

Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

September 30, 2018
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.

September 30, 2018

Table of contents

Condensed consolidated interim statements of comprehensive income.....	2
Condensed consolidated interim statements of financial position	3
Condensed consolidated interim statements of changes in equity.....	4
Condensed consolidated interim statements of cash flows	5
Notes to the condensed consolidated interim financial statements	6-31

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of comprehensive income

(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	2018	2017	2018	2017
		\$	\$	\$	\$
Expenses					
Exploration and project expenditure		2,368	11,595	6,577	29,517
Salaries and benefits		2,226	2,070	5,858	6,472
Share-based payments	19	1,829	1,224	5,005	3,797
Other expenditure		1,098	592	2,246	1,577
Travel		1,023	843	3,427	2,604
Office and administration		854	878	1,857	2,054
Professional fees		686	264	2,428	895
Legal		8	68	543	297
Foreign exchange (gains) losses		(4,915)	1,324	(3,856)	2,045
Loss from operating activities		5,177	18,858	24,085	49,258
Share of losses from joint venture	6	7,757	6,759	21,659	17,312
Finance costs	21	1,028	434	1,723	1,268
Other expenses (income)	22	859	(3,063)	4,291	(5,640)
Finance income	20	(12,146)	(8,032)	(33,378)	(23,628)
Loss before income taxes		2,675	14,956	18,380	38,570
Income tax expense (recovery)					
Current tax		14	(60)	82	136
Deferred tax		33	70	(403)	221
		47	10	(321)	357
LOSS FOR THE PERIOD		2,722	14,966	18,059	38,927
Loss attributable to:					
Owners of the Company		1,154	10,301	13,318	26,459
Non-controlling interests		1,568	4,665	4,741	12,468
		2,722	14,966	18,059	38,927
Other comprehensive loss					
Items that may subsequently be reclassified to loss:					
Exchange loss (gain) on translation of foreign operations		5,162	6,196	23,946	(1,381)
Other comprehensive loss (profit) for the period, net of tax		5,162	6,196	23,946	(1,381)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		7,884	21,162	42,005	37,546
Total comprehensive loss attributable to:					
Owners of the Company		5,838	15,893	34,632	25,119
Non-controlling interest	18	2,046	5,269	7,373	12,427
		7,884	21,162	42,005	37,546
Basic and diluted loss per share	23	0.00	0.01	0.02	0.03
Weighted average number of basic and diluted shares	23	818,553,311	786,650,448	800,301,748	785,314,994

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position as at

(stated in thousands of U.S. dollars)

(Unaudited)

	Notes	September 30, 2018	December 31, 2017
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	262,724	198,583
Mineral properties	5	261,297	260,287
Investment in joint venture	6	596,896	552,384
Long term loan receivable	7	35,857	34,065
Promissory note receivable	10	12,069	11,313
Deferred tax asset		1,039	766
Other assets		8,531	8,385
Total non-current assets		1,178,413	1,065,783
Current assets			
Cash and cash equivalents	8	539,501	181,419
Short-term deposits	8	116,175	-
Prepaid expenses	9	6,936	8,416
Promissory note receivable	10	-	2,297
Other receivables	11	3,459	4,750
Financial assets at fair value through profit or loss	12	2,995	8,563
Current tax assets		225	83
Total current assets		669,291	205,528
Total assets		1,847,704	1,271,311
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	1,756,523	1,141,514
Share option reserve	16	130,929	128,809
Foreign currency translation reserve	17	(30,169)	(8,855)
Accumulated profit		4,933	18,251
Equity attributable to owners of the Company		1,862,216	1,279,719
Non-controlling interests	18	(75,602)	(68,229)
Total equity		1,786,614	1,211,490
Non-current liabilities			
Borrowings	13	30,772	29,204
Advances payable	14	2,460	2,344
Deferred tax liabilities		2,082	2,082
Total non-current liabilities		35,314	33,630
Current liabilities			
Trade and other payables	15	22,600	23,586
Financial liability		3,176	2,605
Total current liabilities		25,776	26,191
Total liabilities		61,090	59,821
Total equity and liabilities		1,847,704	1,271,311

Continuing operations (Note 1)

Commitments and contingencies (Note 28)

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

(Unaudited)

	Share capital		Share option reserve	Foreign currency translation reserve	Accumulated profit (deficit)	Equity attributable to owners	Non-controlling interests	Total
	Number of shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
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 profit (loss)	-	-	-	1,340	(26,459)	(25,119)	(12,427)	(37,546)
<i>Transactions with owners</i>								
Share-based payments								
charged to operations (Note 19)	-	-	3,244	-	-	3,244	-	3,244
Options exercised (Note 16(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
 Balance at January 1, 2018	 790,387,168	 1,141,514	 128,809	 (8,855)	 18,251	 1,279,719	 (68,229)	 1,211,490
Loss for the period	-	-	-	-	(13,318)	(13,318)	(4,741)	(18,059)
Other comprehensive loss	-	-	-	(21,314)	-	(21,314)	(2,632)	(23,946)
Total comprehensive loss	-	-	-	(21,314)	(13,318)	(34,632)	(7,373)	(42,005)
<i>Transactions with owners</i>								
Shares issued (Note 16(a))	217,829,575	611,666	-	-	-	611,666	-	611,666
Share-based payments								
charged to operations (Note 19)	-	-	4,439	-	-	4,439	-	4,439
Restricted share units vested (Note 16(c))	685,729	1,238	(1,238)	-	-	-	-	-
Options exercised (Note 16(b))	1,298,192	2,105	(1,081)	-	-	1,024	-	1,024
Balance at September 30, 2018	1,010,200,664	1,756,523	130,929	(30,169)	4,933	1,862,216	(75,602)	1,786,614

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,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Cash flows from operating activities					
Loss before income taxes		(2,675)	(14,956)	(18,380)	(38,570)
Items not involving cash					
Share of losses from joint venture	6	7,757	6,759	21,659	17,312
Transfer from other assets to working capital items		2,847	505	5,801	1,701
Borrowing costs capitalized		1,721	-	1,721	146
Share-based payments	19	1,829	1,224	5,005	3,797
Decrease (increase) in fair value of financial asset	22	1,388	(2,258)	5,568	(3,302)
Depreciation	4	1,167	1,072	3,308	3,215
Finance costs	21	1,028	434	1,723	1,268
Loss (profit) on disposal of property, plant and equipment		6	(1)	(202)	(1)
Finance income	20	(12,146)	(8,032)	(33,378)	(23,628)
Unrealized foreign exchange (gain) loss		(4,556)	1,342	(3,975)	2,097
Other taxes		(386)	-	28	-
Promissory note fair value adjustment		-	(263)	-	(779)
		(2,020)	(14,174)	(11,122)	(36,744)
Change in non-cash working capital items	26	5,623	4,427	1,785	3,543
Interest received		1,165	1,022	2,855	2,729
Interest paid		(1,539)	61	(1,607)	8
Income taxes paid		(21)	(13)	(212)	(146)
Net cash used in operating activities		3,208	(8,677)	(8,301)	(30,610)
Cash flows from investing activities					
Property, plant and equipment acquired	4	(35,014)	(18,780)	(92,433)	(39,709)
Investment in joint venture		(16,579)	(29,046)	(37,441)	(62,890)
Other assets acquired		(196)	(1,946)	(6,412)	(3,828)
Proceeds from sale of property, plant and equipment		3	-	211	2
Proceeds from settlement of promissory note		-	-	2,297	-
Purchase of exploration licenses		-	-	(1,010)	-
Net cash used in investing activities		(51,786)	(49,772)	(134,788)	(106,425)
Cash flows from financing activities					
Shares issued, net of transaction costs	16	611,666	-	611,666	-
Options exercised		719	1,052	1,023	4,975
Cash paid on behalf of joint venturer		(335)	(586)	(756)	(1,499)
Transaction costs paid on partial sale of subsidiary, now jointly controlled		-	(135)	-	(4,685)
Proceeds from the partial sale of subsidiary, now jointly controlled		-	-	-	82,400
Net cash generated from financing activities		612,050	331	611,933	81,191
Effect of foreign exchange rate changes on cash		5,141	(799)	5,413	(1,088)
Net cash inflow (outflow)		568,613	(58,917)	474,257	(56,932)
Cash and cash equivalents, beginning of period		87,063	287,014	181,419	285,029
Cash and cash equivalents and short-term deposits, end of period		655,676	228,097	655,676	228,097
Cash and cash equivalents and short-term deposits consists of					
Cash and cash equivalents		539,501	228,097	539,501	228,097
Short-term deposits		116,175	-	116,175	-
		655,676	228,097	655,676	228,097

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

(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 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 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. The shares of the Company are also traded on the OTCQX Best Market in the United States under the symbol IVPAF.

These condensed consolidated interim financial statements have been prepared on the historical cost basis with the exception of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These 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 profit of \$4.9 million at September 30, 2018. As at September 30, 2018, the Company's total assets exceeds its total liabilities by \$1,786.6 million and current assets exceeds current liabilities by \$608.2 million. The Company currently has no producing properties and expects to fund all of its exploration and development activities through debt and equity financing until operating revenues are generated.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

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, 2018, 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, 2017 except for the adoption of the new and amended accounting standards 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, 2017.

(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 Kamo a 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, 2018:

- 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. (i)

As at September 30, 2018, the Company has operating lease commitments totalling \$1.4 million (see Note 28). However, the Company is in the process of determining the impact these commitments will have on the condensed consolidated interim financial statements, if any.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

2. Significant accounting policies (continued)

(c) Future accounting changes (continued)

- IAS 19 - Employee Benefits. The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to a plan. (i)

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

- IAS 28 - Investment in Associates or Joint Ventures. The amendment provides clarity regarding when an entity should apply IFRS 9 to long term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied. (i)

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

- IFRIC 23 – Uncertainty over Income Tax Treatments. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. (i)

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

- Annual improvements 2015-2017 Cycle: IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements regarding clarification when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interest in that business. (i)

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

- Annual improvements 2015-2017 Cycle: IAS 12 – Income Taxes provides clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. (i)

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

- Annual improvements 2015-2017 Cycle: IAS 23 – Borrowing Costs clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. (i)

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

(i) 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, 2018

(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, 2018. The Company adopted these standards in the current period and they did not have a material impact on its condensed consolidated interim financial statements.

- 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.
- 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.
- Amendment to IFRS 9 - Financial instruments. The standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The new standard also introduces a single "expected credit loss" impairment model for the measurement of financial assets.
- 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.
- 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.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

(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, 2016	2,278	11,379	5,210	2,070	16,637	4,020	100,441	142,035
Additions	-	99	543	1,145	4,010	1,564	54,420	61,781
Disposals	-	-	(5)	-	-	-	-	(5)
Foreign exchange translation	228	1,135	430	104	135	520	13,459	16,011
Balance as at December 31, 2017	2,506	12,613	6,178	3,319	20,782	6,104	168,320	219,822
Additions	-	-	438	122	1,117	-	90,756	92,433
Disposals	-	-	(5)	-	(42)	-	-	(47)
Transfers	-	-	-	-	-	262	(262)	-
Foreign exchange translation	(313)	(611)	(556)	(142)	(160)	(802)	(23,187)	(25,771)
Balance as at September 30, 2018	2,193	12,002	6,055	3,299	21,697	5,564	235,627	286,437
Accumulated depreciation and impairment								
Balance as at December 31, 2016	-	1,234	3,598	1,220	10,115	81	-	16,248
Depreciation	-	141	601	242	3,265	148	-	4,397
Disposals	-	-	(4)	-	-	-	-	(4)
Transfers	-	(283)	-	-	-	283	-	-
Foreign exchange translation	-	115	308	42	98	35	-	598
Balance as at December 31, 2017	-	1,207	4,503	1,504	13,478	547	-	21,239
Depreciation	-	108	507	242	2,306	145	-	3,308
Disposals	-	-	(3)	-	(35)	-	-	(38)
Foreign exchange translation	-	(98)	(432)	(59)	(126)	(81)	-	(796)
Balance as at September 30, 2018	-	1,217	4,575	1,687	15,623	611	-	23,713
Carrying value								
December 31, 2017	2,506	11,406	1,675	1,815	7,304	5,557	168,320	198,583
September 30, 2018	2,193	10,785	1,480	1,612	6,074	4,953	235,627	262,724

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 \$9.6 million (December 31, 2017: \$10.0 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.

5. Mineral properties

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

	September 30, 2018	December 31, 2017
	\$	\$
Platreef property, South Africa (a)	6,940	6,940
Kipushi Properties, Democratic Republic of Congo (b)	252,337	252,337
Other properties (d)	2,020	1,010
	261,297	260,287

Direct costs related to the acquisition of mineral properties are capitalized on a property by property basis. Subsequent to acquisition, 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).

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

5. Mineral properties (continued)

(a) 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 notorally 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.

(b) Kipushi properties

The Kipushi Project is a past-producing, high-grade underground zinc-copper mine in the Central African Copperbelt, in Haut-Katanga Province, DRC. The Kipushi Project lies adjacent to the town of Kipushi and the border with Zambia, and about 30 km southwest of the provincial capital of Lubumbashi.

Ivanhoe Mines and La Générale des Carrières et des Mines SARL ("Gecamines") own, 68% and 32% of the Kipushi Project respectively, through their holdings in Kipushi Corporation SA ("Kipushi"), the mining rights holder. Ivanhoe Mines' interest in Kipushi was acquired in November 2011 and comprises mining rights for zinc, copper and cobalt as well as the underground workings and related infrastructure, inclusive of a series of vertical mine shafts.

(c) Kamoa-Kakula properties

The Company is a joint venturer in the Kamoa-Kakula Project which is located within the Central African Copperbelt in Lualaba Province, DRC. The Kamoa-Kakula Project lies approximately 25 km west of the town of Kolwezi, and about 270 km west of the provincial capital of Lubumbashi (see Note 6).

(d) Other properties

The Company continues to evaluate other opportunities as part of its objective to become a broadly based, international mining company.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)
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6. Investment in joint venture

Kamoa Holding Limited ("Kamoa Holding"), a joint venture between the Company and Zijin, holds a direct 80% interest in the Kamoa-Kakula Copper Project. The Company holds an indirect 39.6% interest in the project through its 49.5% shareholding in Kamoa Holding. 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.

Company's share of comprehensive loss from joint venture

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest expense	14,440	10,919	40,928	30,000
Exploration costs	5,435	6,884	14,303	16,642
Foreign exchange (gain) loss	(68)	21	23	(3)
Interest income	(988)	(515)	(2,597)	(1,159)
Loss for the period	18,819	17,309	52,657	45,480
Non-controlling interest	(3,148)	(3,655)	(8,901)	(10,507)
Attributable loss for the period	15,671	13,654	43,756	34,973
Share of losses from joint venture (49.5%)	7,757	6,759	21,659	17,312

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

6. Investment in joint venture (continued)

Net assets of the joint venture

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

	September 30, 2018		December 31, 2017	
	100%	49.5%	100%	49.5%
	\$	\$	\$	\$
Assets				
Property, plant and equipment	401,454	198,720	317,180	157,004
Other assets	77,973	38,597	58,185	28,802
Mineral property	802,021	397,000	802,021	397,000
Prepaid expenses	8,746	4,329	10,479	5,187
Cash and cash equivalents	16,801	8,317	40,645	20,119
Liabilities				
Shareholder's loans	(880,300)	(435,749)	(746,182)	(369,360)
Accruals and payables	(16,924)	(8,377)	(19,901)	(9,851)
Non-controlling interest	(84,791)	(41,972)	(93,691)	(46,377)
Net assets of the joint venture	324,980	160,865	368,736	182,524

Investment in Joint Venture

	September 30, 2018	December 31, 2017
	\$	\$
Company's share of net assets in joint venture	160,865	182,524
Loan advanced to joint venture	436,031	369,860
	596,896	552,384

The Company earns interest at USD 12 month LIBOR plus 7% on the loan advanced to the joint venture (see Note 20).

Commitments in respect of joint venture

The Company is required to fund its Kamoa Holding 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	87,358	-	-	-	87,358
Kakula decline development	3,954	-	-	-	3,954
Other commitments	7,117	-	-	-	7,117
	98,429	-	-	-	98,429

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

6. Investment in joint venture (continued)

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-Kakula 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, 2018 by the subsidiary of Kamoa Holding amounted to \$73.5 million (December 31, 2017: \$56.3 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 40% of the actual bill as per the loan repayment terms. The interest rate is USD 6 month LIBOR + 3%.

The Kamoa-Kakula 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 project, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the production and mine expansion scenarios.

7. Long term loan receivable

A long term loan receivable from Gecamines of \$10 million was ceded to the Company on completion of the purchase of Kipushi on November 28, 2011, by the seller. An additional \$20 million was requested and advanced to Gecamines during November 2012. The loan carries interest at a rate of USD 12 month LIBOR plus 3%.

The loan receivable is unsecured and repayment will be made by offsetting the loan against future royalties and dividends payable to Gecamines from future profits earned in Kipushi. The fair value of the receivable at acquisition date has been estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.2%, which is deemed to be as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Social development loan	35,857	34,065
	35,857	34,065

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

8. Cash and cash equivalents and short-term deposits

	September 30, 2018	December 31, 2017
	\$	\$
Cash and cash equivalents	539,501	181,419
Short-term deposits	116,175	-
	655,676	181,419

9. Prepaid expenses

	September 30, 2018	December 31, 2017
	\$	\$
Advance payment on shaft construction	2,715	4,158
Other prepayments	1,539	890
Consumable stores	1,345	2,028
Deposits	1,337	1,340
	6,936	8,416

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

10. Promissory note receivable

The Company has the following promissory notes receivable:

	September 30, 2018	December 31, 2017
	\$	\$
Promissory note receivable from Crystal River (a)	12,069	11,313
A\$3 million promissory note receivable (b)	-	2,297
	12,069	13,610
Non-current promissory note	12,069	11,313
Current promissory note	-	2,297
	12,069	13,610

- (a) The promissory note receivable with a carrying value of \$12.1 million is a non-interest-bearing, 10 year promissory note, of which \$8.3 million was received by the Company as the purchase consideration for selling 1% of its share in Kamo Holding (see Note 6). The remaining \$3.8 million is for subsequent funding provided to Kamo Holding by the Company 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 Kamo Holding.
- (b) The promissory note receivable with a carrying value of \$2.3 million at December 31, 2017 was a A\$3 million promissory note which was received as part of the purchase consideration when the Company sold its Australian subsidiaries. The promissory note was settled in cash on March 29, 2018.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

11. Other receivables

	September 30, 2018	December 31, 2017
	\$	\$
Accounts receivable	1,905	816
Other	617	494
Refundable taxes (a)	579	1,053
Administration consulting receivable from joint venture	344	1,344
Advances	14	1,043
	3,459	4,750

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

12. Financial assets at fair value through profit or loss

The Company holds listed shares which have been classified as financial assets at fair value through profit or loss. The trading value of the listed shares as at September 30, 2018 is \$3.0 million (December 31, 2017: \$8.6 million).

13. Borrowings

	September 30, 2018	December 31, 2017
	\$	\$
<i>Unsecured - at amortised cost</i>		
(a) Loans from other entities	26,568	24,847
<i>Secured - at amortised cost</i>		
(b) Citi bank loan	4,204	4,357
	30,772	29,204

(a) On June 6, 2013, the Company, through its subsidiary Ivanplats (Pty) Ltd ("Ivanplats"), the owner of the Platreef Project, became party to a \$28.0 million loan payable to ITC Platinum Development Limited. 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, 2018 was estimated at \$26.6 million. The difference of \$5.6 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan. Interest of \$0.8 million was recognised during the nine months ended September 30, 2018.

(b) The Citi bank loan of \$4.2 million (£3.23 million) is secured by the Rhenfield property (see Note 24). The loan is an interest only term loan repayable on August 31, 2020, and incurs interest at a rate of USD LIBOR plus 1.90% payable monthly in arrears.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

14. Advances payable

	September 30, 2018	December 31, 2017
	\$	\$
Advances payable to Gecamines	2,460	2,344
	2,460	2,344

Advances payable to Gecamines are unsecured and bear interest at USD LIBOR plus 4% and represent the loan advanced to Kipushi by Gecamines prior to acquisition of Kipushi by the Company.

15. Trade and other payables

	September 30, 2018	December 31, 2017
	\$	\$
Trade accruals	15,580	10,701
Trade payables	5,027	8,714
Indirect taxes payable	1,084	438
Other payables	909	3,733
	22,600	23,586

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

16. 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, 2018, 1,010,200,664 (December 31, 2017: 790,387,168) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding.

On September 19, 2018, the Company issued 196,602,037 common shares to CITIC Metal Africa Investments Limited upon the completion of a private placement at a price of C\$3.68 per unit for gross proceeds of C\$723 million (\$555 million). Issue costs amounted to \$3.4 million. A further 21,227,538 common shares were issued to Zijin as an anti-dilution subscription at the same price per unit for additional proceeds of C\$78 million (\$60 million).

During 2017, 30,000 Class A Shares were issued to certain non-executive directors as settlement for deferred share units.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

16. Share capital (continued)

(b) Options

Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant. As at September 30, 2018, 50,326,500 share options have been granted and exercised, and 22,443,500 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.

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

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at the beginning of year	22,348,500	1.36	32,050,000	1.54
Granted	4,000,000	2.38	-	-
Exercised	(1,750,000)	1.29	(9,576,500)	1.91
Expired	(2,155,000)	4.74	(75,000)	4.90
Forfeited	-	-	(50,000)	1.11
Balance at the end of the period	22,443,500	1.21	22,348,500	1.36

4,000,000 options were granted in the nine months ended September 30, 2018. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of \$5.0 million for the options granted during 2018 will be amortized over the vesting period, of which \$1.4 million was recognized in the nine months ended September 30, 2018.

The following weighted average assumptions were used for the share option grants in 2018:

	2018
Risk free interest rate	2.51%
Expected volatility ⁽ⁱ⁾	73.48%
Expected life	3.75 years
Expected dividends	\$Nil
Forfeiture rate	1.00%

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

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

16. Share capital (continued)

(b) Options (continued)

The following table summarizes information about share options outstanding and exercisable as at September 30, 2018:

Expiry date	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
December 13, 2018	3,880,000	1.86	3,880,000	1.86
June 16, 2019	250,000	1.20	250,000	1.20
August 15, 2019	250,000	1.33	250,000	1.33
December 8, 2019	8,773,500	0.86	5,923,500	0.86
December 15, 2020	5,290,000	0.47	2,200,000	0.47
March 12, 2023	3,500,000	2.38	-	2.38
May 7, 2023	500,000	2.07	-	2.07
	22,443,500	1.21	12,503,500	1.12

(c) Restricted share units

The Company issues restricted share units ("RSUs") as a security based compensation arrangement. Each restricted share unit represents the right of an eligible participant to receive one Class A Share.

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, 2018	December 31, 2017
Balance at the beginning of the year	4,457,947	6,814,942
RSUs issued	1,503,509	43,683
RSUs vested	(685,729)	(2,400,678)
Balance at the end of the period	5,275,727	4,457,947

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

17. Foreign currency translation reserve

	September 30, 2018	December 31, 2017
	\$	\$
Balance at the beginning of the period	(8,855)	(21,509)
Exchange differences arising on translation of the foreign operations	(21,314)	12,654
Balance at the end of the period	(30,169)	(8,855)

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.

18. Non-controlling interests

	September 30, 2018	December 31, 2017
	\$	\$
Balance at beginning of the period	(68,229)	(130,913)
Share of comprehensive (loss) profit for the period	(7,373)	64,909
Reversal of impairment of common share investment funded on behalf of non-controlling interest	-	(2,225)
Balance at the end of the period	(75,602)	(68,229)

19. 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,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<i>Equity settled share-based payments</i>				
Options vested (Note 16(b))	730	431	1,810	1,517
Restricted share unit expense (Note 16(c))	929	608	2,629	1,727
	1,659	1,039	4,439	3,244
<i>Cash settled share-based payments</i>				
B-BBEE transaction expense	170	185	566	553
	1,829	1,224	5,005	3,797

Of the share-based payment expense recognized for the nine months ended September 30, 2018, \$0.6 million (2017: \$0.6 million) related to the Platreef B-BBEE transaction, with the remaining \$4.4 million (2017: \$3.2 million) being the expense for options and restricted share units granted to employees recognised over the vesting period.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

20. Finance income

Finance income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest from loan to joint venture (a)	(10,372)	(7,146)	(28,732)	(19,362)
Other interest income	(1,165)	(886)	(2,854)	(2,728)
Interest on long term loan receivable (b)	(609)	-	(1,792)	-
Unwinding discount (c)	-	-	-	(1,538)
	(12,146)	(8,032)	(33,378)	(23,628)

- (a) The Company earns interest at a rate of USD 12 month LIBOR plus 7% on the loan advanced to the Kamo Holding joint venture (see Note 6).
- (b) The Company earns interest at a rate of USD 12 month LIBOR plus 3% on the long term loan receivable from Gecamines (see Note 7), although an effective interest rate of 9.2% was applied from initial recognition. No interest was recognized during the nine months ended September 30, 2017 as the loan was impaired during that period.
- (c) The unwinding discount relates to the unwinding of the purchase price receivable from Zijin, which arose when the Company sold a 50.5% stake in Kamo Holding on December 8, 2015. The Company received the last of five installments of the purchase price in May 2017.

21. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest on borrowings	985	434	1,591	1,266
Other financing costs	43	-	132	2
	1,028	434	1,723	1,268

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

22. Other expenses (income)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Fair valuation of financial asset (a)	1,388	(2,258)	5,568	(3,302)
Other	13	(33)	(54)	(103)
Administration consulting fee	(542)	(509)	(1,604)	(1,456)
Promissory notes unwinding discount (b)	-	(263)	(7)	(779)
Other taxes	-	-	388	-
	859	(3,063)	4,291	(5,640)

(a) The Company owns shares in a listed company. The shares are carried at fair value through profit and loss (see Note 12).

(b) The unwinding discount relates to the unwinding of the promissory notes receivable (see Note 10).

23. 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 period, if dilutive. All outstanding stock options and restricted share units were anti-dilutive for the three and nine months ended September 30, 2018 and 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Loss attributable to owners of the Company	1,154	10,301	13,318	26,459
Weighted average number of basic and diluted shares outstanding	818,553,311	786,650,448	800,301,748	785,314,994
Basic and diluted loss per share	0.00	0.01	0.02	0.03

24. Joint operations

The Company has a 50% interest in Rhenfield Limited, a British Virgin Islands registered company. Rhenfield Limited purchased buildings in London, England which the Company uses for office space. The buildings have a carrying value of \$9.6 million (December 31, 2017: \$10.0 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 Kroondal Operations Corporate Service Proprietary Limited ("Kroondal") and 25% by Sylvania South Africa Proprietary Limited, operating at the Kroondal mine on the western limb of the Bushveld Complex in South Africa's North West Province. On June 22, 2018, RK1 sold its processing plant for a consideration of R6.0 million (\$0.4 million). The Company received its 25% share of the proceeds on June 27, 2018. RK1 is expected to be dissolved by the end of 2018.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

25. Related party transactions

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

Name	Country of Incorporation	% equity interest as at	
		September 30, 2018	December 31, 2017
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%
African Copperbelt Exploration Ltd.	Barbados	100%	100%
Nzuri Exploration Holdings 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%
Lufupa SASU	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%

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

25. 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.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Global Mining Management Corporation (a)	1,024	586	3,242	1,603
Ivanhoe Capital Aviation LLC (b)	625	500	1,875	1,500
HCF International Advisors (c)	322	93	616	273
Ivanhoe Capital Services Ltd. (d)	109	150	351	311
Ivanhoe Capital Corporation (UK) Ltd (e)	60	49	2	49
Ivanhoe Capital Pte Ltd (f)	6	53	116	218
Global Mining Services Ltd. (g)	3	34	19	93
Ivanhoe Mines Energy DRC Sarl (h)	(108)	(91)	(267)	(277)
GMM Tech Holdings Inc. (i)	(322)	(760)	554	(5)
Kamoa Copper SA (j)	(952)	(862)	(2,843)	(2,561)
	767	(248)	3,665	1,204
Salaries and benefits	765	582	2,458	1,562
Travel	640	538	2,057	1,693
Consulting	404	(465)	2,118	598
Office and administration	18	50	142	189
Cost recovery and management fee	(1,060)	(953)	(3,110)	(2,838)
	767	(248)	3,665	1,204

The transactions summarized above 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, 2018, trade and other payables included \$0.32 million (December 31, 2017: \$0.93 million) with regards to amounts due to related parties related by way of directors, officers or shareholders in common. These amounts are unsecured and non-interest bearing.

Included in other receivables is \$0.24 million (December 31, 2017: \$0.18 million) due from parties related by way of directors, officers or shareholders in common.

- (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.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

25. Related party transactions (continued)

- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.

26. Cash flow information

Net change in non-cash working capital items:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net decrease (increase) in				
Other receivables	518	(59)	1,291	2,889
Prepaid expenses	(124)	1,977	1,480	1,449
Net increase (decrease) in				
Trade and other payables	5,229	2,509	(986)	(795)
	5,623	4,427	1,785	3,543

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

27. 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, 2018	December 31, 2017
		\$	\$
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entity	Level 1	2,995	8,563
<i>Loans and receivables</i>			
Promissory note receivable	Level 3	12,069	13,610
Long term loan receivable	Level 3	35,857	34,065
Financial liabilities			
Borrowings	Level 3	30,772	29,204
Advances payable	Level 3	2,460	2,344

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

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

The fair value of the promissory note receivable by the Company from Crystal River (see Note 10 (a)) was originally determined assuming repayment occurs on December 31, 2017 and was discounted using a rate of 8.3%. The carrying value of the promissory note is not significantly different to its 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 their immediate or short-term maturities.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

27. 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. The Company also has foreign currency denominated monetary assets and liabilities. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company enters into derivative instruments to manage foreign exchange exposure as deemed appropriate.

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, 2018	December 31, 2017
	\$	\$
Assets		
Canadian dollar	488,576	2,597
South African rand	31,558	46,030
British pounds	4,143	452
Australian dollar	2,995	8,563
Liabilities		
South African rand	(5,179)	(11,100)
British pounds	(4,070)	(180)
Canadian dollar	(97)	(384)
Australian dollar	(26)	(57)

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,	
	2018	2017
	\$	\$
Canadian dollar	24,369	20
Australian dollar	148	188
South African rand	(64)	21

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

27. 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 other receivables, cash equivalents, short-term deposits and 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 recognized for irrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk associated with cash equivalents and short-term deposits 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.

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

(iii) Liquidity risk

Management of liquidity risk is primarily executed through maintaining a balance between continuity of funding and 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, 2018					
Trade and other payables	20,315	1,166	900	219	22,600
Non-current borrowings	-	-	-	36,436	36,436
As at December 31, 2017					
Trade and other payables	21,154	1,452	940	40	23,586
Non-current borrowings	-	-	-	35,711	35,711

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

27. Financial instruments (continued)

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

(iv) Interest rate risk

The Company's interest rate risk arises mainly from cash, short-term deposits, long term borrowings, advances payable, the long term loan receivable 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 LIBOR.

If interest rates (including applicable 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, 2018 would have increased or decreased by \$3.0 million.

28. 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 condensed consolidated interim financial statements of the Company.

As at September 30, 2018, 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)	4,476	-	-	-	4,476
Shaft 2 construction (Platreef project)	3,004	-	-	-	3,004
Operating leases	455	927	-	-	1,382
	7,935	927	-	-	8,862

The Company contracted Aveng Mining for the sinking of shaft 1 to a depth of 800 metres, while Murray & Roberts Cementation have been contracted for Shaft 2, at the Platreef Project.

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

29. Segmented information

At September 30, 2018, 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.

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2018

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

(Unaudited)

29. Segmented information (continued)

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

The reportable segments are principally engaged in the 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, 2018	197,840	922,660	57,913	1,178,413
As at December 31, 2017	175,435	826,568	63,780	1,065,783
		September 30,	December 31,	
		2018	2017	
		\$	\$	
Segment assets				
Treasury (ii)		642,816	158,969	
Kamoa Holding joint venture		596,896	552,384	
Kipushi properties		362,033	311,030	
Platreef property		220,808	221,353	
All other segments (i)		25,151	27,575	
Total		1,847,704	1,271,311	
Segment liabilities				
Platreef property		32,453	34,472	
Kipushi properties		13,171	9,193	
All other segments (i)		10,475	11,981	
Treasury (ii)		4,991	4,175	
Total		61,090	59,821	

Ivanhoe Mines Ltd.

Notes to the condensed consolidated interim financial statements September 30, 2018

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

29. Segmented information (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Segment losses (profits)				
Kamoa Holding Limited joint venture	7,757	6,759	21,659	17,312
All other segments (i)	3,148	1,151	5,827	2,096
Platreef property	(438)	1,180	3,475	2,523
Treasury (ii)	(7,101)	(4,947)	(11,188)	(11,804)
Kipushi properties	(644)	10,823	(1,714)	28,800
Total	2,722	14,966	18,059	38,927
Capital expenditures				
Kipushi properties	20,592	2,044	50,857	3,376
Platreef property	14,272	10,234	40,663	29,721
All other segments (i)	150	6,502	913	6,612
Total	35,014	18,780	92,433	39,709
Exploration and project expenditure				
All other segments (i)	2,368	1,346	6,479	2,423
Platreef property	-	40	98	124
Kipushi properties	-	10,209	-	26,970
Total	2,368	11,595	6,577	29,517

(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 mainly cash balances, the promissory note receivable and the financial asset at fair value through profit or loss.

30. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the nine months ended September 30, 2018 were approved and authorized for issue by the Board of Directors on November 6, 2018.



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018**

DATED: NOVEMBER 6, 2018

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, 2018, 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, 2017 and 2016, 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, 2018**. 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 underground access to the high grade orebody at the Flatreef Deposit; (ii) statements regarding Shaft 1 reaching the planned, final depth at 982 metres below surface in early 2020; (iii) statements regarding the timing of Shaft 2 development, including that excavation of the box cut and construction of the tower hitch foundation will be completed by early 2019 and that Shaft 2 will be sunk to a final depth of more than 1,104 metres; (iv) statements regarding the operational and technical capacity of Shaft 1; (v) statements regarding the internal diameter and hoisting capacity of Shaft 2; (vi) 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; (vii) statements regarding the planned underground mining methods of the Platreef Project including long-hole stoping and drift-and-fill mining; (viii) statements regarding supply of treated water from the town of Mokopane's new Masodi treatment plant including that it will supply 5 million litres of treated water a day for 32 years; (ix) statements regarding the timing and completion of a pre-feasibility study for a six Mtpa mine and concentrator at Kakula early in 2019; (x) statements regarding the timing, size and objectives of drilling and other exploration programs for 2018 and future periods; (xi) statements regarding exploration on the Western Foreland exploration licences; (xii) statements regarding completion of the twin declines at Kakula by the end of 2018; (xiii) statements regarding the timing and completion of a definitive feasibility study at the Kipushi Project; (xiv) statements regarding expected expenditure of \$13 million on further development at the Platreef Project; \$25 million at the Kipushi Project; \$3 million on regional exploration in the DRC; and \$5 million on corporate overheads for Q4 2018 – as well as its proportionate funding of the Kamoas-Kakula Project, expected to be \$32 million for Q4 2018; (xv) statements regarding Platreef projecting it to be Africa's lowest-cost producer of platinum-group metals; and (xvi) statements regarding the construction of a 1,050-metre-level-dam at the Kakula deposit to be commissioned in mid-2019.

As well, all of the results of the pre-feasibility study of the Kamo-a-Kakula Project and preliminary economic assessment of development options for the Kakula deposit, the feasibility study of the Platreef Project and the pre-feasibility study 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 Kamo-a-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 (xv) 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 licences; 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 35 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

Ivanhoe Mines is a mineral exploration and development company. The Company's financial performance is primarily affected by ongoing exploration and development activities being conducted at its three material properties. The Company has no producing properties and does not have operating revenues. The Company expects to fund all of its exploration and development activities through debt and equity financing until operating revenues 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 Mines 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 National 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 Mines holds a 68% interest in Kipushi; the state-owned mining company, La Générale des Carrières et des Mines (Gécamines), holds the remaining 32% interest. (See "*Kipushi Project*")
- **The Kamoa-Kakula 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 (Crystal River) 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 as the world's fourth-largest copper deposit. (See "*Kamoa-Kakula Project*")

PLATREEF PROJECT

The Platreef Project is owned by Ivanplats (Pty) Ltd (Ivanplats), 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 April 2018, Ivanplats reconfirmed its Level 3 status in its fourth 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 in 2010 and 2011 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 in Limpopo Province, approximately 280 kilometres northeast of Johannesburg and eight kilometres from the town of Mokopane.

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 two contiguous properties: Turfspruit and Macalacaskop. 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.

Health and safety at Platreef

At the end of Q3 2018, the Platreef Project reached a total of 666,009 lost-time, injury-free hours worked in terms of South Africa's Mine Health and Safety Act and Occupational Health and Safety Act. It has been four months since the last lost-time injury occurred at the Platreef Project which continues to strive toward its workplace objective of an environment that causes zero harm to employees, contractors, sub-contractors and consultants.

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 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. As the first phase is being developed and commissioned, there would be opportunities to refine the timing and scope of subsequent phases of expanded production.

DFS highlights include:

- Indicated Mineral Resources containing an estimated 41.9 million ounces of platinum, palladium, rhodium and gold (3PE+Au), 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, 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 of platinum, palladium, rhodium and gold, 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 DFS 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 (Amec Foster Wheeler), Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental.

Platreef Mineral Resources

The Platreef Project's Mineral Resource estimate 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.

Shaft 1 now extends to a depth of 800 metres below surface

Shaft 1 reached the top of the high-grade Flatreef Deposit (T1 mineralized zone) at a depth of 780.2 metres below surface in September 2018. The Platreef mining team has delivered the first ore from the underground mine development to surface stockpiles for metallurgical sampling. The estimated thickness of the mineralized reef (T1 & T2 mineralized zones) at Shaft 1 is 26 metres, with grades of platinum-group metals ranging up to 11 grams per tonne (g/t) 3PE (platinum, palladium and rhodium) plus gold, as well as significant quantities of nickel and copper. The 26-metre intersection will yield approximately 3,000 tonnes of ore, estimated to contain more than 400 ounces of platinum-group metals.

Current shaft depth is 809 metres and sinking is continuing through the mineralized reef. The 750-metre-level station was successfully developed with steelwork and concrete construction ongoing. The station will provide initial, underground access to the high-grade orebody, enabling mine development to proceed during the construction of Shaft 2. With a hoisting capacity of six million tonnes a year, Shaft 2 will become the mine's main production shaft and will allow access for the first raise-bore shaft that will provide ventilation to the underground workings during the mine's ramp-up phase.

As shaft sinking advances, two additional stations will be developed at mine-working depths of 850 metres and 950 metres. Shaft 1 is expected to reach its projected, final depth of 982 metres below surface in early 2020. Shaft 1 ultimately will become the primary ventilation intake shaft during the project's initial four-Mtpa production case.

Photo: Members of the Platreef Project team and its South African sinking contractor, Aveng Mining, in Shaft 1 at the intersection of the Flatreef Deposit.



Shaft 2 early-works construction progressing

Shaft 2, to be located approximately 100 metres northeast of Shaft 1, will have an internal diameter of 10 metres. It will be lined with concrete and sunk to a planned, final depth of more than 1,104 metres below surface. It will be equipped with two, 40-tonne, rock-hoisting skips capable of hoisting a total of six million tonnes of ore a 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 first seven blasts for Shaft 2's box cut were successfully completed, with the last two remaining blasts expected to take place before the end of 2018. The blasting will enable the excavation of the box cut to a depth of approximately 29 metres below surface and the construction of the concrete hitch (shaft collar foundation) for the 103-metre-tall concrete headgear that will house the shaft's permanent hoisting facilities and support the shaft collar. Excavation of the box cut and construction of the hitch foundation is expected to be completed in early 2019, enabling the beginning of the pre-sink, that will extend 84 metres below surface.

Photo: Shaft 2 box cut excavation in progress.



Underground mining to incorporate highly productive, mechanized methods

Ivanhoe plans to develop the Platreef Mine in phases. The initial annual production rate of four million tonnes a year is designed to establish an operating platform to support future expansions. This is expected to be followed by a potential doubling of production to eight Mtpa, and then a third expansion phase to a steady-state 12 Mtpa, which would establish Platreef among the largest platinum-group-metals mines in the world.

The mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below surface. Shaft 2 will provide primary access to the mining zones; secondary access 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 mining. 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 beyond earlier projections in the 2015 pre-feasibility study (PFS) mine plan by optimizing stope design, employing a declining Net Smelter Return (NSR) strategy and targeting higher-grade zones early in the mine's life. This strategy has increased the grade profile by 23% on a 3PE+Au basis in the first 10 years of operation and by 10% during the life of the mine.

Platreef project financing continuing to advance

Ivanhoe continues to advance the arrangement of project financing for the development of the Platreef Project. Negotiation of a term sheet is progressing well with the Initial Mandated Lead Arrangers (IMLAs), which are KfW IPEX-Bank, a 100% subsidiary of the German promotional bank KfW; Swedish Export Credit Corporation; Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division); and Societe Generale Corporate & Investment Banking.

In October 2018, Export Development Canada (EDC) advised Ivanhoe that it would not renew its IMLA mandate, as it is currently reviewing its market position for South Africa. EDC informed Ivanhoe that its decision was not, based on the due diligence completed to date, related to any specific concern it had with the Company or the Platreef Project. In addition preliminary discussions are underway with leading South African financial institutions regarding the financing of the black economic empowerment partners' contribution to the development capital which would thereby reduce the amount that would otherwise have to be contributed by Ivanhoe on their behalf.

Long-term supply of bulk water secured for the Platreef Mine

On May 7, 2018, Ivanhoe announced the signing of a new agreement to receive local, treated water to supply most of the bulk water needed for the first phase of production at Platreef. The Mogalakwena Local Municipality has agreed to supply a minimum of five million litres of treated water a day for 32 years, beginning in 2022, from the town of Mokopane's new Masodi Treatment Works. Initial supply will be used in Platreef's ongoing underground mine development and surface infrastructure construction.

Under terms of the agreement, which is subject to certain suspensive conditions, Ivanplats will provide financial assistance to the municipality for certified costs of up to a maximum of R248 million (approximately \$19.6 million) to complete the Masodi treatment plant. Ivanplats will purchase the treated wastewater at a reduced rate of R5 per thousand litres for the first 10 Ml/day to offset a portion of the initial capital contributed.

Development of human resources and job skills

Work progressed on the implementation of Ivanhoe's Social and Labour Plan (SLP). The Company has pledged a total of R160 million (\$13 million) during the first five years, culminating in November 2019. The approved plan includes R67 million (\$6 million) for the development of job skills among local residents and R88 million (\$7 million) for local economic development projects.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-lead 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, Gécamines.

Health, safety and community development

At the end of Q3 2018, the Kipushi Project had achieved a total 1,724,816 work hours free of lost-time injuries. On September 16, 2018, it had been a year since a lost-time injury had occurred at the Kipushi Project.

The Kipushi Project operates a potable-water station to supply the municipality with water. This includes power supply, disinfectant chemicals, routine maintenance, security and emergency repair of leaks to the primary reticulation. The Kipushi Project also installed and commissioned new overhead powerlines to the pump station. Other community development projects continued during Q3 and included the Kipushi women's literacy project.

Kipushi Mineral Resources

The Kipushi Project's current Mineral Resource estimate was updated with an effective date of June 14, 2018, and was prepared by the MSA Group, of Johannesburg, South Africa, in compliance with 2014 CIM Definition Standards.

Zinc rich Measured and Indicated Mineral Resources, primarily in the Big Zinc Zone total 11.78 million tonnes at grades of 35.34% zinc, 0.80% copper, 23 g/t silver and 64 g/t germanium, at a 7% zinc cut-off – containing an estimated 9.2 billion pounds of zinc. Zinc-rich Inferred Mineral Resources total an additional 1.14 million tonnes at grades of 33.77% zinc, 1.24% copper, 12 g/t silver and 62 g/t germanium. The Inferred Mineral Resources are contained partly in the Big Zinc Zone and partly in the Southern Zinc Zone.

Copper-rich Measured and Indicated Mineral Resources contained in the adjacent Fault Zone, Fault Zone Splay and Série Récurrente Zone total an additional 2.29 million tonnes at grades of 4.03% copper, 2.85% zinc, 21 g/t silver and 19 g/t germanium, at a 1.5% copper cut-off – containing 144 million pounds of copper. Copper-rich Inferred Mineral Resources in these zones total an additional 0.44 million tonnes at grades of 3.89% copper, 10.77% zinc, 19 g/t silver and 55 g/t germanium.

The new Mineral Resource estimate incorporates Ivanhoe's second phase of underground drilling at Kipushi that was completed in 2017.

Pre-feasibility study for Kipushi completed in December 2017; definitive feasibility study underway

The Kipushi Project's PFS, announced by Ivanhoe Mines on December 13, 2017, anticipated annual production of an average of 381,000 tonnes of zinc concentrate over an 11-year, initial mine life at a total cash cost of approximately \$0.48 per pound of zinc.

Highlights of the PFS, based on a long-term zinc price of \$1.10/lb include:

- After-tax net present value (NPV) at an 8% real discount rate of \$683 million.
- After-tax real internal rate of return (IRR) of 35.3%.

- After-tax project payback period of 2.2 years.
- Pre-production capital costs, including contingency, estimated at \$337 million.
- Existing surface and underground infrastructure allows for significantly lower capital costs than comparable greenfield development projects.
- Life-of-mine average planned zinc concentrate production of 381,000 dry tonnes per annum, with a concentrate grade of 59% zinc, is expected to rank Kipushi, once in production, among the world's largest zinc mines.

Estimated life-of-mine average cash cost of \$0.48/lb of zinc is expected to rank Kipushi, once in production, in the bottom quartile of the cash-cost curve for zinc producers internationally.

The planned primary mining method for the Big Zinc Deposit in the PFS is sublevel long-hole, open stoping, with cemented backfill. The crown pillars are expected to be mined once adjacent stopes are backfilled using a pillar-retreat mining method. The Big Zinc Deposit is expected to be accessed via the existing decline and without any significant new development. The main levels are planned to be at 60-metre vertical intervals, with sublevels at 30-metre intervals.

Geology and exploration

Work is focused on additional information required for the ongoing feasibility study as well as planning the geological delineation drilling for the underground mine development. The design criteria targeted areas along the edge of the Big Zinc, which presently are inaccessible from the historic workings.

Photo: Bukasa Lengesha, a boilermaker at Kipushi, inspecting the recently installed ore-loading flask at the bottom of Shaft 5.



Project development and infrastructure

Significant progress has been made in modernizing the Kipushi Mine's underground infrastructure as part of preparations for the mine to resume commercial production. In Q3 2018, the Kipushi Project successfully completed initial, pre-production testing as part of the equipment commissioning process for the new, large-capacity rock crusher that has been installed 1,150 metres below surface. The Sandvik jaw crusher has a maximum capacity of 1,085 tonnes an hour. The 54-tonne machine was re-assembled

and installed in the crusher chamber after it was disassembled on surface and its pieces were lowered down Shaft 5, which is the Kipushi Mine's main production shaft.

Ivanhoe completed the upgrading of a significant amount of underground infrastructure at the Kipushi Project, including a series of vertical mine shafts to various depths, with associated head frames, as well as underground mine excavations. A series of crosscuts and ventilation infrastructure still are in working condition. The underground infrastructure also includes a series of pumps to manage the influx of water into the mine.

Photo: Kipushi's new primary rock crusher at the mine's 1,150-metre level. The crusher was successfully cold-commissioned in September.



Shaft 5 is eight metres in diameter and 1,240 metres deep. It now has been upgraded and re-commissioned. The main personnel and material winder has been upgraded and modernized to meet international industry standards and safety criteria. The Shaft 5 rock-hoisting winder now is fully operational with new head- and tail-ropes also installed. The two newly manufactured rock conveyances (skips) and the supporting frames (bridles) have been installed in the shaft to facilitate the hoisting of rock from the main ore and waste storage silos feeding rock on the 1,200-metre-level.

The main haulage way on the 1,150-metre level between the Big Zinc access decline and Shaft 5 rock load-out facilities has been resurfaced with concrete so the mine now can use modern, trackless, mobile machinery.

With the underground upgrading program nearing completion, the project's focus now will shift to modernizing and upgrading Kipushi's surface infrastructure to handle and process Kipushi's high-grade zinc and copper resources.

KAMOA-KAKULA PROJECT

The Kamoa-Kakula 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, with adjacent prospective exploration areas within the Central African Copperbelt in the Democratic Republic of Congo. The project is approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi.

Ivanhoe sold a 49.5% share interest in Kamoa Holding Limited (Kamoa Holding) 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 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 has been required to fund expenditures at the Kamoa-Kakula Project in an amount equivalent to its proportionate shareholding interest in Kamoa Holding.

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 2002 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 DRC government, Ivanhoe and Zijin Mining now each hold an indirect, 39.6% interest in the Kamoa-Kakula Project, Crystal River holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. Kamoa Holding holds an 80% interest in the project.

Health and safety at Kamoa-Kakula

At the end of Q3 2018, the Kamoa-Kakula Project had achieved a total of 11,271,678 work hours free of lost-time injuries. It has been approximately seven years since the last lost-time injury occurred at the project. This outstanding achievement reflects the dedication and safety-focused culture of the entire Kamoa-Kakula exploration and development teams.

Kamoa-Kakula Mineral Resources

Ivanhoe issued an updated Mineral Resource estimate for the Kamoa-Kakula Project on February 26, 2018. It included an updated Kakula Mineral Resource estimate and was prepared by Ivanhoe Mines under the direction of Amec Foster Wheeler E&C Services Inc., 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 E&C Services Inc.

Indicated Mineral Resources for the combined Kamoa-Kakula Project now total 1,340 million tonnes grading 2.72% copper, containing 80.7 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 315 million tonnes grading 1.87% copper and containing 13.0 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum thickness of three metres.

The Kakula estimate covers a mineralized strike length of 13.3 kilometres and is based on results from approximately 151,000 metres of drilling in 271 holes completed by December 31, 2017. Indicated Mineral Resources total 585 million tonnes at a grade of 2.92% copper, containing 37.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Indicated Mineral Resources total 330 million tonnes at a 4.07% copper grade, containing 29.6 billion pounds of copper. At a 3% copper cut-off, Indicated Mineral Resources total 174 million tonnes at a grade of 5.62% copper, containing 21.5 billion pounds of copper.

Inferred Mineral Resources total 113 million tonnes at a grade of 1.90% copper, containing 4.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Inferred Mineral Resources total 44 million tonnes at a 2.59% copper grade, containing 2.5 billion pounds of copper. At a 3% copper cut-off, Inferred Mineral Resources total nine million tonnes at a grade of 3.66% copper, containing 0.7 billion pounds of copper.

The average true thickness of the selective mineralized zone (SMZ) at a 1% copper cut-off is 10.1 metres in the Indicated Mineral Resources area and 6.7 metres in the Inferred Mineral Resources area. At a higher 3% copper cut-off, the average true thickness of the SMZ is 4.7 metres in the Indicated Mineral Resources area and 3.3 metres in the Inferred Mineral Resources area.

The Kakula Mineral Resources are defined within a total area of 24.9 square kilometres at a 1% copper cut-off. At the same cut-off grade, the areal extent of Indicated Mineral Resources is 19.4 square kilometres and the areal extent of the Inferred Mineral Resources is 5.5 square kilometres. The Kakula Discovery remains open for significant expansion in multiple directions, while the remainder of the southern parts of the Kamoa-Kakula mining-licence area is virtually untested.

Kakula PFS currently underway

A PFS for phase 1 of the Kamoa-Kakula Project is underway. The study is considering a six-Mtpa mine and concentrator at Kakula and is expected to be completed early in 2019.

Underground development progressing at the Kakula Deposit

Each of the twin declines at Kakula had been advanced more than 1,000 metres from the portal face toward the mineralized zone at the end of Q3 2018. Construction of the 1,050-metre-level dam has started and is planned to be commissioned by mid-2019. The next priority will be the drifts to the development tip and bottom of Ventilation Shaft 1, which will be developed via raise boring. The 3,535-metre decline development contract is scheduled to be completed by the end of 2018.

The detailed design and tenders for the conveyor system for the main decline, the development tip and west tip one are well advanced. The earthworks design for the surface conveyor drive station has been completed and construction is due to start shortly. All tenders for major conveyor components including steelwork, drives, belting and pulleys, have been received and are being adjudicated. Tenders for the rock breaker and apron feeders have been adjudicated. Adjudication for the steelwork fabrication has been completed and the order will be placed shortly. Commissioning of the conveyor system is planned to be completed by September 2019.

Contract discussions have been concluded for construction of Ventilation Shaft 1 by raise boring. Bottom access to the shaft is expected via the Kakula declines by January 2019 and reaming of the shaft is expected to start in February 2019.

Exploration activities continue at Kakula and Kamoa North

Exploration drilling during Q3 2018 was split between Kakula and Kamoa North with 25,298 metres drilled during the quarter in 66 holes. A total of 21 holes were completed in Kamoa North.

Drilling at Kamoa North focused on continued testing of previously identified shallow high grade trends that were not fully evaluated in the 2017 program. The results of this program are due to be released when the final assays are returned. Exploration has continued at Kakula, with known mineralization remaining open and unconstrained to the north of Kakula West.

Regional geophysical surveys

The seismic survey to complete the final part of seismic transects toward the northern part of the area was completed early in Q3 2018. Vertical seismic profiles (VSPs), were completed down a number of boreholes during the quarter. VSPs are used to calibrate the seismic survey and facilitate a more accurate conversion of travel time of the seismic signal to depth below surface.

Ongoing upgrading work enables Mwadingusha power station to supply 32 megawatts of clean electricity to national grid

In January 2018, Ivanhoe announced that ongoing upgrading work at the Mwadingusha hydropower plant in the DRC had almost tripled the plant's interim power output from 11 to 32 megawatts (MW). This represents 45% of the plant's designed capacity. Three of Mwadingusha's six generators now have been modernized. The remaining three generators are due to be upgraded and fully operational by the end of 2019 – restoring the plant to its installed output capacity of approximately 71 MW of power.

The work at Mwadingusha, part of a program to eventually overhaul and boost output from three hydropower plants, is being conducted by engineering firm Stucky, of Lausanne, Switzerland, under the direction of Ivanhoe Mines and its joint-venture partner, Zijin Mining, in conjunction with the DRC's state-owned power company, La Société Nationale d'Electricité (SNEL). Once fully reconditioned, the three plants will have a combined installed capacity of approximately 200 MW of electricity for the national grid, which is expected to be more than sufficient for the Kamoia-Kakula Project.

The Kansoko Mine, Kakula Mine and Kamoia camp have been connected to the national hydroelectric power grid since the completion of a 12-kilometre, 120-kilovolt, dual-circuit power line between Kansoko and Kakula last December. The design of permanent, 11-kilovolt reticulation to the vent shafts and mine has started, which includes substations, overhead lines and surface cables.

Photo: Engineers inspecting pipes (penstocks) feeding water to turbines driving generators inside the Mwadingusha hydroelectric power plant.



Continued focus on community and sustainability

The Kamoa-Kakula Sustainable Livelihoods program is committed to sustainable development in the communities within the project's footprint. The main objective of the livelihoods program is to enhance food security and the living standards of the people who reside within the project's footprint. The program is mainly implemented through fish farming and food crops, including farming of maize (corn) and vegetables, plus poultry production and beekeeping.

Additional non farming related activities for Q3 2018 included education and literacy programs, the completion of a new school at the Muvunda village; a community water program; the continuation of the brick making program; the creation of unskilled job opportunities and the completion of the Kakula mine resettlement project.

Photo: Fabrice Mazeze with fresh tomatoes produced in the livelihoods vegetable garden.



Photo: Community adult literacy program at Kamoa-Kakula, sponsored by Kamoa Copper and Ivanhoe Mines and implemented in partnership with Alfa Congo, a non-profit, non-governmental organization based in Kinshasa.



DRC WESTERN FORELAND EXPLORATION PROJECT

Ivanhoe’s DRC exploration group is targeting Kamoia-Kakula-style copper mineralization through a regional drilling program on its 100%-owned Western Foreland exploration licences, located to the north and west of the Kamoia-Kakula Project.

During Q3 2018 the team commissioned two extra rigs for its dry season exploration drilling campaign. Three rigs began drilling north and west of Kamoia at the Kamilli, Mbali and Kiala targets with one remaining at Makoko. A total of 8,895 metres in 17 diamond drill holes were completed during the quarter. Four holes have been completed at Kiala and a further eight at Kamilli and Mbali. Detailed geological interpretation and assay results are pending.

Drilling continued at Makoko throughout the quarter; 11 holes were completed. The figure below shows the current exploration project areas for the 2018 field season.

Figure: Location of project areas in Ivanhoe’s 2018 Western Foreland drilling campaign.

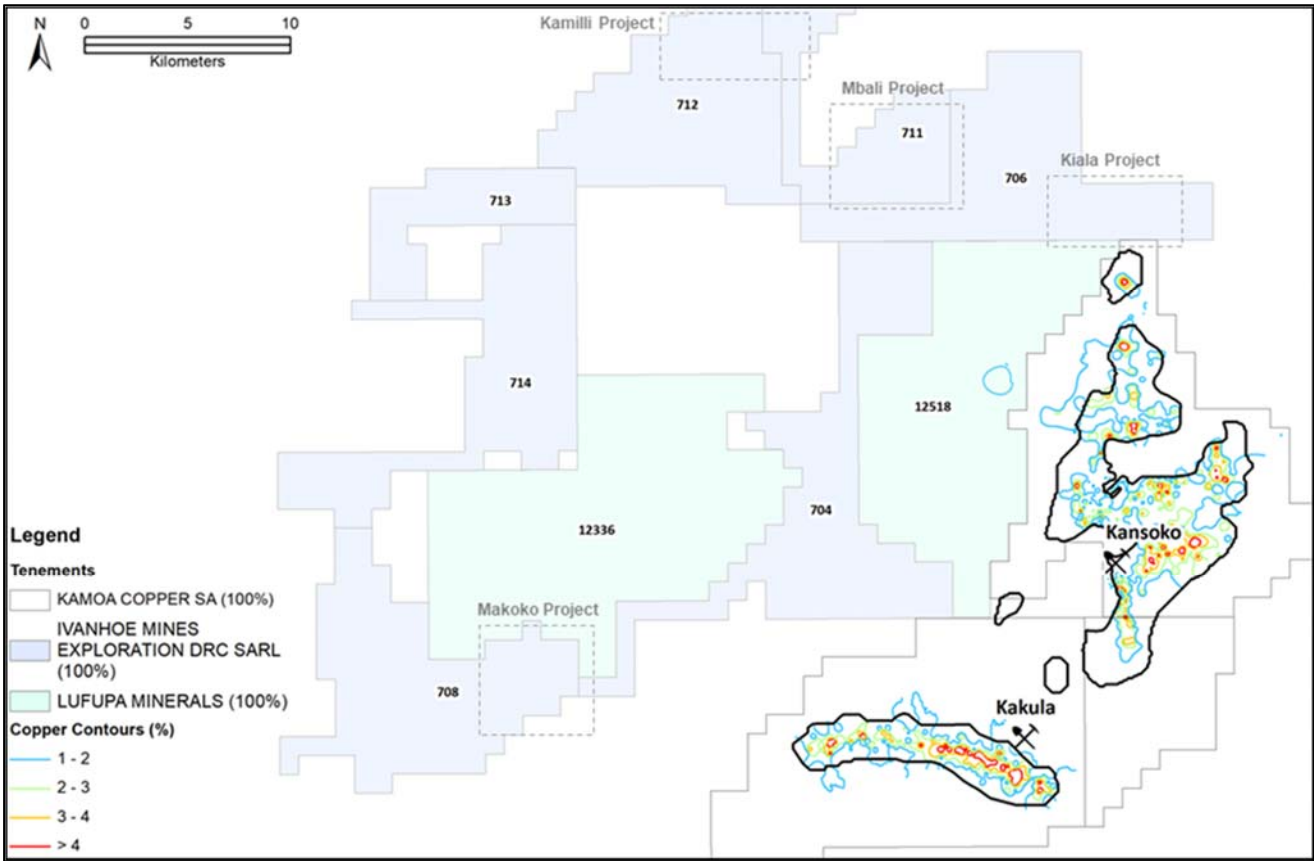


Photo: Héritier Tshiminyi Katembo, a driller with Ivanhoe's contractor, Titan Drilling, examines a piece of drill core from the Makoko area on Ivanhoe's 100%-owned Western Foreland exploration licences.



Makoko Copper Discovery

On October 1, 2018, Ivanhoe announced the Makoko Copper Discovery on its 100% owned Western Foreland Exploration licences, near Kamoakakula in the DRC. The Makoko Discovery is Ivanhoe's third major copper discovery in the DRC and shows characteristics identical to Ivanhoe's tier-one Kamoakakula Discoveries.

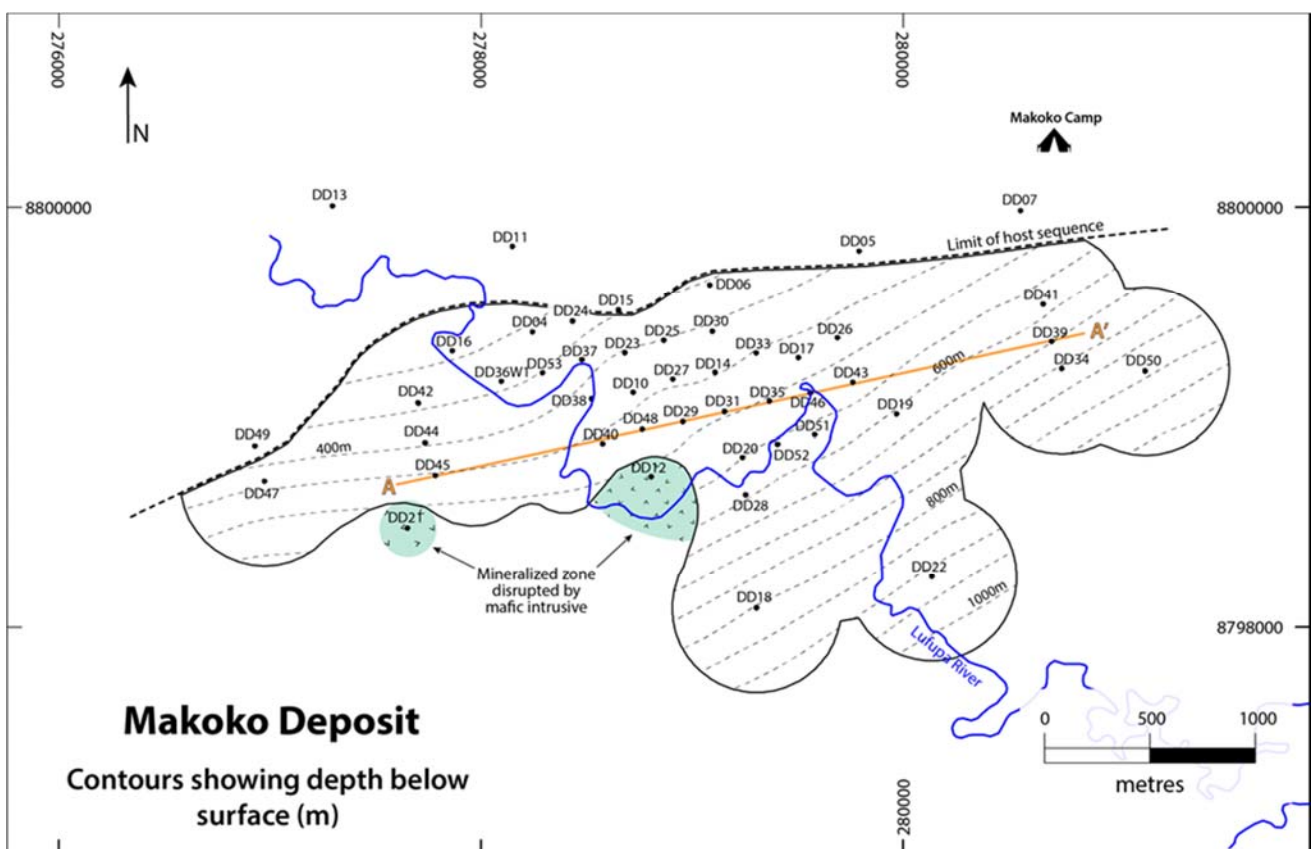
Selected drill holes at the Makoko Discovery include:

- DD004 (the Makoko discovery hole) intersected 3.94 metres (true width) of 5.46% copper, at a 2.0% copper cut-off, and 3.94 metres (true width) of 5.46% copper at a 1.0% copper cut-off, from a downhole depth of 306 metres.
- DD010 intersected 3.21 metres (true width) of 6.78% copper, at a 2.0% copper cut-off, and 3.95 metres (true width) of 5.81% copper at a 1.0% copper cut-off, from a downhole depth of 441 metres.
- DD017 intersected 3.19 metres (true width) of 6.49% copper at a 2.0% copper cut-off, and 4.64 metres (true width) of 4.88% copper, at a 1.0% copper cut-off, from a downhole depth of 471.7 metres.
- DD025 intersected 3.00 metres (true width) of 7.61% copper at a 2.0% copper cut-off, and 3.00 metres (true width) of 7.61% copper, at a 1.0% copper cut-off, from a downhole depth of 406 metres.

- DD046 intersected 7.44 metres (true width) of 7.81% copper at a 2.0% copper cut-off, and 9.39 metres (true width) of 6.51% copper, at a 1.0% copper cut-off, from a downhole depth of 523.51 metres.

The initial discovery hole at Makoko, DD004, was drilled in September 2017; follow-up and infill drilling has been ongoing since then. Drilling to date at Makoko has defined a flat-lying, near-surface stratiform copper deposit, similar to the Kamoia and Kakula deposits. The structure contour map indicates that the mineralized formation in the Makoko area is within 1,000 metres of surface. The majority of the drilling to date at Makoko has intersected the copper-rich zone between 400 metres and 800 metres below surface. The mineralized zone at Makoko strikes approximately south-southeast. It has been tested over a strike length of 4.5 kilometres and a dip extent of between one and two kilometres. Copper mineralization remains open both along strike and down dip.

Figure: Drilling locations at Ivanhoe's Makoko Discovery.



The Grand Conglomerate unit (coarse-grained clastic sedimentary rock), the base of which hosts copper mineralization in the Western Foreland area, underlies the majority of the area covered by Ivanhoe's exploration licences, with the base of the unit interpreted to be generally within 600 metres of surface.

At the nearby Kakula Discovery, the highest copper grades are associated with a siltstone-sandstone unit occurring within the Grand Conglomerate, located approximately one metre above the top of the Mwashia sandstone unit. Mineralization at Kakula consistently is bottom loaded, with grades increasing down-hole toward the contact between the host Grand Conglomerate and the underlying sandstone unit.

Copper mineralization at the Makoko Discovery similarly is located at the base of the Grand Conglomerate, just above the contact with the underlying Roan footwall rocks. This location is consistent

with copper mineralization seen in earlier drilling into the Kakula Discovery and elsewhere in the Western Foreland area.

High-grade copper intersections at Makoko are associated with a rhythmically-banded, fine-grained siltstone-sandstone unit similar to the siltstone-hosted mineralization at Kakula, although at Makoko the host package of rocks also includes zones of reworked diamictite. The siltstone-rich zones appear to have been controlled by the underlying basin architecture at the time of deposition.

Sulphide copper mineralization generally is fine-grained and shows typical downward vertical zonation of chalcopyrite to bornite to chalcocite, similar to Kakula. The dominant copper sulphide mineral at Makoko tends to be bornite.

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, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	2,368	2,773	1,436	10,986
Share of losses from joint venture	7,757	6,702	7,200	10,193
General administrative expenditure	980	6,269	5,254	3,316
Share-based payments	1,829	1,764	1,412	1,111
Reversal of impairment of mineral property and other items	-	-	-	(286,283)
Finance income	(12,146)	(10,875)	(10,357)	(8,986)
Finance costs	1,028	352	343	442
Total comprehensive loss (profit) attributable to:				
Owners of the Company	5,838	33,710	(4,916)	(207,991)
Non-controlling interest	2,046	4,263	1,064	(77,336)
Basic loss (profit) per share	0.00	0.01	0.01	(0.25)
Diluted loss (profit) per share	0.00	0.01	0.01	(0.24)

	Three months ended			
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 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

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended September 30, 2018, vs. September 30, 2017

The Company recorded a total comprehensive loss of \$7.9 million for Q3 2018 compared to a total comprehensive loss of \$21.2 million for the same period in 2017. Exploration and project expenditure for Q3 2018 amounted to \$2.4 million and was \$9.2 million less than for the same period in 2017 (\$11.6 million). The decrease in exploration and project expenditure was the main reason for the decrease in the total comprehensive loss and is attributable to the capitalization of costs incurred at the Kipushi Project subsequent to the finalization of its PFS in December 2017.

With the focus at the Kipushi and Platreef projects being on development and the Kamoa-Kakula Project being accounted for as a joint venture, the total \$2.4 million exploration and project expenditure in the three months ended September 30, 2018, related to exploration at Ivanhoe's 100%-owned Western Foreland exploration licences. In Q3 2017, \$10.8 million of the total \$11.6 million exploration and project expenditure related to the Kipushi Project.

The Company's share of losses from the Kamoa Holding joint venture increased from \$6.8 million in Q3 2017 to \$7.8 million in Q3 2018. The following table summarizes the Company's share of the comprehensive loss from Kamoa Holding for the three months ended September 30, 2018 and for the same period in 2017:

	Three months ended September 30,	
	2018	2017
	\$'000	\$'000
Interest expense	14,440	10,919
Exploration costs	5,435	6,884
Foreign exchange (gain) loss	(68)	21
Interest income	(988)	(515)
Loss for the period	18,819	17,309
Loss attributable to non-controlling interest	(3,148)	(3,655)
Loss for the period attributable to joint venture partners	15,671	13,654
Company's share of losses from joint venture (49.5%)	7,757	6,759

The costs associated with mine development are capitalized as development costs in Kamoa 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. Expenditure attributable to exploration at Kamoa North, Kakula West and in the saddle area between Kakula West and Kakula still is expensed.

The interest expense in the Kamoa Holding joint venture relates to shareholder loans where each shareholder is required to fund Kamoa 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.

Finance income for the three months ended September 30, 2018, amounted to \$12.1 million, and was \$4.1 million more than for the same period in 2017 (\$8.0 million). The increase mainly was due to interest earned on loans to the Kamoa Holding joint venture to fund operations that amounted to \$10.4 million in 2018, and increased by \$3.3 million as the accumulated loan balance increased.

Review of the nine months ended September 30, 2018, vs. September 30, 2017

The Company's total comprehensive loss of \$42.0 million for the nine months ended September 30, 2018, was \$4.5 million higher than for the same period in 2017 (\$37.5 million). The increased loss mainly was due to an exchange loss on translation of foreign operations of \$23.9 million for the nine months ended September 30, 2018, resulting from the weakening of the South African Rand by 14% from December 31, 2017, to September 30, 2018, compared to an exchange gain on translation of foreign operations recognized in the same period of 2017 of \$1.4 million.

Exploration and project expenditure for the nine months ended September 30, 2018, amounted to \$6.6 million and was \$22.9 million less than for the same period in 2017 (\$29.5 million). Exploration and project expenditure for the nine months ended September 30, 2018 related to Ivanhoe's 100%-owned Western Foreland exploration licences, while \$28.4 million for the same period in 2017 related to the Kipushi Project.

Finance income for the nine months ended September 30, 2018, amounted to \$33.4 million, and was \$9.8 million more than for the same period in 2017 (\$23.6 million). The increase mainly was due to interest earned on loans to the Kamoa Holding joint venture to fund operations that amounted to \$28.7 million in 2018, and increased by \$9.4 million as the accumulated loan balance increased.

The Company's share of losses from the Kamoa Holding joint venture increased to \$21.7 million for the nine months ended September 30, 2018, from \$17.3 million for the same period in 2017. The following table summarizes the Company's share of the comprehensive loss of Kamoa Holding for the nine months ended September 30, 2018, and for the same period in 2017:

	Nine months ended	
	September 30,	
	2018	2017
	\$'000	\$'000
Interest expense	40,928	30,000
Exploration costs	14,303	16,642
Foreign exchange loss (gain)	23	(3)
Interest income	(2,597)	(1,159)
Loss for the period	52,657	45,480
Loss attributable to non-controlling interest	(8,901)	(10,507)
Loss for the period attributable to joint venture partners	43,756	34,973
Company's share of losses from joint venture (49.5%)	21,659	17,312

Financial position as at September 30, 2018 vs. December 31, 2017

The Company's total assets increased by \$576.4 million, from \$1,271.3 million as at December 31, 2017, to \$1,847.7 million as at September 30, 2018. The increase mainly was due to the proceeds received on completion of the equity investment by CITIC Metal Africa Investments Limited (CITIC Metal Africa) and Zijin exercising its anti-dilution rights, for gross proceeds of \$555 million and \$60 million respectively.

Cash and cash equivalents and short-term deposits increased by \$358.1 million and \$116.2 million respectively. The Company utilized \$8.3 million of its cash resources in its operations, which includes interest of \$2.9 million received during the nine months ended September 30, 2018.

The Company's investment in the Kamoa Holding joint venture increased by \$44.5 million from \$552.4 million as at December 31, 2017, to \$596.9 million as at September 30, 2018, with each of the current

shareholders funding the operations equivalent to their proportionate shareholding interest. The Company's portion of the Kamoia Holding joint venture cash calls amounted to \$37.4 million during the nine months ended September 30, 2018, while the Company's share of comprehensive loss from the joint venture amounted to \$21.7 million.

The net increase of property, plant and equipment amounted to \$64.1 million, with a total of \$92.4 million being spent on project development and to acquire other property, plant and equipment. Of this total, \$40.6 million and \$50.9 million pertained to development costs and other acquisitions of property, plant and equipment at the Platreef Project and Kipushi Project respectively.

The main components of the additions to property, plant and equipment at the Platreef and Kipushi projects for the nine months ended September 30, 2018, and for the same period in 2017, are set out in the following table:

	Nine months ended September 30,	
	2018	2017
	\$'000	\$'000
Platreef Project		
Shaft 1 construction	21,525	17,038
Salaries and benefits	6,023	5,316
Administrative and other expenditure	5,091	4,507
Shaft 2 early works	3,696	1,160
Social and environmental	1,977	1,946
Studies and contracting work	977	3,261
Site costs	838	640
Infrastructure	365	264
Total development costs	40,492	34,132
Other additions to property, plant and equipment	141	1,667
Total additions to property, plant and equipment for Platreef	40,633	35,799
Kipushi Project		
Salaries and benefits	11,024	9,030
Electricity	4,935	4,285
Studies and contracting work	5,364	2,144
Depreciation	2,388	2,533
Repair and maintenance	924	3,623
Other expenditure	9,983	6,775
	34,618	28,390
<i>Classified as:</i>		
Exploration and project expenditure in the loss from operating activities	-	28,390
Capitalized as development cost in property, plant and equipment	34,618	-
Other additions to property, plant and equipment	16,239	3,376
Total additions to property, plant and equipment for Kipushi	50,857	3,376

The Company's total liabilities increased by \$1.3 million to \$61.1 million as at September 30, 2018, from \$59.8 million as at December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$539.5 million in cash and cash equivalents and \$116.2 million in short-term deposits as at September 30, 2018. At this date, the Company had consolidated working capital of approximately \$646.7 million, compared to \$181.9 million at December 31, 2017.

On September 19, 2018, Ivanhoe announced the completion of a major strategic equity investment totalling C\$723 million (\$555 million) in Ivanhoe Mines by CITIC Metal Africa, a direct subsidiary of CITIC Metal Co., Ltd. (CITIC Metal), one of China's leading international resources companies. Ivanhoe Mines issued 196,602,037 common shares to CITIC Metal Africa through a private placement at a price of C\$3.68 per share. Zijin exercised its anti-dilution rights, generating additional proceeds for Ivanhoe of C\$78 million (\$60 million). The exercise by Zijin of its anti-dilution rights also was at a price of C\$3.68 per share.

The Platreef Project's restricted cash, which were funds of \$290 million invested by the Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation and Japan Gas Corporation, has been fully utilized and the project's current expenditure is being funded solely by Ivanhoe as the Japanese consortium has elected not to contribute to current expenditures. Since the Platreef Project's restricted cash was fully utilized, the company has contributed a total of \$10.0 million on behalf of the Japanese consortium.

Since December 8, 2015, each shareholder in Kamoa Holding has been required to fund Kamoa 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 2018 at the Platreef Project are the continuation of Shaft 1 construction, securing a bulk-water supply and completion of early-works construction of Shaft 2. At Kipushi, the principal objectives are the completion of the feasibility study and continued upgrading of mining infrastructure. At the Kamoa-Kakula Project, priorities are the continuation of decline construction at Kakula and the completion of a PFS for Kakula. The Company has budgeted to spend \$13 million on further development at the Platreef Project; \$25 million at the Kipushi Project; \$3 million on regional exploration in the DRC; and \$5 million on corporate overheads for Q4 2018 – as well as its proportionate funding of the Kamoa-Kakula Project, expected to be \$32 million for Q4 2018.

The Company has a mortgage bond outstanding on its offices in London, United Kingdom, of £3.2 million (\$4.2 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 \$26.6 million as at September 30, 2018, and a contractual amount due of \$32.2 million. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalized. The difference of \$5.6 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:

Contractual obligations as at September 30, 2018	Payments Due By Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
Debt	36,436	-	4,204	-	32,232
Operating leases	1,382	455	927	-	-
Shaft 1 construction – Platreef Project	4,476	4,476	-	-	-
Shaft 2 construction – Platreef Project	3,004	3,004	-	-	-
Total contractual obligations	45,298	7,935	5,131	-	32,232

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 Kamoia 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,	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Global Mining Management Corporation (a)	1,024	586	3,242	1,603
Ivanhoe Capital Aviation LLC (b)	625	500	1,875	1,500
HCF International Advisors (c)	322	93	616	273
Ivanhoe Capital Services Ltd. (d)	109	150	351	311
Ivanhoe Capital Corporation (UK) Ltd (e)	60	49	2	49
Ivanhoe Capital Pte Ltd (f)	6	53	116	218
Global Mining Services Ltd. (g)	3	34	19	93
Ivanhoe Mines Energy DRC Sarl (h)	(108)	(91)	(267)	(277)
GMM Tech Holdings Inc. (i)	(322)	(760)	554	(5)
Kamoa Copper SA (j)	(952)	(862)	(2,843)	(2,561)
	767	(248)	3,665	1,204
Salaries and benefits	765	582	2,458	1 562
Travel	640	538	2,057	1,693
Consulting	404	(465)	2,118	598
Office and administration	18	50	142	189
Cost recovery and management fee	(1,060)	(953)	(3,110)	(2,838)
	767	(248)	3,665	1,204

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, 2018, trade and other payables included \$0.32 million (December 31, 2017: \$0.93 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. Included in other receivables is \$0.24 million (December 31, 2017: \$0.18 million) due from parties related by way of directors, officers or shareholders in common.

- (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) 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.
- (d) 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.
- (e) 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.
- (f) Ivanhoe Capital Pte. Ltd. (Capital) is a private company owned indirectly by the Executive Chairman of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) Kamoa Copper SA (Kamoa Copper) is a company incorporated in the DRC. Kamoa Copper is 80% owned by Kamoa Holding Limited, a joint venture of the Company. The Company provides administration, accounting and other services to Kamoa Copper 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, 2017. 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. Such estimates have a pervasive effect on 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. This 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, 2018, with earlier application permitted. The Company adopted these standards in the current period, which did not have a material impact on its condensed consolidated interim financial statements.

- 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.
- 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.
- Amendment to IFRS 9 - Financial instruments. The standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The new standard also introduces a single "expected credit loss" impairment model for the measurement of financial assets.
- 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.
- 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.

Accounting standards issued but not yet effective

- IFRS 16 - 'Leases'. The standard requires lessees to recognize assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. (i)
- IAS 19 - 'Employee Benefits'. The amendments require an entity to use the updated assumptions from a remeasurement of a net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to a plan. (i)
- IAS 28 - 'Investment in Associates or Joint Ventures'. The amendment provides clarity regarding when an entity should apply IFRS 9 to long term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied. (i)
- IFRIC 23 – 'Uncertainty over Income Tax Treatments'. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. (i)
- Annual improvements 2015-2017 Cycle: IFRS 3 – 'Business Combinations' and IFRS 11 – 'Joint Arrangements' regarding clarification when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interest in that business. (i)
- Annual improvements 2015-2017 Cycle: IAS 12 – 'Income Taxes' provides clarification that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. (i)
- Annual improvements 2015-2017 Cycle: IAS 23 – 'Borrowing Costs' clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. (i)

(i) 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, 2018 \$'000	December 31, 2017 \$'000
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entity	Level 1	2,995	8,563
<i>Loans and receivables</i>			
Promissory note receivable	Level 3	12,069	13,610
Long term loan receivable	Level 3	35,857	34,065
Financial liabilities			
Borrowings	Level 3	30,772	29,204
Advances payable	Level 3	2,460	2,344

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

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

The fair value of the promissory note receivable by the Company from Crystal River was originally determined assuming repayment occurs on December 31, 2017 and was discounted using a rate of 8.3%. The carrying value of the promissory note is 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 their 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,	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest from loan to joint venture	(10,372)	(7,146)	(28,732)	(19,362)
Other interest income	(1,165)	(886)	(2,854)	(2,728)
Interest on long term loan receivable	(609)	-	(1,792)	-
Unwinding discount	-	-	-	(1,538)
	(12,146)	(8,032)	(33,378)	(23,628)

The interest from the loan to the joint venture is interest earned 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.

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. The Company also has foreign currency denominated monetary assets and liabilities. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company enters into derivative instruments to manage foreign exchange exposure as deemed appropriate.

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, 2018	December 31, 2017
	\$'000	\$'000
Assets		
Canadian dollar	488,576	2,597
South African rand	31,558	46,030
British pounds	4,143	452
Australian dollar	2,995	8,563
Liabilities		
South African rand	(5,179)	(11,100)
British pounds	(4,070)	(180)
Canadian dollar	(97)	(384)
Australian dollar	(26)	(57)

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,	
	2018	2017
	\$'000	\$'000
Canadian dollar	24,424	20
Australian dollar	148	188
South African rand	(64)	21

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 its 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 \$'000	1 to 3 months \$'000	3 to 12 months \$'000	More than 12 months \$'000	Total undiscounted cash flows \$'000
As at September 30, 2018					
Trade and other payables	20,315	1,166	900	219	22,600
Non-current borrowings	-	-	-	36,436	36,436
As at December 31, 2017					
Trade and other payables	21,154	1,452	940	40	23,586
Non-current borrowings	-	-	-	35,711	35,711

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, 2018 would have increased or decreased by \$3.0 million.

DESCRIPTION OF CAPITAL STOCK

As at November 6, 2018, 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 1,010,608,164 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 and 4,000,000 options in 2018 to date. As at November 6, 2018, there were 22,036,000 options issued in terms of the Equity Incentive Plan exercisable into 22,036,000 Class A Shares.

The Company granted 1,503,509 restricted share units (RSUs) in 2018 to date, 43,683 restricted RSUs in 2017 and 2,013,539 RSUs in 2016 per the Company's restricted share unit plan. As at November 6, 2018, there were 5,275,727 RSUs which may vest into 5,275,727 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, 2018 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of September 30, 2018 and have concluded that these controls and procedures have been designed effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the nine months ended September 30, 2018, 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 has prepared a current, independent, NI 43-101-compliant technical report for each of the Platreef Project, the Kipushi Project and the Kamoa-Kakula Project, which are available under the Company's SEDAR profile at www.sedar.com:

- The Kamoa-Kakula 2018 Resource Update dated March 23, 2018, prepared by OreWin; Amec Foster Wheeler; MDM (Technical) Africa; Stantec Consulting International and SRK Consulting (South Africa), covering the Company's Kamoa-Kakula Project;

- The Platreef 2017 Feasibility Study Technical Report dated September 4, 2017, prepared by DRA Global, OreWin, 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 2017 Prefeasibility Study Technical Report dated January 25, 2018, prepared by OreWin, The MSA Group, SRK Consulting (South Africa) and MDM (Technical) Africa, 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 Kamoa-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 Kamoa-Kakula Project.

ADDITIONAL INFORMATION

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