4,975	122
Cash paid on behalf of joint venturer		(586)	(795)	(1,499)	(951)
Transaction costs paid on partial sale of subsidiary, now jointly controlled		(135)	(2,542)	(4,685)	(5,228)
Proceeds from the partial sale of subsidiary, now jointly controlled		-	41,200	82,400	93,147
Net cash generated from financing activities		331	37,985	81,191	87,090
Effect of foreign exchange rate changes on cash		(799)	2,043	(1,088)	1,412
Net cash outflow		(58,917)	(18,475)	(56,932)	(18,063)
Cash and cash equivalents, beginning of period		287,014	294,360	285,029	293,948
Cash and cash equivalents, end of period		228,097	275,885	228,097	275,885
Cash and cash equivalents consists of					
Cash		228,097	275,885	228,097	275,885
Short-term fixed deposits		-	-	-	-
		228,097	275,885	228,097	275,885

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

1. Basis of presentation and continuing operations

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

The registered and records office of the Company are located at Suite 654-999 Canada Place, Vancouver, British Columbia, 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 \$178.4 million at September 30, 2017. The Company's total current assets exceeds the Company's total liabilities and spending plan for the remainder of 2017. As at September 30, 2017, the Company's total assets exceeds its total liabilities by \$926.9 million and current assets exceeds current liabilities by \$231.3 million. 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 additional funding will be available to the Company in the near 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 September 30, 2017, 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, 2016 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, 2016.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

2. Significant accounting policies (continued)

(b) Significant accounting estimates and judgments

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, the determination of the functional currency, technical feasibility and commercial viability of projects, the classification of Kamoia 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 period ending September 30, 2017:

- 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. (i)

The Company expects the impact not to be material as the Company's properties will not be in commercial production prior to the effective date. All future operating mines will adopt IFRS 15 upon achieving commercial production.

- Amendments to IFRS 2 - 'Share-based payments'. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. (i)

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

- IFRS 9 – Financial Instruments (2009 & 2010), This IFRS is part of the IASB's project to replace IAS 39. 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. (i)

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

(c) Future accounting changes (continued)

- 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. (ii)

As at June 30, 2017, the Company has operating lease commitments totalling \$1.9 million (see Note 27). However, the Company is in the process of determining the impact these commitments will have on the consolidated financial statements, if any.

- IFRIC 22 - 'Foreign currency transactions and advance consideration'. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. (i)

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

- Annual improvements 2014-2016. IFRS 1 - 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. (i)

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

- Annual improvements 2014-2016. IAS 28 - 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. (i)

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, 2018

(ii) Effective for annual periods beginning on or after January 1, 2019

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

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

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, 2017. The Company adopted these standards in the current period and they did not have a material impact on its consolidated financial statements.

- Amendment to IAS 12 – 'Income taxes'. The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses.
- 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.
- Annual improvements 2014-2016. IFRS 12 - 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosure requirements of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information (para B17 of IFRS 12).

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Notes to the condensed consolidated interim financial statements September 30, 2017

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

4. Property, plant and equipment

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Assets under construction	Total
	\$	\$	\$	\$	\$		\$	\$
Cost								
Balance as at December 31, 2015	1,914	15,577	4,318	2,009	14,607	-	50,865	89,290
Additions	164	225	761	8	2,025	-	40,306	43,489
Disposals	(48)	-	(80)	(64)	(66)	-	-	(258)
Transfers	-	(2,739)	-	-	-	3,720	(981)	-
Foreign exchange translation	248	(1,684)	211	117	71	300	10,251	9,514
Balance as at December 31, 2016	2,278	11,379	5,210	2,070	16,637	4,020	100,441	142,035
Additions	-	67	242	903	1,894	1,577	35,025	39,708
Disposals	-	-	(4)	-	-	-	-	(4)
Foreign exchange translation	15	903	85	7	29	(11)	(200)	828
Balance as at September 30, 2017	2,293	12,349	5,533	2,980	18,560	5,586	135,266	182,567
Accumulated depreciation and impairment								
Balance as at December 31, 2015	-	1,007	2,826	966	7,105	-	-	11,904
Depreciation	-	298	625	240	3,025	29	-	4,217
Disposals	-	-	(51)	(29)	(39)	-	-	(119)
Transfers	-	(72)	-	-	-	72	-	-
Foreign exchange translation	-	1	198	43	24	(20)	-	246
Balance as at December 31, 2016	-	1,234	3,598	1,220	10,115	81	-	16,248
Depreciation	-	101	435	177	2,401	101	-	3,215
Disposals	-	-	(2)	-	-	-	-	(2)
Transfers	-	(283)	-	-	-	283	-	-
Foreign exchange translation	-	64	44	3	23	(9)	-	125
Balance as at September 30, 2017	-	1,116	4,075	1,400	12,539	456	-	19,586
Carrying value								
December 31, 2016	2,278	10,145	1,612	850	6,522	3,939	100,441	125,787
September 30, 2017	2,293	11,233	1,458	1,580	6,021	5,130	135,266	162,981

Assets under construction

Assets under construction includes development costs capitalized 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 \$10.0 million (December 31, 2016: \$9.1 million) have been pledged to secure borrowings of the Company (see Note 13). The buildings have been pledged as security for a bank loan under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

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

	September 30, 2017	December 31, 2016
	\$	\$
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, 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 was notorially 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 Corporation, 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 broad-based black economic empowerment (B-BBEE) special purpose vehicle in compliance with South African ownership requirements.

6. Investment in joint venture

Kamoa Holding Limited ("Kamoa Holding"), a joint venture between the Company and Zijin Mining Group Co., Ltd. ("Zijin"), holds a direct interest in the Kamoa-Kakula Copper Project. The Kamoa-Kakula Copper Project is the largest copper discovery ever made on the African continent, with adjacent prospective exploration areas within the Central African Copperbelt in the Democratic Republic of Congo ("DRC") and is approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi.

The Company holds an indirect 39.6% interest in the Kamoa-Kakula Copper Project through its 49.5% shareholding in Kamoa Holding. Kamoa Holding owns a direct interest of 80% of the Kamoa-Kakula Copper Project. On November 11, 2016, the Company signed an agreement with the government of the Democratic Republic of Congo, transferring 15% interest in the Kamoa-Kakula Copper Project to the DRC government, increasing its total stake in the project to 20%. The transfer represents a change in ownership that did not result in a change of control. The Company has accounted for this change in the consolidated statement of changes in equity.

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Notes to the condensed consolidated interim financial statements September 30, 2017

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

6. Investment in joint venture (continued)

Company's share of comprehensive loss from joint venture

The following table summarizes the Company's share of the comprehensive loss of Kamo Holding.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest expense	10,919	8,338	30,000	23,011
Exploration costs	6,884	4,949	16,642	10,204
Interest income	(515)	-	(1,159)	-
Foreign exchange loss (gain)	21	90	(3)	347
Loss for the period	17,309	13,377	45,480	33,562
Non-controlling interest	(3,655)	(638)	(10,507)	(1,558)
Attributable loss for the period	13,654	12,739	34,973	32,004
Share of losses from joint venture (49.5%)	6,759	6,306	17,312	15,842

Net assets of the joint venture

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

	September 30, 2017		December 31, 2016	
	100%	49.5%	100%	49.5%
	\$	\$	\$	\$
Assets				
Property, plant and equipment	292,371	144,724	226,766	112,249
Other assets	52,163	25,821	16,401	8,118
Mineral property	802,021	397,000	802,021	397,000
Prepaid expenses	7,010	3,470	2,940	1,455
Cash and cash equivalents	44,505	22,030	36,795	18,214
Liabilities				
Shareholder's loans	(698,235)	(345,626)	(531,927)	(263,304)
Accruals and payables	(11,534)	(5,709)	(19,216)	(9,511)
Non-controlling interest	(98,972)	(48,991)	(109,479)	(54,192)
Net assets of the joint venture	389,329	192,718	424,301	210,029

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Notes to the condensed consolidated interim financial statements September 30, 2017

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

6. Investment in joint venture (continued)

Investment in Joint Venture

	September 30, 2017	December 31, 2016
	\$	\$
Company's share of net assets in joint venture	192,718	210,029
Loan advanced to joint venture	345,870	263,619
	538,588	473,648

The Company earns interest at USD 12 month LIBOR plus 7% on the loan advanced to the joint venture.

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 than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	\$	\$	\$	\$	\$
Advancement of loan	98,558	-	-	-	98,558
Kakula decline development	10,884	989	-	-	11,874
	109,442	-	-	-	110,431

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

Under the agreement, the subsidiary of Kamoa Holding agreed to provide a loan relating to the power upgrade, which is estimated to be \$141.0 million (including a \$4.5 million pre-finance loan), but is capped at a maximum commitment of \$250.0 million.

The loan advanced as at September 30, 2017 by the subsidiary of Kamoa Holding amounted to \$51.3 million (December 31, 2016: \$16.3 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 USD 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.

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7. Purchase price receivable

On December 8, 2015 the Company sold a 50.5% stake in Kamoa Holding, the company that at the time owned 95% of the Kamoa-Kakula project. Zijin – through its subsidiary, Gold Mountains (H.K.) International Mining Company Limited – bought a 49.5% share interest in Kamoa Holding for an aggregate consideration of \$412.0 million. 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 (see Note 9). 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.

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

	September 30, 2017	December 31, 2016
	\$	\$
Balance at beginning of the year	76,177	191,856
Purchase consideration received	(82,400)	(134,347)
Transaction costs paid	4,685	7,656
Unwinding discount	1,538	11,012
	-	76,177

Zijin paid \$206.0 million of the purchase consideration on closing of the transaction and the remaining \$206.0 million was agreed to be paid in five equal instalments, every 3.5 months from the date of closing. The five instalments of \$41.2 million were received in March 2016, July 2016, October 2016, February 2017 and May 2017 respectively.

8. Prepaid expenses

	September 30, 2017	December 31, 2016
	\$	\$
Advance payment on shaft construction	3,362	3,339
Other prepayments	1,684	1,700
Consumable stores	1,516	1,508
Deposits	1,317	1,283
Electrical infrastructure	-	1,498
	7,879	9,328

Prepaid expenses are amounts paid in advance which give the Company rights to receive future goods or services.

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9. Promissory notes receivable

The Company has the following promissory notes receivable:

	September 30, 2017	December 31, 2016
	\$	\$
Promissory note receivable from Crystal River (a)	10,821	8,840
A\$3 million promissory note receivable (b)	2,260	1,964
	13,081	10,804
Non-current promissory note	10,821	10,804
Current promissory note	2,260	-
	13,081	10,804

- (a) The promissory note receivable with a carrying value of \$10.8 million is an \$11.0 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 7). The remaining \$2.5 million is for subsequent funding provided to Kamoa Holding on Crystal River's behalf. The promissory note is payable on the earlier of December 8, 2025 or the next business day following the completion of the sale, transfer or disposition of the shares held by Crystal River in Kamoa Holding.
- (b) The promissory note receivable with a carrying value of \$2.3 million is a 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 received when the Company sold its Australian subsidiaries.

10. Other receivables

	September 30, 2017	December 31, 2016
	\$	\$
Advances	1,047	1,058
Refundable taxes (a)	920	1,731
Administration consulting receivable from joint venture	520	1,896
Other	1,278	1,968
	3,765	6,653

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

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11. Financial assets at fair value through profit or loss

On March 31, 2015, the Company disposed of its Australian subsidiaries. The Company received listed shares with a value of \$0.8 million as part of the acquisition consideration at the time, which has been classified as financial assets at fair value through profit or loss. The trading value of the listed shares as at September 30, 2017 is \$6.0 million (December 31, 2016: \$2.7 million).

12. Cash and cash equivalents

As at September 30, 2017, the Company had cash and cash equivalents of \$228.1 million (December 31, 2016: \$285.0 million). At December 31, 2016, \$19.8 million was subject to contractual restrictions as to its use. This cash was reserved for the Platreef Project and not available for the Company's general corporate purposes. As at September 30, 2017 there is no cash subject to these contractual restrictions.

13. Borrowings

	September 30, 2017	December 31, 2016
	\$	\$
<i>Unsecured - at amortised cost</i>		
(a) Loans from other entities	24,335	22,913
<i>Secured - at amortised cost</i>		
(b) Citi bank loan	4,328	3,962
	28,663	26,875

- (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 USD 3 month LIBOR plus 2% calculated monthly in arrears. Interest is not compounded. Using prevailing market interest rates for an equivalent loan of USD 3 month LIBOR plus 7% at June 6, 2013, the fair value of the loan at September 30, 2017 was estimated at \$24.3 million. The difference of \$7.1 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan. Interest of \$1.2 million was recognised during the nine months ended September 30, 2017.
- (b) The Citi bank loan of \$4.3 million (£3.23 million) is secured by the Rhenfield property (see Note 23). The loan is an interest only term loan repayable at August 31, 2020, and incurs interest at a rate of USD LIBOR plus 1.90% payable monthly in arrears.

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14. Trade and other payables

	September 30, 2017	December 31, 2016
	\$	\$
Trade accruals	9,771	5,423
Trade payables	3,199	7,571
Indirect taxes payable	248	48
Other payables	1,126	2,098
	14,344	15,140

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

15. Share capital

(a) *Shares issued*

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares (together with the Class A Shares, the "common shares") and an unlimited number of Preferred Shares. As at September 30, 2017, 787,226,416 (December 31, 2016: 781,585,485) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding. As at September 30, 2017, nil shares were subject to a lock-up, pursuant to lock-up agreements.

(b) *Options*

Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant. As at September 30, 2017, 47,576,500 share options have been granted and exercised, and 23,348,500 have been granted and are outstanding.

All outstanding share options 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.

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15. Share capital (continued)

(b) Options

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

		2017		2016
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at the beginning of year	32,050,000	1.54	40,825,000	1.68
Granted	-	-	-	-
Exercised	(8,576,500)	1.96	(225,000)	0.86
Expired	(75,000)	4.90	(7,330,000)	2.40
Forfeited	(50,000)	1.11	(1,220,000)	1.07
Balance at the end of the period	23,348,500	1.36	32,050,000	1.54

No options were granted in the nine months ended September 30, 2017. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes information about share options outstanding and exercisable as at September 30, 2017:

	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Expiry date		\$		\$
January 11, 2018	1,500,000	4.90	1,500,000	4.90
February 1, 2018	100,000	4.81	100,000	4.81
April 1, 2018	530,000	4.45	530,000	4.45
May 17, 2018	30,000	2.44	30,000	2.44
August 14, 2018	25,000	1.44	25,000	1.44
August 16, 2018	750,000	1.45	750,000	1.45
December 13, 2018	4,737,500	1.86	3,285,000	1.86
March 31, 2019	50,000	1.57	-	1.57
June 16, 2019	250,000	1.20	125,000	1.20
August 15, 2019	375,000	1.33	125,000	1.33
December 8, 2019	9,373,500	0.86	3,623,500	0.86
December 15, 2020	5,627,500	0.47	992,500	0.47
	23,348,500	1.36	11,086,000	1.93

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15. Share capital (continued)

(c) 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 initial vesting date established at grant and on each of the two anniversaries thereafter, subject to the satisfaction of any performance conditions.

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

	September 30, 2017	December 31, 2016
Balance at the beginning of the period	6,814,942	7,277,081
RSUs issued	43,683	2,013,539
RSUs cancelled	-	(75,000)
RSUs vested	-	(2,400,678)
Balance at the end of the period	6,858,625	6,814,942

16. Foreign currency translation reserve

	September 30, 2017	December 31, 2016
	\$	\$
Balance at the beginning of the period	(21,509)	(30,658)
Exchange differences arising on translation of the foreign operations	1,340	9,149
Balance at the end of the period	(20,169)	(21,509)

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.

17. Non-controlling interests

	September 30, 2017	December 31, 2016
	\$	\$
Balance at beginning of the period	(130,913)	(118,174)
Share of comprehensive loss for the period	(12,427)	(12,739)
Balance at the end of the period	(143,340)	(130,913)

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18. Share-based payments

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Equity settled share-based payments</i>				
Options vested (note 15(b))	431	988	1,517	3,195
Restricted share unit expense (note 15(c))	608	589	1,727	852
	1,039	1,577	3,244	4,047
<i>Cash settled share-based payments</i>				
B-BBEE transaction expense	185	173	553	488
	1,224	1,750	3,797	4,535

Of the share-based payment expense recognised for the nine months ended September 30, 2017, \$0.6 million (2016: \$0.5 million) related to the Platreef B-BBEE transaction, with the remaining \$3.2 million (2016: \$4.0 million) being the expense for options and restricted share units granted to employees recognised over the vesting period.

19. Finance income

Finance income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest from loan to joint venture	(7,146)	(4,212)	(19,362)	(11,487)
Unwinding discount	-	(2,288)	(1,538)	(9,508)
Other interest income	(886)	(739)	(2,728)	(2,080)
	(8,032)	(7,239)	(23,628)	(23,075)

The unwinding discount is the unwinding of the purchase price receivable from Zijin (see Note 7).

20. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest on non-current borrowings	434	362	1,266	1,234
Other financing costs	-	92	2	93
	434	454	1,268	1,327

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21. Other income

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Fair valuation of financial asset (a)	(2,258)	(1,108)	(3,302)	(2,429)
Administration consulting fee	(509)	(397)	(1,456)	(1,945)
Promissory notes unwinding discount (b)	(263)	(266)	(779)	(702)
Other	(33)	(162)	(103)	(374)
	(3,063)	(1,933)	(5,640)	(5,450)

(a) The Company owns shares in a listed company. The shares are carried at fair value through profit and loss (see Note 11).

(b) The unwinding discount relates to the unwinding of the promissory notes receivable (see Note 9).

22. 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 restricted share units, in the weighted average number of common shares outstanding during the year, if dilutive. All outstanding stock options and restricted share units were anti-dilutive for the nine months ended September 30, 2017 and 2016.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loss attributable to owners of the Company	10,301	7,987	26,459	18,231
Weighted average number of basic and diluted shares outstanding	786,650,448	778,996,196	785,314,994	778,971,937
Basic and diluted loss per share	0.01	0.01	0.03	0.02

23. 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 \$10.0 million (December 31, 2016: \$9.1 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 Sibanye Gold and 25% by Sylvania Resources Limited, operating at the Sibanye 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 Sibanye Platinum.

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24. Related party transactions

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

Name	Country of Incorporation	% equity interest as at	
		September 30, 2017	December 31, 2016
Subsidiaries			
Gabon Holding Company Ltd.	Barbados	100%	100%
Ivanhoe DRC Holding Ltd.	Barbados	100%	100%
Ivanhoe Mines (Barbados) Limited	Barbados	100%	100%
Kipushi Holding Limited	Barbados	100%	100%
Ivanhoe Mines DRC SARL	Democratic Republic of Congo	100%	100%
Ivanhoe Mines Exploration DRC SARL	Democratic Republic of Congo	100%	100%
Kipushi Corporation SA	Democratic Republic of Congo	68%	68%
Ivanhoe Gabon SA	Gabon	100%	100%
Ivanplats Finance Limited	Ireland	97%	97%
Ivanplats Holding SARL	Luxembourg	97%	97%
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	100%	100%
Africa Consolidated Mineral Exploration (Pty) Ltd.	South Africa	100%	100%
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	100%	100%
Ivanhoe Mines SA (Pty) Ltd.	South Africa	100%	100%
Ivanplats (Pty) Ltd.	South Africa	64%	64%
RK Mining (SA) (Pty) Ltd.	South Africa	100%	100%
Ivanhoe Mines UK Limited	United Kingdom	100%	100%
Ivanhoe Mines US LLC	United States of America	100%	100%
Ivanhoe (Zambia) Ltd.	Zambia	100%	100%
Joint ventures			
Kamoa Holding Limited	Barbados	49.50%	49.50%
Joint operations			
Rhenfield Limited	British Virgin Islands	50%	50%
RK1 Consortium	South Africa	25%	25%

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24. Related party transactions (continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Global Mining Management Corporation (a)	586	320	1,603	1,887
Ivanhoe Capital Aviation LLC (b)	500	500	1,500	1,300
Ivanhoe Capital Services Ltd. (c)	150	97	311	401
HCF International Advisors (d)	93	113	273	282
Ivanhoe Capital Pte Ltd (e)	53	21	218	147
Global Mining Services Ltd. (f)	34	16	93	31
Ivanhoe Capital Corporation (UK) Ltd (g)	49	-	49	1
Kamoa Copper SA (h)	(862)	(947)	(2,561)	(3,446)
Ivanhoe Mines Energy DRC Sarl (i)	(91)	(151)	(277)	(847)
GMM Tech Holdings Inc. (j)	(760)	-	(5)	-
	(248)	(31)	1,204	(244)
Travel	538	539	1,693	1 477
Salaries and benefits	582	385	1,562	1,864
Consulting	(465)	170	598	361
Office and administration	50	(27)	189	347
Cost recovery and management fee	(953)	(1,098)	(2,838)	(4,293)
	(248)	(31)	1,204	(244)

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

As at September 30, 2017, trade and other payables included \$0.46 million (December 31, 2016: \$1.2 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 and a director of the Company hold an indirect equity interest 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 a director of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.

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24. Related party transactions (continued)

- (c) Ivanhoe Capital Services Ltd. ("Services") is a private company owned indirectly by a director of the Company. Services provides for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (d) HCF International Advisers ("HCF") is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. HCF has a director in common with the Company and provides financial advisory services to the Company.
- (e) Ivanhoe Capital Pte Ltd. ("Capital") is a private company owned indirectly by a director of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery 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.
- (h) Kamoa Copper SA ("Kamoa Copper") is a company incorporated in the DRC. Kamoa Copper is 80% owned by the Kamoa Holding joint venture (see Note 6). The Company provides administration, accounting and other services to Kamoa Copper on a cost-recovery basis.
- (i) Ivanhoe Mines Energy DRC Sarl ("Energy") is a company incorporated in the DRC. Energy is 100% owned by the Kamoa Holding joint venture (see Note 6). The Company provides administration, accounting and other services to Energy on a cost-recovery basis.
- (j) GMM Tech Holdings Inc. ("GMM Tech") is a private company incorporated in British Columbia, Canada and is 100% owned by Global. GMM Tech provides information technology services to the Company on a cost-recovery basis.

25. Cash flow information

Net change in non-cash working capital items:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net (increase) decrease in				
Other receivables	(59)	3,764	2,889	9,481
Prepaid expenses	1,977	(3,787)	1,449	(3,224)
Net increase (decrease) in				
Trade and other payables	2,509	2,188	(795)	(3,914)
	4,427	2,165	3,543	2,343

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26. Financial instruments

(a) Fair value of financial instruments

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

Financial instrument	Level	September 30, 2017	December 31, 2016
		\$	\$
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entity	Level 1	6,022	2,720
<i>Loans and receivables</i>			
Promissory note receivable	Level 3	13,081	10,804
Financial liabilities			
Borrowings	Level 3	28,663	26,875

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

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

The Company has two promissory notes:

- i) The fair value of the promissory note received as part of the purchase consideration when the Company sold its Australian subsidiaries (see Note 9(b)) was originally determined assuming repayment occurs on March 31, 2018 and is discounted using a rate of 8%.
- ii) The fair value of the promissory note receivable by the Company from Crystal River (see Note 9(a)) was originally determined assuming repayment occurs on December 31, 2017 and is discounted using a rate of 8.3%.

The carrying value of the promissory notes are not significantly different to the fair value.

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 13(a)) was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of USD 3 month 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.

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26. Financial instruments (continued)

(b) Financial risk management objectives and policies

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

(i) Foreign exchange risk

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

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

	September 30, 2017	December 31, 2016
	\$	\$
Assets		
Canadian dollar	2,890	2,479
Australian dollar	6,022	2,720
South African rand	16,985	20,486
British pounds	620	695
Liabilities		
Canadian dollar	(241)	(1,000)
Australian dollar	(118)	(21)
South African rand	(7,097)	(7,384)
British pounds	(72)	(162)

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 period where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Nine months ended September 30,	
	2017	2016
	\$	\$
Canadian dollar	132	97
Australian dollar	295	(1)
South African rand	(20)	(31)
British pounds	-	1

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(Unaudited)

26. 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 irrecoverable 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 to historical information about counterparty default rates. The Company had a purchase price receivable from Zijin which was received in five equal instalments, payable every 3.5 months from the date of closing. The five instalments were received in March 2016, July 2016, October 2016, February 2017 and May 2017.

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

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

26. 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 un- discounted cash flows
	\$	\$	\$	\$	\$
As at September 30, 2017					
Trade and other payables	1,886	12,159	299	-	14,344
Non-current borrowings	-	-	-	35,438	35,438
As at December 31, 2016					
Trade and other payables	13,903	366	88	783	15,140
Current income tax liabilities	1	-	-	-	1
Non-current borrowings	-	-	-	34,270	34,270

(iv) Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings and the loan advanced to the joint venture. The Company's main exposure to interest rate risk arises from the fact that the Company earns and incurs interest on interest rates linked to USD LIBOR.

If interest rates (including applicable USD LIBOR rates) had been 50 basis points higher or lower and all other variables were held constant the Company's loss for the 9 months ended September 30, 2017 would have increased or decreased by \$2.7 million.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

27. Commitments and contingencies

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

As at September 30, 2017, 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	5,891	-	-	-	5,891
Operating leases	440	989	456	-	1,885
	6,331	989	456	-	7,776

The Company contracted Aveng Mining for the sinking of shaft 1 at the Platreef Project to a depth of 777 metres below surface.

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

28. Segmented information

At September 30, 2017, the Company has four reportable segments, being the Platreef property, Kamoia Holding joint venture, Kipushi properties 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.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

28. Segmented information (continued)

The reportable segments are principally engaged in the development of mineral properties in South Africa; exploration and development of mineral properties through a joint venture in the DRC; and the upgrading of mining infrastructure and refurbishment of a mine in the DRC respectively. The following is an analysis of the non-current assets by geographical area and reconciled to the Company financial statements:

	South Africa	DRC	Other	Total
	\$	\$	\$	\$
Non-current assets				
As at September 30, 2017	147,522	550,742	28,152	726,416
As at December 31, 2016	112,542	482,483	27,298	622,323
		September 30,	December 31,	
		2017	2016	
		\$	\$	
Segment assets				
Kamoa Holding joint venture		538,588	473,648	
Treasury (ii)		238,590	358,948	
Platreef property		164,411	136,999	
All other segments (i)		17,546	19,918	
Kipushi properties		15,313	12,717	
Total		974,448	1,002,230	
Segment liabilities				
Platreef property		30,356	28,937	
All other segments (i)		8,093	7,242	
Treasury (ii)		4,588	4,982	
Kipushi properties		4,476	3,915	
Kamoa Holding joint venture		-	892	
Total		47,513	45,968	

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2017

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

28. Segmented information (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Segment losses (profits)				
Kipushi properties	10,823	7,085	28,800	21,829
Kamoa Holding Limited joint venture	6,759	6,306	17,312	15,842
Platreef property	1,180	307	2,523	1,245
All other segments (i)	1,151	1,051	2,096	1,408
Treasury (ii)	(4,947)	(3,351)	(11,804)	(12,230)
Total	14,966	11,398	38,927	28,094
Capital expenditures				
Platreef property	10,234	10,398	29,721	29,997
All other segments (i)	6,502	192	6,612	790
Kipushi properties	2,044	265	3,376	1,605
Total	16,736	10,855	39,709	32,392
Exploration and project expenditure				
Kipushi properties	10,209	6,608	26,970	19,770
All other segments (i)	1,346	1,106	2,423	3,016
Platreef property	40	55	124	133
Total	11,595	7,769	29,517	22,919

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

(ii) Treasury includes cash balances.

29. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the three and nine months ended September 30, 2017 were approved and authorized for issue by the Board of Directors on November 6, 2017.



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017**

DATED: NOVEMBER 6, 2017

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 and nine months ended September 30, 2017, 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, 2016 and 2015, 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 **November 6, 2017**. 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. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, its projects, 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.

Such statements include without limitation, the timing and results of: (i) statements regarding Shaft 1 providing initial access for early underground development at the Platreef Deposit; (ii) statements regarding the station development of Shaft 1 at the 750, 850 and 950 metre levels; (iii) statements regarding the sinking of Shaft 1, including that the average sinking rate is between 40 and 50 metres a month; (iv) statements regarding Shaft 1 reaching the planned, final depth at 980 metres below surface in 2019; (v) statements regarding the timing of Shaft 2 development, including that construction of the box cut will take approximately 12 months to complete and that Shaft 2 will be sunk to a final depth of more than 1,100 metres; (vi) statements regarding the operational and technical capacity of Shaft 1; (vii) statements regarding the internal diameter and hoisting capacity of Shaft 2; (viii) statements regarding the Company's plans to develop the Platreef Mine in three phases: an initial annual rate of four million tonnes per annum (Mtpa) to establish an operating platform to support future expansions; followed by a doubling of production to eight Mtpa; and then a third expansion phase to a steady-state 12 Mtpa; (ix) statements regarding the planned underground mining methods of the Platreef Project including long-hole stoping and drift-and-fill mining; (x) statements regarding peak water use of 7.5 million litres per day at the Platreef Project and development of the Pruissen Pipeline Project; (xi) statements regarding the Platreef Project's estimated electricity requirement of 100 million volt-amperes; (xii) statements regarding the timing and completion of an updated preliminary economic assessment at the Kamoa-Kakula Project in Q4 2017 and a preliminary feasibility study for a six Mtpa mine at Kakula; (xiii) statements regarding the timing, size and objectives of drilling and other exploration programs for 2017 and future periods, including drilling of 9,500 metres at the Kipushi Project in 2017; (xiv) statements regarding exploration through the rainy season on the Western Foreland exploration licenses; (xv) statements regarding the first blast for the twin declines at Kakula scheduled for mid-November 2017 and completion of the contract by the end of 2018; (xvi) statements regarding the timing of an initial resource estimate at Kakula West, (xvii) statements regarding the timing of an update to the Kipushi Mineral Resource estimate early in Q1 2018, (xviii) statements regarding the timing and completion of the preliminary feasibility study at the Kipushi Project, and (xix) statements regarding expected expenditure for the remainder of 2017 of \$15

million on further development at the Platreef Project; \$19 million at the Kipushi Project; \$3 million on regional exploration in the DRC; and \$5 million on corporate overheads – as well as its proportionate funding of the Kamoa-Kakula Project, expected to be \$16 million for the remainder of 2017.

As well, all of the results of the pre-feasibility study of the Kamoa-Kakula Project and preliminary economic assessment of development options for the Kakula deposit, the feasibility study of the Platreef Project and the preliminary economic assessment of the Kipushi Project, constitute forward-looking statements or 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-Kakula, 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 judgments. 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 and information 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 or information, 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 38 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 are generated. The Company's material properties consist of:

- **The Platreef Project.** Construction of the planned Platreef mine is now underway on the Company's discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Complex. Ivanhoe holds a 64% interest in Platreef, 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; 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-Kakula Copper Project.** A joint venture between Ivanhoe Mines and Zijin Mining Group Co., Ltd., ("Zijin" or "Zijin Mining") within the Central African Copperbelt in the Democratic Republic of Congo's southern Lualaba province. Following the signing of an agreement with the DRC government in November 2016 to transfer an additional 15% interest in the Kamoa-Kakula Project to the government of the DRC, Ivanhoe Mines and Zijin Mining each hold an indirect 39.6% interest in the Kamoa-Kakula Project, Crystal River Global Limited holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. The Kamoa-Kakula Project is independently demonstrated as the largest copper discovery ever made in the history of mining on the African continent and already ranks among the 10 largest copper deposits in the world (See "*Kamoa-Kakula 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' historically-disadvantaged, broad-based, black economic empowerment (B-BBEE) partners, which include 20 local host communities with a total of approximately 150,000 people, project employees and local entrepreneurs. In January 2017, Ivanplats reconfirmed its Level 3 status in its third verification assessment on a B-BBEE scorecard. A Japanese consortium of ITOCHU Corporation; Japan Oil, Gas and Metals National Corporation and Japan Gas 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 on 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 and development activities on defining and advancing the down-dip extension of its original discovery at Platreef, 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.

Positive independent, definitive feasibility study for Platreef's first-phase development; Platreef projected to be Africa's lowest-cost producer of platinum-group metals

On July 31, 2017, Ivanhoe Mines announced the positive results of an independent, definitive feasibility study (DFS) for the planned first phase of the Platreef Project's platinum-group metals, nickel, copper and gold mine in South Africa.

The independent Platreef DFS covers the first phase of development that would include construction of a state-of-the-art underground mine, concentrator and other associated infrastructure to support initial production of concentrate by 2022. As Phase 1 is being developed and commissioned, there would be opportunities to refine the timing and scope of subsequent phases of expanded production.

Highlights include:

- Indicated Mineral Resources contain an estimated 41.9 million ounces of platinum, palladium, rhodium and gold with an additional 52.8 million ounces of platinum, palladium, rhodium and gold in Inferred Resources.
- Increased Mineral Reserves containing 17.6 million ounces of platinum, palladium, rhodium and gold – an increase of 13% – following stope optimization and mine sequencing work.
- Development of a large, safe, mechanized, underground mine with an initial four Mtpa concentrator and associated infrastructure.
- Planned initial average annual production rate of 476,000 ounces (oz.) of platinum, palladium, rhodium and gold (3PE+Au), plus 21 million pounds of nickel and 13 million pounds of copper.
- Estimated pre-production capital requirement of approximately \$1.5 billion, at a ZAR:USD exchange rate of 13 to 1.

- Platreef would rank at the bottom of the cash-cost curve, at an estimated \$351 per ounce of 3PE+Au produced, net of by-products and including sustaining capital costs, and \$326 per ounce before sustaining capital costs.
- After-tax Net Present Value (NPV) of \$916 million, at an 8% discount rate.
- After-tax Internal Rate of Return (IRR) of 14.2%.

The study was prepared for Ivanhoe Mines by principal consultant DRA Global, with economic analysis led by OreWin, and specialized sub-consultants including Amec Foster Wheeler E&C Services Inc. (Amec Foster Wheeler), Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental.

Platreef Mineral Resources

On May 11, 2016, Ivanhoe Mines announced a substantial increase in Indicated and Inferred Mineral Resources at the Platreef Project. The updated Mineral Resource estimate, which included updated UMT_TCU Mineral Resources, Bikkuri Mineral Resources and the Mineral Resources in the immediate footwall of the TCU, was prepared by Ivanhoe Mines under the direction of Dr. Harry Parker, RM SME, of Amec Foster Wheeler. Dr. Parker and 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.

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.

The Platreef Indicated Mineral Resources for all mineralized zones are 346 million tonnes at a grade of 3.77 grams per tonne (g/t) 3PE+gold (1.68 g/t platinum, 1.70 g/t palladium, 0.11 g/t rhodium, 0.28 g/t gold), 0.32% nickel and 0.16% copper at a 2.0 g/t 3PE+gold cut-off. The average thickness of the 2.0 g/t 3PE+gold grade shell used to constrain the T2MZ resources for the indicated area is 19 metres.

Inferred mineral resources for all mineralized zones are 506 million tonnes at a grade of 3.24 g/t 3PE+gold (1.42 g/t platinum, 1.46 g/t palladium, 0.10 g/t rhodium, 0.26 g/t gold), 0.31% nickel and 0.16% copper. The average thickness of the 2.0 g/t 3PE+gold grade shell used to constrain the T2MZ resources for the inferred area is 12.7 metres.

Health and safety at Platreef

By the end of September 2017, the Platreef Project reached a total of 7,987,271 hours and 457,807 lost time injury-free (LTIF) hours worked in terms of South Africa's Mines Health and Safety Act and Occupational Health and Safety Act. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to employees, contractors, sub-contractors and consultants.

Construction of first shaft station in Shaft 1 completed

Shaft 1, with an internal diameter of 7.25 metres, will provide access to the Flatreef Deposit and enable the initial underground development to take place during the development of Shaft 2. Ultimately, Shaft 1 will become the primary ventilation intake shaft during the project's four-million-tonne-per-annum production case. The average sinking rate is between 40 to 50 metres a month. The shaft includes a 300-millimetre-thick, concrete-lined shaft wall. The main sinking phase is expected to reach its projected, final depth of 980 metres below surface in 2019. Shaft stations to provide access to horizontal mine workings

for personnel, materials, pump stations and services will be developed at depths of 450 metres, 750 metres, 850 metres and 950 metres. The permanent sinking phase, which started in July 2016, had reached a depth of 480 metres on September 30, 2017. The first off-shaft lateral development on the 450-metre-level, which will serve as an intermediate water pumping and shaft cable-termination station, was successfully completed in September. The next off-shaft lateral development will be on the 750-metre-level and will serve as the first mine working level.

Figure 1: Members of Platreef's shaft-sinking team in Shaft 1 at a depth of 500 metres below surface, more than halfway to the planned final depth of 980 metres.



Shaft 2 early-works construction underway

Shaft 2, to be located approximately 100 metres northeast of Shaft 1 will have an internal diameter of 10 metres, will be lined with concrete and sunk to a planned, final depth of more than 1,100 metres below surface. It will be equipped with two 40-tonne rock-hoisting skips with a capacity to hoist a total of six million tonnes of ore per year – the single largest hoisting capacity at any mine in Africa. The headgear for the permanent hoisting facility was designed by South Africa-based Murray & Roberts Cementation. The early-works for Shaft 2 include the excavation of a surface box cut to a depth of approximately 29 metres below surface and the construction of the concrete hitch (foundation) for the 103-metre-tall concrete headgear (headframe) that will house the shaft's permanent hoisting facilities and support the shaft collar. The box cut is expected to take approximately 12 months to complete.

Figure 2: Drill-rig crew members during early-works surface construction at Shaft 2, located approximately 100 metres northeast of Shaft 1.



Underground mining to use highly productive mechanized methods

The mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below surface. Primary access to the mining zones will be by way of Shaft 2 and secondary access to the mine will be via Shaft 1. During mine production, both shafts also will serve as ventilation intakes. Three additional ventilation exhaust raises are planned to achieve steady-state production.

Planned mining methods will use highly productive, mechanized methods, including long-hole stoping and drift-and-fill. Each method will utilize cemented backfill for maximum ore extraction. The ore will be hauled from the stopes to a series of internal ore passes and fed to the bottom of Shaft 2, where it will be crushed and hoisted to surface.

The current mine plan has been improved over the 2015 PFS mine plan by optimizing stope design, employing a declining Net Smelter Return (NSR) strategy and targeting higher-grade zones early in the mine life. This strategy has increased the grade profile by 23% on a 3PE+Au basis in the first 10 years of operation and 10% over the life of the mine.

Shaft 2 engineered to allow for future expansion options

Shaft 2 has been engineered with a crushing and hoisting capacity of six Mtpa. This will allow a relatively quick and capital-efficient first expansion of the Platreef Project to six Mtpa by increasing underground development and commissioning a third, two-Mtpa processing module and associated surface infrastructure as required.

A further expansion to more than eight Mtpa would entail converting Shaft 1 from a ventilation shaft into a hoisting shaft. This would require additional ventilation exhaust raises, as well as a further increase of underground development, commissioning of a fourth, two-Mtpa processing module and associated surface infrastructure, as described in the Platreef preliminary economic assessment (PEA) as Phase 2 of the project.

Preliminary expressions of interest received for approximately \$900 million of the targeted \$1 billion Platreef project financing

On July 19, 2017, Ivanhoe Mines announced the appointment of another two leading mine-financing institutions — KfW IPEX-Bank, a German government-owned institution, and the Swedish Export Credit Corporation (SEK) — as Initial Mandated Lead Arrangers (IMLAs) to arrange debt financing for the ongoing development of the Platreef Mine.

KfW IPEX-Bank and SEK joined the three initial IMLAs — Export Development Canada, Nedbank Limited (acting through its Corporate and Investment Banking division) and Societe Generale Corporate & Investment Banking — that were appointed earlier this year.

The five IMLAs will make best efforts to arrange a total debt financing of up to \$1 billion for the development of Platreef's first-phase, four-Mtpa mine. Preliminary expressions of interest now have been received for approximately \$900 million of the targeted \$1 billion project financing. Negotiation of a term sheet is ongoing. In addition, preliminary discussions have commenced with leading financial institutions around the financing of the contribution by the black economic empowerment partners to the development capital.

Metallurgical test work and processing methods

Metallurgical test work has focused on maximizing recovery of platinum-group metals (PGM) and base metals, mainly nickel, 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 tested produced smelter-grade final concentrates of approximately 85 g/t PGM+Au at acceptable PGM recoveries. Test work also has shown that the material is amenable to treatment by conventional flotation without the need for mainstream or concentrate ultrafine re-grinding. Extensive bench scale test work comprising of open-circuit and locked-cycled flotation testing, comminution testing, mineralogical characterization, dewatering and rheological characterization was performed at Mintek in South Africa, an internationally accredited metallurgical testing facility and laboratory.

Comminution and flotation test work has indicated that the optimum grind for beneficiation is 80% passing 75 micrometres. Platreef ore is classified as being 'hard' to 'very hard' and thus not suitable for semi-autogenous grinding; a multi-stage crushing and ball-milling circuit has been selected as the preferred size reduction route.

Improved flotation performance has been achieved using high-chrome grinding media as opposed to carbon-steel media. The inclusion of a split-cleaner flotation circuit configuration, in which the fast-floating fraction is treated in a cleaner circuit separate from the medium- and slow-floating fractions, resulted in improved PGM, copper and nickel recoveries and concentrate grades.

A two-phased development approach was used for the DFS flow-sheet design. The selected flow sheet comprises a common four-Mtpa, three-stage crushing circuit that feeds crushed material to two parallel milling-flotation modules, each with a nominal capacity of two Mtpa. Flotation is followed by a common concentrate thickening, concentrate filtration, tailings disposal and tailings-handling facility.

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 Complex. The project consists of the new De Hoop Dam, the raised wall of the Flag Boshielo Dam and related pipeline infrastructure that ultimately is expected to deliver water to Pruissen, southeast of the Northern Limb. The Pruissen Pipeline Project is expected to be developed to deliver water onward from Pruissen to the municipalities, communities and mining projects on the Northern Limb. Ivanhoe Mines is a member of the ORWRDP's Joint Water Forum.

The Platreef Project's water requirement for the first phase of development is projected to peak at approximately 7.5 million litres per day, which is expected to be supplied by the water network. Ivanhoe also is investigating various alternative sources of bulk water, including an allocation of bulk grey-water from a local source.

The Platreef Project's electrical power requirement for the phase one, four-Mtpa, underground mine, concentrator and associated infrastructure has been estimated at approximately 100 million volt-amperes. An agreement has been reached with Eskom, the South African public electricity utility, for the supply of phase-one power. Ivanhoe chose a self-build option for permanent power that will enable Ivanhoe to manage the construction of the distribution lines from Eskom's Burutho sub-station to the Platreef Mine. The self-build and electrical supply agreements are being formulated.

Development of human resources and job skills

Work is progressing well on the 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, culminating in 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 ongoing to upskill the current work force.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-silver mine in the DRC is adjacent to the town of Kipushi and approximately 30 kilometres southwest of Lubumbashi. It is located on the Central African Copperbelt, approximately 250 kilometres southeast of the Kamoa-Kakula 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

The Kipushi Project achieved a total of 51,230 work hours free of lost-time injuries by September 30, 2017. One lost-time injury occurred in September 2017.

The Fionet *Know for Sure* initiative to improve malaria diagnostics and treatment expanded to 300 Deki Readers installed in 252 medical service providers in Haut-Katanga and Lualaba provinces in Southern DRC, which host Ivanhoe's Kipushi and Kamoa-Kakula projects. Deki Readers provide automated readings of rapid diagnostic tests to remove the human-error factor and avoid prescription of unnecessary medication. The data are uploaded to a cloud server for analysis by the Ministry of Health in planning malaria-control measures. There were more than 24,000 patient encounters in Q3 2017 where Deki Readers provided diagnostic testing; only approximately 14% of Kipushi Project employees who were symptomatic tested positive for malaria.

Figure 3: A representative of the Know for Sure initiative, holding a Deki Reader used to conduct rapid diagnostic testing for malaria, explains to children how to get access to testing for themselves and their parents.



At the request of the Kipushi municipal authority, and in conjunction with the Haut Katanga Office of Roads and Drainage (Office des Voies et Drainage) and La Commission Nationale de Prévention

Routière (CNPR), additional speed bumps and signs have been installed on paved roads in the municipal areas in an effort to reduce traffic accidents.

Kipushi Mineral Resources

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

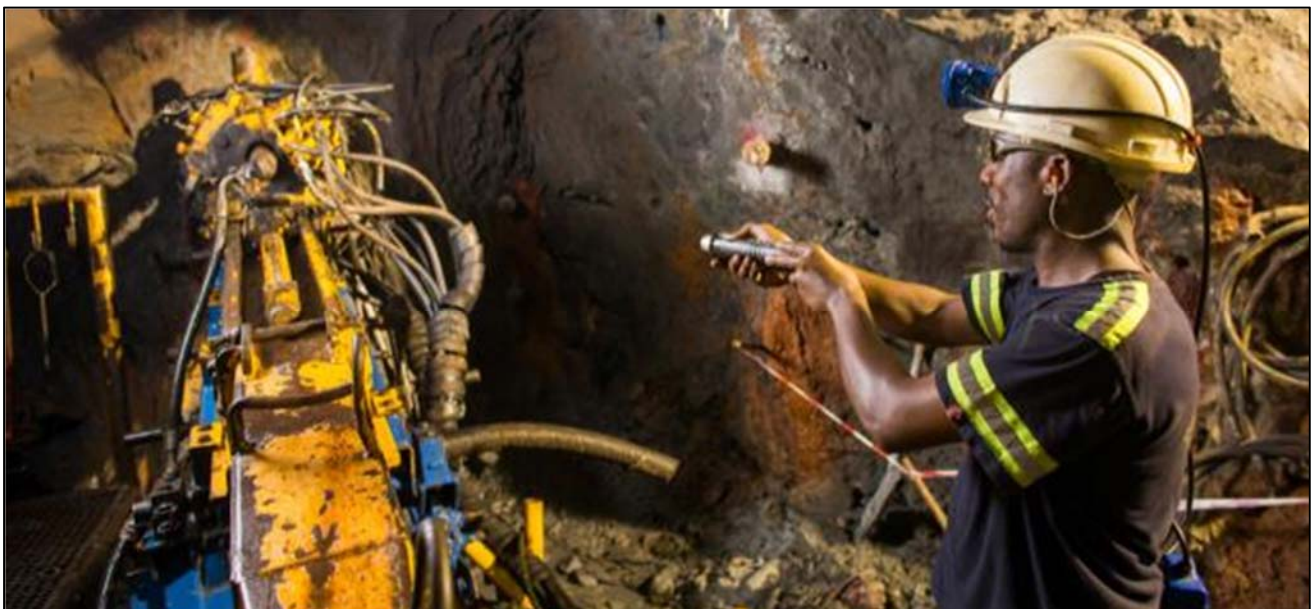
Zinc-rich Measured and Indicated Mineral Resources total 10.18 million tonnes at 34.89% zinc, 0.65% copper, 0.96% lead, 19 g/t silver, 15ppm cobalt and 51 g/t Germanium at a 7% zinc cut-off, containing 7,833 million pounds of zinc. Zinc-rich Inferred Mineral Resources total 1.87 million tonnes at 28.24% zinc, 1.18% copper, 0.88% lead, 10 g/t silver, 15ppm cobalt and 53 g/t germanium at a 7% zinc cut-off containing 1,169 million pounds of zinc.

Copper-rich Measured and Indicated Mineral Resources 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 total an additional 1.64 million tonnes at grades of 3.30% copper, 6.97% zinc and 19 g/t silver at a 1.5% copper cut-off, containing 119 million pounds of copper.

Underground drilling program includes metallurgy, infill and resource expansion drilling

Ivanhoe initiated a second phase of underground drilling at Kipushi in April 2017. The planned drilling program totalled 6,500 metres in 41 drill holes and included metallurgy, resource infill and expansion and exploration drilling. As of September 30, 2017, 36 holes and 7,812 metres had been completed. The program has been increased to approximately 9,500 metres as result of exploration success and now is scheduled to be completed in Q4 2017.

Figure 4: A member of the Titan drilling team operating a drill rig underground at Kipushi.



Resource drilling initially focused on the Southern Zinc, to confirm and expand the resource area and to upgrade it into an Indicated Mineral Resource. In Q3 drilling continued to extend the vertical limit of the Southern Zinc and targeted the area between the Southern Zinc and the Big Zinc, attempting to connect these two zones. Drilling also tested the eastern extent of the Série Récurrente.

Drilling is continuing with two rigs, one with the Southern Zinc expansion and the other with the Série Récurrente exploration. Ivanhoe intends to update the Kipushi Mineral Resource estimate early in Q1 2018.

Project development and infrastructure upgrading

The Kipushi 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. Ivanhoe restored access to the mine's principal haulage level at 1,150 metres below surface in December 2013. Since then, crews have been upgrading underground infrastructure to permanently stabilize the water levels.

Since completion of the 2014/2015 drilling program, water levels have been lowered to the bottom of Shaft 5, which is planned to be the mine's main production shaft. The shaft is eight metres in diameter, 1,240 metres deep and approximately 1.5 kilometres from the planned main mining area. It provides the primary access to the lower levels of the mine, including the Big Zinc Deposit, through the 1,150-metre haulage level and underground ramp decline.

Figure 5: Welding at the Kipushi Mine's Shaft 5 pumping station in preparation for a resumption of production.



Engineering work in Q3 2017 continued on the upgrading of Shaft 5 conveyances, rock handling (conveyors, crusher) and related infrastructure, refurbishment of bearer sets on the main rising water pipes, and the replacement of shaft buntons (horizontal steel supports to the shaft compartment).

Pre-feasibility study for Kipushi nearing completion

In September 2016, Ivanhoe began a pre-feasibility study (PFS) on the Kipushi Project that will further refine the optimal development scenario for the existing underground mine. Orewin, of Australia, has been appointed the main engineering firm for the preparation of the PFS. Golder Associates, MDM, SRK, DRA, Murray & Roberts and Grindrod also have been engaged to complete various aspects of the study.

The PFS will refine the positive PEA for the redevelopment of the Kipushi Project that was announced on May 2, 2016. The comprehensive new study is expected to be issued before the end of this year. Highlights of the 2016 PEA, prepared by OreWin and the MSA Group, include:

- After-tax net present value at an 8% real discount rate is \$533 million.
- After-tax real internal rate of return 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 – 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.

KAMOA-KAKULA PROJECT

The Kamoa-Kakula Copper Project, a joint venture between Ivanhoe Mines and Zijin Mining, has been independently ranked as the largest copper discovery ever made on the African continent. Kamoa-Kakula also includes adjacent prospective exploration areas within the Central African Copperbelt in the DRC. It is approximately 25 kilometres west of the town of Kolwezi and 270 kilometres west of Lubumbashi.

Ivanhoe sold a 49.5% share interest in Kamoa Holding Limited to Zijin Mining in December 2015 for an aggregate consideration of \$412 million. At the time, Kamoa Holding held a 95% interest in the Kamoa Project. 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. Since the conclusion of the Zijin transaction in December 2015, each shareholder of Kamoa Holding has been required to fund expenditures at the Kamoa-Kakula Project in an amount equivalent to its proportionate shareholding interest in the company.

A 5%, non-dilutable interest in the Kamoa-Kakula Project was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Following the signing of an agreement with the DRC government in November 2016, in which an additional 15% interest in the Kamoa-Kakula Project was transferred to the government, Ivanhoe and Zijin Mining now each hold an indirect 39.6% interest in the Kamoa-Kakula Project, Crystal River Global Limited holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. Kamoa Holding now has an 80% interest in the project.

Kakula's May 2017 estimate boosted combined Kamoa-Kakula Indicated Mineral Resources to approximately one billion tonnes at 3.02% copper, at a 1.4% cut-off

Ivanhoe issued an updated Mineral Resource estimate for the Kamoa-Kakula Project on May 17, 2017. The estimates were prepared by Ivanhoe Mines under the direction of Amec Foster Wheeler, of Reno, USA, in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves. The Qualified Persons for the Kamoa-Kakula Mineral Resource estimate are Dr. Harry Parker, RM, SME, and Gordon Seibel, RM, SME both of Amec Foster Wheeler.

The May 2017 resource estimate included an updated Mineral Resource estimate for the Kakula Discovery, but did not include any drilling results from the new Kakula West discovery area. Ivanhoe expects that an updated Kamoa-Kakula resource estimate, including an initial resource estimate for the Kakula West Discovery and the saddle area between the existing Kakula Mineral Resource area and Kakula West, should be available around the end of this year.

The combined Indicated Mineral Resources for the entire Kamoa-Kakula Project presently total 1.101 billion tonnes grading 2.85% copper, containing 69.2 billion pounds of copper at a 1.0% copper cut-off grade and a minimum thickness of three metres. Kamoa-Kakula also has Inferred Mineral Resources of 244 million tonnes grading 2.12% copper and containing 11.5 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum thickness of three metres.

The Indicated Mineral Resources just for Kakula total 349 million tonnes at a grade of 3.23% copper, containing 24.9 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Indicated Resources total 210 million tonnes at a 4.41% copper grade, containing 20.4 billion pounds of copper. At a higher cut-off of 3% copper, Indicated Resources total 116 million tonnes at a grade of 6.09% copper, containing 15.6 billion pounds of copper. Kakula also has Inferred Mineral Resources totalling 59 million tonnes at a grade of 2.26% copper, containing 3.0 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Inferred Resources total 27 million tonnes at a 3.19% copper grade, containing 1.9 billion pounds of copper. At a higher cut-off of 3% copper, Inferred Resources total 12 million tonnes at

a grade of 4.45% copper, containing 1.1 billion pounds of copper. Kakula's Indicated and Inferred resources are included in the combined Kamoia-Kakula Project mineral resources.

The average true thickness of the Kakula selective mineralized zone (SMZ) at a 1% cut-off is 12.0 metres in the Indicated Resources area and 6.4 metres in the Inferred Resources area. At a higher 3% cut-off, the average true thickness of the SMZ is 5.3 metres in the Indicated Resources area and 3.9 metres in the Inferred Resources area.

Kakula West Discovery confirmed by assay results and additional follow-up drilling

In September 2017 Ivanhoe released a press release on significant new results from step out drilling in Kakula West with significant results highlighting the continuation of a high grade zone from Kakula to Kakula West .

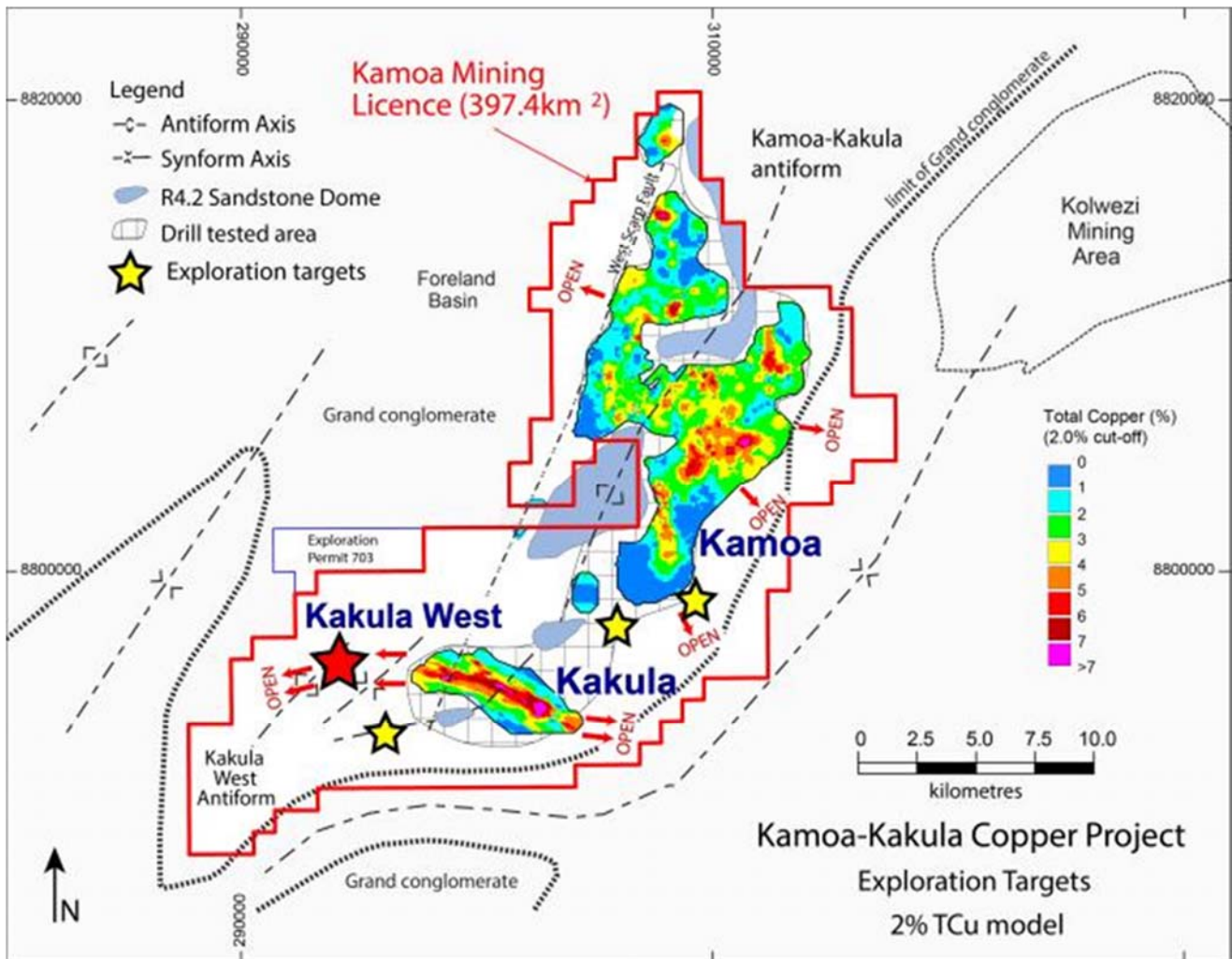
Significant new drilling intercepts at Kakula West and the saddle area include:

- DD1160, drilled on northern side of Kakula West, intersected 8.69 metres (true width) of 4.23% copper at a 3.0% copper cut-off, beginning at a downhole depth of 580.00 metres; 11.59 metres (true width) of 3.85% copper at a 2.5% copper cut-off; 21.25 metres (true width) of 3.20% copper at a 2% copper cut-off; and 49.01 metres (true width) of 2.38% copper at a 1% copper cut-off.
- DD1163, drilled in the saddle area between Kakula and Kakula West, intersected 5.28 metres (true width) of 9.54% copper at a 3.0% copper cut-off, beginning at a downhole depth of 724.40 metres; 5.28 metres (true width) of 9.54% copper at a 2.5% copper cut-off; 6.16 metres (true width) of 8.49% copper at a 2% copper cut-off; and 7.43 metres (true width) of 7.32% copper at a 1% copper cut-off.
- DD1171, drilled at the currently defined south-western limit of Kakula West, intersected 26.05 metres (true width) of 4.37% copper at a 3.0% copper cut-off, beginning at a downhole depth of 469.50 metres; 26.05 metres (true width) of 4.37% copper at a 2.5% copper cut-off; 28.37 metres (true width) of 4.20% copper at a 2% copper cut-off; and 28.74 metres (true width) of 4.16% copper at a 1% copper cut-off.
- DD1177, drilled in the centre of Kakula West, intersected 9.62 metres (true width) of 7.57% copper at a 3.0% copper cut-off, beginning at a downhole depth of 565.10 metres; 9.62 metres (true width) of 7.57% copper at a 2.5% copper cut-off; 10.24 metres (true width) of 7.26% copper at a 2% copper cut-off; and 13.00 metres (true width) of 6.00% copper at a 1% copper cut-off.
- DD1180, drilled on the currently defined western limit of Kakula West, intersected 5.17 metres (true width) of 5.39% copper at a 3.0% copper cut-off, beginning at a downhole depth of 492.40 metres; 11.65 metres (true width) of 3.74% copper at a 2.5% copper cut-off; 15.56 metres (true width) of 3.34% copper at a 2% copper cut-off; and 16.07 metres (true width) of 3.27% copper at a 1% copper cut-off.

In addition to the drilling at Kakula West, some drilling was completed in the Kakula area with significant results returned. Significant new drilling intercepts at the Kakula resource area include:

- DD1167, an in-fill hole drilled in the northwest portion of Kakula, intersected 6.16 metres (true width) of 9.20% copper at a 3.0% copper cut-off, beginning at a downhole depth of 578.00 metres; 6.16 metres (true width) of 9.20% copper at a 2.5% copper cut-off; 9.48 metres (true width) of 6.77% copper at a 2% copper cut-off; and 12.27 metres (true width) of 5.54% copper at a 1% copper cut-off.
- DD1182, drilled on the south-western limit of the Kakula resource area, intersected 3.75 metres (true width) of 6.36% copper at a 3.0% copper cut-off, beginning at a downhole depth of 235.48 metres; 7.47 metres (true width) of 4.56% copper at a 2.5% copper cut-off; 11.20 metres (true width) of 3.76% copper at a 2% copper cut-off; and 15.87 metres (true width) of 3.13% copper at a 1% copper cut-off.

Figure 6: Kamo-Kakula Copper Project geology showing Kakula Discovery area open for significant expansion along trend to the west.



The drilling results show a rapidly growing area of copper mineralization characterized by finely disseminated chalcocite in siltstone and maroon diamictite. The style and the overall geometry of mineralization are typical of the high-grade Kakula trend to the east. Drilling now has extended the strike length of the Kakula West copper-rich mineralized system to approximately 3.4 kilometres, and the overall high-grade Kakula trend to more than 12 kilometres.

The Kakula Discovery remains open for significant expansion along trend to the west and the southeast, while the remainder of the Kakula Exploration Area remains virtually untested.

New expanded-case Kamo-Kakula PEA scheduled for completion this quarter

The new Kamo-Kakula Project PEA is progressing well and is expected to be completed during Q4 2017. The new PEA is considering a mine capacity of six Mtpa at Kakula, based on the May 2017 Mineral Resource estimate, with a six-Mtpa mine at Kansoko with a centralized concentrator and smelter at Kakula, for a projected peak mine production of approximately 12 Mtpa from the presently delineated Kamo and Kakula deposits.

In addition to the new PEA study, preliminary work is underway on a six-Mtpa PFS at Kakula that will be based on an updated resource model. The study will be considered as the base case for the first phase of development at Kamo-a-Kakula. In light of the successful step-out drilling at Kakula West, the Kamo-a-Kakula development plans will be reassessed and amended as the project moves forward.

Health and safety at Kamo-a-Kakula

Health and safety remain key priorities for all people working at the Kamo-a-Kakula Project, which had achieved 7,729,995 lost-time, injury-free hours worked by September 30, 2017.

By the end of September 2017, 107 cases of malaria were diagnosed at the Kamo-a clinic during the first nine months of 2017, a significant reduction from the 147 cases for the same period in 2016. This progress is due, in part, to the project's malaria prevention plan.

Exploration activities increased at Kakula West to expand the high-grade zone of chalcocite-rich copper mineralization

Exploration activity increased significantly during Q3 2017 with additional drilling for geotechnical, hydrogeology, environmental and metallurgical studies, as well as an expansion in the resource drilling to support the updated resource estimate. A total of 33,500 metres were completed during Q3 2017. With 14 rigs in the field, more than 89,000 metres now have been drilled in 2017.

Resource expansion drilling was focused in Kakula West and in the saddle between the Kakula West discovery and Kakula. In addition, infill drilling was completed in the main Kakula area to tighten up the drill spacing while exploration drilling was completed in Kamo-a Ovest.

Figure 7: One of 14 rigs drilling at Kamo-a-Kakula – 10 of which are drilling in the Kakula and Kakula West area.



Improved copper recoveries and concentrate grades confirmed by preliminary metallurgical tests on drill core from Kakula

The next phase of flowsheet development has been initiated following the positive preliminary test work results received during Q4 2016 showing 87.8% recovery at an extremely high concentrate grade of 56% copper.

A metallurgical drilling campaign to compile a representative composite sample has been completed and material is being prepared for shipment to the XPS metallurgical laboratories in Canada. This sample will be used for the PFS circuit development and optimization test work planned for the second half of 2017.

Earlier metallurgical test work indicated that the Kamoa and Kakula concentrates contain extremely low arsenic levels by world standards – approximately 0.02%. Given this critical competitive marketing advantage, Kamoa-Kakula concentrates are expected to attract a significant premium from copper-concentrate traders for use in blending with concentrates from other mines. The concentrates will help to enable the other concentrates to meet the limit of 0.5% arsenic imposed by Chinese smelters to meet China's environmental restrictions.

Figure 8: Maroon diamictite, siltstone with disseminated chalcocite drilled in the southern edge of Kakula West.



Excavation completed on the Kakula box cut; decline development to begin in mid-November

The contractor, CREC 9, completed the box cut excavation, support and civil works at the end of October 2017. The Kakula decline development contract has been awarded to JMMC, a DRC subsidiary of JCHX.

The first blast for the twin declines at Kakula is scheduled for mid-November 2017. Depending on ground conditions, the 3,600-metre decline development contract is scheduled for completion by the end of 2018.

Figure 9 and 10: The Kakula box cut was completed on October 26, 2017. The first blast for the access declines is scheduled for mid-November 2017.



Development at the Kansoko Mine has reached the high-grade copper mineralization

Underground development at Kamo'a's Kansoko Mine, consisting of service and conveyor declines, was completed by Byrnegut Underground Congo SARL in September, 2017. The high-grade Kansoko Sud copper mineralization was reached and approximately 13,500 tonnes of development ore was stockpiled at surface. Various development options for Kansoko are being assessed in conjunction with the ongoing mine development activities at Kakula.

Figure 11: High-grade chalcopryite-rich copper ore from the Kansoko Mine.



Figure 12: High-grade chalcopryite-rich copper ore from the Kansoko Mine.



Kansoko Mine site connected to the national hydroelectric grid

The construction of a 120 kilovolt (kV) power line was completed and a 120kV mobile substation installed, commissioned and energized in Q4 2016. The Kansoko Mine site now is connected to the national electrical grid and is receiving hydropower for work on site. An eight-kilometre, 11kV overhead power line with mini substations was constructed from the mine site to the Kamoa camp and is supplying hydropower to the Kamoa camp. Line routes for the 120kV power line and the 11kV reticulation to Kakula have been finalized and connection is expected before the end of the year.

Refurbishment work progressing at the Mwadingusha power station

Repair work at the Mwadingusha Unit 1 was completed in August 2016. The Mwadingusha G1 unit, supplying 11 megawatts, was synchronized in September 2016 to the national, interconnected grid operated by SNEL, the DRC's state-owned power company. The contract to purchase four turbines for the Mwadingusha power plant upgrades was awarded and the contract signed between SNEL and the consortium Andritz Hydro & Cegelec Corporation. The Mwadingusha G1 and associated infrastructure upgrading is proceeding according to plan.

Continuing focus on jobs, community and sustainability

The number of job opportunities from the Kamoa-Kakula Project and contractors has risen during the third quarter of 2017 due to the increase in activity around the camp and mine area. Preference is given to local job-seekers and numerous positions have been filled.

The Sustainable Livelihoods project is largely aimed at economically empowering communities in the vicinity of the planned mine. The project, which has been in place for the past five years, has continued to successfully manage the following programs during 2017 to date:

- a small-holder maize (corn) production program yielded maize from local communities and the mine's farm, which now includes a recently acquired maize sheller, maize-cleaning machine, dehuller and grinding mill for maize meal production;
- a vegetable program supplying produce to the Kamoa-Kakula Project camp kitchen;
- a poultry project that supplies the Kamoa-Kakula Project camp kitchen with chickens and eggs;
- a beekeeping program managing more than 50 honey-producing hives; and
- a fish-farming program, consisting of two fully stocked dams with a third dam under construction.

A crop and household relocation survey has been conducted for the entire 15km² Kakula mining area. Compensation to farmers has been paid and alternative land has been allocated and is in the process of being ploughed. Fifty relocation houses will be constructed near the village of Muvundaquali for households to be relocated from the mine area. The first demonstration house has been built and is being inspected.

DRC WESTERN FORELAND EXPLORATION PROJECT

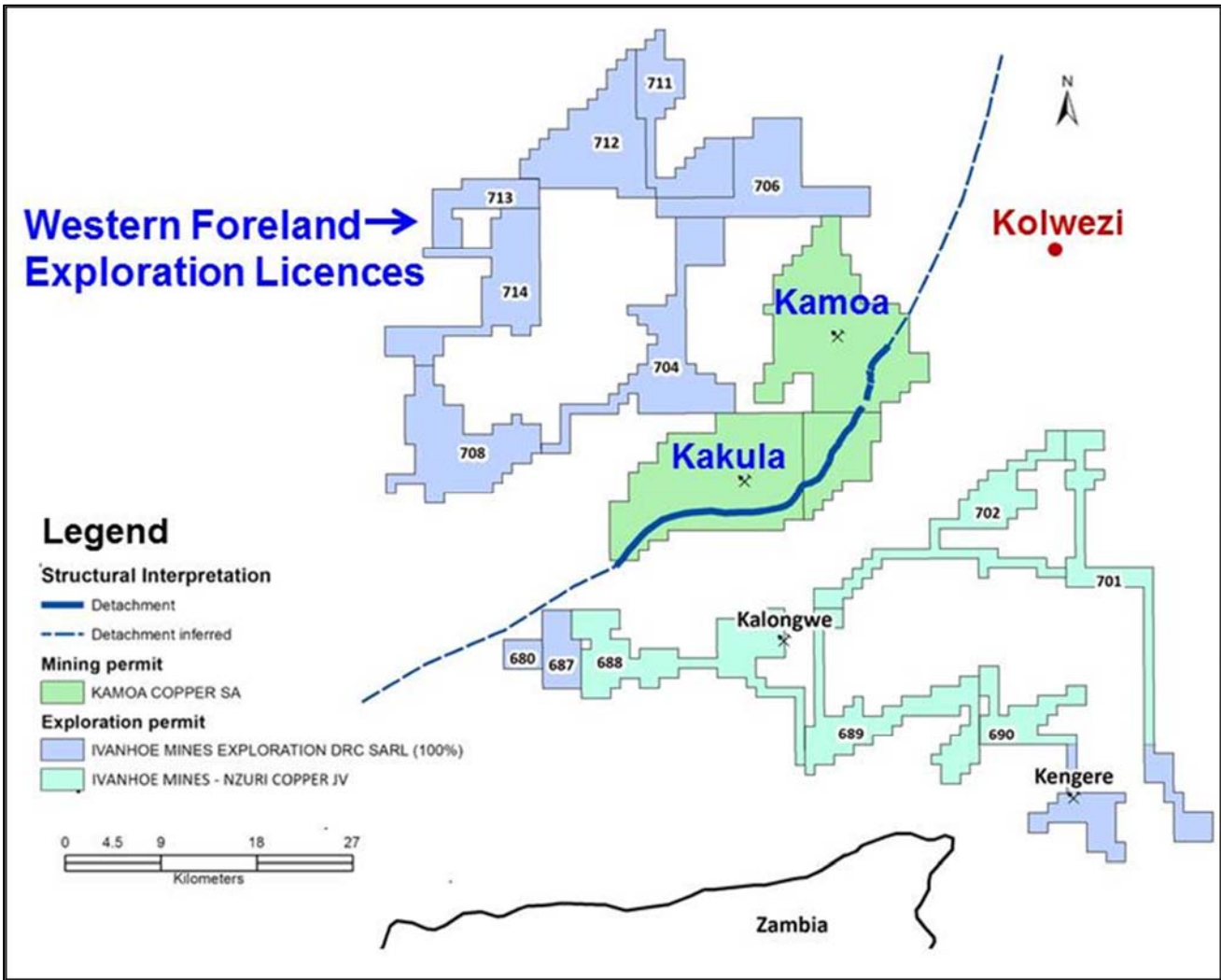
Ivanhoe's DRC exploration group is targeting Kamo-a-Kakula-style copper mineralization through a regional diamond drilling program on its 100%-owned Western Foreland exploration licences located to the west of the Kamo-a-Kakula Mining Licence. Based on the geological similarities between the Western Foreland and the Kamo-a-Kakula areas and the accumulation of in-depth, proprietary geological insights into the features controlling the high-grade copper mineralization gained by Ivanhoe's geological team during almost two decades of exploring in the region Ivanhoe is confident of additional exploration success and is planning to expand its Western Forelands exploration program in 2018.

Drilling is ongoing with two contractor rigs focused on one of the company's more promising targets on the Western Foreland exploration licences. During Q3 2017, Ivanhoe's exploration team engaged in interpreting the regional geology and Nguba Basin architecture of the Western Foreland Area. The company is planning gravity and seismic surveys in coming months to assist the geological interpretation process.

Construction is underway to provide uninterrupted wet-season access to the exploration areas via an all-weather road that will connect the Kamo-a-Kakula road network to the Western Foreland exploration licences. Work on a bridge across the Lufupa River is being completed to allow access from west of the river to previously inaccessible exploration drill targets.

Construction of the first phase of Ivanhoe's exploration camp is nearly complete. Offices, core processing and laboratory facilities have been installed and are operational. Core processing and sampling work has begun in earnest and a water borehole has been installed. Ivanhoe has decided to continue exploration through the rainy season and preparations are being made at both drill camps to mitigate the season's logistical challenges.

Figure 13: Ivanhoe’s 100%-owned Western Foreland exploration licences, west of the Kamoakakula mining licence.



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.

	Three months ended			
	September 30,	June 30,	March 31,	December 31,
	2017	2017	2017	2016
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	11,595	9,626	8,296	9,507
Share of losses from joint venture	6,759	5,035	5,518	5,890
General administrative expenditure	6,039	4,952	4,953	7,272
Share-based payments	1,224	1,201	1,372	1,442
Finance income	(8,032)	(9,167)	(6,429)	(6,827)
Finance costs	434	355	479	471
Total comprehensive loss attributable to:				
Owners of the Company	15,893	7,477	1,749	14,101
Non-controlling interest	5,269	3,885	3,273	3,914
Loss per share (basic and diluted)	0.01	0.01	0.01	0.02

	Three months ended			
	September 30,	June 30,	March 31,	December 31,
	2016	2016	2016	2015
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	7,769	8,233	6,917	10,271
Share of losses from joint venture	6,306	5,320	4,216	1,030
General administrative expenditure	4,213	3,657	3,693	5,833
Share-based payments	1,750	1,312	1,473	2,345
Gain on partial sale of subsidiary	-	-	-	(357,671)
Re-measurement to fair value of the interest retained in joint venture	-	-	-	(376,148)
Finance income	(7,239)	(7,367)	(8,469)	(1,191)
Finance costs	454	445	428	1,556
Total comprehensive loss (profit) attributable to:				
Owners of the Company	(1,860)	6,568	4,203	(717,213)
Non-controlling interest	2,445	3,483	2,897	2,468
Loss(profit) per share (basic and diluted)	0.01	0.01	0.01	(0.93)

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended September 30, 2017, vs. September 30, 2016

The Company's total comprehensive loss for Q3 2017 of \$21.2 million was \$20.6 million higher than for the same period in 2016 (\$0.6 million). The increase largely was due to exchange gains on translation of foreign operations recognized in Q3 2016 of \$10.8 million resulting from the strengthening of the South African Rand by 10% from June 30, 2016, to September 30, 2016, compared to an exchange loss on translation of foreign operations recognized in Q3 2017 of \$6.2 million.

Exploration and project expenditures for the three months ending September 30, 2017, amounted to \$11.6 million and were \$3.8 million more than for the same period in 2016 (\$7.8 million).

With the focus at the Platreef Project on development and the Kamoia Project being accounted for as a joint venture, \$10.8 million of the total \$11.6 million exploration and project expenditure related to the Kipushi Project. Expenditure at the Kipushi Project increased by \$3.2 million compared to the same period in 2016. The main classes of expenditure at the Kipushi Project in Q3 2017 and Q3 2016 are set out in the following table:

	Three months ended September 30, 2017 \$'000	Three months ended September 30, 2016 \$'000
Kipushi Project		
Salaries and benefits	3,359	2,761
Repair and maintenance	1,561	965
Electricity	1,361	1,416
Drilling	1,261	-
Depreciation	852	819
Studies and contracting work	400	81
Site security and safety	231	244
Other expenditure	1,738	1,258
Total project expenditure	10,763	7,544

The Company's share of losses from the Kamoia Holding joint venture increased from \$6.3 million in Q3 2016 to \$6.8 million in Q3 2017. The following table summarizes the Company's share of the comprehensive loss of Kamoia Holding for the three months ending September 30, 2017 and for the same period in 2016:

	Three months ended September 30, 2017 \$'000	Three months ended September 30, 2016 \$'000
Interest expense	10,919	8,338
Exploration costs	6,884	4,949
Foreign exchange loss	21	90
Interest income	(515)	-
Loss for the period	17,309	13,377
Loss attributable to non-controlling interest	(3,655)	(638)
Loss for the period attributable to joint venture partners	13,654	12,739
Company's share of losses from joint venture (49.5%)	6,759	6,306

The costs associated with mine development are capitalized as development costs in Kamoia Holding, while the exploration expenditure is expensed. Capitalization of costs at Kakula commenced during Q2 2017, coinciding with the start of the Kakula box cut. Exploration drilling at Kakula West and in the "saddle" area between Kakula West and Kakula still are expensed.

The interest expense in the Kamoia Holding joint venture relates to shareholder loans where each shareholder is required to fund Kamoia Holding in an amount equivalent to its proportionate shareholding interest. The company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

Review of the nine months ended September 30, 2017, vs. September 30, 2016

The Company's total comprehensive loss of \$37.5 million for the nine months ended September 30, 2017, was \$19.8 million higher than for the same period in 2016 (\$17.7 million). The increase was largely due to an exchange gain on translation of foreign operations of \$10.4 million recognized in the first nine months of 2016 compared to a gain of \$1.4 million for the same period in 2017.

Exploration and project expenditures for the nine months ending September 30, 2017, amounted to \$29.5 million and were \$6.6 million higher than for the same period in 2016 (\$22.9 million). Of the \$29.5 million exploration and project expenditure, \$28.4 million related to the Kipushi Project.

Expenditure at the Kipushi Project increased by \$6.1 million compared to the same period in 2016. The main classes of expenditure at the Kipushi Project for the nine months ending September 30, 2017 and 2016 are set out in the following table:

	Nine months ended September 30, 2017 \$'000	Nine months ended September 30, 2016 \$'000
Kipushi Project		
Salaries and benefits	9,030	8,045
Electricity	4,285	4,008
Repair and maintenance	3,623	2,416
Depreciation	2,533	2,357
Studies and contracting work	2,144	511
Drilling	1,733	-
Site security and safety	681	541
Other expenditure	4,361	4,366
Total project expenditure	<u>28,390</u>	<u>22,244</u>

The Company's share of losses from the Kamoia Holding joint venture increased to \$17.3 million for the nine months ended September 30, 2017, from \$15.8 million for the same period in 2016. The following table summarizes the Company's share of the comprehensive loss of Kamoia Holding for the nine months ending September 30, 2017, and for the same period in 2016:

	Nine months ended September 30, 2017 \$'000	Nine months ended September 30, 2016 \$'000
Interest expense	30,000	23,011
Exploration costs	16,642	10,204
Interest income	(1,159)	-
Foreign exchange (gain) loss	(3)	347
Loss for the period	<u>45,480</u>	<u>33,562</u>
Loss attributable to non-controlling interest	<u>(10,507)</u>	<u>(1,558)</u>
Loss for the period attributable to joint venture partners	<u>34,973</u>	<u>32,004</u>
Company's share of losses from joint venture (49.5%)	<u>17,312</u>	<u>15,842</u>

Financial position as at September 30, 2017 vs. December 31, 2016

The Company's total assets decreased by \$27.8 million, from \$1,002.2 million as at December 31, 2016, to \$974.4 million as at September 30, 2017. This resulted from the Company utilizing its cash resources in its operations. The Company's total liabilities increased by \$1.5 million to \$47.5 million as at September 30, 2017, from \$46.0 million as at December 31, 2016.

The Company received the fourth installment of \$41.2 million on February 8, 2017, and the fifth and final installment on May 23, 2017, which represented the remaining purchase-price receivable due to the Company as at December 31, 2016, as a result of the sale of 49.5% of Kamo Holding.

The Company's investment in the Kamo Holding joint venture increased by \$65.0 million from \$473.6 as at December 31, 2016, to \$538.6 million as at September 30, 2017, with the current shareholders funding the operations equivalent to their proportionate shareholding interest. The Company's portion of the Kamo Holding joint venture cash calls amounted to \$62.9 million during the nine months ended September 30, 2017, while the Company's share of comprehensive loss from joint venture amounted to \$17.3 million.

Property, plant and equipment increased by \$37.2 million, with a total of \$39.7 million being spent on project development and to acquire other property, plant and equipment, \$34.1 million of which pertained to development costs of the Platreef Project. The Company utilized \$30.6 million of its cash resources in its operations and earned interest income of \$2.7 million during the nine months ending September 30, 2017.

The main components of the capitalized development costs of the Platreef Project for the three and nine months ended September 30, 2017, and for the same period in 2016, are set out in the following table:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Platreef Project				
Shaft 1 construction	8,338	3,554	17,038	10,563
Salaries and benefits	1,761	1,543	5,316	4,306
Administrative and other expenditure	1,585	1,269	4,507	3,958
Studies and contracting work	1,177	2,600	3,261	7,495
Social and environmental	853	764	1,946	1,741
Shaft 2 early works	639	-	1,160	-
Site costs	235	247	640	638
Infrastructure	109	345	264	971
Total development costs	14,697	10,322	34,132	29,672

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$228.1 million in cash and cash equivalents as at September 30, 2017. At this date, the Company had consolidated working capital of approximately \$233.7 million, compared to \$364.8 million at December 31, 2016. The Platreef Project's restricted cash has been fully utilized and the project's current expenditure is being funded by Ivanhoe through an intercompany loan. 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, through a subsidiary company, acquired a 49.5% interest in Kamo 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 each of March 23, 2016, July 8, 2016, October 25, 2016, February 8, 2017, and May 23, 2017. Since December 8, 2015, each shareholder in Kamo Holding has been required to fund Kamo Holding in an amount equivalent to its proportionate

shareholding interest. The Company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

The Company's main objectives for the remainder of 2017 at the Platreef Project are the continuation of Shaft 1 construction and early-works construction of Shaft 2. At Kipushi, the principal objective is the completion of the PFS and continued upgrading of mining infrastructure. At the Kamoa-Kakula Project, priorities are the continuation of drilling and the decline construction at Kakula. The Company expects to spend \$15 million on further development at the Platreef Project; \$19 million at the Kipushi Project; \$3 million on regional exploration in the DRC; and \$5 million on corporate overheads for the remainder of 2017 – as well as its proportionate funding of the Kamoa-Kakula Project, expected to be \$16 million for the remainder of 2017.

Continuing strategic discussions concerning Ivanhoe Mines and its projects are ongoing with several significant mining companies and investors across Asia, Europe, Africa and elsewhere. Several investors that have expressed interest have no material limit on the provision of capital. There can be no assurance that the company will pursue any transaction or that a transaction, if pursued, will be completed.

The Company has a mortgage bond outstanding on its offices in London, United Kingdom, of £3.2 million (\$4.3 million). The bond is fully repayable on August 31, 2020, secured by the property and incurs interest at a rate of LIBOR plus 1.9% payable monthly in arrears. Only interest will be payable until maturity.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited, which had a carrying value of \$24.3 million as at September 30, 2017, and a contractual amount due of \$31.1 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 \$6.8 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				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations as at September 30, 2017	\$'000	\$'000	\$'000	\$'000	\$'000
Debt	35,438	-	-	4,328	31,110
Operating leases	1,885	440	989	456	-
Shaft 1 construction – Platreef Project	5,891	5,891	-	-	-
Total contractual obligations	43,214	6,331	989	4,784	31,110

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

The Company is required to fund its Kamoa Holding 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 income earned and 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 income earned and expenditures incurred with related parties:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Global Mining Management Corporation (a)	586	320	1,603	1,887
Ivanhoe Capital Aviation LLC (b)	500	500	1,500	1,300
Ivanhoe Capital Services Ltd. (c)	150	97	311	401
HCF International Advisors (d)	93	113	273	282
Ivanhoe Capital Pte Ltd (e)	53	21	218	147
Global Mining Services Ltd. (f)	34	16	93	31
Ivanhoe Capital Corporation (UK) Ltd (g)	49	-	49	1
Kamoa Copper SA (h)	(862)	(947)	(2,561)	(3,446)
Ivanhoe Mines Energy DRC Sarl (i)	(91)	(151)	(277)	(847)
GMM Tech Holdings Inc. (j)	(760)	-	(5)	-
	(248)	(31)	1,204	(244)
Travel	538	539	1,693	1 477
Salaries and benefits	582	385	1,562	1,864
Consulting	(465)	170	598	361
Office and administration	50	(27)	189	347
Cost recovery and administration fee	(953)	(1,098)	(2,838)	(4,293)
	(248)	(31)	1,204	(244)

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

As at September 30, 2017, trade and other payables included \$0.46 million (December 31, 2016: \$1.2 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 and the Executive Chairman of the Company hold an indirect equity interest 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) HCF International Advisers (HCF) is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. Guy de Selliers is the President and co-founder of HCF, which provides financial advisory services to the Company.
- (e) 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.
- (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.
- (h) Kamoa Copper SA ("Kamoa Copper") is a company incorporated in the DRC. Kamoa Copper is 80% owned by Kamoa Holding Limited ("KHL"), a joint venture of the Company. The Company provides administration, accounting and other services to Kamoa Copper on a cost-recovery basis.
- (i) Ivanhoe Mines Energy DRC Sarl ("Energy") is a company incorporated in the DRC. Energy is 100% owned by Kamoa Holding Limited ("KHL"), a joint venture of the Company. The Company provides administration, accounting and other services to Energy on a cost-recovery basis.
- (j) GMM Tech Holdings Inc. ("GMM Tech") is a private company incorporated in British Columbia, Canada and is 100% owned by Global. GMM Tech provides information technology services to the Company 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, 2016. 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) *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.

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, 2017, 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.

- Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses.
- Amendment to IAS 7 – Cash flow statements.
- Annual improvements 2014-2016. IFRS 12 - 'Disclosure of interests in other entities' regarding clarification of the scope of the standard.

Accounting standards issued but not yet effective

- IFRS 15 – Revenue from contracts with customers. (i)
- IFRS 2 – Share-based payments. (i)
- Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting. (i)
- IFRS 16 - 'Leases'. (ii)
- IFRIC 22 - 'Foreign currency transactions and advance consideration'. (i)
- Annual improvements 2014-2016. IFRS 1 - 'First-time adoption of IFRS'. (i)
- Annual improvements 2014-2016. IAS 28 - 'Investments in associates and joint ventures'. (i)

(i) Effective for annual periods beginning on or after January 1, 2018

(ii) Effective for annual periods beginning on or after January 1, 2019

The Company is in the process of determining the impact of the adoption of these standards on the consolidated financial statements, if any. 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:

	Level	September 30, 2017 \$'000	December 31, 2016 \$'000
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entity	Level 1	6,022	2,720
<i>Loans and receivables</i>			
Promissary note receivable	Level 3	13,081	10,804
Financial liabilities			
Borrowings	Level 3	28,663	26,875

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 Company has two promissory notes:

- The fair value of the promissory note received as part of the purchase consideration when the Company sold its Australian subsidiaries was originally determined assuming repayment occurs on March 31, 2018 and is discounted using a rate of 8%.
- The fair value of the promissory note receivable by the Company from Crystal River was originally determined assuming repayment occurs on December 31, 2017 and is discounted using a rate of 8.3%.

The carrying value of the promissory notes are not significantly different to the fair value.

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 USD 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, which include trade and other payables and the financial liability, were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity.

Finance income

The Company's finance income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest from loan to joint venture	(7,146)	(4,212)	(19,362)	(11,487)
Unwinding discount	-	(2,288)	(1,538)	(9,508)
Other interest income	(886)	(739)	(2,728)	(2,080)
	(8,032)	(7,239)	(23,628)	(23,075)

The interest from joint venture is interest received from the Kamo Holding joint venture on shareholder loans advanced by the Company where each shareholder is required to fund Kamo Holding in an amount equivalent to its proportionate shareholding interest. The unwinding discount represents the unwinding of the purchase price receivable from Zijin.

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:

	September 30, 2017	December 31, 2016
	\$'000	\$'000
Assets		
Canadian dollar	2,890	2,479
Australian dollar	6,022	2,720
South African rand	16,985	20,486
British pounds	620	695
Liabilities		
Canadian dollar	(241)	(1,000)
Australian dollar	(118)	(21)
South African rand	(7,097)	(7,384)
British pounds	(72)	(162)

Foreign currency sensitivity analysis

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

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	\$'000	\$'000
Canadian dollar	132	97
Australian dollar	295	(1)
South African rand	(20)	(31)

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 irrecoverable 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.

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 September 30, 2017					
Trade and other payables	1,886	12,159	299	-	14,344
Non-current borrowings	-	-	-	35,438	35,438
As at December 31, 2016					
Trade and other payables	13,903	366	88	783	15,140
Current income tax liabilities	1	-	-	-	1
Non-current borrowings	-	-	-	34,270	34,270

Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings and the loan advanced to the joint venture. The Company's main exposure to interest rate risk arises from the fact that the Company earns and incurs interest on interest rates linked to USD LIBOR.

If interest rates (including applicable USD LIBOR rates) had been 50 basis points higher or lower and all other variables were held constant, the Company's loss for the nine months ended September 30, 2017 would have increased or decreased by \$2.7 million.

DESCRIPTION OF CAPITAL STOCK

As at November 6, 2017, 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 787,323,544 Class A Shares, nil Class B Shares, nil warrants and nil preferred shares were issued and outstanding.

The Company granted no options in 2016 or 2017 to date. As at November 6, 2017, there were 23,223,500 options issued in terms of the Equity Incentive Plan exercisable into 23,223,500 Class A Shares.

The Company granted 43,683 restricted share units (RSUs) in 2017 to date and 2,013,539 RSUs in 2016 per the Company's restricted share unit plan. As at November 6, 2017, there were 6,858,625 RSUs which may vest into 6,858,625 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 September 30, 2017 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 September 30, 2017 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 September 30, 2017, 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 has summarized its foreign exchange risk, credit risk, interest rate 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 have 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 had prepared a current independent NI 43-101-compliant technical report for each of the Platreef Project, the Kipushi Project and the Kamoakakula Project, which are available under the Company's SEDAR profile at www.sedar.com:

- The Kamo-Kakula Project Kakula 2017 Resource Update Technical Report dated June 14, 2017, prepared by OreWin Pty Ltd., Amec Foster Wheeler E&C Services Inc., MDM (Technical) Africa Pty Ltd; and SRK Consulting Pty Ltd., covering the company's Kamo-Kakula Project;
- The Platreef 2017 Feasibility Study Technical Report dated September 4, 2017, prepared by DRA Global, OreWin Pty. Ltd., Amec Foster Wheeler, Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental, covering the company's Platreef Project; and
- The Kipushi Zn-Cu Project, Kipushi 2016 Preliminary Economic Assessment Technical Report dated May 12, 2016, prepared by MSA Group (Pty) Ltd and OreWin Pty. Ltd., covering the company's Kipushi Project.

These technical reports include relevant information regarding the effective dates and the assumptions, parameters and methods of the mineral resource estimates on the Platreef Project, the Kipushi Project and the Kamo-Kakula 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 Kamo-Kakula Project.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.