U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ **Registration Statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

☑ **Annual Report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2009 **Commission File Number: [001-32403]**

IVANHOE MINES LTD.

(Exact name of Registrant as specified in its charter)

Yukon, Canada	**1021**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Suite 654, 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1, (604) 688-5755
(Address and telephone number of registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue
New York, New York
10011
(212) 894-8700
(Name, address and telephone number of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares without par value	**New York Stock Exchange/ Nasdaq Stock Market**
(Title of Class)	*(Exchanges)*

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

☑ Annual Information Form ☑ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

425,447,552 Common Shares outstanding as of December 31, 2009

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☐ No ☐

The Annual Report on Form 40-F shall be incorporated by reference into, or as an exhibit to, as applicable, the Registrant's Registration statement under the Securities Act of 1933: Form S-8 (File No. 333-160783).

In this annual report on Form 40-F, all funds are quoted in Canadian dollars unless otherwise indicated.

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For the Annual Information Form of Ivanhoe Mines Ltd. (the "Company") for the year ended December 31, 2009, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Company's audited consolidated financial statements for the years ended December 31, 2009 and 2008, including the auditor's report with respect thereto, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Company's Management's Discussion and Analysis for the year ended December 31, 2009, see Exhibit 3 of this Annual Report on Form 40-F.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking information and statements are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting anticipated business activities; planned expenditures; corporate strategies; proposed acquisitions and dispositions of assets; discussions with third parties respecting material agreements; mining plans for the Oyu Tolgoi Project and the schedule for carrying out and completing construction of the Oyu Tolgoi Project; the estimated schedule and cost of bringing the Oyu Tolgoi Project into commercial production; anticipated future production and cash flows; target milling rates; mining plans and production forecasts for the Ovoot Tolgoi Coal Mine; the schedule for carrying out and completing an expansion of the production capability of the Ovoot Tolgoi Coal Mine; anticipated outcomes with respect to the ongoing marketing of coal products from the Ovoot Tolgoi Coal Mine; the anticipated timing of payback of capital invested in the Ovoot Tolgoi Coal Mine; the impact of amendments to the laws of Mongolia and other countries in which IVN carries on business, particularly with respect to taxation; the anticipated timing, cost and outcome of plans to continue the development of non-core projects, and other statements that are not historical facts.

All such forward-looking information and statements are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "General Development of the Business – Risk Factors" in the Annual Information Form of the Company for the year ended December 31, 2009. The reader is cautioned not to place undue reliance on forward-looking information or statements.

This Annual Report on Form 40-F also contains references to estimates of mineral reserves and mineral resources. The estimation of reserves and resources is inherently uncertain and involves subjective judgments about many relevant factors. 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, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral reserves and mineral resources can be mined or processed profitably. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Except as required by law, the Company does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

This document and the documents incorporated by reference herein have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. Without limiting the foregoing, this document, and the documents incorporated by reference herein, use the terms "measured," "indicated" and "inferred" resources. United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under current United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this document, or in the documents incorporated by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC. National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this document have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. NI 43-101 permits historical estimates made prior to the adoption of NI 43-101 that do not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (d) includes any more recent estimates or data available.

ADDITIONAL DISCLOSURE

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's principal executive officer and principal financial officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the Company's fiscal year ended December 31, 2009, an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the Company's management with the participation of the principal executive officer and principal financial officer. Based upon that evaluation, the Company's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in United States Securities and Exchange Commission ("SEC") rules and forms, and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the Company's principal executive officer and principal financial officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Report on Internal Control over Financial Reporting

The required disclosure is included in the Company's Management's Discussion and Analysis for the year ended December 31, 2009, filed as Exhibit 3 of this Annual Report on Form 40-F.

Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2009, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The Company's independent registered chartered accountants, Deloitte & Touche LLP, have issued an unqualified opinion on the Company's internal control over financial reporting which is included in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2009 attached hereto as Exhibit 2.

AUDIT COMMITTEE

The Company's board of directors has a separately-designated standing Audit Committee as defined by Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the Company's annual financial statements. As of the date of this annual report, the members of the Audit Committee are Ms. Livia Mahler and Messrs. David Korbin, Kjeld Thygesen and Dr. Marcus Faber. Mr. Korbin is the Chairman of the Audit Committee.

Each of the directors serving on the Audit Committee has also been determined by the board of the Company to be independent within the criteria established by the SEC, the New York Stock Exchange (the "NYSE") and the NASDAQ Stock Market ("Nasdaq") for audit committee membership.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's board of directors has determined that Mr. David Korbin is an "audit committee financial expert" (as such term is defined in Form 40-F). In addition, Mr. Korbin is independent, as that term is defined by the SEC and the NYSE and Nasdaq listing standards. Mr. Korbin holds a Chartered Accountant designation and has worked as an accounting professional for over 25 years.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a written "code of ethics" (as that term is defined in Form 40-F), entitled Code of Business Conduct and Ethics, which applies to all of the Company's employees, executive officers and directors, including the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code of Business Conduct and Ethics includes, among other things, written standards for the Company's principal executive officer, principal financial officer and principal accounting officer that are required by the SEC for a code of ethics applicable to such officers. To review or obtain a copy of the Company's Code of Business Conduct and Ethics, see "Ethics Point – Code of Business Conduct and Ethics" posted on the Company's website, www.ivanhoemines.com. The Code of Business Conduct and Ethics is also available in print to any shareholder who requests it. Requests for copies of the Code should be made by contacting: Ivanhoe Mines Ltd., 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1.

Since the adoption of the Code of Business Conduct and Ethics, there have not been any amendments to the Code of Business Conduct and Ethics (other than housekeeping amendments to the Code in 2007 to clarify consulting and reporting procedures and to recognize the Company's whistleblower mechanism) or waivers, including implicit waivers, from any provision of the Code of Business Conduct and Ethics.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP has served as the Company's auditing firm since January 1995. Fees billed by Deloitte & Touche LLP and its affiliates during fiscal 2009 and fiscal 2008 were approximately $2,403,000 and $3,330,000, respectively. The aggregate fees billed by the auditors in fiscal 2009 and fiscal 2008 are detailed below.

($ in 000's)	**2009**	**2008**
Audit Fees (a)	$ 873	$ 1,030
Audit Related Fees (b)	1,469	1,960
Tax Fees (c)	26	43
All Other Fees (d)	35	297
Total	$ 2,403	$ 3,330

(a) Fees for audit services billed or expected to be billed relating to fiscal 2009 and 2008 consisted of:

- audit of the Company's annual statutory financial statements; and
- audit of its subsidiaries, SouthGobi Energy Resources Ltd.'s and Ivanhoe Australia Limited's, annual statutory financial statements.

In addition, in 2009 and 2008, fees were paid for services provided in connection with review pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the required attestations relating to internal controls.

(b) Fees for audit-related services provided during fiscal 2009 and 2008 consisted of:

- translation services;
- financial accounting and reporting consultations;
- reviews of the interim financial statements of the Company and its subsidiaries; and
- comfort letters, consents, and other services related to SEC, Canadian and other securities regulatory authorities' matters.

(c) Fees for tax services provided during fiscal 2009 and 2008 consisted of income tax compliance and tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries.

(d) The Company incurred fees of $35,000 and $297,000 for products and services provided by its principal accountant during fiscal 2009 and 2008 not disclosed in subsections (a), (b) or (c).

Pre-Approval Policies and Procedures

All services to be performed by the Company's independent auditor must be approved in advance by the Audit Committee or a designated member of the Audit Committee ("Designated Member"). The Designated Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any de minimis non-audit services allowed by applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service needs to be reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Company's external auditor relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee or the Designated Member.

OFF-BALANCE SHEET ARRANGEMENTS

During the most recent fiscal year, the Company was not a party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations," contained in Exhibit 3 to this Annual Report on Form 40-F, is incorporated by reference herein.

CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices Compared to NYSE and Nasdaq Listing Standards

The Company has reviewed its corporate governance practices against the requirements of the NYSE and Nasdaq, and determined that its corporate governance practices do not differ in any significant way from those followed by U.S. companies under NYSE and Nasdaq listing standards. This includes the composition of the board of directors, because in excess of one-half of the Company's directors (seven of twelve directors) are considered independent for purposes of the NYSE and Nasdaq corporate governance rules. The board of directors has determined the following seven directors to be independent under the NYSE and Nasdaq corporate governance rules: David Huberman, Markus Faber, Robert Hanson, Kjeld Thygesen, Howard Balloch, Livia Mahler and David Korbin. All of these directors are nominees for re-election to the Board at the 2010 annual general meeting scheduled for May 7, 2010 (the "Meeting"). Shareholders of the Company will also be asked at the Meeting to approve a special resolution increasing the maximum number of directors of the Company from twelve (12) to fourteen (14), and to separately elect one additional director for the ensuing year, contingent upon the special resolution being passed. Such additional director is expected to qualify as an independent director under the NYSE and Nasdaq corporate governance rules effective June 1, 2010. If the special resolution increasing the maximum number of directors of the Company is passed, the board of directors also intends to appoint, following the Meeting, one further board member to hold office until the next annual general meeting of the Company, which board member is also expected to be an independent director for purposes of the NYSE and Nasdaq corporate governance rules. Therefore following the Meeting, in excess of one-half of the Company's directors will continue to be considered independent for purposes of the NYSE and Nasdaq corporate governance rules.

Presiding Director at Meetings of Non-Management Directors

The Company's board of directors holds regular quarterly meetings and meets as required between the quarterly meetings. As part of the quarterly meetings, the Company's "non-management directors" (as that term is defined in the rules of the NYSE) have the opportunity to meet separate from management. If required, between regularly scheduled board meetings, a meeting of non-management directors is held by teleconference to update the directors on corporate developments since the last Board meeting. David Huberman, the Company's lead director (the "Lead Director"), serves as the presiding director at such meetings of non-management directors.

Communication with Non-Management Directors

Shareholders may send communications to the Company's non-management directors by writing to the Lead Director, c/o Ivanhoe Mines Ltd., 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1. Communications will be referred to the Lead Director for appropriate action. The status of all outstanding concerns addressed to the Lead Director will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

According to NYSE Rule 303A.09 and Rule 4350(n) of the Nasdaq Listed Company Manual, a listed company must adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The Company has adopted the required guidelines and has posted them on its website at www.ivanhoemines.com. The required guidelines are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Ivanhoe Mines Ltd., 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1.

Board Committee Mandates

The Mandates of the Company's Audit Committee, Compensation and Benefits Committee and Nominating and Corporate Governance Committee are each available for viewing on the Company's website at www.ivanhoemines.com, and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Ivanhoe Mines Ltd., 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X on December 17, 2003 with respect to the class of securities in relation to which the obligation to file the Form 40-F arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the SEC by an amendment to the Form F-X referencing the file number of the Company.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Dated: March 31, 2010

IVANHOE MINES LTD.

By: /s/ Beverly A. Bartlett
Name: Beverly A. Bartlett
Title: Vice President and Corporate Secretary

EXHIBIT INDEX

Exhibit Number	Document
1	Annual Information Form for the year ended December 31, 2009.
2	Audited Consolidated Financial Statements of Ivanhoe Mines Ltd., including the notes thereto, as of and for the years ended December 31, 2009 and 2008, together with the reports thereon of the Independent Registered Chartered Accountants.
3	Management's Discussion and Analysis of Financial Condition and Results of Operations.
23.1	Consent of Deloitte & Touche LLP, Independent Registered Chartered Accountants.
23.2	Consent of AMEC Minproc Limited.
23.3	Consent of Bernard Peters.
23.4	Consent of John Vann.
23.5	Consent of Dean David.
23.6	Consent of Scott Jackson.
23.7	Consent of Albert Chance.
23.8	Consent of Stephen Torr.
23.9	Consent of Norwest Corporation.
23.10	Consent of Alister Horn.
23.11	Consent of Richard Tifft III.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended).
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

IVANHOE MINES LTD.

Annual Information Form

For the year ended
December 31, 2009

Dated March 31, 2010

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INTERPRETATION INFORMATION

Forward-Looking Information

Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking information and statements are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will" "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting anticipated business activities; planned expenditures; corporate strategies; proposed acquisitions and dispositions of assets; discussions with third parties respecting material agreements; mining plans for the Oyu Tolgoi Project and the schedule for carrying out and completing construction of the Oyu Tolgoi Project; the estimated schedule and cost of bringing the Oyu Tolgoi Project into commercial production; anticipated future production and cash flows; target milling rates; mining plans and production forecasts for the Ovoot Tolgoi Coal Project; the schedule for carrying out and completing an expansion of the production capability of the Ovoot Tolgoi Coal Project; anticipated outcomes with respect to the ongoing marketing of coal products from the Ovoot Tolgoi Coal Project; the anticipated timing of payback of capital invested in the Ovoot Tolgoi Coal Project; the impact of amendments to the laws of Mongolia and other countries in which IVN carries on business, particularly with respect to taxation; the anticipated timing, cost and outcome of plans to continue the development of non-core projects, and other statements that are not historical facts.

All such forward-looking information and statements are based on certain assumptions and analyses made by IVN's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "GENERAL DEVELOPMENT OF THE BUSINESS – Risk Factors" in this AIF. The reader is cautioned not to place undue reliance on forward-looking information or statements.

This AIF also contains references to estimates of mineral reserves and mineral resources. The estimation of reserves and resources is inherently uncertain and involves subjective judgments about many relevant factors. 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, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral reserves and mineral resources can be mined or processed profitably. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

IVN does not assume any obligation, other than as required by law, to revise or update any forward-looking statements in this AIF after the date of this AIF or to revise them to reflect the occurrence of future unanticipated events.

Currency and Exchange Rates

In this AIF, all funds are quoted in United States dollars unless otherwise indicated. References to "$" and "US$" are to United States dollars, references to "Cdn$" are to Canadian dollars and references to "Aus$" are to Australian dollars.

The Bank of Canada noon buying rates for the purchase of one United States dollar using Canadian dollars were as follows during the indicated periods:

(Stated in Canadian dollars)

Year Ended December 31			
	2009	**2008**	**2007**
End of period	1.0466	1.2246	0.9881
High for the period	1.3000	1.2969	1.1853
Low for the period	1.0292	0.9719	0.9170
Average for the period	1.1420	1.0660	1.0748

The Bank of Canada noon buying rate on March 30, 2010 for the purchase of one United States dollar using Canadian dollars was Cdn$1.0188 (one Canadian dollar on that date equalled US$0.9815).

Definitions

In this AIF, unless the context otherwise requires, the following terms have the meanings assigned to them below. Certain other scientific and technical terms and abbreviations used in this AIF are defined under the section headed "Technical Terms and Abbreviations".

"**AIF**" means this Annual Information Form.

"**Altynalmas Gold**" means Altynalmas Gold Ltd.

"**AMEC Minproc**" means AMEC Minproc Limited (formerly GRD Minproc Limited).

"**Anti-Dilution Warrants**" means share purchase warrants exercisable to acquire Common Shares issued to Rio Tinto pursuant to Rio Tinto's exercise of its pre-emptive rights under the Private Placement Agreement.

"**Approved Investment Contract**" means an Investment Contract that is approved by the Company's board of directors and that is mutually acceptable to the Company and Rio Tinto, acting reasonably.

"**ASX**" means the Australian Stock Exchange.

"**Cloncurry Project**" means Ivanhoe Australia's molybdenum, rhenium, copper, gold and uranium exploration and development project located in Queensland, Australia.

"**Common Shares**" means common shares without par value in the capital of the Company.

"**Contract Assignment Arrangement Agreement**" means an agreement dated as of August 13, 2008 among the Company, OT LLC and Rio Tinto Alcan.

"**Credit Agreement**" means the credit agreement dated as of October 24, 2007, as amended, between the Company, as borrower, and Rio Tinto, as lender.

"**Entrée**" means Entrée Gold Inc.

"**Entrée Earn-in Agreement**" means the Equity Participation and Earn-in Agreement dated October 15, 2004 between Entrée and IVN, as amended November 9, 2004.

“**Entrée Joint Venture**” means the joint venture between IVN and Entrée contemplated by the Entrée Earn-in Agreement in respect of a portion of the Hugo North Extension in which (i) IVN holds an 80% interest and Entrée holds a 20% interest in minerals below 560m and (ii) IVN holds a 70% interest and Entrée holds a 30% interest in minerals above 560m.

“**Erdenes**” means Erdenes MGL LLC, a company owned by the Government of Mongolia.

“**First Tranche Investment**” means the 37,089,883 Common Shares issued to Rio Tinto on October 27, 2006 under the Private Placement Agreement.

“**HKSE**” means the Stock Exchange of Hong Kong.

“**Hugo Dummett Deposits**” means collectively, the Hugo North, the Hugo South and Hugo North Extension mineral deposits of the Oyu Tolgoi Project.

“**Hugo North**” means the Hugo North mineral deposit of the Oyu Tolgoi Project.

“**Hugo North Extension**” means the Hugo North Extension deposit of the Oyu Tolgoi Project, representing the extension of the Hugo Dummett Deposits into the area that is the subject of the Entrée Joint Venture.

“**Hugo South**” means the Hugo South mineral deposit of the Oyu Tolgoi Project.

“**Integrated Development Plan 2005**” or “**IDP05**” means a report on the development of the Oyu Tolgoi Project prepared by a group of independent engineering companies in October 2005.

“**Investment Agreement**” means the investment agreement dated October 6, 2009, as such agreement may be amended from time to time, among the Government of Mongolia, OT LLC, IVN and Rio Tinto in respect of the Oyu Tolgoi Project, providing legal, administrative and tax stability during its term and extension, if any, and guaranteeing that the legal, administrative and tax framework in force in Mongolia when the agreement is entered into will remain unmodified during its term and extension, if any, notwithstanding any modification, either introduced by law or regulations, enacted after the execution of the agreement, and includes any agreement superseding or replacing the investment agreement dated October 6, 2009.

“**Ivanhoe Australia**” means Ivanhoe Australia Limited.

“**IVN**” or the “**Company**” means Ivanhoe Mines Ltd.

“**IVN Group**” means, collectively, IVN and its subsidiaries or a group of subsidiaries, as the context requires.

“**MEL**” means Mongolian mineral exploration licence.

“**Norwest**” means Norwest Corporation of Salt Lake City, Utah, U.S.A..

“**OT LLC**” means Oyu Tolgoi LLC, formerly Ivanhoe Mines Mongolia Inc. LLC.

“**Ovoot Tolgoi**” means the location known as Ovoot Tolgoi (formerly Nariin Sukhait) in southern Mongolia.

“**Ovoot Tolgoi Coal Project**” means SouthGobi’s coal mine at Ovoot Tolgoi which includes the Sunset Field (including the Underground) and the Sunrise Field.

“**Ovoot Tolgoi Technical Report**” means a technical report dated October 21, 2009 on the Ovoot Tolgoi Coal Project, prepared by Richard D Tifft III and Alister Horn of Norwest Corporation, of Salt Lake City, Utah.

“**Oyu Tolgoi Project**” means IVN’s copper and gold exploration and development project located at Oyu Tolgoi in Mongolia.

“**Oyu Tolgoi Technical Report**” means a Technical Report on the Oyu Tolgoi Project dated March 30, 2010 prepared by AMEC Minproc.

“**Preferred Shares**” means preferred shares without par value in the capital of the Company.

“**Private Placement Agreement**” means the private placement agreement dated October 18, 2006, as amended, between the Company and Rio Tinto.

“**Private Placement Warrants**” means the Series A Warrants, the Series B Warrants, the Series C Warrants, the Anti-Dilution Warrants, or any of them, as the context requires.

“**Put Agreement**” means an agreement dated as of August 13, 2008, as amended, among the Company, OT LLC and Rio Tinto Alcan.

“**Put Option Placement Shares**” means 15,000,000 Common Shares purchased by Rio Tinto on March 19, 2010 at a price of Cdn$16.31 per Common Share.

“**Rio Tinto**” means Rio Tinto International Holdings Limited, a company incorporated under the laws of England and Wales and a member of the Rio Tinto Group.

“**Rio Tinto Alcan**” means Rio Tinto Alcan Pte. Ltd., a corporation incorporated under the laws of Singapore and a member of the Rio Tinto Group.

“**Rio Tinto Group**” means Rio Tinto plc (incorporated in England), Rio Tinto Limited (incorporated in Victoria, Australia) and any other corporation in which Rio Tinto plc, and/or Rio Tinto Limited owns or controls, directly or indirectly, more than 50% of the shares or stock carrying the right to vote at a general meeting (or its equivalent) of the corporation.

“**Savage River Project**” means the Savage River iron ore project located in Tasmania, Australia.

“**Second Tranche Investment**” means the 46,304,473 Common Shares issued to Rio Tinto on October 27, 2009 under the Private Placement Agreement.

“**Series A Warrants**” means the Series A Warrants issued to Rio Tinto on October 27, 2006 under the terms of the Private Placement Agreement, the terms of which are more particularly described under the heading “GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Private Placement Agreement”.

“**Series B Warrants**” means the Series B Warrants issued to Rio Tinto on October 27, 2006 under the terms of the Private Placement Agreement, the terms of which are more particularly described under the heading “GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Private Placement Agreement”.

“**Series C Warrants**” means the Series C Warrants issued to Rio Tinto on October 29, 2007 in connection with the Credit Agreement, the terms of which are more particularly described under the heading “GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Credit Agreement”.

“**Shareholders’ Agreement**” means the shareholders agreement dated October 6, 2009 among OT LLC, Ivanhoe Oyu Tolgoi (BVI) Ltd., Oyu Tolgoi Netherlands B.V. and Erdenes MGL LLC.

“**Southern Oyu Deposits**” means collectively, the South Oyu, Southwest Oyu, Central Oyu and Wedge mineral deposits of the Oyu Tolgoi Project.

“**SouthGobi**” or “**SGQ**” means SouthGobi Energy Resources Ltd. (formerly Asia Gold Corp.).

“**Southgobi sands**” or “**SGS**” means Southgobi sands LLC, a wholly-owned Mongolian subsidiary of SGQ that holds the licenses and permits relating to the Ovoot Tolgoi Coal Project.

“**Sunrise Field**” means the area of a coal deposit delineated and identified as the Sunrise Field in the Ovoot Tolgoi Coal Project, formerly referred to as the South-East Field.

“**Sunset Field**” means the area of a coal deposit delineated and identified as the Sunset Field in the Ovoot Tolgoi Coal Project, formerly referred to as the West Field.

"**T-Bill Purchase Agreement**" means the treasury bill purchase agreement dated October 6, 2009 between OT LLC and the Government of Mongolia.

"**Technical Committee**" means a committee established under the terms of the Private Placement Agreement through which Rio Tinto and the Company consult with one another with respect to the development, operation and management of the Oyu Tolgoi Project.

"**TSX**" means the Toronto Stock Exchange.

"**Underground**" means the part of the Ovoot Tolgoi Coal Project comprising the underground coal resources of the Sunset Field.

"**Warrant Determination Date**" means the earlier of (i) the date upon which the Company, or a subsidiary of the Company, enters into an Approved OT Investment Contract, and (ii) October 27, 2009.

"**YBCA**" means the *Business Corporations Act* (Yukon), as amended.

Conversion Factors

For ease of reference, the following conversion factors are provided:

Imperial Measure =	Metric Unit	Metric Unit =	Imperial Measure
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 m	0.3048 m	1 foot
0.62 miles	1 km	1.609 km	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
2.205 pounds	1 kilogram	0.454 kilograms	1 pound
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy)/ton

Glossary of Technical Terms and Abbreviations

Certain scientific and technical terms and abbreviations used in this AIF are defined below.

anomaly: a departure from the norm which may indicate the presence of mineralization in the underlying bedrock.

assay: the chemical analysis of an ore, mineral or concentrate of metal to determine the amount of valuable species.

Au: gold.

chalcocite: a form of copper mineral ore that generally contains a high copper content.

chalcopyrite: a form of copper mineral ore that generally contains a low copper content.

CIM: the Canadian Institute of Mining, Metallurgy and Petroleum.

CIM Standards: CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005, as those definitions may be amended from time to time.

concentrate: a product containing valuable metal from which most of the waste material in the ore has been eliminated.

concentrator: a plant for recovery of valuable minerals from ore in the form of concentrate. The concentrate must then be treated in some other type of plant, such as a smelter, to effect recovery of the pure metal.

covellite: a supergene mineral found in copper deposits; a source of copper.

Cu: copper.

CuEq: a copper equivalent grade, calculated using assumed metal prices for copper, gold and, where applicable, molybdenum.

cut-off grade: the lowest grade of mineral resources considered economic; used in the calculation of reserves and resources in a given deposit.

dyke: a tabular igneous intrusion that cuts across the bedding or foliation of the country rock.

fault: a fracture in rock along which the adjacent rock surfaces are differentially displaced.

feasibility study: a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

flotation: a milling process by which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the gangue.

gangue: valueless rock or mineral material in ore.

g/t: grams per tonne.

GSC Paper 88 – 21: the Geological Survey of Canada Paper 88-21 "A Standardized Coal Resource/Reserve Reporting System for Canada", which is a reference for qualified persons estimating NI 43-101 compliant mineral resources or mineral reserves for coal, provided the estimates are disclosed using the categories set out in the CIM Standards.

hypogene: primary mineralization formed by mineralizing solutions emanating up from a deep magnetic source.

HQ: diamond drilling equipment that produces a 63.5 millimetre core diameter.

indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

inferred mineral resource: that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

intrusive: rock which while molten, penetrated into or between other rocks but solidified before reaching the surface.

IP: induced polarization.

km: kilometres.

km^2: square kilometres.

kriging: A weighted, moving-average interpolation method in which the set of weights assigned to samples minimizes the estimation variance, which is computed as a function of the variogram model and locations of the samples relative to each other, and to the point or block being estimated.

lb: pound.

leach: to dissolve minerals or metals out of ore with chemicals.

m: metres.

mm: millimetres.

measured mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

metallurgic coal: various grades of coal suitable for making steel, such as coking coal.

mineral reserve: the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. An ore reserve includes diluting materials and allowances for losses that may occur when the material is mined.

mineral resource (deposit): a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource (deposit) are known, estimated or interpreted from specific geological evidence and knowledge.

Mo: molybdenum.

NI 43-101: National Instrument 43-101 of the Canadian Securities Administrators.

NQ: diamond drilling equipment that produces a 47.5 millimetre core diameter.

oz: ounce.

porphyry: any igneous rock in which relatively large, conspicuous crystals (called phenocrysts) are set in a fine-grained ground mass.

ppm: parts per million.

preliminary assessment: a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.

preliminary feasibility study and **pre-feasibility study**: a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.

probable reserve: the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

proven reserve: the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

PQ: diamond drilling equipment that produces an 85 millimetre core diameter.

qualified person: an individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project; and (c) is a member in good standing of a professional association as defined by NI 43-101.

QMD or quartz monzodiorite: plutonic rock containing quartz, alkali feldspars, plagioclase feldspars and feldspathoid minerals.

RC: reverse circulation.

seam: A stratum or bed of coal or other mineral; generally applied to large deposits of coal.

splits: The division of a bed of coal into two or more horizontal sections by intervening rock strata.

stock: an irregular, metalliferous mass in a rock formation.

strike: the direction, or course or bearing, of a vein or rock formation measured on a level surface.

sulphides: compounds of sulphur with other metallic elements.

supergene: ore minerals that have been formed by the effects (usually oxidization and secondary sulphide enrichment) of descending ground water.

thermal coal: coal that is used primarily for its heating value and that tends not to have the carbonization properties possessed by metallurgic coal.

tpd: tonnes per day.

tpy: tonnes per year.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the *Company Act* (British Columbia) on January 25, 1994 under the name 463212 B.C. Ltd. In February 1994, the Company changed its name to Indochina Goldfields Ltd. In March 1994, the Company increased its authorized capital from 10,000 Common Shares to 100,000,000 Common Shares and created 100,000,000 Preferred Shares. In February 1995, the Company was continued under the YBCA. In July 1997, the Company increased its authorized capital to an unlimited number of Common Shares and an unlimited number of Preferred Shares. In June 1999, the Company changed its name to Ivanhoe Mines Ltd.

The Company's head office is located at 654 — 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1 and its Asian headquarters are located at 150 Beach Road, #25-03 The Gateway West, Singapore, 189720. The Company's registered office is located at 300 — 204 Black Street, Whitehorse, Yukon, Canada, Y1A 2M9.

Intercorporate Relationships

The following sets forth the name, jurisdiction of incorporation and the IVN Group's voting equity ownership interest, as of the date of this AIF, in each of the material subsidiaries through which the Company ultimately owns its assets and operates its business. These subsidiaries are grouped according to the particular IVN Group project or asset to which they relate and are presented in descending order according to the chain of voting equity ownership. Accordingly, the first such subsidiary presented in each group is owned directly by the Company and the voting equity ownership interest of the Company in that subsidiary is shown in the right hand column opposite its name and jurisdiction of incorporation. The voting equity ownership interest shown in respect of each other subsidiary is, except as otherwise indicated, that of the subsidiary listed immediately above it. In the case of the Oyu Tolgoi Project, the IVN Group's voting equity ownership interest therein is divided between two parallel groups of subsidiaries.

Oyu Tolgoi Project Group One Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
Ivanhoe Mines Delaware Holdings, LLC	Delaware	100%
Ivanhoe Mines Aruba Holdings LLC	Aruba	100%
Ivanhoe Oyu Tolgoi (BVI) Ltd.	British Virgin Islands	100%
Oyu Tolgoi LLC	Mongolia	6.5%

Oyu Tolgoi Project Group Two Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
Ivanhoe OT Mines Ltd.	British Columbia	100%
Turquoise Hill Netherlands Cooperative	Netherlands	100%(1)
Oyu Tolgoi Netherlands B.V.	Netherlands	100%
Oyu Tolgoi LLC	Mongolia	93.5%

Ovoot Tolgoi Project Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
SouthGobi Energy Resources Ltd.	British Columbia	57.4%
SGQ Coal Investment Pte. Ltd.	Singapore	100%
Southgobi sands LLC	Mongolia	100%

Cloncurry Project Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
Orian Holding Corp.	British Virgin Islands	100%
IAL Holdings Singapore Pte. Ltd.	Singapore	100%
Ivanhoe Australia Limited	Australia	81%
Ivanhoe Australia Tennant Creek Pty. Ltd.	Australia	100% (2)
Ivanhoe Cloncurry Mines Pty. Limited	Australia	100%(2)

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(1) Ownership divided between IVN, as to 80%, and Ivanhoe OT Mines, as to 20%.

(2) Each of these companies is a wholly-owned subsidiary of Ivanhoe Australia Limited.

Additional direct and indirect subsidiaries of the Company (i) holding, individually, 10% or less and, in the aggregate, 20% or less of the IVN Group's consolidated assets, and (ii) generating, individually, 10% or less and, in the aggregate, 20% or less of the IVN Group's consolidated sales and operating revenues, in each case, as at December 31, 2009 have been omitted.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

IVN is an international mineral exploration and development company. The Company's principal mineral resource property is the Oyu Tolgoi Project, located in Mongolia. The Company also has two publicly traded subsidiaries through which it holds interests in coal resource properties in Mongolia and molybdenum, rhenium, copper, gold and uranium resource properties in Australia. SouthGobi, the shares of which are listed on the TSX and the HKSE, owns and operates the Ovoot Tolgoi Coal Project located in Mongolia. Ivanhoe Australia, the shares of which are listed on the ASX, owns the Cloncurry Project located in Queensland, Australia. The IVN Group also holds interests in several other mineral resource projects in Asia, including a 50% interest in the Kyzyl Shear Project, located in Kazakhstan, through a shareholding in Altynalmas Gold.

Three Year History

2007

In May 2007, IVN re-organized its coal assets and sold them to SouthGobi (then Asia Gold Corp.), a company in which IVN held approximately 45% of the issued and outstanding shares. These assets included the Ovoot Tolgoi Coal Project and other prospective coal properties in Mongolia. As consideration for IVN's coal assets, SouthGobi issued 57,000,000 common shares and 25,576,383 preferred shares (each convertible into a SouthGobi common share) to IVN. As a result of the transaction, SouthGobi became a majority-owned, publicly traded IVN subsidiary.

In October 2007, IVN and Rio Tinto entered into the Credit Agreement, pursuant to which IVN obtained a convertible credit facility of up to $350 million to finance ongoing development activities at the Oyu Tolgoi Project. In connection with the completion of the Credit Agreement, IVN and Rio Tinto also agreed to amend certain terms of the Private Placement Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Credit Agreement".

2008

In January 2008, SouthGobi completed three equity private placement financings to raise a total of Cdn$117.9 million. The first private placement involved the issuance of 10 million common shares at Cdn$8.00 per share. The second and third private placements involved the issuance of 3.5 million common shares and 711,111 common shares, respectively, each at Cdn$9.00 per share. Concurrent with these financings, IVN converted all of its SouthGobi preferred shares into 25,576,383 SouthGobi common shares and approximately Cdn$30 million of convertible inter-corporate debt into 14,709,071 additional SouthGobi common shares.

In January 2008, IVN announced that it had completed an estimate of inferred resources at the Heruga Deposit, a newly discovered deposit of the Oyu Tolgoi Project located on lands covered by the Entrée Joint Venture. IVN reported inferred resources of 760 million tonnes grading 0.48% copper, 0.55g/t gold and 142 ppm molybdenum, using a 0.60% copper equivalent cut-off grade.

In April 2008, SouthGobi received government approval to mine coal at the Ovoot Tolgoi Coal Project and subsequently commenced mining and stockpiling coal from the Sunset Field.

In May 2008, IVN completed the sale of its controlling stake in Jinshan Gold Mines Inc. ("Jinshan") to China National Gold Group Hong Kong Ltd. ("China National"). China National purchased IVN's entire holding of 67,520,000 common shares of Jinshan at a price of Cdn$3.11per share and a Jinshan promissory note in the principal amount of Cdn$7,500,000, for an aggregate purchase price of approximately Cdn$216.7 million.

In June 2008, IVN notified Entrée that it had completed $35 million in expenditures on the property covered by the Entrée Joint Venture, and had thereby earned an 80% interest in minerals below 560 m and a 70% interest on minerals above that depth.

In August 2008, Ivanhoe Australia completed a Aus$125 million initial public offering. Ivanhoe Australia sold 62.5 million shares at a price of Aus$2 per share and began trading on ASX under the symbol "IVA". The offering raised capital for the ongoing exploration and development of the Cloncurry Project.

In August 2008, the Company, OT LLC and Rio Tinto Alcan entered into the Contract Assignment Arrangement Agreement, which provided for Rio Tinto Alcan to purchase from OT LLC certain Oyu Tolgoi Project equipment already acquired by OT LLC, and to take an assignment of certain contracts with third party suppliers for additional Oyu Tolgoi Project equipment on long lead time order, pending the successful completion of negotiations with the Government of Mongolia for an Investment Agreement. The Company, OT LLC and Rio Tinto Alcan also entered into the Put Agreement whereby Rio Tinto Alcan had the right to require OT LLC to re-purchase the equipment upon OT LLC entering into an Investment Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Contract Assignment Arrangement Agreement and Put Agreement".

2009

In October 2009, the Company, OT LLC, Rio Tinto and the Government of Mongolia entered into an Investment Agreement in respect of the OT Project. The Investment Agreement provides for, among other things, a framework for maintaining a stable tax and operational environment for the Oyu Tolgoi Project, protection of the parties' investment in the Oyu Tolgoi Project, the amount and term of the parties' investment in the Oyu Tolgoi Project, the right to realize the benefits of such investment, the undertaking of mining activities with minimum damage to the environment and human health, the rehabilitation of the environment, the social and economic development of the Southern Gobi region and the creation of new jobs in Mongolia.

See “GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – Investment Agreement”.

Concurrent with the execution of the Investment Agreement, OT LLC and two indirect, wholly-owned subsidiaries of the Company through which the Company holds its interest in OT LLC entered into the Shareholders’ Agreement with Erdenes. The Shareholders’ Agreement contemplates the basis upon which the Government of Mongolia will, through Erdenes, acquire an initial 34% equity interest in the Oyu Tolgoi Project through a shareholding in OT LLC and provides for the respective rights and obligations of the parties as shareholders of OT LLC. See “GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – Shareholders’ Agreement”.

Concurrent with the execution of the Investment Agreement, OT LLC also entered into the T-Bill Purchase Agreement with the Government of Mongolia pursuant to which OT LLC agreed to purchase from the Government, in instalments, three discounted Treasury Bills with an aggregate face value of US$287.5 million for an aggregate purchase price of US$250 million. See “GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – T-Bill Purchase Agreement”.

In October 2009, Rio Tinto completed the Second Tranche Investment under the Private Placement Agreement. Pursuant to the Second Tranche Investment, the Company issued, and Rio Tinto subscribed for and purchased, 46,304,473 Common Shares at $8.38 per share for gross proceeds of $388 million. See “GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Private Placement Agreement”.

In November 2009, SouthGobi and China Investment Corporation entered into a series of agreements providing for a US$500 million convertible debenture investment in SouthGobi by China Investment Corporation. The convertible debenture has a term of 30 years and bears interest at 8% per annum, of which 1.6% is payable in common shares. The principal amount is convertible at Cdn$11.88 per share, or a lower amount if the prevailing stock price of SouthGobi is less than such amount, to a floor price of Cdn$8.88 per share. Conversion is at the option of China Investment Corporation on or after November, 2010. SouthGobi is entitled to require conversion of one-half of the principal amount at any time upon completion of an HKSE listing (which occurred in January 2010) and to require conversion of the entire amount as of and after November 2014. China Investment Corporation holds a security interest in SouthGobi’s assets, has a pre-emptive right on future SouthGobi share issuances and is entitled to nominate a director for election or appointment to SouthGobi’s board of directors.

2010 to date

In January 2010, SouthGobi issued 27 million common shares at a price of Cdn$17.00 per share for gross proceeds of Cdn$459 million pursuant to a public offering in Hong Kong, Canada and other jurisdictions, which was accompanied by a listing of SouthGobi’s common shares on the HKSE.

In February 2010, Rio Tinto Alcan notified OT LLC that it was exercising its option under the Put Agreement to require OT LLC to re-purchase the Oyu Tolgoi Project equipment Rio Tinto acquired from OT LLC in 2008 pursuant to the Contract Arrangement Assignment Agreement.

In March 2010, IVN and Rio Tinto completed a private placement pursuant to which Rio Tinto subscribed for the Put Option Placement Shares. See “GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Contract Assignment Arrangement Agreement and Put Agreement”.

In March, 2010, at SouthGobi’s request, China Investment Corporation converted US$250 million of the convertible debenture into common shares of SouthGobi at a conversion price of Cdn$11.88 per share. As a result of the conversion, IVN’s interest in SouthGobi was reduced to approximately 57%.

In March 2010, the remaining conditions to the effectiveness of the Investment Agreement were fulfilled and the terms of the Investment Agreement became effective. For the balance of 2010, IVN anticipates continuing its Oyu Tolgoi Project development work and plans to finalize an updated integrated development plan for the Oyu Tolgoi Project based on the terms of the approved Investment Agreement.

Rio Tinto Transactions

In 2006, Ivanhoe identified Rio Tinto as a strategic investor to support development of the Oyu Tolgoi Project. The parties have entered into a series of agreements since 2006 pursuant to which Rio Tinto has provided equity and debt financing to fund ongoing development of the Oyu Tolgoi Project and company operations. As a result of these transactions, Rio Tinto holds a significant investment interest in IVN and is actively involved in the development process of the Oyu Tolgoi Project.

Private Placement Agreement

In October 2006, the Company and Rio Tinto entered into the Private Placement Agreement and the First Tranche Investment was completed, pursuant to which the Company issued 37,089,883 Common Shares to Rio Tinto at a price of $8.18 per share, for an aggregate subscription price of $303,395,243. The First Tranche Investment represented, upon issuance, 9.95% of the then issued and outstanding Common Shares.

In October 2009, the Second Tranche Investment was completed, pursuant to which the Company issued a further 46,304,473 Common Shares to Rio Tinto at a price of $8.38 for an aggregate subscription price of US$388,031,484. The combined First Tranche Investment and Second Tranche Investment represented, upon issuance, 19.7% of the then issued and outstanding Common Shares.

In conjunction with the First Tranche Investment, the Company issued to Rio Tinto the Series A Warrants and the Series B Warrants. The Series A Warrants entitle Rio Tinto to purchase up to 46,026,522 Common Shares at prices per Common Share ranging from US$8.38 to US$8.54 depending on when they are exercised. The Series A Warrants expire 365 days after the Warrant Determination Date. The Series B Warrants entitle Rio Tinto to purchase up to 46,026,522 Common Shares at prices per Common Share ranging from US$8.38 to US$9.02 depending on when they are exercised. The Series B Warrants expire 725 days after the Warrant Determination Date.

Rio Tinto has been granted pre-emptive rights entitling Rio Tinto to participate, subject to certain specific exceptions, in future issuances of Common Shares on a basis sufficient to maintain its percentage shareholding interest in the Company on economic terms equivalent to those upon which any such Common Shares are issued to third parties.

The Company has agreed that it will use not less than ninety per cent (90%) of the proceeds from all Common Shares issued to Rio Tinto under the terms of the Private Placement Agreement, including the First Tranche Investment, the Second Tranche Investment and the exercise, if any, of the Series A Warrants and the Series B Warrants, on expenditures in furtherance of the Oyu Tolgoi Project.

Rio Tinto has agreed that, until October 18, 2011, the Rio Tinto Group will not, without the prior consent of the Company:

- make a take-over bid or a tender offer for, or otherwise acquire any Common Shares or securities convertible into Common Shares or engage in certain other specified activities except as contemplated by the Private Placement Agreement;

- prior to having fully exercised all of the Series A Warrants and Series B Warrants, directly or indirectly acquire, alone or jointly or in concert with any other person, any Common Shares or securities convertible into Common Shares (other than Common Shares or securities acquired through an issuance by the Company) representing more than 6.65% of the then issued and outstanding Common Shares, provided that the Put Option Placement Shares will be counted toward such 6.65% threshold; or
- after having fully exercised all of the Series A Warrants and Series B Warrants, directly or indirectly acquire, alone or jointly or in concert with any other person, any Common Shares or securities convertible into Common Shares that would result in the Rio Tinto Group owning in excess of 46.65% of the then issued and outstanding Common Shares.

Rio Tinto is entitled, but not obliged, to nominate directors to the Company's board of directors in proportion to the Rio Tinto Group's holdings of the issued and outstanding Common Shares. When Rio Tinto is entitled to nominate more than one director, at least half of Rio Tinto's nominees must be "independent directors" within the meaning of applicable securities laws. Rio Tinto is also entitled to nominate one financially literate and independent director to the Company's audit committee.

Rio Tinto and the Company have established a Technical Committee to manage all aspects of the engineering, construction, development and operation of the Oyu Tolgoi Project. Through the Technical Committee, the Company and Rio Tinto cooperatively oversee and supervise all operations in respect of the Oyu Tolgoi Project. The Technical Committee consists of two members from the Company, two members from Rio Tinto and a fifth member who acts as chair of the Technical Committee and has a casting vote. The Company formerly held the right to appoint the chair of the Technical Committee but, as of October 27, 2009, the right to appoint the chair of the Technical Committee passed to Rio Tinto.

Rio Tinto has also been granted a right of first refusal in respect of any proposed disposition of the Company's interest in the Oyu Tolgoi Project and, until October 24, 2012, a right of first offer to provide any equity financing that the Company proposes to obtain. The Company has also agreed that, until October 24, 2012, it will not issue any Common Shares to any person who is not an institutional or retail investor if, as a result, such person would beneficially own more than five per cent (5%) of the issued and outstanding Common Shares. The Company can elect to terminate this restriction by waiving the obligation of Rio Tinto not to hold more than 46.65% of the outstanding Common Shares.

Credit Agreement

In October 2007, the Company and Rio Tinto entered into the Credit Agreement pursuant to which Rio Tinto agreed to make the Credit Facility available to the Company. The aggregate principal amount advanced to the Company under the Credit Facility was $350 million.

Amounts outstanding under the Credit Facility bear interest at a rate per annum equal to the three-month London Inter-Bank Offered Rate plus 3.3%. In the absence of a default by the Company, accrued interest up to an aggregate maximum of $108 million is, together with the principal amount, convertible into Common Shares. Accrued interest over and above $108 million is payable in cash.

Subject to Rio Tinto's right to demand earlier repayment, the outstanding principal amount and all accrued and unpaid interest is repayable in full on September 12, 2010. Rio Tinto has the right to demand repayment earlier than September 12, 2010 upon the occurrence of certain specified events, including (a) the exercise by Rio Tinto of any of the Series A Warrants, Series B Warrants or Series C Warrants, (b) a change of control of the Company, (c) subject to certain exceptions, the completion by the Company or any of its subsidiaries of an equity financing to a third party other than Rio Tinto or its affiliates, or (d) the sale by the Company or any of its subsidiaries of assets having an aggregate value in excess of $50 million. The Company has no right to prepay the Credit Facility.

The aggregate principal amount of the Credit Facility and up to $108 million of accrued and unpaid interest is convertible at the option of Rio Tinto into Common Shares at a price of $10.00 per Common Share. Provided that the Company is not in default, and unless the aggregate principal amount and all accrued and unpaid interest has previously been repaid in full, the aggregate principal amount of the Credit Facility and up to $108 million of accrued and unpaid interest will be automatically converted into Common Shares as of September 12, 2010.

As security for the performance by the Company of its obligations under the Credit Agreement, Rio Tinto holds the following security interests:

- pledges of, and first ranking charges over, the shares of certain of its material subsidiaries through which it beneficially owns, directly or indirectly, its interest in the Oyu Tolgoi Project;
- a first ranking charge over a 2% net smelter returns royalty that the Company holds in respect of the Oyu Tolgoi Project; and
- first ranking general security interest over all assets of the Company.

As an inducement to provide the Credit Facility, the Company issued to Rio Tinto the Series C Warrants. The Series C Warrants entitle Rio Tinto to purchase up to 35,000,000 Common Shares at a price of $10.00 per Common Share. The Series C Warrants expire on October 24, 2012. As with the Series A Warrants and the Series B Warrants, the Company has agreed to apply not less than 90% of the proceeds from the exercise of the Series C Warrants to fund expenditures in respect of the Oyu Tolgoi Project.

Contract Assignment Arrangement Agreement and Put Agreement

In August 2008, the Company, OT LLC and Rio Tinto Alcan entered into the Contract Assignment Arrangement Agreement which provided for Rio Tinto Alcan to purchase from OT LLC certain Oyu Tolgoi Project equipment already acquired by OT LLC, and to take an assignment of certain contracts with third party suppliers for additional Oyu Tolgoi Project equipment on long lead time order, pending the successful completion of negotiations with the Government of Mongolia for an Investment Agreement. As consideration for the purchase of the equipment and the assignment of the contracts, Rio Tinto Alcan paid to OT LLC an aggregate purchase price of approximately $121.5 million.

The Company, OT LLC and Rio Tinto Alcan also entered into a Put Agreement whereby Rio Tinto Alcan can require OT LLC to re-purchase the equipment if an Approved OT Investment Contract is obtained. The Company has guaranteed the performance by OT LLC of its obligations to Rio Tinto Alcan under the Put Agreement and the guarantee is secured by the same security interests that secure the Company’s obligations to Rio Tinto under the Credit Agreement. OT LLC also has a right of first refusal to re-purchase the equipment if Rio Tinto Alcan intends to deploy the equipment elsewhere or sell it to a third party.

In March 2010, Rio Tinto subscribed for, and the Company agreed to issue, by way of private placement, the Put Option Placement Shares. Approximately Cdn$198,200,000 of the proceeds from the issuance of the Put Option Placement Shares were allocated and set-off against the purchase from Rio Tinto Alcan of the Oyu Tolgoi Project equipment covered by the option under the Put Agreement. The balance of the proceeds from the issuance of the Put Option Placement Shares, equal to approximately Cdn$46,400,000, was paid to the Company in cash.

Rio Tinto Pro Forma Holdings

The following table sets out (i) the issued and outstanding Common Shares currently owned by Rio Tinto, (ii) the additional unissued Common Shares that may be issued to Rio Tinto pursuant to the exercise of the Private Placement Warrants and the conversion of the Credit Facility, and (iii) the percentage interest that such Common Shares represents or would represent after giving effect to such issuances, based on the 441,136,052 Common Shares issued and outstanding as of March 30, 2010.

Transaction	Number of Common Shares Held	Number of Common Shares Issuable	Aggregate Percentage of All Common Shares Outstanding
First Tranche Investment	37,333,655[(1)]	N/A	9.87%
Second Tranche Investment	46,304,473	N/A	19.70%
Put Option Placement Shares	15,000,000	N/A	22.36%
Exercise of Series A Warrants	N/A	46,026,522	29.70%
Exercise of Series B Warrants	N/A	46,026,522	35.77%
Exercise of Series C Warrants	N/A	35,000,000	39.72%
Exercise of Anti-Dilution Warrants[(2)]	N/A	1,440,406	39.88%
Conversion of Credit Facility	N/A	45,800,000	44.35%

(1) Includes additional Common Shares issued pursuant to Rio Tinto's exercise of its pre-emptive rights under the Private Placement Agreement.

(2) Represents additional share purchase warrants issued pursuant to Rio Tinto's exercise of its pre-emptive rights under the Private Placement Agreement.

Agreements with the Government of Mongolia

Investment Agreement

The parties to the Investment Agreement are the Company, its subsidiary OT LLC, Rio Tinto, and the Government of Mongolia. The Investment Agreement provides for, among other things, a framework for maintaining a stable tax and operational environment for the Oyu Tolgoi Project, protection of the parties' investment in the Oyu Tolgoi Project, the amount and term of the parties' investment in the Oyu Tolgoi Project, the right to realize the benefits of such investment, the undertaking of mining activities with minimum damage to the environment and human health, the rehabilitation of the environment, the social and economic development of the Southern Gobi region and the creation of new jobs in Mongolia.

Effective Date

The Investment Agreement became effective as of March 31, 2010 (the "Effective Date"), following the satisfaction of all conditions precedent to its effectiveness. These conditions included the completion of a number of corporate transactions intended to establish an efficient foundation for the operation of the project and the respective interests of the parties, such as tax-related restructuring of subsidiaries and conversion of certain exploration licences to mining licences.

Term

The Investment Agreement has an initial term of 30 years from the Effective Date (the "Initial Term"). OT LLC has the right, exercisable by notice given not less than 12 months prior to the expiry of the Initial Term and subject to the fulfillment of certain conditions, to extend the Initial Term of the Investment Agreement for a further duration of 20 years (the “Renewal Term”).

In order to exercise its right to obtain the Renewal Term, OT LLC must have performed the following obligations during the Initial Term:

- OT LLC must have demonstrated that the Oyu Tolgoi Project has been operated to industry best practice in terms of national and community benefits, environment and health and safety practices;
- OT LLC must have made capital expenditures in respect of the Oyu Tolgoi Project of at least US$9 billion;
- OT LLC must have complied in all material respects with its obligations to pay taxes under the laws of Mongolia, as stabilized under the terms of the Investment Agreement;
- OT LLC must have commenced commercial production from the Oyu Tolgoi Project within: (i) seven years of the Effective Date, or (ii) five years from the date of having obtained access to project financing sufficient to fully construct the Oyu Tolgoi Project in accordance with the feasibility study submitted to the Government of Mongolia, whichever is earlier;
- if, as part of the development of the Oyu Tolgoi Project, OT LLC has constructed, or is constructing, a copper smelter, OT LLC must have constructed or be constructing such smelter in Mongolia;
- if the development and operation of the Oyu Tolgoi Project has caused any unanticipated and irreversible ecological damage to natural resources in Mongolia, OT LLC must have paid compensation based on the value of any such permanently damaged natural resources in accordance with the applicable laws of Mongolia; and
- OT LLC must have, within four years of having commenced commercial production at the Oyu Tolgoi Project, secured the total power requirements for the Oyu Tolgoi Project from sources within the territory of Mongolia.

Investment Protection

The Investment Agreement confirms OT LLC’s rights to market, sell and export mineral products from the Oyu Tolgoi Project at international market prices and to freely expend and repatriate its sale proceeds in Mongolian togrogs and foreign currencies. It also conveys legal protection on investments and procedural protection from expropriation.

Taxes, Royalties and Fees

Throughout the Initial Term and the Renewal Term, if any, all taxes payable by OT LLC will remain stabilized. The annual corporate income tax rate will be stabilized at 10% on all sums earned up to three billion togrogs (approximately US$2.1 million). All taxable income earned in excess of three billion togrogs will be taxed at the rate of 25%. In addition to corporate income tax, the following taxes have been stabilized: customs duties; value-added tax; excise tax (except on gasoline and diesel fuel purchases); royalties (at 5% of gross sales value); mineral exploration and mining license payments (at US$15 per hectare); and immovable property tax and/or real estate tax.

The existing Windfall Profits Tax will be eliminated with effect as of January 1, 2011. Taxation on dividends and other forms of income have also been stabilized.

Project Financing and Commercial Production

OT LLC has agreed to secure (or have made available to it), within two years of the Effective Date, sufficient financing facilities on terms reasonably acceptable to it, including in respect of guarantees, security or other support, to enable the full and complete construction of the Oyu Tolgoi Project as described in the feasibility study submitted to the Government of Mongolia.

OT LLC is required to achieve commencement of commercial production from the Oyu Tolgoi Project within five years of having secured (or having made available to it) the financing necessary to enable the full and complete construction of the Oyu Tolgoi Project. Commencement of commercial production will be evidenced by the achievement of 70% of planned concentrator throughput based on design capacity at that stage of construction for the Oyu Tolgoi Project, for a continuous period of 30 days.

Infrastructure

All roads, pipelines and other transportation infrastructure funded or constructed by OT LLC or its affiliates in connection with implementation of the Oyu Tolgoi Project are required to be constructed to a standard necessary to meet the specific requirements of the Oyu Tolgoi Project only. OT LLC may provide the public, the Government of Mongolia and third parties access to certain infrastructure and/or services, provided such access does not interfere with the operation of the Oyu Tolgoi Project. In addition, OT LLC may recover costs by way of payments or collection of tolls from those persons or entities using such infrastructure and/or services.

OT LLC is permitted to construct a road between the Oyu Tolgoi Project site and Gashuun Sukhait border crossing with China. OT LLC may deduct the road construction expenses from its annual taxable income. The Government of Mongolia will be responsible for the maintenance of the road and the collection of road use fees from any third party users. OT LLC will be exempt from any such road user fees.

OT LLC has the right to access, and to use, self-discovered water resources for any purpose connected with the Oyu Tolgoi Project during the life of the Oyu Tolgoi Project, including construction, commission, operation and rehabilitation of the Oyu Tolgoi Project. OT LLC is required to pay fees for its water use but such fees must be no less favourable than those payable from time to time by other domestic and international users, must take into account the quantity and quality of the water removed and consumed, and will be treated as a deductible expense from OT LLC's taxable income.

Smelter

OT LLC has agreed that, within three years of commencing commercial production from the Oyu Tolgoi Project, it will, if requested by the Government of Mongolia, prepare a research report on the economic viability of constructing and operating a copper smelter in Mongolia to process the mineral concentrate derived from the Oyu Tolgoi Project. If a smelter is to be constructed for the Oyu Tolgoi Project, OT LLC has agreed to build such smelter in Mongolia and to offer all gold bullion produced at such smelter to the Mongol Bank, subject to reasonable commercial terms and prevailing international prices.

Power Supply

During the construction period of the Oyu Tolgoi Project and until the fourth anniversary after the Oyu Tolgoi Project attains commercial production, OT LLC will have the right to import electric power from sources outside Mongolia, including China. Within four years of having commenced commercial production, OT LLC will be required to secure all of its power requirements for the Oyu Tolgoi Project from a domestic Mongolian source.

Local Communities

OT LLC has agreed that it will conduct, implement, and update, from time to time, socio-economic impact assessments, socio-economic risk analyses, multi-year community plans, community relations management systems, policies, procedures and guidelines, and mine closure plans, all of which shall be produced with community participation and input and be consistent with international best practices. OT LLC will also conduct community development and education programs.

OT LLC will prioritize the training, recruiting and employment of citizens from local communities for the Oyu Tolgoi Project, giving specific preference to the citizens of Umnugovi Aimag. Once the Oyu Tolgoi Project attains commercial production, 90% of the Oyu Tolgoi Project workforce must be Mongolian nationals. OT LLC must use its best endeavours to ensure that 50% of its engineers are Mongolian nationals within 5 years, increasing to 70% after 10 years.

Other

The Investment Agreement also includes environmental protection provisions, by which OT LLC will implement an environmental protection plan and provide to the Government of Mongolia an independent report on progress every three years.

Any dispute that is not resolved through negotiation will be resolved by binding arbitration in accordance with the procedures under the Arbitration Rules of the United Nations Commission on International Trade Law as in force at the time of the dispute.

Shareholders' Agreement

Concurrent with the execution of the Investment Agreement, OT LLC and two indirect, wholly-owned subsidiaries of the Company through which the Company holds its interest in OT LLC (the "Company Shareholder Subsidiaries"), entered into the Shareholders' Agreement with Erdenes. The Shareholders' Agreement contemplates the basis upon which the Government of Mongolia will, through Erdenes, acquire an initial 34% equity interest in the Oyu Tolgoi Project through a shareholding in OT LLC and provides for the respective rights and obligations of the parties as shareholders of OT LLC.

Ownership of OT LLC

Under the terms of the Shareholders' Agreement, within 14 days of the Effective Date OT LLC must issue to Erdenes a number of common shares of OT LLC that, upon issuance, represent 34% of the then issued and outstanding common shares of OT LLC. If OT LLC exercises its right under the Investment Agreement to obtain the Renewal Term, Erdenes shall have the option to acquire additional common shares of OT LLC to increase its shareholding in OT LLC to 50%. Erdenes' shareholding of OT LLC may not be diluted by the issue of new share capital without its consent.

Management of Oyu Tolgoi Project

OT LLC's board of directors will engage a management team for the Oyu Tolgoi Project, which may include the Company, Rio Tinto or one or more affiliates of the Company or Rio Tinto. This management team will be responsible for the day to day operations of OT LLC and the Oyu Tolgoi Project and will report to OT LLC's board of directors on a quarterly basis. A management services payment will be payable to the management team equal to 3% of the Oyu Tolgoi Project's operating and capital costs incurred prior to the commencement of commercial production and 6% thereafter. This management services payment will be shared, as to 50%, by the Company and its affiliates and, as to 50%, by Rio Tinto and its affiliates.

Election of Directors

Appointment of directors as between the Company Shareholder Subsidiaries and Erdenes is divided pro rata based on their respective shareholdings. The Company Shareholder Subsidiaries will have the right to nominate six (6) directors and Erdenes will be entitled to nominate three (3) directors.

Existing Shareholder Loans and Cash Calls

All funds advanced to OT LLC prior to the Effective Date by the Company, Rio Tinto or any of their respective affiliates in relation to the Oyu Tolgoi Project, including interest thereon (collectively, the "Existing Shareholder Loans"), are repayable prior to any dividend distributions to the shareholders of OT LLC, as discussed below.

The management team of OT LLC may request that the shareholders of OT LLC contribute funds ("Called Sums") in proportion to their respective share ownership interests in OT LLC to meet the projected cash requirements of OT LLC under the Oyu Tolgoi Project programs and budgets approved by the board of directors. The Company Shareholder Subsidiaries have agreed to fund Erdenes' portion of Called Sums (the "Government Debt"), with interest accruing as set out below, unless Erdenes is able to fund its portion of the Called Sum from external sources.

During the period commencing on the 21st day after the Effective Date and ending three years after the commencement of commercial production from the Oyu Tolgoi Project (the "Funding Period"), the Company Shareholder Subsidiaries will be responsible for all contributions of Called Sums, including those otherwise payable by Erdenes. The Company Shareholder Subsidiaries will determine what method or methods of finance will apply in respect to those contributions, including by way of a combination of debt, redeemable preference shares ("Preferred Equity") and/or common shares, provided the debt to equity ratios fall within a 3:1 ratio, as required by applicable Mongolian law. The Company Shareholder Subsidiaries will, however, be required to consult with Erdenes prior to the effecting any financing plan.

After the Funding Period, Erdenes has the option of contributing to any required funding but is not obligated to do so. Regardless of whether or not Erdenes contributes funding, its shareholding in OT LLC cannot be diluted. If Erdenes elects not to fund its proportionate share, the Company Shareholder Subsidiaries have the right to meet the full funding requirement in a similar manner as to the initial funding and Erdenes' proportionate share of the requested funding will be added to the Government Debt.

Each of the Government Debt and the Existing Shareholder Loans will attract interest at the rate of 9.9% adjusted, on a quarterly basis, by the percentage of the variation in the United States Consumer Price Index during each period (the "Escalation Terms"). If Preferred Equity is issued, the applicable coupon rate will be 9.9% and will also carry the Escalation Terms.

Payment of Dividends

All principal and interest outstanding on Government Debt, the Existing Shareholder Loans, outstanding coupon payments on Preferred Equity and the face value of the Preferred Equity must be paid in full prior to the payment of any dividends to the shareholders of OT LLC. Subject to the foregoing, if OT LLC has profits available for distribution in respect of any completed financial year, OT LLC's board of directors will declare that at least 50% of those profits must be distributed by way of cash dividends within 3 months after the end of that financial year, subject to the retention of reasonable and proper reserves for OT LLC's future cash requirements (including potential expansions, working capital, and the maintenance of funds for capital costs and other actual or contingent liabilities).

Transfer of Shares of OT LLC to Third Parties

No shareholder of OT LLC may dispose of any of their shares to a third party without first offering such shares to the other shareholders of OT LLC on equivalent commercial terms as those offered by the relevant third party.

T-Bill Purchase Agreement

Concurrent with the Investment Agreement, OT LLC also entered into the T-Bill Purchase Agreement with the Government of Mongolia pursuant to which OT LLC has agreed to purchase from the Government, in instalments, three discounted Treasury Bills (the "T-Bills") with an aggregate face value of $287.5 million for an aggregate purchase price of $250 million. The annual rate of interest on the T-Bills is 3%. Each T-Bill will mature on the fifth anniversary from the date of its respective issuance.

The T-Bills will be purchased in three separate instalments, with each purchase triggered by the attainment of a defined milestone. The initial T-Bill, with a face value of $115 million, was purchased on October 20, 2009 for $100 million. A second T-Bill, with a face value of $57.5 million, must be purchased within 14 days of the Effective Date. The purchase price will be $50 million. The final T-Bill, having a face value of $115 million, must be purchased within 14 days of OT LLC having fully drawn down the financing necessary to enable the full and complete construction of the Oyu Tolgoi Project or June 30, 2011, whichever is earlier. The purchase price will be $100 million.

The T-Bills will become immediately repayable to OT LLC on the 5-year anniversary of their issuance, subject to accelerated maturity on a material breach of the Investment Agreement by Erdenes or the Government of Mongolia or upon termination of the Investment Agreement.

OT LLC, at its discretion, may offset sums owing to it against any taxes assessed to OT LLC by the Government of Mongolia. The Government of Mongolia will be entitled to repay the amounts owing under the T-Bills, in whole or in part, at any time.

Risk Factors

The Company is subject to a number of risks due to the nature of the industry in which it operates, the present state of development of its business and the foreign jurisdictions in which it carries on business. The following is a description of some of the risks and uncertainties to which the Company is subject. Some of the following statements are forward-looking and actual results may differ materially from the results anticipated in these forward-looking statements. Please refer to the section entitled "Forward-Looking Information" in this AIF.

Although the conditions to the effectiveness of the Investment Agreement have been fulfilled, IVN now has obligations to the Government of Mongolia that must be performed within a relatively short period of time.

As of the date of this AIF, all of the conditions to the effectiveness of the Investment Agreement have been fulfilled. However, the Company has significant obligations to the Government of Mongolia to pay money and convey a 34% voting equity interest in OT LLC to Erdenes, a company controlled by the Government of Mongolia, within a relatively short period of time. If these obligations are not met in a timely manner, the Government of Mongolia may declare that IVN is in breach of the terms of the Investment Agreement or otherwise challenge the validity of its terms, which could have significant adverse effects on the development of the Oyu Tolgoi Project and on IVN itself.

IVN may be limited in its ability to enforce the Investment Agreement against a sovereign government.

The Investment Agreement imposes numerous obligations and commitments upon the Government of Mongolia that provide clarity and certainty in respect of the development and operation of the Oyu Tolgoi

Project. The Investment Agreement also includes an arbitration clause that requires the parties to resolve disputes through international commercial arbitration procedures. Nevertheless, if and to the extent that the Government of Mongolia does not observe the terms and conditions of the Investment Agreement, there may be limitations on IVN's ability to enforce the terms of the Investment Agreement against the Government of Mongolia, which is a sovereign entity, regardless of the outcome of an arbitration proceeding. Without an effective means of enforcing the terms of the Investment Agreement, IVN could be deprived of substantial rights and benefits arising from its investment in the Oyu Tolgoi Project with little or no recourse against the Government of Mongolia for fair and reasonable compensation. Such an outcome would have a material adverse impact on the Company.

The Investment Agreement includes a number of future covenants that may be outside of the control of IVN to complete.

The Investment Agreement commits IVN to perform a number of obligations in respect of the development and operation of the Oyu Tolgoi Project. While performance of many of these obligations is within the effective control of IVN, the scope of certain obligations may be open to interpretation. The performance of other obligations may require co-operation from third parties or may be dependent upon circumstances that are not necessarily within the control of IVN. For example:

- IVN is obligated to obtain project financing for the development of the Oyu Tolgoi Project within two years following the Effective Date of the Investment Agreement and to commence commercial production within five years of securing such financing. There is a risk that OT LLC will be unable to obtain sufficient project financing within the stipulated time or that, in order to meet the project financing requirement in a timely manner, OT LLC is required to accept financing terms that are less advantageous than those that might have been available had there been no deadline for obtaining such financing. There is also a risk that unanticipated construction delays or other unforeseen development problems may cause delays in commencement in commercial production or that unforeseen mining or processing difficulties are encountered that prevent OT LLC from attaining the required commercial production levels;

- IVN is obligated to utilize only Mongolian power sources within 4 years of commencing commercial production. Such sources of power may not be available or may be available upon commercial terms that are less advantageous than those available from other potential power suppliers;

- Mongolian nationals must represent at least 90% of the Oyu Tolgoi Project work force once commercial production is attained and 50% of the Project's engineers must be Mongolian nationals within five years, increasing to 70% after 10 years. While IVN has a plan for achieving these targets, success in doing so is contingent upon the availability of a sufficient number of qualified personnel, which is not wholly within IVN's control.

- IVN is obligated to use Mongolian services, transportation and freight facilities on a priority basis. Such services and facilities may not be available to the extent required or may be available upon commercial terms that are less advantageous than those available from other sources.

- OT LLC has community development commitments and social responsibility obligations. There is a risk that OT LLC will be unable to meet the expectations or demands of relevant community stakeholders to the extent contemplated to allow OT LLC to meet its commitments under the Investment Agreement.

- The extension of the term of the Investment Agreement from 30 years to 50 years is subject to a number of conditions, including IVN having demonstrated that the Oyu Tolgoi Project has been operated in accordance with industry best practices in terms of national and community benefits, environment and health and safety practices. The inherently subjective nature of these criteria creates

- the risk that IVN and the Government of Mongolia may disagree as to whether the conditions for extending the term of the Investment Agreement have been met.

Despite IVN's best efforts, such provisions are not necessarily within the control of the Company and non-fulfillment may result in default under the Investment Agreement. Such a default could result in termination of the Investment Agreement or damages accruing, which could have a material adverse effect on the Company.

The Oyu Tolgoi Project will be operated as a corporate/government joint venture and will be subject to joint venture risk.

Although the Shareholders' Agreement contemplates that IVN will maintain a controlling interest in the Oyu Tolgoi Project, the Government of Mongolia will also hold a significant stake in what is effectively a corporate joint venture involving a government entity. In addition, a portion of the Oyu Tolgoi Project property is held subject to the Entrée Joint Venture. As such, the Oyu Tolgoi Project is, to a certain extent, a joint venture within a joint venture. Therefore, IVN will be subject, on multiple levels, to all of the risks to which participants in mining joint ventures are typically exposed. Such risks include the potential for disputes respecting development, operation and financing matters resulting from differing levels of sophistication in relevant business and technical matters, inequality of bargaining power and incompatible long-term strategic and economic objectives.

The Government of Mongolia T-Bills may remain illiquid beyond the stated maturity date.

OT LLC is obligated to complete the purchase of an additional $150 million of T-Bills in addition to the $100 million of T-Bills already purchased. Mongolia continues to maintain a relatively high level of debt and, as such, its debt securities carry a higher level of risk than similar securities issued by countries with lower debt and more developed economies. There is no assurance that IVN will be able to readily convert the T-Bills into cash upon the stated maturity date, and the inability to do so could have a material adverse impact on IVN's cash position.

There can be no assurance that IVN will be capable of raising the additional funding that it needs to carry out its development and exploration objectives.

Carrying out the development and exploration of the Oyu Tolgoi Project and the various other mineral properties in which IVN holds interests depends upon IVN's ability to obtain financing through capital markets, sales of non-core assets or other means. IVN expects to be able to meet short-term cash requirements for the development of the Oyu Tolgoi Project and IVN's other projects from its existing financial resources, but these funds will not be sufficient to meet all anticipated development expenditure requirements. The Private Placement Warrants held by Rio Tinto may, if exercised in full, account for a portion of the development cost of the Oyu Tolgoi Project, but will be insufficient to fund the entire development cost and, in any case, there is no assurance that Rio Tinto will fully exercise the Private Placement Warrants, which are exercisable at the sole discretion of Rio Tinto. Even if Rio Tinto fully exercises the Private Placement Warrants, IVN will require access to additional sources of capital to complete the development of the Oyu Tolgoi Project and to advance the development of its other mineral properties. The terms of the Investment Agreement oblige IVN to obtain, within two years of the Effective Date of the Investment Agreement, project financing sufficient to complete the development activities necessary to establish commercial production. Market volatility in precious and base metals may affect the terms upon which debt financing or equity financing is available. IVN operates in a region of the world that is prone to economic and political upheaval and instability, which may make it more difficult for IVN to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause IVN to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

Lack of infrastructure in proximity to IVN's material properties could adversely affect mining feasibility.

The Oyu Tolgoi Project is located in an extremely remote area in the South Gobi Region of Mongolia, which currently lacks basic infrastructure, including sources of electric power, water, housing, food and transport necessary to develop and operate a major mining project. While IVN has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant and transportation infrastructure in the area will need to be established before IVN can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. The Ovoot Tolgoi Coal Project is similarly located in a remote area of southern Mongolia and, although it is in commercial production, it faces the same challenges that come from operating in such a remote location.

The resource and reserve estimates for the IVN Group's projects disclosed in this AIF are estimates only and are subject to change based on a variety of factors, some of which are beyond the IVN Group's control. The IVN Group's actual production, revenues and capital expenditures may differ materially from these estimates.

The estimates of reserves and resources disclosed in this AIF, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Reserve and resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of metals or increases in the costs to recover metals from the IVN Group's mining projects may render the mining of ore reserves uneconomical and materially adversely affect IVN's operations. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could reduce materially the IVN Group's reserves and resources. Should such reductions occur, material write downs of IVN's investment in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects, increased net losses and reduced cash flow. The estimates of mineral reserves and resources attributable to a specific property are based on accepted engineering and evaluation principles. The estimated amount of contained metals in proven and probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

There are numerous uncertainties inherent in estimating quantities of mineral reserves and resources. The estimates in this AIF are based on various assumptions relating to commodity prices and exchange rates during the expected life of production, mineralization of the area to be mined, the projected cost of mining, and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates.

Mining projects are sensitive to the volatility of metal prices.

The long-term viability of the Oyu Tolgoi Project depends in large part on the world market prices of copper and gold. The market prices for these metals are volatile and are affected by numerous factors beyond IVN's control. These factors include international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, increased production due to improved mining and production methods and economic events, including the performance of Asia's economies.

The aggregate effect of these factors on metals prices is impossible to predict. Should prevailing metal prices remain depressed or below variable production costs of IVN's current and planned mining operations for an extended period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of IVN's mining, development and exploration activities. IVN would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of IVN's reserves and resources. These factors could have an adverse impact on IVN's future cash flows, earnings, results of operations, stated reserves and financial condition.

The following table sets forth for the periods indicated (1) the London Metals Exchange's high, low and average settlement prices for copper in U.S. dollars per pound and (2) the high, low and average London afternoon fixing prices for gold.

	Copper			Gold		
Year	**High**	**Low**	**Average**	**High**	**Low**	**Average**
2005	$2.11	$1.39	$1.67	$ 536	$411	$444
2006	$3.99	$2.06	$3.05	$ 725	$524	$604
2007	$3.77	$2.37	$3.23	$ 841	$604	$695
2008	$4.08	$1.26	$3.15	$1,011	$713	$872
2009	$3.33	$1.38	$2.34	$1,213	$810	$972

IVN's ability to carry on business in Mongolia is subject to legal and political risk.

Although IVN expects that the Investment Agreement will bring significant stability and clarity to the legal, political and operating environment in which IVN will develop and operate the Oyu Tolgoi Project, IVN is still subject to legal and political risks in Mongolia.

The Ovoot Tolgoi Project is not covered by the Investment Agreement. SGQ holds its interest in its Mongolian mineral exploration and development projects indirectly through mining licences and exploration licences, and the rights with respect to those activities may be subject to changes in legislation or government regulations or changes in political attitudes within Mongolia.

The Investment Agreement is expected to mitigate a significant degree of political risk. Nevertheless, there is still a risk, particularly with respect to investments not covered by the Investment Agreement, that the Government may change its policies to discourage foreign investment, mining projects may be nationalized or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that IVN's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of IVN's original investment or to compensate for the loss of the current value of the Mongolian projects. Insofar as the Government of

Mongolia is a sovereign entity against which the terms of the Investment Agreement may be unenforceable, this risk applies to the Oyu Tolgoi Project despite the provisions of the Investment Agreement respecting nationalization and expropriation. Similarly, other projects in Mongolia in which IVN holds a direct or indirect interest that are not covered by the Investment Agreement, such as the Ovoot Tolgoi Coal Project, may be affected in varying degrees by, among other things, government regulations with respect to restrictions on production, price controls, export controls, income taxes, environmental legislation, mine safety and annual fees to maintain mineral licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. Although legal title risks in respect of the Oyu Tolgoi Project are expected to be significantly mitigated by the terms of the Investment Agreement, there may still be ambiguities, inconsistencies and anomalies in the other agreements, licences and title documents through which IVN holds its interests in other mineral resource properties in Mongolia, or the underlying legislation upon which those interests are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of IVN's rights and obligations. Local institutions and bureaucracies responsible for administrating laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. For decades Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. Accordingly, while IVN believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

Recent and future amendments to Mongolian laws could adversely affect IVN's mining rights in the Oyu Tolgoi Project or make it more difficult or expensive to develop the project and carry out mining.

The Government of Mongolia has, in the past, expressed its strong desire to foster, and has to date protected the development of, an enabling environment for foreign investment. IVN believes that the successful negotiation of the Investment Agreement in respect of the Oyu Tolgoi Project clearly demonstrates the level of commitment of the current government to continue to do so. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to the Minerals Law in 2006. At present, IVN has no reason to believe that the Government of Mongolia intends to sponsor or that Parliament intends to enact amendments to the Minerals Law or other legislation that would be materially adverse to the interests of international investors in Mongolia's mining sector, including those of IVN. Nevertheless, there can be no assurance that the present government or a future government will refrain from enacting legislation or adopting government policies that are adverse to IVN's interests or that impair IVN's ability to develop and operate the Oyu Tolgoi Project, Ovoot Tolgoi or other projects on the basis presently contemplated.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact IVN's business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact IVN's decision as to whether to continue to operate in a particular jurisdiction or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, IVN is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on IVN's future cash flows, earnings, results of operations and financial condition.

IVN is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations, either through current or future operations or a pre-existing condition could materially adversely affect IVN.

All phases of IVN's operations are subject to environmental regulations in the various jurisdictions in which it operates. For example, the Oyu Tolgoi Project is subject to a requirement to meet environmental protection obligations. IVN must complete an Environmental Protection Plan for Government approval and complete a report prepared by an independent expert on environmental compliance every three years.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect IVN's operations. Environmental hazards may exist on the properties in which the IVN Group holds interests which are presently unknown to IVN and which have been caused by previous or existing third party owners or operators of the properties. Government approvals and permits are also often required in connection with various aspects of IVN's operations. To the extent such approvals are required and not obtained, IVN may be delayed or prevented from proceeding with planned exploration or development of its mineral properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on IVN and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Previous mining operations may have caused environmental damage at current and former IVN mining projects, and if IVN cannot prove that such damage was caused by such prior operators, its indemnities and exemptions from liability may not be effective.

IVN has received exemptions from liability from relevant governmental authorities for environmental damage caused by previous mining operations at current and former mining projects, including at the Kyzyl Shear Project in Kazakhstan and the Cloncurry Project in Australia. There is a risk, however, that, if an environmental accident occurred at those sites, it may be difficult or impossible to assess the extent to which environmental damage was caused by IVN's activities or the activities of other operators. In that event, the liability exemptions could be ineffective and possibly worthless.

The actual cost of developing the Oyu Tolgoi Project may differ significantly from IVN's estimates and involve unexpected problems or delays.

The estimates in this AIF regarding the development and operation of the Oyu Tolgoi Project are based on the IDP05. This study established estimates of resources, construction and development costs, operating costs and project economic returns based, in part, on assumptions about future metal prices and future cost inputs, determined as at October 2005 and variances in these inputs, as well as other inputs that form the basis of IDP05, may result in operating costs, construction and development costs, production and economic returns that differ significantly from those anticipated by the IDP05 and future development reports. In the case of operating costs, IDP05 derives estimates of average cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of copper and gold from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

The Company is planning to extensively update IDP05 using assumptions that are based upon the terms and conditions of the Investment Agreement. The Company will need to update the IDP05 before it can proceed with the financing and development of a mine. There are also a number of uncertainties inherent in the development and construction of any new mine, including the Oyu Tolgoi Project. These uncertainties include:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour, power, water and transportation;
- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain necessary environmental and other government permits, and the timing of those permits; and
- the availability of funds to finance construction and development activities.

The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as the Oyu Tolgoi Project. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that future development activities will result in profitable mining operations.

IVN's ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions imposed by law, foreign currency exchange regulations and financing arrangements.

IVN conducts its operations through subsidiaries. Its ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate. The subsidiaries' ability to pay dividends or make other distributions to IVN is also subject to their having sufficient funds to do so. If the subsidiaries are unable to pay dividends or make other distributions, IVN's growth may be inhibited unless it is able to obtain additional equity or debt financing on acceptable terms. In the event of a subsidiary's liquidation, IVN may lose all or a portion of its investment in that subsidiary. IVN will be able to rely on the terms of the Investment Agreement to pay dividends out of

Mongolia, subject to certain restrictions contained in the Investment Agreement but will be unable to do so in respect of projects that are not covered by the terms of the Investment Agreement.

There can be no assurance that the interest held by IVN in its exploration, development and mining properties is free from defects or that material contractual arrangements between IVN and entities owned or controlled by foreign governments will not be unilaterally altered or revoked.

IVN has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of IVN. There can also be no assurance that IVN's rights will not be challenged or impugned by third parties. IVN has also applied for rights to explore, develop and mine various properties, but there is no certainty that such rights, or any additional rights applied for, will be granted on terms satisfactory to IVN or at all.

The proceeds from the sale of the Savage River Project are dependent on iron ore prices and the remaining supply of ore at the Savage River Project.

The remaining portion of the proceeds payable to IVN from the sale of the Savage River Project are deferred, and the amount of such payments are dependent on prevailing prices for iron ore (as represented by the Nibrasco/JSM pellet price) in the year that the compensation is paid and the total tonnage of iron ore pellets sold from the Savage River Project in that year. Such prices are very volatile and in the past prices have suffered significant declines. Lower prices mean lower corresponding payments to IVN. In addition, while current reserve and resource estimates indicate that the mine will be capable of producing sufficient ore to meet the desired tonnes per year threshold for the term of deferred payments, there is no assurance that these estimates will actually bear themselves out. If insufficient ore is actually present to produce the desired threshold amount of ore, then the corresponding payments to IVN will be lower.

Competition for new mining properties by larger, more established companies may prevent IVN from acquiring interests in additional properties or mining operations.

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, IVN may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that IVN will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

There is no assurance that IVN will be capable of consistently producing positive cash flows.

IVN has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. IVN has not, to date, produced positive cash flows from operations, and there can be no assurance of its ability to operate its projects profitably. While IVN may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that IVN will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

There is no guarantee that any exploration activity will result in commercial production of mineral deposits.

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that additional commercial quantities of ore will be discovered on any of IVN's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of IVN.

IVN cannot insure against all of the risks associated with mining.

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including:

- rock bursts, slides, fires, earthquakes or other adverse environmental occurrences;
- industrial accidents;
- labour disputes;
- political and social instability;
- technical difficulties due to unusual or unexpected geological formations;
- failures of pit walls, shafts, headframes, underground workings; and
- flooding and periodic interruptions due to inclement or hazardous weather condition.

These risks can result in, among other things:

- damage to, and destruction of, mineral properties or production facilities;
- personal injury;
- environmental damage;
- delays in mining;
- monetary losses; and
- legal liability.

It is not always possible to obtain insurance against all such risks and IVN may decide not to insure against certain risks as a result of high premiums or other reasons. The incurrence of an event that is not fully covered or covered at all, by insurance, could have a material adverse effect on IVN's financial conditions, results of operations and cash flows and could lead to a decline in the value of the securities of IVN. IVN does not maintain insurance against political or environmental risks.

Insofar as Rio Tinto is the Company's largest shareholder, Rio Tinto has the ability to significantly influence the business and affairs of IVN.

Through its existing shareholding in the Company and the rights it holds to acquire additional Common Shares, Rio Tinto has the ability to exercise voting power to significantly influence the policies, business and affairs of IVN and the outcome of any significant corporate transaction or other matter, including a merger, business combination or a sale of all, or substantially all, of IVN's assets. Through existing contractual arrangements, including the Credit Agreement, Rio Tinto has the benefit of a series of negative covenants that limit actions that the Company can take and transactions in which the Company can participate without Rio Tinto's approval. Rio Tinto also has, among other rights, a right of first offer in respect of any equity financing that the Company proposes to undertake and a right of first refusal with respect to any proposed disposition by IVN of an interest in the Oyu Tolgoi Project. See "GENERAL DEVELOPMENT OF THE BUSINESS — Rio Tinto Transactions". Rio Tinto's voting equity position in IVN and its existing contractual rights may have the effect of delaying, deterring or preventing a transaction involving a change of control of IVN in favour of a third party that otherwise could result in a premium in the market price of the Common Shares in the future.

Rio Tinto is also able to significantly influence the management, development and operation of the Oyu Tolgoi Project through its representatives on the Technical Committee, established to manage the Oyu Tolgoi Project. Rio Tinto appointees represent a majority of the members of the Technical Committee and are entitled to control the ongoing decisions made by the Technical Committee.

IVN is exposed to risks of changing political stability and government regulation in the countries in which it operates.

IVN holds mineral interests in countries, which may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the control of IVN and may adversely affect its business. IVN's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. IVN's operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

In certain areas where IVN is active, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The laws of many of the countries in which IVN operates also contain inconsistencies and contradictions. Many of them are structured to bestow on government bureaucrats substantial administrative discretion in their application and enforcement with the result that the laws are subject to changing and different interpretations. As such, even IVN's best efforts to comply with the laws may not result in effective compliance in the determination of government bureaucrats.

IVN's prospects depend on its ability to attract and retain key personnel.

Recruiting and retaining qualified personnel is critical to IVN's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. IVN believes that it has been successful in recruiting excellent personnel to meet its corporate objectives but, as IVN's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although IVN believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Certain directors of IVN are directors or officers of, or have significant shareholdings, in other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with IVN.

Certain of the directors of IVN are directors or officers of, or have significant shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which IVN may participate, the directors of IVN may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. This includes the individuals nominated by Rio Tinto to serve on the Company's board of directors. Rio Tinto is entitled to nominate a number of directors to the Company's board of directors proportionate to its level of ownership of IVN's issued and outstanding Common Shares from time to time. Certain of these nominees are or may be directors or officers of, or have significant shareholdings in, Rio Tinto Group companies or other mineral resource companies and, to the extent that such companies may engage in business relationships with IVN, the directors of IVN appointed by Rio Tinto may have conflicts of interest in negotiating and concluding terms of such relationships. In all cases where directors and officers have an interest in another resource company, such other companies may also compete with IVN for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of IVN and will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, IVN will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the YBCA, the directors of IVN are required to act honestly, in good faith and in the best interests of IVN. In determining whether or not IVN will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to IVN, the degree of risk to which IVN may be exposed and its financial position at that time.

Capital markets are volatile.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of IVN's securities.

If IVN is required to access credit markets to carry out its development objectives, the state of domestic and international credit markets and other financial systems could affect IVN's access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for IVN to obtain, or increase its cost of obtaining, capital and financing for its operations. Such capital may not be available on terms acceptable to IVN or at all.

IVN is subject to the U.S. Foreign Corrupt Practices Act.

IVN is subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), which prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. IVN's international activities create the risk of unauthorized payments or offers of payments by our employees, consultants or agents, even though they may not always be subject to our control. IVN discourages these practices by our employees and agents. However, IVN's existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants and agents may engage in conduct for which we might be held responsible. Any failure by us to adopt appropriate compliance procedures and ensure that our employees and agents comply with the

FCPA and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on our ability to conduct business in certain foreign jurisdictions.

IVN and SouthGobi hold substantial funds in cash and cash equivalents and there is a risk that financial market turmoil or other extraordinary events could prevent the companies from obtaining timely access to such funds or result in the loss of such funds.

IVN and SouthGobi both currently hold substantial investments in cash and cash equivalents, including treasury bills, money market funds and bank deposits. Management has adopted a conservative investment philosophy with respect to such funds, as the Company may require that these funds be used on short notice to support the business objectives of the Company and SouthGobi. Nevertheless, there is a risk that an extraordinary event in financial markets generally or with respect to an obligor under an investment individually will occur that prevents the Company and/or SouthGobi from accessing its cash and cash equivalent investments. Such an event could, in the case of delayed liquidity, have a negative impact on implementation of time sensitive business objectives that require access to such funds or such an event could, in extreme circumstances, result in the loss of some or all of such funds.

DESCRIPTION OF THE BUSINESS

Overview

The Oyu Tolgoi Project and the Ovoot Tolgoi Coal Project have been identified as mineral projects on properties that are material to IVN. The properties on which the Cloncurry Project in Australia and the Kyzyl Gold Project in Kazakhstan are located are not presently regarded as properties that are material to IVN although one or both of them may become material to IVN in the future.

Qualified Persons

Disclosure of a scientific or technical nature in this AIF in respect of the material mineral resource properties of IVN, the Oyu Tolgoi Project and the Ovoot Tolgoi Coal Project, was prepared by or under the overall supervision of IVN's Resource Manager, Stephen Torr. Mr. Torr is an employee of IVN.

The Oyu Tolgoi Technical Report was prepared by the following qualified persons: Bernard Peters, B. Eng. (Mining), Aus. I.M.M. of AMEC Minproc, who was responsible for overall preparation of the report and, in particular, the open pit design and mineral reserve estimate of the report; Scott Jackson, B.Sc. (Hons), CFSG, M.Aus.I.M.M., of Quantitative Geoscience Pty Ltd., who was responsible for preparation of the sections on Geology and Mineral Resources; John Vann, B.App.Sc., B.Sc. (Hons), M.Sc., F.Aus.I.M.M., M.A.I.G, M.S.E.G., of Quantitative Geoscience Pty Ltd., who was responsible for preparation of the sections on Geology and Mineral Resources; Albert Chance, B.App.Sc, Association of Professional Engineers of the Province of British Columbia (no. 16370), an employee of Golder Associates Ltd, who was responsible for the subsection on Open Pit Mine Geotechnical in the Oyu Tolgoi Technical Report; and Dean David, B. AppSc (Metallurgy), M Aus.I.M.M., of AMEC Minproc, who was responsible for preparation of the processing section.

The Ovoot Tolgoi Technical Report was prepared by the following qualified persons: Richard D. Tifft III and Alister Horn of Norwest Corporation.

Oyu Tolgoi Project

The information in this section is based on the Oyu Tolgoi Technical Report, in accordance with the requirements of NI 43-101.

Project Description and Location

The Oyu Tolgoi Project is located in the Aimag (province) of Omnogovi, approximately 550 km south of the capital city of Ulaanbaatar and 80 km north of the border with China. Mineralization on the property consists of porphyry style copper, gold and molybdenum contained in a linear structural trend, termed the OT Trend, with a strike length that extends over 20 km. Mineral resources have been identified in a series of deposits throughout this trend, which from south to north include the Heruga deposit, the Southern Oyu Deposit group, consisting of the Southwest Oyu, South Oyu, Wedge deposits and Central Oyu, and the Hugo Dummett Deposits group, consisting of the Hugo South, Hugo North and Hugo North Extension deposits.

IVN operates the Oyu Tolgoi Project through its 100%-owned subsidiary, OT LLC. OT LLC, in turn, holds its rights to the Oyu Tolgoi Project through mining licence 6709A (the "OT Licence"), comprising approximately 8,496 hectares of property. The Mongolian government granted the OT Licence to OT LLC in 2003 along with mining licences for three properties identified as mining licences 6708A, 6710A and 6711A. 6711A (Ulaan Uul) was relinquished in 2008 due to its distance from the OT licence (20km) and lack of mineralisation. The OT Licence includes the right to explore, develop mining infrastructure and facilities and conduct mining operations on the Oyu Tolgoi Project. When originally granted, the OT Licence had a term of 60 years, with an option to extend the licence for an additional term of up to 40 years. In 2006 the Mongolian parliament passed new mining legislation that changed the term of mining licences to 30 years with two 20 year extensions. It is unclear if this law will be applied retroactively to current licences.

IVN holds an interest in approximately 20,000 hectares of ML 15226A (the "Shivee Tolgoi Licence") and approximately 20,000 hectares of ML 15225A (the "Javkhlant Licence") owned by Entrée. IVN holds its rights to the property through the Entrée Joint Venture, pursuant to which IVN has an 80% interest in minerals below 560 m and a 70% interest in minerals above that point. Conditions to fulfill the joint venture agreement were reached in May 2008 when IVN spent more than $35 million on the properties. Joint venture expenditure commitments are in 80-20% proportion, with Entrée having the option of amortizing its commitment against future income. The Shivee Tolgoi and Javkhlant Licences were converted to mining licenses in October 2009 The Shivee Tolgoi Licence is adjacent to the north of the OT Licence, and the Hugo North deposit crosses the property boundary onto the Shivee Tolgoi Licence. The Javkhlant Licence is adjacent to the south of the OT licence and hosts the Heruga deposit which crosses the property boundary onto the OT licence.

OT LLC must pay a yearly per hectare fee to the Mongolian government in order to maintain the OT Licence in good standing. The licence fees are $15 per hectare per year on the mining licence. The OT Licence property was surveyed by an independent consultant in 2002 and by a qualified Mongolian Land Surveyor in 2004 to establish the legal boundaries of the OT Licence concession.

Pursuant to the Minerals Law, the Mongolian government assesses a royalty of 5% on the sale value of all minerals mined in the country. IVN holds a 2% net smelter returns royalty over the property covered by the OT Licence (which does not cover the Entrée Joint Venture lands) that was purchased from BHP Exploration in 2003.

Oyu Tolgoi LLC has, and continues to, study the permitting and approval requirements for the development of the Project and maintains a permit and licensing register. Oyu Tolgoi LLC personnel work with the Mongolian authorities and have developed descriptions of the permitting processes and procedures for the Project permitting in Mongolia. Some permits have already been obtained and others are in the process of being submitted. Oyu Tolgoi LLC has advised that it expects that all permits can be obtained in a suitable time frame for the project development. Under the terms of the Investment Agreement, a working group consisting of a company and government representatives will be formed to assist in the permitting process.

Environment

Holders of a mining license in Mongolia must comply with environmental protection obligations established in the Environmental Protection Law of Mongolia, Law of Environmental Impact Assessment and the Minerals Law. These obligations include preparation of an environmental impact assessment ("EIA") for mining proposals, submitting an annual environmental protection plan, posting an annual bond against completion of the protection plan and submitting an annual environmental report.

OT LLC has posted environmental bonds to the Mongolian Ministry for Nature and Environment ("MNE") in accordance with the Minerals Law of Mongolia for restoration and environmental management work required for exploration and the development work undertaken at the site. OT LLC pays to the Khanbogd Soum annual fees for water and road usage, while sand and gravel use fees are paid to the Aimag government in Dalanzadgad.

OT LLC has, through qualified independent consultants, prepared an EIA for the Oyu Tolgoi Project consisting of three volumes (as per instructions from the MNE): (i) road, (ii) water supply, and (iii) mine and processing facilities. Internally, two further volumes were produced for the Power Plant and the Airport re-location. The first EIA document, for the transport corridor running south of the Oyu Tolgoi lease to the Chinese border, was submitted in April 2004 and approved in May 2004. An amendment to the approved EIA was submitted in December 2006 to allow for an alternative road alignment to the Chinese border. Construction is expected to commence in the second or third quarters of 2010.

The second volume of the Oyu Tolgoi Project EIA, which covers the supply of water from nearby Gunii Hooloi deep aquifer, was submitted in June 2005. Approval was obtained for the use of the Gunii Hooloi water reserve in September 2005 for a partial amount of the total water required for the Project. Since approval, changes have been proposed to the mine process which has resulted in an increase to the project water demand. In addition, further hydrogeological investigations at Gunii Hooloi have occurred, and allowed for a revision to be made to the aquifer capacity, characteristics and exploitable reserves. This revision is provided in the Report on Groundwater Exploration (OT LLC, 2007) submitted by OT LLC to the MNE in January 2008. This document was reviewed by the Water Sector Science and Technology Council who approved registration (January 2009) of the available water resource at Gunii Hooloi of 870L/s.

An explanatory amendment document in addition to the approved 2005 EIA is to be submitted to the MNE. The document discusses the potential changes to the environmental impacts associated with the use of the resource as a result of the latest hydrogeological assessments and approved exploitable water reserves.

The third volume, (Mining & Processing) incorporates the results of the 2005 IDP, and was first submitted in January 2006. Following review by the Mongolian government, the submission was amended in May 2006. An expert committee review of the mine and processing facilities volume of the EIA was completed in September 2006, and further information was submitted in November 2006 to address the issues raised. The third volume of the EIA was approved by the MNE in December 2007.

Additional volumes produced to cover the Power Plant (Volume IV) and Airport Re-location (Volume V) and a number of supplementary assessments which cover current development work associated with underground shafts 1 & 2, waste water treatment, diesel power supply, emulsion plant, chemicals import and usage, and the quarry and batch plant have been submitted to the authorities and are in various stages of approval.

The Power Plant Screening and EIA reports are prepared for a 3x150MW coal fired steam power plant located on the mining licence at the Oyu Tolgoi Project. Submission to the MNE is pending the exact location on site.

The water supply pipeline and bore field infrastructure EIA was submitted December 2009.

OT LLC contracts the Institute of Archaeology at the Mongolian Academy of Science to complete archaeological studies of the Oyu Tolgoi Project. The studies have resulted in the excavation and removal of sites of historical and cultural significance within the Oyu Tolgoi Project area in accordance with the relevant Mongolian Laws and custom.

Accessibility, Climate, Local Resources and Physiography

The Oyu Tolgoi Project is located in the South Gobi region of Mongolia, approximately 550 km south of the capital city, Ulaanbaatar. The most prominent nearby community is Dalanzadgad, with a population of approximately 15,000, which is located approximately 220 km northwest of the Oyu Tolgoi property. Facilities at Dalanzadgad include a regional hospital, tertiary technical colleges, domestic airport and a 6 megawatt capacity coal-fired power station. The closest community to the property is Khanbogd, the centre of the Khanbogd Soum. Khanbogd has a population of approximately 2,500 and is located 35 km to the east of the property.

Road access to the property follows a well-defined track directly south from Ulaanbaatar requiring approximately 12 hours travel time in a four-wheel drive vehicle. OT LLC has also developed a 2,000 m dirt airstrip within the Oyu Tolgoi property that allows the property to be serviced by a 50 passenger, turbo prop aircraft. Mongolian rail service and a large electric power line lie 350 km east of the property at the main rail line between Ulaanbaatar and China. The China-Mongolia border is located approximately 80 km south of Oyu Tolgoi. The Chinese government has upgraded a highway to the Mongolian border, which now provides a direct link between the border south of Oyu Tolgoi property to the trans-China railway system.

The south Gobi region has a continental, semi-desert climate with cool springs and autumns, hot summers, and cold winters. The average annual precipitation is approximately 80 millimetres, 90% of which falls in the form of rain with the remainder as snow. Temperatures range from an extreme maximum of about 36° Celsius to an extreme minimum of about -31° Celsius. The area occasionally receives very high winds accompanied by sand storms that often severely reduce visibility for several hours at a time. OT LLC conducts exploration activities year-round and believes that mining operations can also be run on a year-round basis.

The property ranges in elevation from 1,140 m to 1,215 m above sea level. The region is covered by sparse semi-desert vegetation and is used by nomadic herders who tend camels, goats and sheep. The topography largely consists of gravel-covered plains, with low hills along the northern and western borders. Scattered, small rock outcrops and colluvial talus are widespread within the northern, western and southern parts of the property. OT LLC believes that this topography will be amenable to the construction of the necessary infrastructure for mining operations, including tailings storage sites, heap leach pads, waste disposal, and processing plant sites. Seismicity studies related to the property have been conducted and OT LLC has determined that the seismicity of the project area is generally low.

The Mongolian Minerals Law and Mongolian Land Law govern OT LLC's surface rights on the Oyu Tolgoi Project. Water rights are governed by the Mongolian Water Law and the Mongolian Minerals Law. These laws permit licence holders to use the land and water in connection with exploration and mining operations, subject to the discretionary authority of Mongolian national, provincial and regional governmental authorities. IVN expects that it will have to negotiate with all three levels of government to ensure access to appropriate land and water rights prior to the commencement of any mining operations.

Power sources are currently sufficient for exploration activities. The nearest power line is 350 km away, so OT LLC operates a number of diesel generators for camp electrical needs. A small power station consisting of six one MW diesel generators has been installed to provide power for sinking a shaft on the property. Additional power sources will need to be developed prior to the commencement of mine development and mining operations. OT LLC is exploring the possibility of utilizing currently undeveloped coal deposits as a source of power supply.

Water is widely available from shallow wells, and is sufficient for exploration purposes. A more substantial source of water will be required for development and mining operations. Groundwater supply investigations by independent consultants for the Oyu Tolgoi Project have been ongoing since April 2002. OT LLC has identified three deep sedimentary groundwater systems within 100 km of the Oyu Tolgoi Project. Investigative drilling of two of these systems and computer modeling of the systems has now been completed and indicates that these groundwater systems will be able to meet the water demand for a production rate of up to 40 million tpy.

The results of a 2007 drill program indicates that the aquifer is capable of supplying an estimated maximum output of 1,325 litres per second ("L/s") for 40 years assuming the water drawdown is restricted to the base of the confining layer which is the top of the main aquifer. All of the data related to the assessment of the aquifer potential, as well as a report covering an assessment of the supply potential, was supplied to the Water Agency in January 2008. In mid November of 2008, the Water Agency stated that they would accept a calculation of the groundwater reserve of 870 L/s for the Gunii Hooloi borefield. This rate is almost the same as that used during the design of the wellfield and associated pipeline. Currently, application is being made for a Water Use Contract for the 870 L/s usage rate.

History

Old diggings and small amounts of slag found in the area indicate that the Oyu Tolgoi area was subject to small scale mining activity in ancient times. However, modern mineral exploration did not begin in earnest in the area until 1996, when the Magma Copper Company Ltd. began a reconnaissance program which examined more than 60 copper occurrences in various parts of Mongolia. In 1996, after BHP Minerals International Exploration Inc. ("BHP Exploration") acquired Magma Copper Company Ltd., BHP Exploration continued the reconnaissance program in western and southern Mongolia.

BHP Exploration first visited the Oyu Tolgoi Project in September 1996 as part of its regional reconnaissance program of the south Gobi region. In 1999, following a review of past results, additional drilling and continued exploration on the property was planned but never carried out. BHP Exploration then offered the properties for joint venture.

OT LLC originally acquired its interest in the property from BHP Exploration in May 2000 pursuant to an earn-in agreement. Shortly thereafter, OT LLC carried out a RC drill program to delineate a chalcocite blanket intersected by one of BHP Exploration's diamond drill holes. This program consisted of 109 RC holes totalling 8,828 m. In 2001, OT LLC continued the RC drilling program to expand the chalcocite blanket and locate additional supergene resources. OT LLC also completed three diamond drill holes to test deep hypogene copper and gold potential. One of these holes, OTD 150, intersected 508 m of chalcopyrite-rich mineralization grading 0.81% copper and 1.17 g/t gold, while another hole, OTD 159, intersected a 49 m thick chalcocite blanket grading 1.17% copper and 0.21 g/t gold and 252 m of hypogene covellite mineralization grading 0.61% copper and 0.11 g/t gold.

The diamond drill holes were sufficiently encouraging for OT LLC to conduct a major follow-up drill program that resulted in the discovery of the Southwest Oyu deposit. In late 2002, drilling in the far northern section of the property intersected 638 m of bornite-chalcopyrite rich mineralization grading 1.61% copper and 0.07 g/t gold starting at a depth of 222 m. This marked the discovery of the Hugo Dummett Deposits.

OT LLC completed the earn-in requirements under the Earn-in Agreement with BHP Exploration by the first quarter of 2002. After certain back-in rights held by BHP Exploration expired, BHP Exploration transferred title to the relevant mineral exploration licences to OT LLC in the summer of 2002. Pursuant to the Earn-in Agreement, BHP Exploration retained a 2% net smelter returns royalty on production from the Oyu Tolgoi Project. IVN acquired this royalty from BHP Exploration in November 2003 in consideration for the payment to BHP Exploration of $37,000,000.

In February 2004, a scoping study was prepared for development of the Oyu Tolgoi Project. The report considered mine development options ranging from a 20-year mine life to a 40-year mine life, with all deposits except Hugo North being mined by open pit and Hugo North being mined by block caving.

In 2005, the IDP 2005 was completed. The IDP05, a preliminary assessment report, was summarized in a Technical Report dated October 1, 2005, which was filed with applicable Canadian securities regulatory authorities and is available for review at www.sedar.com. The report assesses development alternatives open to IVN and charts an implementation path for developing the Oyu Tolgoi Project. In January 2006 IVN reported an open pit Mineral Reserve on the Southern Oyu deposits.

Geology and Mineralization

The Oyu Tolgoi Project lies near the boundary of the South Mongolian and the South Gobi tectonic units, in the Kazakh Mongol Belt. The project area falls within the Gurvansayhan Terrane, which consists of highly deformed accretionary complexes and oceanic island arc assemblages. The area is dominated by a broad corridor of major strike-slip faults, contractional fault and fold belts and fault-controlled Mesozoic sedimentary basins.

The Oyu Tolgoi Project area lies within an east to west trending belt of volcanic and sedimentary rocks of continental margin and island arc affinities. The two major stratigraphic sequences recognised in the project area are a sequence of tuffs, basaltic rocks and sedimentary strata of probable island arc affinity, assigned to the Upper Devonian Alagbayan Formation and an overlying succession containing conglomerates, fossiliferous marine siltstones, sandstones, waterlain tuffs and basaltic to andesitic flows and volcaniclastic rocks, assigned to the Carboniferous Sainshandhudag Formation. There is also a thin covering of stratified clays and clay-rich gravels of Cretaceous age overlying the two main sequences, infilling paleochannels and small fault-controlled basins.

The Devonian Alagbayan Formation sequence includes four major lithological divisions. The lowest division consists of laminated siltstone and sandstone overlain by an approximately 800m thick augite basalt unit. Overlying is a sequence of volcaniclastic conglomerate/breccias and lapilli tuffs of dacitic composition up to 200m thick. These rocks are commonly strongly altered and host much of the contained mineralisation found on the property; the top of the alteration commonly extends up into the conglomerate/ lapilli tuff unit. The third division is a carbonaceous siltstone and sandstone unit up to 200 m thick.

A major low angle thrust is hosted within the top of the carbonaceous siltstone unit, termed the contact fault. This separates the lower three divisions with the fourth upper division of the Alagbayan formation- a sequence of basaltic flows and volcaniclastic rocks interstratified with thinly bedded siltstone and massive sandstone averaging up to 600 m thick. This unit is commonly overturned and has been transported by thrusting from another location.

The Early Carboniferous Sainshandhudag Formation unconformably overlies the Alagbayan Formation sequence, and consists of a lower tuffaceous sequence, a middle clastic package and an uppermost volcanic sequence. The lowest sequence consists mainly of andesitic lapilli tuff and measures up to 200 m in thickness. The intermediate sequence typically shows a progression from a lower conglomerate-sandstone-siltstone dominant unit to an overlying siltstone-waterlain tuff unit; total thickness is up to 200 m. The uppermost sequence consists of a thick layer of andesitic to basaltic flows and volcaniclastic rocks comprising several subunits; thickness is up to 800 m.

Intrusive rocks are common, and range in age from Devonian to Mesozoic. A broad range of dykes and sills intrude the host rocks, of particular significance are Devonian aged quartz monzodiorite (QMD) intrusions that are genetically linked to the porphyry style mineralisation, mineralised QMD intrusions are irregular dykelike bodies, much larger weakly to unmineralised QMD underlies much of the mineralisation and crops out to the west. Biotite granodiorite dykes and sills intrude the axis of the mineralised trend, In the Hugo Dummett deposit area they feed upward into a keel shaped intrusive interpreted to be the bottom of a dacite dome.

There is a complex network of faults, folds and shear zones that cross-cut the project area. A major Devonian aged low angle thrust fault, the contact fault, is hosted within the carbonaceous siltstone unit of the Alagbayan formation and is of district scale. Other significant faults include the Mesozoic aged West Bat fault and the East Bat fault, which respectively bound the west and east side of the zone of mineralization constituting the Hugo Dummett Deposits. The Solongo fault is also major, and cuts off the southern end of the outcropping South West Oyu and south Oyu Deposits. To the south of this fault mineralisation is deeply buried, with the Heruga deposit some 4km to the south under about 800m of Devonian rocks.

Heruga Deposit

The Heruga Deposit is at present the southernmost deposit discovered on the OT Trend. It is preserved below the contact fault, a major low angle thrust of district scale significance. 600 to 1000m of Devonian Alagbayan formation overlie the contact fault. Below the contact fault, the porphyry system is intact, with the top of the porphyry related alteration zone commencing 100-200m below the fault, usually within conglomerates and tuffs of the lower Alegbayan formation. Almost all of the deposit is hosted in the underlying augite basalt with some lesser QMD intrusions. The upper part of the deposit comprises a pyritic copper-molybdenum rich zone approximately 200-300m thick overlying and partly overlapping with a copper and gold rich zone, this lower zone is similar to that at Southwest Oyu. The alteration at Heruga is typical of gold rich porphyry style deposits, with the upper copper-molybdenum rich zone equated to the molybdenum rich external annuli that commonly partly overlap the copper gold cores to gold rich porphyry deposits. In the gold zone biotite and magnetite are the main alteration minerals, chalcopyrite and minor bornite accompany the gold, and pyrite contents are low in the gold zone.

Mineralized veins have a much lower density at Heruga than in the more northerly Southern Oyu and Hugo Dummett Deposits. Some quartz veins show a weak preferred orientation, but in general most occur as stockworks with no visible preferred orientation.

High grade copper and gold intersections show a strong spatial association with contacts of the mineralized quartz monzodiorite porphyry intrusion in the southern part of the deposit, occurring both within the outer portion of the intrusion and in adjacent enclosing basaltic country rock.

Southern Oyu Deposits

The Southern Oyu deposits consist of a series of deposits known as Southwest Oyu, South Oyu, Central Oyu and the Wedge. These deposits form contiguous zones of mineralization representing multiple mineralizing centres, each with distinct styles of mineralization, alteration and host lithology. The boundaries of the individual deposits coincide with major fault zones.

The geology and mineralization of the Southwest Oyu deposit is characterized by a gold-rich porphyry system, with a high-grade core about 250 m in diameter and extending over 700 m vertically (the Southwest Gold Zone). Over 80% of the deposit is hosted by porphyritic augite basalt of the Alagbayan Formation, with the remainder hosted by QMD intrusions. The high-grade core is enclosed by a large, low-grade ore shell approximately 600 m by 2,000 m in area.

Mineralization at Southwest Oyu consists mainly of finely disseminated pyrite-chalcopyrite with minor bornite and massive chalcopyrite veins cross-cutting and impregnating earlier deformed quartz vein stock works and the basalt and QMD host rocks. The mineralization is related to a late stage sericite and sericite-biotite-albite overprint, which affects the QMD intrusions and basaltic wall rocks. The high grade core is centred on a 10 m to 30 m wide, vein-rich QMD dyke and extends for over 100 m into the adjacent porphyritic augite basalt. Gold to copper ratios (g/t Au to % Cu) vary between 0.5 to one and one to one in the outer margin of the deposits, increasing to approximately two to one into the high grade gold core, with the highest ratios consisting of up to three to one in the deeper parts of the deposit. Outside the Southwest Gold Zone, the augite basalts contain anomalous gold contents, with the gold to copper ratios increasing southward.

South Oyu is a copper porphyry deposit developed mainly in the Alagbayan Formation strata consisting of basalt and dacite tuff units. The deposit is cut by numerous barren dykes, including one major rhyolite dyke that that is up to tens of metres wide and cuts east to west through the middle of the deposit. Unlike Southwest Oyu, the South Oyu system is not gold rich. Copper mineralization at South Oyu is associated with stockworks of thin quartz and sulphide veins, and consists of finely disseminated pyrite-chalcopyrite and bornite.

The Central Oyu deposit is hosted in a quartz monzodiorite dyke swarm that contains a series of isolated irregular bodies of altered basalt and dacite tuff up to 200m thick extending several hundred metres down dip to the limit of drilling. Mineralisation consists of high-sulphidation style copper mineralization with pyrite, covellite, chalcocite, and minor enargite in intensely sericite altered rock; this is telescoped down into a deeper and peripheral body of chalcopyrite and gold porphyry mineralization and is overlain by a shallow chalcocite enrichment blanket developed 20 to 80m below a surficial leached cap. The centre of the system is strongly quartz veined.

The Wedge deposit is wedged between South Oyu and SW Oyu, it is a downfaulted block of the top of the alteration system, which, like other deposits at Oyu Tolgoi is developed in the top of the augite basalt unit of the Alagbayan Formation and the overlying dacitic tuff. Mineralisation is largely high sulfidation style with chalcopyrite, chalcocite and enargite but grades down into chalcopyrite in basalt and QMD rocks. There is little gold mineralisation.

Hugo Dummett Deposits

The Hugo Dummett Deposits consist of Hugo South, Hugo North and the Hugo North Extension. These deposits represent a continuous zone of mineralization that is elongated in a north-north-easterly direction over a strike length of at least three km. While mineralization of the Hugo Dummett Deposits is virtually continuous, OT LLC has divided the mineralized zone into two deposits (Hugo South and a combined Hugo North and Hugo North Extension) for the purposes of resource estimation, development and mine planning. Hugo South and Hugo North are separated by a 110° striking sub-vertical fault that displaces Hugo North vertically down a modest distance from Hugo South. Hugo North Extension represents the extension of the Hugo North deposit into the Shivee Tolgoi Licence.

The Hugo Dummett Deposits occur in a northerly striking, moderately to steeply east dipping monocline that is bounded and intruded by several faults, including a near vertical fault that controls the western edge of the deposit known as the West Bat Fault and a near vertical fault that controls the eastern edge of the deposit known as the East Bat Fault. The host rocks to the deposit are basalt and overlying dacite tuffs and breccias of the Alagbayan Formation intruded by QMD’s which are the source and host most of the mineralisation. Overlying the dacite tuffs are sedimentary and volcanic rocks of the upper Alagbayan Formation and

Sainshandhudag Formation with a total intersected thickness of up to 600 m thick in places. The width of the mineralized zone on the Hugo Dummett Deposits varies along strike from 200 m to in excess of 500 m. Mineralization dips generally to the east from as low as 40° to up to 80°, but is generally above 60° and increases to sub-vertical at the northern end of Hugo North.

Hugo South has a higher copper to gold ratio than Hugo North, averaging 10 to one copper to gold in most of the deposit. It is closer to the surface than Hugo North, with the lowest portion of the deposit approximately 700 m below surface compared to 1,500 m below the surface for Hugo North. Mineralization is centred on a high-grade zone typically grading in excess of 2% copper, this usually corresponds with intensely quartz stockwork veined narrow QMD intrusions extending out into the enclosing basalt and dacite tuff. The sulphide mineralization consists of chalcopyrite, bornite, chalcocite and pyrite. The sulphides are zoned, with bornite, chalcocite and tennantite comprising the highest grades, often in excess of 2.5% copper, then grading outwards to chalcopyrite at between 1% to 2% copper and then pyrite-chalcopyrite and other minerals grading at less than 1% copper. The gold-rich QMD does not occur in Hugo South, with the result that the gold grades are typically less than 0.1 g/t. Weakly mineralized QMD forms the base of the deposit.

Hugo North contains the same high-grade copper zone as Hugo South, consisting of a zone of intense stockwork to sheeted quartz veins centred on QMD intrusions and extending into the adjacent Alagbayan Formation basalt. Unlike Hugo South, the Hugo North quartz veining also hosts significant gold mineralization. The copper mineralization in the high-grade zone is also greater, at up to 3% to 5% copper, moderate to high-grade copper and gold values are also in nearby QMD intrusions below and to the west of the intense vein zone. In other respects, Hugo North and Hugo South have similar mineralogy and zonation patterns. Bornite is dominant in the highest grade part of the deposit, at 3% to 5% copper and is zoned outward to chalcopyrite at approximately 2% copper, grading upward to less than 1% copper in pyrite-chalcopyrite in the altered dacitic tuff sequence at the top of the deposit.

All of the deposits display alteration zones, including K-silicate, advanced argillic, muscovite/sericite and intermediate argillic styles. The copper in the deposits also correlates with elevated abundances of silver, selenium and tellurium. Small amounts of zinc, arsenic, lead and mercury also occur with or near the high-grade zone.

On the Hugo North Extension, mineralization is similar to that characterizing the northern part of the Hugo North deposit. High copper grades are associated with equally elevated gold values, with copper and gold ratios typically around two to four to one. The extension is more structurally complex, manifested in a more variable strike and steeper dip to the mineralized zone with a higher prevalence of faults, and structurally-induced discontinuities in the high-grade zone. These features are the result of post-mineral deformation. Both the mineralized zone and lithologic contacts in the enclosing and overlying rocks display an abrupt right-hand stepover of around 200 m, starting at the border of the deposit with the main Hugo North deposit. Drilling in this zone during 2006 confirmed that this stepover is a flexure/fold with a short, east-west striking limb, rather than a fault offset. North of the flexure, grade continuity is more difficult to predict, and the western margin of the deposit consists of a zone of complex faulting. These faults typically result in a sliver of weakly- to moderately- mineralized QMD lying between the sub vertical high-grade deposit core, and non-mineralized Devonian and Carboniferous rocks to the west of the fault system.

Exploration

OT LLC’s exploration at Oyu Tolgoi has consisted mainly of remote sensing and geophysical methods, including satellite image interpretation, detailed ground magnetics, Bouger gravity and gradient array IP, as well as extensive drilling and geological mapping. These activities have enabled OT LLC to construct detailed geophysical and geological maps of the entire property, as well as the nearby mining licences owned by OT LLC. Outcropping prospects, including Southwest, South and Central Oyu, have been mapped at 1:1,000 scale and the heruga area has been mapped at 1:1000 scale. The entire remaining exploration block has been mapped at 1:10,000 scale. In 2004, extensive surface trenching by excavators and shallow overburden RC drilling was conducted to provide bedrock geology over the extensive areas devoid of outcrop. As a result the geology is well defined over the entire 10 km by 8 km concession block.

Gradient array IP has been conducted on north to south, and subsequently east to west lines at 200 m line spacing, with electrode spacing up to 11 km. A further IP survey covered the deposit areas with a more detailed program using multiple electrode spacing, repeated in 2009 with the high powered the Zues IP transmitter. An airborne magnetometer was flown by BHP in the late 1990s at a height of 100 m on 300 m spaced, east to west oriented lines, a falcon airborne gravity survey was flown by BHP in 2005. OT LLC conducted magnetometer surveys on the property, with the northern half using east to west oriented lines on 50 m intervals with 25 m spaced readings and Southern Oyu deposits using a north to south orientation for 5 m intervals on 25 m spaced lines and the area south to Heruga using east west 25m spaced lines.

A gravity survey was conducted, controlled by GPS, with readings on deposit areas taken on 50 m centres and on the extremities at 100 m centres. The Bouger map was reduced to residual gravity for contouring. An airborne Falcon gravity survey was flown over Oyu Tolgoi by BHP in late 2005, with 400m spaced east-west flight lines and 80m elevation. Telluric electromagnetic surveying was conducted over the eastern half of the concession to identify smaller drainage basins that could have channelled copper-rich waters during the Cretaceous Period.

In late 2004 OT LLC began to extend its exploration program to the outlying Oyu Tolgoi Project concessions, including the mining licences 6708A, 6710A and 6711A and exploration licence 3677X that adjoins and extends the southern limits of the mining concessions. A number of chargeability anomalies with similarities to the Oyu Tolgoi Project anomaly were discovered on the other concessions and OT LLC has conducted diamond drilling with negative results to date. Mining licence 6710A has since been relinquished and exploration licence 3677X reduced in size, split up into smaller licences and transferred to Asia Gold Mongolia LLC in its entirety.

OT LLC initiated exploration work on the Shivee Tolgoi Licence in November 2004 following the signing of the Entrée Earn-in Agreement. Prior to that time, Entrée had undertaken geochemical remote sensing, geophysics testing, such as ground magnetics, Bouger gravity and pole-dipole geophysical surveying, and geological mapping. Starting at the northern boundary of the OT Licence, an IP survey was run on 100 m spaced lines oriented east-west to trace the northern projection of the Hugo North Deposit. This initial IP survey used gradient array with 11,000 m AB electrode spacing, covered an area extending 5.6 km north of the boundary and 10 km in width. Subsequent IP surveys covering smaller areas within the larger area were carried out with gradient arrays. The IP surveys resulted in the delineation of a significant chargeability feature being traced for approximately four km north along strike of the Hugo North deposit. Additional IP chargeability targets were also revealed 2.5 km to three km west of the Hugo North trend and are referred to as the Eagle anomalies.

In 2005 and 2006, OT LLC conducted IP surveying on 100 m spaced, east-west lines across the Javkhlant Licence. This resulted in the discovery of three significant chargeability IP anomalies subsequently named the Sparrow South (Heruga deposit), Castle Rock and SW Magnetic anomalies.

In 2007, 2008 and 2009 further detailed IP surveying was conducted over Heruga and the area between Heruga and SW Oyu where previous IP surveys detected a weak anomaly. Detailed ground magnetometer surveys were also conducted over Heruga, extensions to the south of Heruga, the area between Heruga and SW Oyu and over the Hugo North Extension area and northwards. This resulted in a far better understanding of the surface geology of the OT Trend south of SW Oyu and a better understanding of IP anomalies. A program of detailed 1:1000 scale geological mapping is continuing over this area. OTD1487 was drilled in 2008 to target an IP anomaly half way between Heruga and SW Oyu. It intersected 350m of high grade gold-copper mineralisation below about 1978m. Drilling is ongoing in this area.

Drilling

Diamond drill holes are the most significant source of geological and grade data for the Oyu Tolgoi Project. From the start of OT LLC's diamond core drill program in 2001 to March 22, 2010, OT LLC has drilled approximately 848,731m, in approximately 1950 drill holes of which 1433 were diamond drill holes for a total of 800,729m. OT LLC currently has three drill rigs operating on the property.

OT LLC has relied on wireline methods for all drilling, utilizing HQ and NQ size core and some PQ size core for metallurgical testing. At Hugo North, virtually all holes are initiated in PQ size core to a depth of at least 450 m to 550 m. The rest of the drill hole is then continued using HQ or NQ sized core. On two occasions PQ coring was extended to depth of 1,450 m, allowing OT LLC to collect large diameter core from the deep Hugo North deposit. Upon completion of all holes, the collar and anchor rods on drill holes are removed, and a PVC pipe is inserted in the hole. Each hole collar is marked by a cement block inscribed with the hole number. The holes are not grouted or back filled with cement so as to allow re-entry of individual holes for surveying checks or to permit OT LLC to drill new daughter holes. In future, some holes may have to be grouted or cemented to keep near surface water from entering the underground mine workings.

Drill hole collars are located respective to a property grid by either global positioning system or theodolite and electronic distance measuring instruments. Holes are drilled at an inclination of between 45° and 90°, with the majority between 60° and 70°. The drill contractors take down-hole surveys about every 50 m. Where magnetite is present that will affect the deviation of the compass readings in the survey instruments, gyro compasses are used that are not affected by magnetism in the rock.

OT LLC uses standard logging and sampling conventions to capture information from the drill core. The core is logged in detail onto paper logging sheets, and the data are then entered into the project database. The core is photographed prior to being sampled, and the digital photographs are linked to the drill logs enabling the geologist to quickly access specific photographs for any given metre. Drill core is then stacked on pallets in an organized "core farm". Core recovery in the mineralized units has been usually between 95% and 100%.

OT LLC's current drill program is now focused on testing Gap between Heruga and South-west Oyu in the "new discovery zone".

Sampling, Analyses and Security

OT LLC's sampling procedure comprises collection of core samples taken on continuous two m intervals down each drill hole, excluding dykes that extend more than 10 m along the core length. Samples of one-half of NQ and HQ core or one-quarter of PQ core are taken for assaying. The core is marked with a continuous linear cutting line before being split to prevent a sampling bias. Splitting is done with a rock saw flushed continually with fresh water. Samples are placed in cloth bags and sent to an on-site preparation facility operated by SGS Mongolia LLC ("SGS Mongolia").

Core samples initially are assembled into groups of 15 or 16 and then four or five quality control samples are randomly inserted to make up batch of 20. The quality control samples comprise one duplicate split core sample and one uncrushed field blank, which are inserted prior to sample preparation, a coarse reject or pulp preparation duplicate, which is inserted during sample preparation, and one or two standard reference material samples, which are inserted after sample preparation.

Split core samples are crushed to 90% minus 3.5 mm. A 1 kg sub-sample is then riffle split from the crushed sample and pulverized to a 90% minus 200 mesh (70 µ) pulp. A 150 gram sub-sample is split off by taking multiple scoops from the pulverized 200 mesh (70 µ) pulp, which is then placed in a sealed tin-tip kraft envelope.

The kraft envelopes of prepared pulp samples are packed in wooden shipping boxes, locked, sealed with tamper-proof, numbered tags, and shipped under the custody of OT LLC to Ulaanbaatar, where they are assayed at a facility operated by SGS Mongolia.

All samples are assayed for gold, copper, molybdenum, arsenic, and silver. Gold is determined by atomic absorption spectroscopy following lead fire assay fusion to obtain prills that are digested with nitric and hydrochloric acids. Copper, molybdenum, arsenic, and silver also are determined by atomic absorption spectroscopy following digestion with nitric, hydrochloric, hydrofluoric, and perchloric acids to dryness, leaching by hydrochloric acid to dissolve soluble salts, and volume make-up with distilled water.

Upon receipt of assay results, values for Standard Reference Material samples and Field Blanks are tabulated and compared to those from an established Round Robin program. Assay results that deviate from Round Robin program results beyond pre-set tolerance limits are rejected and subject to re-assay. OT LLC also performs check assays on a regular basis at the rate of one per batch of 20 samples, although this program was temporarily suspended during 2006 and early 2007.

The QAQC program used by OT LLC was developed by an independent Quality Control consultant and adopted in April 2002. The original samples taken from diamond drilling at Southwest Oyu following its discovery were assayed prior to implementation of this QAQC program. Re-assaying of 20% of these early samples under the new QAQC program indicated a slight positive bias in the original gold and copper assays of a small proportion of samples. Accordingly, resource estimates covering Southwest Oyu include a proportional adjustment of the grades of a number of pre-OTD231 gold and copper assays to account for this bias. Since the implementation of the full QAQC program, OT LLC has not been required to conduct re-assay programs or make adjustments for bias to its assay results for subsequent resource estimations.

In preparation for feasibility level metallurgical testing OT LLC has conducted a trace element composite (TEC) analytical program to map the distribution of potential penalty elements within the deposits. The program consists of the preparation of 10 m composite samples from five continuous 2 m samples obtained from reject minus 200 mesh (70 µ) pulps. The program was conducted on approximately every second hole in Southwest and Central Oyu deposits and every drill hole in Hugo South, Hugo North, and Heruga deposits. These samples are sent to an independent laboratory in Canada for a 47 element ICP analysis based on a four acid digestion method plus carbon, sulphur, mercury, and fluorine by various fusion methods. Arsenic and fluorine are modelled to provide a global distribution of the potential penalty elements to facilitate blending strategies if required to reduce the effects of these elements in the concentrates.

Mineral Resources and Mineral Reserves

The estimates of mineral reserves and resources on the Oyu Tolgoi Project identified below are contained in the Oyu Tolgoi Technical Report and were classified using logic consistent with the CIM Standards. The current estimates of mineral resources for the Oyu Tolgoi Project were independently reviewed by John Vann and Scott Jackson of Quantitative Geoscience, each of whom is a qualified person for the purposes of NI 43-101. The estimate of mineral reserves on the Southern Oyu Deposits was prepared by Bernard Peters of AMEC Minproc, who is also a qualified person under NI 43-101.

Mineral Resources

The base case CuEq cut-off grade assumptions for each deposit were determined using cut-off grades applicable to mining operations exploiting similar deposits. For open pit resources, a base case cut-off for resources of 0.3% CuEq was applied, for underground block cave resources a 0.6% CuEq cut-off was applied.

The equivalent grade was calculated using assumed metal prices of $1.35/lb for copper, $650/oz for gold and $10/lb for molybdenum. For convenience, the formula is:

$$CuEq = \%Cu + ((g/t\ Au*18.98)+(Mo*0.01586))/29.76$$

Molybdenum was only included in the copper equivalent formula for Heruga. At Hugo Dummett and Southern Oyu, molybdenum occurs in concentrations considered too low to justify the capital involved to add a molybdenum recovery circuit.

The contained gold and copper estimates in the tables have not been adjusted for metallurgical recoveries however the differential recoveries was taken into account when calculating the equivalent formula. The various recovery relationships at Oyu Tolgoi are complex and relate both to grade and Cu:S ratios. For the purposes of calculating equivalence, gold recovery is assumed to be 91% of copper recovery, molybdenum is assumed to be 72% of copper recovery.

The CuEq formula now applied to resources at Oyu Tolgoi has the same ratio of copper to gold as previously used (Juras 2005 and Cinits 2007). This ensures the tabulations of resources previously disclosed are consistent with the new equivalence formula.

Resources

The resource estimates for the Oyu Tolgoi Property have various effective dates. Please see the deposit by deposit breakdown of the estimates for their respective effective dates. In the Oyu Tolgoi Technical Report, a consolidated resource estimate for the Oyu Tolgoi Property is reported as follows:

Total Oyu Tolgoi Project Mineral Resources March 2010(1)(2)
(based on a 0.60 CuEq cut-off)

						Contained Metal(4)		
Resource Category	**Tonnes**	**Cu (%)**	**Au (g/t)**	**Mo (ppm)**	**CuEq(3) (%)**	**Cu (‘000 lbs)**	**Au (oz)**	**CuEq(3) (‘000 lbs)**
Measured	101,590,000	0.64	1.10	—	1.34	1,430,000	3,590,000	3,000,000
Indicated	1,285,840,000	1.38	0.42	—	1.65	39,120,000	17,360,000	46,770,000
Measured + Indicated	1,387,430,000	1.33	0.47	—	1.63	40,680,000	20,970,000	49,860,000
Inferred	2,367,130,000	0.78	0.33	50	1.02	40,610,000	25,390,000	53,280,000

Notes:

(1) Resource classifications conform to CIM Standards on Mineral Resources and Reserves referred to in National Instrument 43-101. Mineral Resources that are not Reserves do not have demonstrated economic viability. Measured and Indicated Resources are that part of a mineral resource for which quantity and grade can be estimated with a level of confidence sufficient to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the project. An Inferred Resource is that part of a

mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

(2) This table includes estimated resources on the Hugo North Extension Deposit and the Heruga deposit. These deposits are located on mineral licences owned by Entrée but subject to the Entrée Joint Venture. These resources consist of indicated resources of 117,000,000 tonnes grading 1.8% copper and 0.61 g/t gold and inferred resources of 910,000,000 tonnes grading 0.48% copper and 0.49 g/t gold and a 141ppm Molybdenum at a 0.6% cut-off grade on the combined Hugo North Extension and Heruga Deposits.

(3) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(4) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper. Differences in measured and indicated totals relate to rounding associated with tonnes and grade.

The estimates were based on 3D block models utilizing commercial mine planning software (MineSite®). Industry-accepted methods were used to create interpolation domains, these domains were based upon mineralization and geology. Grade estimation was performed by ordinary kriging. A separate resource model was prepared for each of the deposits. Only hypogene mineralization was estimated, with the exception of a zone of supergene mineralization at Central Oyu. The estimation plans, or sets of parameters used for estimating blocks, were designed using a philosophy of restricting the number of samples for local estimation, as it was found to be an effective method of reducing smoothing and producing estimates that match the Discrete Gaussian change-of-support model and ultimately the actual recovered grade-tonnage distributions.

Modelling consisted of grade interpolation by ordinary kriging. Only capped grades were interpolated in the Southern Oyu and Hugo South Deposits. Nearest neighbour grades were interpolated for validation purposes. For both copper and gold, on all deposits except Hugo South, an outlier restriction was used to control the effect of high-grade composites. In the Southern Oyu Deposits, resource grades were also adjusted to reflect likely occurrences of internal and contact dilution from unmineralized post-mineral dykes. Validation procedures included Discrete Gaussian change-of-support method, comparisons using a nearest neighbour model and visual checks.

The base case CuEq cut-off grade assumptions for each deposit were determined using cut-off grades applicable to mining operations exploiting similar deposits.

Southern Oyu Resources

The mineral resource grade model on the Southern Oyu Deposits was tabulated above a 0.30% copper equivalent cut-off grade within a pit shell approximating a copper price of $1.15/lb copper and $450/oz gold. These parameters were used as they approximate the effective copper equivalent cut-off grade and pit shell in the reserve estimate on the Southern Oyu Deposits. The grade and tonnages, at a range of copper equivalent cutoff grades are reported below.

Southern Oyu Deposits(1)(2)
(as of April 15, 2005)

						Contained Metals(4)		
Southern Oyu Deposits	**CuEq Cutoff**	**Tonnage (t)**	**Cu (%)**	**Au (g/t)**	**CuEq (%)(3)**	**Cu (‘000 lb)**	**Au (oz)**	**CuEq(3) (‘000 lb)**
Measured	1.0	59,550,000	0.77	1.55	1.76	1,011,000	2,970,000	2,311,000
	0.7	84,140,000	0.69	1.25	1.49	1,280,000	3,380,000	2,764,000
	0.6	101,590,000	0.65	1.09	1.34	1,456,000	3,560,000	3,001,000
	0.5	115,180,000	0.61	1.00	1.25	1,549,000	3,700,000	3,174,000
	0.4	123,440,000	0.59	0.95	1.20	1,606,000	3,770,000	3,266,000
	0.3	126,690,000	0.58	0.93	1.17	1,620,000	3,790,000	3,268,000
	0.25	127,550,000	0.58	0.92	1.17	1,631,000	3,770,000	3,290,000
	0.2	127,800,000	0.58	0.92	1.17	1,634,000	3,780,000	3,296,000
Indicated	1.0	102,330,000	0.85	0.82	1.38	1,918,000	2,700,000	3,113,000

						Contained Metals[4]		
Southern Oyu Deposits	**CuEq Cutoff**	**Tonnage (t)**	**Cu (%)**	**Au (g/t)**	**CuEq (%)[3]**	**Cu ('000 lb)**	**Au (oz)**	**CuEq[3] ('000 lb)**
	0.7	279,850,000	0.71	0.50	1.02	4,380,000	4,500,000	6,293,000
	0.6	430,830,000	0.63	0.40	0.89	5,984,000	5,540,000	8,453,000
	0.5	617,530,000	0.57	0.35	0.79	7,760,000	6,950,000	10,755,000
	0.4	827,050,000	0.51	0.30	0.70	9,299,000	7,980,000	12,763,000
	0.3	992,400,000	0.47	0.27	0.64	10,283,000	8,610,000	14,002,000
	0.25	1,067,830,000	0.45	0.26	0.61	10,594,000	8,930,000	14,360,000
	0.2	1,143,710,000	0.43	0.25	0.59	10,842,000	9,190,000	14,877,000
Measured+Indicated	1.0	161,880,000	0.82	1.09	1.52	2,926,000	5,670,000	5,425,000
	0.7	363,990,000	0.70	0.67	1.13	5,617,000	7,840,000	9,068,000
	0.6	532,420,000	0.64	0.54	0.98	7,512,000	9,240,000	11,503,000
	0.5	732,710,000	0.57	0.45	0.86	9,207,000	10,600,000	13,892,000
	0.4	950,490,000	0.52	0.38	0.76	10,896,000	11,610,000	15,926,000
	0.3	1,119,100,000	0.48	0.35	0.70	11,843,000	12,590,000	17,270,000
	0.25	1,195,370,000	0.46	0.33	0.67	12,123,000	12,680,000	17,657,000
	0.2	1,271,510,000	0.45	0.32	0.65	12,614,000	13,080,000	18,221,000
Inferred	1.0	3,750,000	0.91	0.48	1.22	75,000	60,000	101,000
	0.7	19,420,000	0.62	0.39	0.87	265,000	240,000	372,000
	0.6	47,390,000	0.51	0.35	0.74	533,000	530,000	773,000
	0.5	103,190,000	0.43	0.31	0.63	978,000	1,030,000	1,433,000
	0.4	181,700,000	0.38	0.26	0.55	1,522,000	1,520,000	2,203,000
	0.3	266,820,000	0.34	0.23	0.48	2,000,000	1,970,000	2,824,000
	0.25	318,380,000	0.32	0.21	0.45	2,246,000	2,150,000	3,159,000
	0.2	394,850,000	0.29	0.19	0.40	2,524,000	2,410,000	3,482,000

Notes:

(1) Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. Mineral resources are reported inclusive of mineral reserves.

(2) The resources shown above at a 0.3% CuEq Cut-off are inclusive of the resources tabulated at the 0.6 CuEq cutoff in the consolidated resource statement.

(3) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(4) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

In the Southwest Gold Zone at Southwest Oyu, drilling is approximately on a 50 m sample spacing. Inspection of the model and drill hole data on plans and sections in the Southwest Gold Zone area, combined with spatial statistical work and investigation of confidence limits in predicting planned quarterly production showed good geologic and grade continuity. When taken together with all observed factors, it was determined that the blocks covered by this data spacing in the Southwest Gold Zone area may be classified as a measured mineral resource. A three-hole rule was used where blocks containing an estimate resulting from three or more samples from different holes (all within 55 m and at least one within 30 m) were classified as measured mineral resource.

The bulk of the remainder of the Southern Oyu Deposits were estimated at an indicated resource level. The drill spacing is at a nominal 70 m on and between sections. Geologic and grade continuity is demonstrated by inspection of the model and drill hole data in plans and sections over the various zones, combined with spatial statistical work and investigation of confidence limits in predicting planned annual production. A two-hole rule was used where blocks containing an estimate resulting from two or more samples from different holes. For the Southwest Oyu Deposit the two holes needed to be within 75 m, with at least one hole within 55 m. For the remaining deposits, both holes needed to be within 65 m, with at least one hole within 45 m to be classified as indicated mineral resources. All interpolated blocks that did not meet the criteria for either measured or indicated mineral resources were assigned as inferred mineral resources if they fell within 150 m of a drill hole composite.

Hugo Dummett Mineral Resources

A drill spacing of between 135 to 150 m along strike and 75 m to 100 m down dip was adopted for the classification of indicated resource blocks at Hugo Dummett. Blocks that do not meet these criteria but that are within 150 m of a drill-hole composite are classified as inferred resource. Blocks outside of 150 m from a borehole composite are not classified.

For the Hugo North resource estimate, OT LLC created three-dimensional mineralized shells or envelopes based on copper grades of 0.6%, and a quartz vein percentage of 15%. For gold interpolation OT LLC created two sets of grade shells, one at 0.3 g/t gold threshold and one at 1.0 g/t gold thresh-hold. The shapes were checked for interpretational consistency in section and plan. These shells were then used as interpolation domains. Copper grades for blocks within the copper domains in each deposit or zone were estimated with a hard boundary between the shells. Gold grades for blocks within the gold zone in Hugo North were also estimated with a hard boundary. The background estimation domain used all composites outside of the grade shells.

In Hugo South, a 0.6% copper shell and a 2% copper shell were used to constrain ordinary kriging. All blocks that fell within 150 m of a drill composite were assigned to an inferred mineral resource category. All other blocks were not included in the resource estimate.

The resources of the Hugo North Deposit were updated at an effective date of February 20, 2007. This update included drilling that was completed up to November 1, 2006.

Hugo Dummett Deposits — Mineral Resources at 0.6% copper equivalent cut-off(1)

Deposit	Tonnage (t)	Cu (%)	Au (g/t)	CuEq(2) (%)	Contained Metal(3) Cu ('000 lb)	Contained Metal(3) Au (oz)	Contained Metal(3) CuEq(2) ('000 lb)
Indicated (Hugo North)	703,200,000	1.82	0.39	2.07	28,215,000	8,820,000	32,091,000
Indicated (Hugo North Extension)(4)	117,000,000	1.80	0.61	2.19	4,643,000	2,290,000	5,649,000
Inferred (Hugo North)	722,800,000	0.97	0.30	1.17	15,457,000	6,970,000	18,644,000
Inferred (Hugo North Extension) (4)	95,500,000	1.15	0.31	1.35	2,421,000	950,000	2,842,000
Inferred (Hugo South)	490,330,000	1.05	0.09	1.11	11,350,000	1,420,000	12,000,000
Total							
Indicated (Hugo North and Hugo North Extension(4))	820,200,000	1.82	0.42	2.08	32,910,000	11,080,000	37,611,000

Deposit	Tonnage (t)	Cu (%)	Au (g/t)	CuEq[2] (%)	Contained Metal[3] Cu ('000 lb)	Au (oz)	CuEq[2] ('000 lb)
Inferred (Hugo North, Hugo South and Hugo North Extension[4])	1,308,630,000	1.02	0.22	1.16	29,430,000	9,260,000	33,470,000

Notes:

(1) Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. IVN reports mineral resources inclusive of mineral reserves.

(2) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(3) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

(4) The Hugo North Extension is located on property which is the subject of the Entrée Joint Venture.

A further breakdown of the mineral resource inventory of the Hugo North and Hugo North Extension Deposits is set forth below.

Hugo North Mineral Resource Inventory[1]
Indicated

Class Hugo North Deposit	CuEq Cutoff	Tonnage (t)	Cu (%)	Au (g/t)	CuEq[2] (%)	Contained Metal[3] Cu ('000 lb)	Au (oz)	CuEq[2] ('000 lb)
Indicated (Hugo North)	3.5	125,300,000	3.74	0.93	4.34	10,331,000	3,750,000	11,989,000
	3	175,400,000	3.49	0.84	4.03	13,496,000	4,740,000	15,584,000
	2	276,900,000	3.03	0.69	3.47	18,497,000	6,140,000	21,183,000
	1	541,600,000	2.15	0.46	2.44	25,672,000	8,010,000	29,134,000
	0.6	703,200,000	1.82	0.39	2.07	28,215,000	8,820,000	32,091,000
	0.3	798,200,000	1.65	0.35	1.87	29,036,000	8,980,000	32,907,000
Indicated (Hugo North Extension)[4]	3.5	22,300,000	3.68	1.43	4.59	1,809,000	1,030,000	2,257,000
	3	32,000,000	3.36	1.29	4.18	2,370,000	1,330,000	2,949,000
	2	52,300,000	2.84	1.09	3.53	3,275,000	1,830,000	4,070,000
	1	84,800,000	2.22	0.80	2.73	4,150,000	2,180,000	5,104,000
	0.6	117,000,000	1.80	0.61	2.19	4,643,000	2,290,000	5,649,000
	0.3	137,900,000	1.59	0.52	1.92	4,834,000	2,310,000	5,837,000
Total Indicated (Hugo North and Hugo North Extension[4])	3.5	147,600,000	3.73	1.01	4.38	12,138,000	4,790,000	14,253,000
	3	207,400,000	3.47	0.91	4.05	15,866,000	6,070,000	18,518,000
	2	329,200,000	3.00	0.76	3.48	21,773,000	8,040,000	25,257,000
	1	626,400,000	2.16	0.51	2.48	29,829,000	10,270,000	34,248,000
	0.6	820,200,000	1.82	0.42	2.08	32,910,000	11,080,000	37,611,000
	0.3	936,200,000	1.64	0.38	1.88	33,849,000	11,440,000	38,803,000

Inferred

Class Hugo North Deposit	CuEq Cutoff	Tonnage (t)	Cu (%)	Au (g/t)	CuEq[2] (%)	Contained Metal[3] Cu ('000 lb)	Au (oz)	CuEq[2] ('000 lb)
Inferred (Hugo North)	>= 3.5	3,600,000	3.06	1.41	3.96	243,000	160,000	314,000
	>= 3	12,900,000	2.80	0.98	3.43	796,000	410,000	975,000
	>= 2	54,700,000	2.08	0.91	2.66	2,508,000	1,600,000	3,208,000
	>= 1	385,500,000	1.25	0.41	1.51	10,624,000	5,080,000	12,833,000
	>= 0.6	722,800,000	0.97	0.30	1.17	15,457,000	6,970,000	18,644,000
	>= 0.3	1,108,200,000	0.76	0.24	0.92	18,568,000	8,550,000	22,477,000
Inferred (Hugo North Extension)[4]	>= 3.5	1,400,000	3.32	1.03	3.98	102,000	50,000	123,000
	>= 3	3,600,000	2.97	0.88	3.53	236,000	100,000	280,000
	>= 2	11,000,000	2.20	0.86	2.75	534,000	300,000	667,000
	>= 1	62,200,000	1.39	0.39	1.64	1,906,000	780,000	2,249,000
	>= 0.6	95,500,000	1.15	0.31	1.35	2,421,000	950,000	2,842,000
	>= 0.3	152,400,000	0.85	0.23	1.00	2,856,000	1,130,000	3,360,000
Total Inferred (Hugo North and Hugo North Extension[4])	>= 3.5	5,000,000	3.13	1.30	3.96	345,000	210,000	437,000
	>= 3	16,500,000	2.84	0.96	3.45	1,033,000	510,000	1,255,000
	>= 2	65,700,000	2.10	0.90	2.68	3,042,000	1,900,000	3,882,000
	>= 1	447,700,000	1.27	0.41	1.53	12,535,000	5,900,000	15,101,000
	>= 0.6	818,300,000	1.00	0.30	1.19	18,040,000	7,890,000	21,468,000
	>= 0.3	1,260,500,000	0.77	0.24	0.93	21,398,000	9,730,000	25,844,000

Notes:

(1) Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.

(2) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

(3) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(4) The Hugo North Extension is located on property which is the subject of the Entrée Joint Venture.

A further breakdown of the mineral resource inventory of the Hugo South Deposit is set forth below.

Hugo South Mineral Resource Inventory[1]

Hugo South Deposit	CuEq Cutoff	Tonnage (t)	Cu (%)	Au (g/t)	CuEq[2] (%)	Contained Metal[3] Cu ('000 lb)	Au (oz)	CuEq[3] ('000 lb)
Inferred	>= 3.5	5,440,000	3.71	0.25	3.87	440,000	40,000	460,000
	>= 3	11,950,000	3.38	0.21	3.51	890,000	80,000	920,000
	>= 2	38,900,000	2.67	0.15	2.77	2,290,000	190,000	2,380,000
	>= 1	203,590,000	1.53	0.09	1.59	6,870,000	590,000	7,140,000
	>= 0.6	490,330,000	1.05	0.09	1.11	11,350,000	1,420,000	12,000,000
	>= 0.3	1,105,600,000	0.67	0.07	0.72	16,330,000	2,490,000	17,550,000

Notes:

(1) Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.

(2) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(3) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

Heruga Mineral Resources

For Inferred resources at Heruga a three dimensional wireframe was constructed inside of which the nominal drill spacing was less than 150m. The shape aimed to remove isolated blocks around drill holes where continuity of mineralization could not be confirmed. Within the 150m shape there were a small number of blocks that were greater than 150m from a drill hole. These were included because it was considered that geological and grade continuity could be reasonably inferred within the main part of the mineralized zone. The average distance of all the Inferred blocks in the resource model is displayed in the plot below. Of the total tonnes classified as inferred approximately 95% are within 150m of a drill hole while the average distance of the inferred blocks is approximately 100m.

At Heruga OT LLC created three-dimensional mineralized shells or envelopes based on copper grades of 0.3%, gold grades of 0.3g/t and 0.7 g/t and Molybdenum of 100ppm. In addition OT LLC created 3 dimensional shapes of the major lithological and structural features of the deposit. The shapes were checked for interpretational consistency in section and plan and were used as interpolation domains during kriging.

The Heruga deposit now spans the boundary between the OT Mining license and the Javkhlant mining license. The resources of the Heruga Deposit were reported at an effective date of October 20, 2009. This update included drilling that was completed up to June 21, 2009.

Heruga (OT License) Mineral Resource Inventory[1]
(October 2009)

						Contained Metal[3]		
Cut-off CuEq %	**Tonnage ('000 t)**	**Cu %**	**Au g/t**	**Mo ppm**	**CuEq[2] %**	**Cu ('000 lb)**	**Au ('000 oz)**	**CuEq ('000 lb)**
>1.50	—	0.58	1.46	52	1.54	—	—	—
>1.25	—	0.53	1.28	52	1.37	10,000	—	40,000
>1.00	10,000	0.54	0.86	107	1.15	70,000	—	140,000
>0.90	10,000	0.54	0.68	131	1.04	130,000	—	250,000
>0.80	20,000	0.53	0.55	136	0.95	250,000	—	450,000
>0.70	40,000	0.50	0.43	133	0.85	460,000	1,000	780,000
>0.60	60,000	0.48	0.37	128	0.78	670,000	1,000	1,090,000
>0.50	90,000	0.45	0.33	122	0.72	840,000	1,000	1,360,000
>0.40	110,000	0.41	0.29	111	0.66	1,020,000	1,000	1,640,000
>0.30	130,000	0.38	0.27	105	0.62	1,110,000	1,000	1,770,000

Heruga (Entree Javkhlant Only) Mineral Resource Inventory[(1)]
(October 2009)

Cut-off CuEq %	Tonnage ('000 t)	Cu %	Au g/t	Mo ppm	CuEq[(2)] %	Contained Metal[(3)] Cu ('000 lb)	Contained Metal[(3)] Au ('000 oz)	Contained Metal[(3)] CuEq ('000 lb)
>1.50	30,000	0.57	1.86	124	1.83	360,000	2,000	1,150,000
>1.25	70,000	0.56	1.45	118	1.55	840,000	3,000	2,340,000
>1.00	190,000	0.57	0.96	155	1.26	2,370,000	6,000	5,260,000
>0.90	290,000	0.56	0.80	160	1.15	3,610,000	8,000	7,450,000
>0.80	450,000	0.54	0.66	160	1.05	5,310,000	10,000	10,320,000
>0.70	660,000	0.51	0.56	151	0.95	7,390,000	12,000	13,780,000
>0.60	910,000	0.48	0.49	541	0.87	9,570,000	14,000	17,390,000
>0.50	1,210,000	0.44	0.44	130	0.79	11,780,000	17,000	21,060,000
>0.40	1,670,000	0.39	0.38	115	0.69	14,430,000	20,000	25,540,000
>0.30	2,180,000	0.35	0.33	102	0.61	16,730,000	23,000	29,470,000

Heruga (OT License and Javkhlant) Mineral Resource Inventory[(1)]
(October 2009)

Cut-off CuEq %	Tonnage (t)	Cu %	Au g/t	Mo ppm	CuEq[(2)] %	Contained Metal[(3)] Cu ('000 lb)	Contained Metal[(3)] Au (oz)	Contained Metal[(3)] CuEq ('000 lb)
>1.50	30,000	0.57	1.86	124	1.83	360,000	2,000	1,160,000
>1.25	70,000	0.56	1.45	117	1.55	860,000	3,000	2,380,000
>1.00	190,000	0.57	0.96	153	1.26	2,430,000	6,000	5,400,000
>0.90	300,000	0.56	0.79	159	1.15	3,730,000	8,000	7,700,000
>0.80	470,000	0.54	0.66	158	1.04	5,560,000	10,000	10,770,000
>0.70	700,000	0.51	0.56	150	0.94	7,850,000	13,000	14,560,000
>0.60	970,000	0.48	0.48	140	0.86	10,240,000	15,000	18,480,000
>0.50	1,300,000	0.44	0.43	130	0.78	12,620,000	18,000	22,420,000
>0.40	1,780,000	0.39	0.37	114	0.69	15,450,000	21,000	27,180,000
>0.30	2,310,000	0.35	0.33	102	0.61	17,840,000	24,000	31,250,000

Notes:

(1) Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.

(2) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum); %CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(3) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

Mineral Reserves

To date, IVN has declared reserves on the Oyu Tolgoi Project for only the Southern Oyu Deposits, based on a reserve estimate prepared by AMEC Minproc in January 2006. IVN anticipates that it will be in a position to declare reserves on the Hugo Dummett Deposits in connection with the completion of an updated integrated development plan that IVN plans to finalize now that the terms of the Investment Agreement have become effective.

In the January 2006 study by AMEC Minproc, a reserve was declared based on the open pit mine plan. This represents the initial step in the overall mine plan for the Oyu Tolgoi mineral resources. The open pit is planned to be a conventional truck and shovel open pit mining operation on the Southern Oyu Deposit. Ore is to be treated in a conventional concentrator. The mineral reserve is not intended to replace the IDP05 but to identify the open pit mineral reserve that is in the Southern Oyu and available for inclusion in the finalized life of mine plan.

Southern Oyu Mineral Reserves — January 2006

Class	Ore (tonnes)	NSR $/t	Copper (%)	Gold (g/t)	CuEq Grade (%)	Recovered Copper ('000 lbs)	Recovered Gold (ounces)
Proven	127,000,000	15.91	0.58	0.93	1.18	1,451,000	2,833,000
Probable	803,000,000	7.96	0.48	0.27	0.66	7,431,000	4,768,000
Total	930,000,000	9.05	0.50	0.36	0.73	8,882,000	7,601,000

The key parameters in determining the Mineral Reserves are: (i) assumed metal prices of $400/oz gold and $1.00 /lb copper; and (ii) block value net smelter return ("NSR") cut-off grades of $3.54 per tonne for Southwest Oyu and $3.39 per tonne for Central Oyu. There was no change in the mineral reserve compared to the previously stated mineral reserves.

In order to estimate the reserves, AMEC Minproc relied on the resource model from its prior resource estimates on the Southern Oyu deposits, and then applied proposed mining parameters for mining and processing. This includes pit designs using industry standard mining software, assumed metal prices as described above and smelter terms as set forth in the Oyu Tolgoi Technical Report. The estimate was prepared on a simplified project analysis on a pre-tax basis. Key outstanding variables noted by AMEC Minproc included the Investment Agreement, marketing matters, water supply and management and power supply.

Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves. The mineral reserve estimate is primarily based on the IDP05 and relies only on the resources and facilities necessary to support an open pit mine at the Oyu Tolgoi Project. The report only considers mineral resources in the measured and indicated categories, and engineering that has been carried out to a pre-feasibility level or better to state the open pit mineral reserve.

Comparison of the reserve to the total tonnes in the resource model indicates that at the reserve cut-off grades 100% of measured resource tonnage has been converted to proven mineral reserve. The probable to indicated ratios are as follows: tonnage 75%, recovered copper metal 79% and recovered gold metal 70%. Of the total reserve and total resource within the block model, the reserve resource ratios are: tonnage 55%, recovered copper metal 64% and recovered gold metal 70%.

Project Development

The fundamental parameters of the mine plan at the Oyu Tolgoi Project were established in the IDP05, which was produced in September 2005. The IDP05 is a preliminary assessment report under the NI 43-101 guidelines and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would allow them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realised. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Since the release of the IDP05 the resources reported on the Southern Oyu Deposits have been upgraded to mineral reserves and updated resource estimates have increased the confidence levels of a substantial portion of the resources from inferred to indicated and increased the overall amount of resources on the Hugo Dummett Deposits.

IVN has continued to advance mine planning and engineering. An updated integrated development plan for the Oyu Tolgoi Project based on the terms of the approved Investment Agreement is being prepared and will be incorporated into a technical report that is expected to support an estimate of underground reserves. The updated integrated development plan is being prepared for IVN by independent qualified persons, including several of the world's foremost engineering, mining and environmental consultants, led by AMEC Minproc and including Stantec (formerly McIntosh) Engineering.

IDP05 Summary

The IDP05 envisions the staged development of the Oyu Tolgoi Project, over a 15-year period, as a major copper and gold mining complex having an ultimate mine life that is expected to exceed 40 years. The IDP05 consists of a feasibility-level evaluation of an initial, large open-pit mine developed on the near-surface Southern Oyu deposits and a pre-feasibility-and scoping-level evaluation of the associated infrastructure, such as power supply, and at least two very large underground block cave mines at the Hugo Dummett Deposits.

It is contemplated that the open pit mine be developed in nine stages. The first three stages cover Southwest Oyu and the Wedge deposit, while later stages would expand to Southern Oyu and Central Oyu. Accordingly, the ore feed will focus on the gold-rich areas of the Southern Oyu deposits for the initial stages. Gold grades will drop significantly starting in stage 4 when production moves to South Oyu and Central Oyu. The IDP05 only addresses development of the first four stages of the open pit, with the remaining five stages available to expand the project life beyond the current schedule.

On the Hugo Dummett Deposits, block cave mining is contemplated. This method will require the development of deep production shafts to provide access for personnel, equipment and supplies and for hoisting ore and waste. OT LLC has developed an approximately 1,200 m shaft to access Hugo North. The IDP05 contemplates a total of four shafts for Hugo North over the 15-year build-out. At appropriate depths, OT LLC would commence lateral development to extract ore. On Hugo North, OT LLC would extract the ore through two rows of lateral development (lifts). Mining would target the 2% plus copper shell identified in Hugo North. The Hugo South Deposit would also be developed through block-cave mining, but only under an expanded production mining scenario.

It is proposed in IDP05 that ore be treated in a conventional flotation concentrator, using conventional technology. An ore-processing flow sheet was proposed based upon a large flotation concentrator using conventional 40-foot-diameter semi-autogenous ("SAG") mills, ball mills and flotation. The IDP05 estimates for capacity were 20 million tpy (70,000 tpd) for the plant, with a second facility being built under the expanded case to accommodate a production increase to 40 million tpy (140,000 tpd). The concentrate would then be sold to smelters. During the initial three years of operation, mill feed would be primarily sourced from the Southwest Oyu open pit while the initial underground block cave mine at the copper-rich, higher-grade Hugo North Deposit was being developed. After year 3, production from the Hugo North Deposit would commence. By year 5, Hugo North would be the predominant source of mill feed for the concentrator. By year 6, open-pit production would be curtailed and only stages 1 and 2 of the ultimate nine-stage open-pit mine plan would have been mined. In this Base Case scenario, Hugo North would provide the mill feed to beyond year 40.

The Expanded Case, Phase 2 of the IDP05, would be initiated with a decision in year 3 to develop a block-cave mine at the Hugo South Deposit and proceed with the stripping of stages 3 & 4 of the open-pit mine. The capacity of the concentrator would be doubled through the addition of a second SAG milling circuit and related infrastructure increases, to increase the Oyu Tolgoi Project's combined open-pit and underground production to at least 140,000 tpd by year 7. Hugo North mill feed, combined initially with feed from stages 3 & 4 of the open-pit mine, would ensure that the 140,000 tpd production rate was maintained. By year 12, when production from Hugo South would commence, underground production alone is expected to reach 140,000 tpd.

The IDP05 indicates that the Oyu Tolgoi Project could produce approximately 35 billion pounds of copper and 11 million ounces of gold over the projected, initial 35-year life of the mine, based on resource estimates delineated as at the date of the IDP05, with average annual production at approximately one billion lbs of copper and 900,000 oz of gold under the Expanded Case.

Following the reporting of the mineral reserve for the Southern Oyu Deposits, the IDP05 remains relevant in the context of a sensitivity showing overall development of the mineral resources at the Oyu Tolgoi Project. The IDP05 financial models were constructed using a base copper price of $1.00/lb and a base gold price of $400/oz, and are based on interpretation of tax, mining and other relevant Mongolian laws in effect at the time. The estimated net present value ("NPV") of the Oyu Tolgoi Project, assuming the Expanded Case production is developed as scheduled to 140,000 tpd at an 8% discount rate, is $3.44 billion before tax and $2.71 billion after tax. At a 10% discount rate, the NPV is $2.40 billion before tax and $1.85 billion after tax. At an 8% discount rate, the internal rate of return (IRR) of the Expanded Case is 19.75% after tax, and the payback period is 6.5 years. The IDP05 is a preliminary assessment report under the NI 43-101 guidelines and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would allow them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The engineering assessment of initial capital required to fund the open-pit mine and the associated milling complex, capable of processing 70,000 tpd, was estimated at $1.15 billion. In addition, $232 million would be expended during the same period to advance the development of the underground Hugo North Mine. This initial expenditure would carry the Oyu Tolgoi Project through a six-month ramp-up period to reach full production of 70,000 tpd.

The IDP05's sensitivity analysis shows that the Oyu Tolgoi Project's rate of return is most sensitive to changes in the copper price, followed by changes in operating costs, capital costs and copper recovery. The project is far less sensitive to changes in gold price or power costs.

The IDP05 was prepared in September 2005, prior to the implementation of amendments to the Minerals Law in the spring of 2006 and without reference to a completed and effective Investment Agreement. IVN expects that the updated development plan will include several adjustments to the financial inputs and conclusions set forth in the IDP05 based on changes to mine planning and changing assumptions regarding price and costs to reflect current realities.

One fundamental change upon which it is expected that an updated integrated development plan will focus, with a view to reducing operational risk and increasing throughput, will be to modify the milling circuit to move from a single line configuration to dual lines, each comprising a 38' SAG Mill and two ball mills. The intention of this modification, and the working basis for future studies, is that the Oyu Tolgoi Project would initially be able to produce at 100,000 tonnes per day, with the expectation that this foundation would likely result in an increase in milling capacity beyond the 140,000 tonnes per day outlined in IDP05.

Engineering and Construction

In 2009, IVN's key priority was in securing a viable Investment Agreement with the Government of Mongolia. The project was effectively on a constrained budget until the Investment Agreement was finalised. With this constrained budget, the focus was on retaining key Mongolian staff, continuing detailed exploration and expanding underground lateral development at Shaft 1.

Health and Safety

The year end for Oyu Tolgoi was an All Injury Frequency Rate (AIFR) of 0.67. This included all hours worked at site and in the UB office. While this would normally be considered an excellent achievement, Oyu Tolgoi did suffer one fatality in March 2009 in underground development. The focus for 2010 will be rolling out the concept of safety leadership to all Mongolian Supervisors and Managers and embedding a shared safety culture across the project.

Underground Development

The 1,385 metre Shaft #1 was completed in 2009 and is supporting the initial development program that is underway for the Hugo North underground block-cave mine. Lateral development continued in 2009 as planned, including the continuation of the ramp down toward crusher one. The South characterization drift was completed and cross-cut three also was developed through to align with the North characterization drift. The 2009 year-end development rate was 45% above plan, with 1,074 metres achieved. At the end of 2009, the underground contractor also moved from one shift to two shifts, which allow for 24-hour operation.

An initial 1,800 person construction camp has been built and the construction warehousing facility is nearly completed. By December 31, 2009 engineering for the concentrator facility was 75% complete and engineering for the required infrastructure was 50% complete.

Underground lateral development is now resulting in a northward drive along the ore body. Latest diamond drilling core from the underground is also showing visible gold.

In 2009, OT LLC oversaw significant training and development of Mongolian national staff in the underground operations. OT LLC worked closely with the underground contractor to implement the role of the crew trainer to continuously monitor the skill and competency level of all Mongolian national trainees at all levels of their development. The crew trainers report to the shift supervisor and, while being 100% dedicated to the training role, they are also part of the mining crew.

Preparatory work was also completed for the establishment of a raise bore ventilation shaft at Shaft 1. Once completed in July 2011, future lateral development rates will increase by approximately 75% as this will allow the use of a second mining fleet. Orders are now being progressed for an Atlas Copco M2C Jumbo, a Sandvik LHD517 (Toro 10), a Sandvik LH550 truck (50 tonne), one Normet Spraymec and two Normet Transmixers.

In addition, surface works for the construction of Shaft #2 was completed in 2009. Site earthworks were undertaken in preparation for the laying of the concentrator foundation.

In preparation for the shaft system upgrade the scope was progressed for the skip change design work and also the hoist modifications which will also allow for increased development rates.

2010 Activities

The 2010 budget provides for an early start on a site-wide development program which is now expected to be implemented following the successful completion of the remaining conditions precedent to the effectiveness of the Investment Agreement.

Work in 2010 is planned to include:

- Resumption of the sinking of the 10-metre-diameter Shaft #2, which will be used to hoist ore to the surface from the deep, underground, copper-gold-rich Hugo Dummett Deposit.
- Construction of a 97-metre-tall (approximately 31-storey), reinforced-concrete headframe for Shaft #2.
- Pouring the concrete foundation for the 100,000-tonne-per-day concentrator and deliveries of building materials for the concentrator and infrastructure.
- Installation of a 20-megawatt power station and 35-kilovolt distribution system.
- Initial earthworks for the open-pit mine at the Southern Oyu deposits.
- Continuation of lateral underground development off Shaft #1 at the Hugo Dummett Deposit.
- Construction of a 105-kilometre highway link to the Mongolia-China border, which will be fully paved by the time production begins.
- Construction of a regional airport, with a concrete runway to accommodate Boeing 737-sized aircraft.

Current Exploration Activities

During 2009, IVN completed 20,024m of diamond drilling on the Oyu Tolgoi Project, with 17,060m completed in the area between SW Oyu and Heruga (“new discovery zone”) in 14 holes (including five daughter holes) and 2,964m completed in five holes in other parts of Oyu Tolgoi and surroundings. Due to budget constraints only one drill rig was available for most of the year. Average assay intercepts are shown below:

Average Assay Intercepts, New Discovery Zone Drilling

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Mo (ppm)	CuEq (%)
OTD1487	1978	1994	16	0.1	1.65	38	1.73
	2028	2053.7	25.7	0.85	0.89	62	1.47
OTD1487A	1978	1994	16	0.09	1.55	38	1.63
	2028	2126	98	0.96	0.88	115	1.56
	2258	2336.3 (EOH)	78.3	2.13	0.82	126	2.24
	1978	2336.3	358.3	0.85	0.54	66	1.12

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Mo (ppm)	CuEq (%)
OTD1495A	2034	2314	280	0.06	0.84	13	0.88
	2330	2377.2 (EOH)	47.2	0.10	1.32	8	1.39
	2034	2377.2 (EOH)	343.2	0.06	0.87	12	0.91
OTD1498A	1978	2100	122	0.05	0.42	54	0.48
	2240	2318	78	0.07	0.61	12	0.66
	2346	2418	72	0.07	0.44	41	0.51
OTD1500	1800	1910	110	0.17	0.44	189	0.65
OTD1500A		in progress					
OTD1501		in progress					

Copper equivalencies were calculated using the following metal prices and formula.

(Au = USD650/oz, Cu=USD1.35/lb, Mo=USD10/lb).

[CuEq=Cu%+((Aug/t*18.98)+(Moppm*0.01586))/29.76]

The holes drilled in the New Discovery Zone are in five northwest-southeast-oriented sections 500 metres apart. Of the holes drilled, only two have been successful so far in intersecting mineralization, OTD1487/OTD1487A completed in 2008 and OTD1495A completed in September 2009. Together, these two holes, in sections 1.5 kilometres apart, emphasize the importance of the zone. The mineralization at Far South is rich in bornite and appears to be very similar to that in the Hugo Dummett Deposit.

Of the other holes drilled, four holes (OTD1487C, OTD1487D, OTD1492 and OTD1496) targeted induced polarization (IP) anomalies. All were terminated after intersecting a major north-northeast-oriented fault, thought to be an extension of the West Bat Fault that terminates the western side of the Hugo Dummett deposit. Minor sulfides near the fault are thought to explain the IP. Four other holes (OTD1493, OTD1493A, OTD1495 and OTD1498) reached the top of the mineralized zone but were lost due to drilling difficulties. Two other holes in the northern-most section drilled (OTD1497 and OTD1499) also hit a major fault, with OTD1499 reaching the top of the mineralized section before being faulted off.

IVN and GoviEx Gold entered into an agreement to inaugurate the proprietary Zeus™ high-power technology at Oyu Tolgoi in an expanded, gradient array IP survey to test the full extent, on strike and at depth, of the Oyu Tolgoi copper and gold mineralized trend. To the end of 2009, part of the Oyu Tolgoi trend, extending from the southern end of the Heruga Deposit to the northern end of the Hugo Dummett Deposit has been surveyed. Follow-up drilling targeting the deep IP anomalies defined by the Zeus technology is continuing.

Geological mapping during 2009 focused on the southern end of the Oyu Tolgoi trend and the Javhalaad group of licences further south. This mapping showed that the Oyu Tolgoi trend probably curves to the south west at the southern end of Heruga and is cut by an east-west-trending belt of younger granites.

Follow up of IP anomalies on the previously postulated, linear southern continuation of the Oyu Tolgoi trend suggests that the anomalies are not related to Oyu Tolgoi porphyry-style targets. Geological mapping, ground magnetometer surveying, Zeus IP surveying and the drilling of a single, 1,452-metre drill hole (JUD010) on one anomaly showed that carboniferous rocks are 450 metres or more thick in this area and no Devonian host rocks have been found yet.

Ovoot Tolgoi Coal Project

The information in this Section is based on the Ovoot Tolgoi Technical Report in accordance with the requirements of NI 43-101.

Property Description and Location

The Ovoot Tolgoi Coal Project is located in the southwest corner of the Omnogovi Aimag (South Gobi Province) of Mongolia within the administrative unit of Gurvantes Soum, 320 km southwest of the provincial capital of Dalanzadgad and 950 km south of the nation's capital Ulaanbaatar. Ovoot Tolgoi is approximately 40 km north of the Mongolia-China border at Ceke — Shivee Khuren border crossing (as the crossing is referred to in China and Mongolia, respectively).

The SGQ-controlled property surrounds and is adjacent to the existing MAK-Qinghua Mines (including the Nariin Sukhait mine) operations. These operations currently consist of several open-pit mines on its 28.8 km^2 mining license. The SGQ resource areas discussed are both adjacent to the existing MAK mining license. The various mines are operated directly by MAK, with one of the pits operated as a joint venture between MAK and Qinghua. The Sunset Field resource area occupies the area southwest of the MAK license boundary and encompasses the West Pit of SGQ's Ovoot Tolgoi surface mining operation. The Sunset Field underground area is the down-dip extension of the Sunset Field. The Sunrise Field surface resource area occupies the area southeast of the MAK license. The Sunrise Field underground resource area is the down-dip extension. The waste dumps for the Sunrise and Sunset Fields are located to the South of either field within the mining license boundary. Both Sunset and Sunrise Fields are within mining license 12726A, which covers a total of 9,308 hectares and expires in 2037.

SGS, the operating company under SGQ, is a Mongolian-registered company that holds the licences and permits to the Ovoot Tolgoi Coal Project. The Mongolian government grants Mineral Exploration Licences (MELs) for a period of three years with the right to extend the period twice for two additional years each. Exploration license holders are subject to various environmental protection obligations including preparation and acceptance of a detailed environmental impact assessment and environmental protection plans, as well the annual posting of a bond equal to 50% of expected reclamation costs. Other obligations are for exploration license holders to pay a fee and incur a minimum expenditure per hectare of license area (see table below).

MONGOLIAN MINERAL EXPLORATION LICENSE FEES

Year	License Fee ($/Ha.)	Minimum Expenditure ($/Ha.)
1	0.10	0.00
2	0.20	0.50
3	0.30	0.50
4-6	1.00	1.00
7-9	1.50	1.50

Following successful exploration, an exploration license holder can apply for a mining license to any portion of the exploration license area. A mining license is granted for a period of 30 years, with the right to extend the period twice for 20 additional years with each extension. The mining license covers both mineral and surface lease rights. Portions of existing MELs held by SGQ were converted to a single Mining License, granted in September, 2007, for the development of an open-pit coal mine. The Ovoot Tolgoi open-pit coal mine is covered within the Mining License, while the remaining parts of the Ovoot Tolgoi Coal Project are covered by three MELs (11187x, 9443x and 6359x) covering an area of 109,664 hectares and expire in May 2012, December 2010 and September 2011 respectively.

The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern SGQ's exploration, mining and land use rights for the Ovoot Tolgoi project. Water rights are governed by the Mongolian Water Law, and the

Mongolian Minerals Law. These laws allow licence holders to use the land and water in connection with exploration and mining operations, subject to the discretionary authority of Mongolian national, provincial and regional governmental authorities as granted under Mongolian law.

Any coal extracted and sold is subject to a royalty rate of 2.5% and 5% of the sales value for domestic and international sales respectively. In addition to a mining license, SGQ is obliged to have an approved Detailed Environmental Impact Assessment ("EIA") and Environmental Protection Plan ("EPP"). These documents were approved initially in October, 2005, with an addendum completed and approved in March, 2007. SGQ currently has all necessary permits to continue mining operations at the Ovoot Tolgoi Coal Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area around the Ovoot Tolgoi Coal Project currently supports a traditional subsistence economy focused on raising sheep, goats, and camels. The Omnogovi Aimag is the most sparsely populated province in Mongolia with a density of 0.8 people/km^2. The number of persons skilled in the exploration and development of mining properties in Mongolia is limited. To date, SGQ has been successful in recruiting key personnel but, as the development of the Ovoot Tolgoi Coal Project continues, it will require additional personnel.

The surface expression of the deposit ranges from flat, gravel-covered desert plains to moderately hilly terrain. Surface elevation ranges from 1,515 to 1,555 m above sea level. Vegetation is sparse, consisting primarily of small shrubs and grasses. The region experiences a continental desert climate. Temperature typically ranges from 0° to -30°C in the winter, increasing to 30° to 35°C in the summer months. High winds occur frequently; particularly throughout the spring. Average rainfall is approximately 53 mm with most precipitation occurring during the summer months. The weather is acceptable for exploration activities from April through October. Exploration activities are not recommended during the harsh winters, however, the climate allows year-round mining operations.

The Ovoot Tolgoi Coal Project has an onsite airport and is accessible via chartered aircraft from Ulaanbaatar. Regular air service is also available from Ulaanbaatar to Dalanzadgad. Travel from Dalanzadgad to the property takes approximately seven hours over unpaved roads. All parts of the property can be reached with four-wheel-drive vehicles.

A new rail line became operational during 2008, connecting the Ovoot Tolgoi area with the interior of China. The railroad terminus is approximately 40 km south of the resource areas at Ovoot Tolgoi, at the Chinese border town of Ceke. Coal trucks travel overland from Ovoot Tolgoi as well as the neighbouring MAK-Qinghua mines to the railroad terminus located at Ceke. Electrical power is available from a powerline distributing power from China to various locations at Ovoot Tolgoi. Additional electric power is currently supplied by on-site diesel generators, as required.

No surface water is currently available in the immediate area of the Ovoot Tolgoi deposit. Water for the camp and shop complexes is being supplied from water supply wells drilled during the hydrological investigations. The recently-completed permanent man-camp has a water treatment facility on-site. Water for dust suppression is available from the pit dewatering.

Waste disposal areas have been identified and approved in the mining permit. Currently, limited screening is being conducted on some of the high ash content coal. SGQ intends to assess the feasibility of upgrading the coal through washing.

History

The Ovoot Tolgoi Coal Project is a producing mine owned by SGQ and operated by it since April 2008, with approximately 1.3 million tonnes of coal sales through November 2009.

SGQ acquired its interest in the Ovoot Tolgoi Coal Project from IVN in May 2007.

Geological Setting

The coal-bearing rocks at Ovoot Tolgoi are late Permian in age. Coal was deposited along the margins of tectonically active continental basins. The region has subsequently undergone Basin and Range style extensional tectonics followed by a period of compressional folding and faulting.

Regional Geology

The South Gobi region of Mongolia reflects a complex geologic history of continental accretion and Basin and Range style crustal extension. The region is dominated by elongate, east-west trending mountain ranges and intervening basins. The intervening basins comprise sediments of Late Cretaceous to Permian age, overlain by a relatively thin Quaternary gravel layer or thin Aeolian deposit. The mountain ranges separating these sedimentary basins comprise mostly crystalline basement rocks dominated by intermediate to high angle faults that show evidence for both compressional and extensional movement.

Coal Occurrences

The most prominent feature relating to the coal deposit at Ovoot Tolgoi is the arcuate, east-west trending Ovoot Tolgoi fault. The coal bearing section, interpreted to be late Permian in age, is exposed primarily in a window adjacent to the Nariin Sukhait fault. The only place where the fault is exposed is in the MAK Nariin Sukhait Mine, where it appears as an intermediate angle structure (40-50 degrees) in their West pit. SGQ holdings at Ovoot Tolgoi contain two distinct resource areas within the window of upper Permian rocks, the Sunrise Field and the Sunset Field.

Exploration activities undertaken by SGQ within the Ovoot Tolgoi Coal Project area have focused on the thick coal of the 5 Seam, but additionally have defined further resources in packages of “upper seams” located above this horizon. This work has shown that what was previously named as a single seam often contains a number of discrete coal seams separated by rock partings of highly variable thickness and extent. As such, modeling efforts have required the organization of these coal packages into a number of coal series. The thick seam originally identified as the 5 Seam in outcrop has retained that designation, but the discovery of splits above and below this has required a number of additional correlatable seams to be designated within what is now the 5-Series.

The remainder of the resource is found in the 8, 9, and 10 Series, which each contain a number of discreet coal seams. The No. 4 and No. 7 seams are recognized in a number of drill holes, but do not appear to represent any significant resources. Coal seams 1 through 3 described in the early work at Nariin Sukhait have not been identified on the Ovoot Tolgoi Coal Project.

Interburden both within and between coal series is highly variable at Ovoot Tolgoi. Interburden between the series is generally dominated by sandstones and conglomerates, while the partings within the coals are most commonly mudstones and carbonaceous mudstones.

Structural Geology

The Sunrise Field is located on SGQ-controlled land surrounding the southeast corner of the MAK mining license. The 5 Seam is currently being mined by MAK and MAK-Qinghua in this area along the axis of a poorly defined antiform. This structure trends to the southwest from the MAK East Pit, and forms the basis for the SGQ resources here. The coal bearing section is found primarily as a southeast dipping homocline. Coal resources modelled in the Sunrise Field are almost entirely of the 5 Series. This is the primary seam that will be (and currently is) mined.

The Sunset Field is located on SGQ land near the southwest corner of the MAK mining license. Coal resources are found along a southwest striking trend. Previous interpretation of structure in the Sunset Field described a southwest plunging antiform. New data, however, has led to the interpretation of a thrust fault system controlling the distribution of coal in this area. This interpretation requires the field to be divided into several distinct resource blocks. The majority of resources are found in the 5-Series coal within a southeast dipping coal- bearing sequence. Additionally, a considerable amount of resources are also found in the upper coals, Series 8, 9, and 10.

Exploration

OT LLC began exploration in late 2004 with the completion of 5 boreholes in the Sunrise Field. This program was continued in early 2005 and expanded to include general exploration activities along the entire regional trend as well as resource delineation drilling in the Sunrise and Sunset Fields. The exploration programs in 2006 through 2008 concentrated on the Sunrise and Sunset Fields, but continued work elsewhere on the trend. Exploration activities used to date at the Ovoot Tolgoi Coal Project include: (i) geological mapping; (ii) satellite imagery; (iii) geophysical surveys; (iv) trenching; and (v) drilling.

Geologic mapping was initiated by OT LLC in early 2005 and continued during 2006. Mapping and examination of images was used to define the trend of coal outcrops. Additionally, these activities were used to locate coal occurrences in the hangingwall of the Nariin Sukhait fault along the entire length of this structure. Reconnaissance exploration work was contracted primarily to Sapphire Geo Ltd. (“Sapphire”) and supervised by SGQ. Norwest Corporation (“Norwest”) has provided assistance in the review of activities and interpretation of results. The majority of the reconnaissance work was conducted prior to transfer of the mineral exploration licences to SGQ. Satellite imagery was used in conjunction with the geological mapping to locate surface exposures of coal and identify structures.

Additionally, 3-D and 2-D surface resistivity surveys were used to help locate mineralization in areas of thin surficial cover. Potential targets identified with the above mentioned techniques were then tested with trenches cut perpendicular to the apparent strike, to expose coal seams close to surface.

Trenching has been useful in identifying the near-surface expression of coal seams for locating exploratory drill holes. Coal seam thickness and structure as observed in the trenches are greatly affected by near-surface erosion, alteration, and deformation however. Trenching intercepts have been found to be unreliable sources of seam characteristics and structure, and are not used in resource estimation.

Drilling

Drilling through December 31, 2008 at Ovoot Tolgoi holdings includes a total of 430 exploration holes completed and 100,393 m drilled. This does not include limited drilling that took place under the Soviet-Mongolian government sponsored exploration programs. This was expanded considerably by OT LLC and SGS from 2004 to 2008.

All holes have been geophysically logged except where holes have caved. Depending on the equipment used, logs were either examined visually, or interpreted using the geophysical logging software. Drillhole depths were then incorporated into the geologic model. A drilling summary by method and area is presented in the table below.

HISTORIC COAL EXPLORATION DRILLING ACTIVITY

Area	Year	Reverse Circulation		Rotary		Core		Combination[1]	
		No. Holes	Meters Drilled	No. Holes	Meters Drilled	No. Holes	Meters Cored	No. Holes	Meters Cored
Sunrise Field	2004 OT LLC	—	—	—	—	5	750	—	—
	2005 OT LLC	76	14,425	18	2,807	34	5,524	—	—
	2006 SGS	11	4,855	12	1,999	5	1,860	7	NA[2]
	2007 SGQ	—	—	17	3,542	1	253.9	—	—
	2008 SGQ	—	—	—	—	—	—	—	—
Sunset Field	2005 OT LLC	70	12,861	17	2,223	13	2,034	—	—
	2006 SGS	48	10,203	—	—	25	5,737	—	—
	2007 SGQ	—	—	23	5,430.6	7	2,699.5	—	—
	2008 SGQ	—	—	—	—	41	23,189.4	—	—
Total		**205**	**42,344**	**87**	**16,001.6**	**131**	**42,047.8**	**7**	**NA[2]**

1 Combination holes with RC and/or PCD rotary and/or core method.

2 Meters drilled recorded as RC, Rotary or Core meters.

Drill hole core and drill cuttings descriptions, geophysical logs and coal analyses data were used to characterize and interpret the stratigraphy of the Sunrise and Sunset Fields, particularly with respect to the coal seams. All holes were drilled vertically.

Drill hole collars were initially located using a handheld GPS unit. After completion of drilling and logging, surveys were conducted to accurately locate the drill hole position and elevations.

Mineralization

Early work adopted the seam nomenclature presented by Dashkhoral et al (1992), thereby calling the very thick coal in the middle of the sequence the No. 5 Seam, and naming the upper seams in ascending order. As exploration work progressed, numerous additional seams and splits were discovered within the overall packages of coal previously described. As correlation and modelling has gone forward, coal seams were named and organized into a series basis as shown in the table below. Thicknesses reported are based on drill intercepts and represent apparent thickness.

OVOOT TOLGOI PROPERTY COAL SEAM CHARACTERISTICS

Property	Series	No Seams	Minimum Thickness* (m)	Maximum Thickness* (m)	Mean Thickness* (m)
Sunrise Field	Upper Seams	11	0.6	74	10
	5 Main	1	0.9	157	53
	5 Lower	1	0.6	100	16
	4 Main	1	1.0	30	8
Sunset Field	Upper Seams	60	0.6	31	7
	5 Main & Lower	2	0.6	142	39

* Apparent Seam Thickness

Deposit Type

Criteria applied to coal deposits for the purposes of determination of coal resources and reserves include both “Geology Type” as well as “Deposit Type”.

“Geology Type” for coal deposits is a parameter that is specified in GSC Paper 88-21, which is a reference for coal deposits as specified in NI 43- 101. Coal “Geology Type” is a definition of the amount of geological complexity, usually imposed by the structural complexity of the area, and the classification of a coal deposit by “Geology Type” determines the approach to be used for the resource/reserve estimation procedures and the limits to be applied to certain key estimation criteria. The Geology Type for the Sunrise and Sunset Fields has been determined to be “Complex”.

“Deposit Type” as defined in GSC Paper 88-21 refers to the extraction method most suited to the coal deposit. There are four categories, which are: (i) Surface; (ii) Underground; (iii) Non-conventional; and (iv) Sterilized. The Ovoot Tolgoi deposit is considered to contain both “Surface” mineable and “Underground” mineable deposits.

Coal Quality

Coal quality is observed to be similar at both the Sunrise and Sunset Fields. Seam designations vary between fields. A summary of general coal quality values for each of the resource areas are organized by coal series is presented in the table below.

SUMMARY OF IN PLACE RAW COAL QUALITY FOR SUNRISE RESOURCE AREA

Seams	Moisture (AD)%	Ash %	Sulphur %	GCV Kcal/kg	FSI	Volatiles %
4	0.84	21.79	0.67	6,246	2.0	27.18
5 Lower	1.03	15.22	1.19	6,749	3.8	31.26
5	1.25	14.15	1.01	6,804	3.2	31.53
Upper Seams	1.29	19.13	1.17	6,271	2.6	30.79
Surface Total	**1.24**	**16.24**	**1.07**	**6,592**	**3.0**	**31.12**
5 Seam Underground	**0.72**	**13.10**	**0.95**	**6,976**	**3.5**	**31.84**
Grand Total	**1.14**	**15.64**	**1.05**	**6,666**	**3.1**	**31.26**

SUMMARY OF IN PLACE RAW COAL QUALITY FOR SUNSET RESOURCE AREA

Seams	Moisture (AD)%	Ash %	Sulphur %	GCV Kcal/kg	FSI	Volatiles %
5 and 5 Lower	1.20	7.69	0.62	7,476	4.4	32.37
Upper Seams	1.20	18.96	1.16	6,443	3.6	30.59
Surface Total	**1.20**	**16.45**	**1.04**	**6,673**	**3.8**	**30.99**
5 and 5L Underground	**1.20**	**8.28**	**0.49**	**7,509**	**5.0**	**32.28**
Grand Total	**1.20**	**13.34**	**0.83**	**6,991**	**4.2**	**31.48**

Sample Preparation, Analysis and Security

The majority of exploration holes at Ovoot Tolgoi have been drilled with rotary techniques which offer the opportunity only to sample drill cuttings. All quality analyses used for modeling have been restricted to core samples, and, for the 2005 through 2008 drill programs, this has been restricted to triple-tube coring equipment.

RC drilling has provided cuttings samples of relatively good integrity. Samples were collected at 1 m intervals, and the cuttings were laid out in rows on the ground. For examination and logging by the site geologist. A portion of the RC samples collected was used for basic proximate and thermal analysis as a comparison to the core samples. The remainder have been stored in Ulaanbaatar. A number of additional holes were drilled with a conventional air-rotary system. Cuttings were generally logged in a similar fashion as for RC drilling.

Core drilling has been used where it is desirable to collect complete representative samples of the coal seams, observe structural details, and to more accurately measure the depths of lithologic contacts. Sufficient quantity of core samples with satisfactory core recovery has been acquired to adequately characterize the most important quality characteristics. Norwest is not aware of any factors that may have lead to sample bias.

The bulk of the core drilling at Ovoot Tolgoi has been done with wireline drilling systems and modern, triple-tube core barrels. All of the triple-tube coring during the 2005 and 2006 drill programs was performed under Norwest supervision. Core logging and sample handling was performed by Sapphire under Norwest supervision. Drilling undertaken during the 2007 and 2008 period has been undertaken and supervised by SGQ. Core logging and sampling for that period was performed by Sapphire. Sapphire's procedures in use during the 2007 and 2008 programs were similar to those they employed in earlier exploration programs. Sapphire has a four year record of providing competent geologists for geologic and geotechnical exploration, sampling and testing, in accordance with defined procedures, developed by Norwest, and implemented in 2005.

Core was retrieved, logged and sealed according to Norwest conventions. Each core run was measured for core cut and recovered. Photographs were taken at 0.5m intervals. Coal showing distinct lithologic variation was sampled separately, as were partings over 0.05m. Otherwise, coal intervals with a uniform appearance were bagged in 0.6m sample increments as per the capacity of the core box length. When zones of core loss greater than 0.1 m were encountered, separate samples were collected both above and below the zone.

Samples have been collected from drill core and RC cuttings. These samples were collected and recorded by field geologists employed by Sapphire under the supervision of Norwest during the 2005 and 2006 exploration programs. Sapphire continued the same data collection protocol during 2007 and 2008 under the supervision of SGQ. The collected samples were submitted for analysis using methods that are standard for the coal industry. The specific process and protocol used by Norwest for the Ovoot Tolgoi drilling program is described below.

Core Drilling Samples

For core drilling samples, recovered core is measured to determine an overall recovery (reported in percent) by comparing the recovered core length with the coring run length recorded by the driller. Recovered core is measured and compared to the coal interval thickness determined from the geophysical log suite.

Recovered coal intervals are sampled using the following criteria: (i) coal samples are broken out based on lithologic changes. In zones of uniform coal appearance, samples are bagged about every 0.60m as per the capacity of the core boxes; (ii) in-seam partings, to a maximum thickness of 0.10m, are included in a coal sample, where the thickness of the adjacent coal beds above and below the parting are both a minimum of twice the parting thickness; and (iii) a parting are sampled separately if it is greater than 0.05m thick, carbonaceous shale, bone or interbedded coal/mudstone, or deemed to be greater than 50% coal.

Collected samples are cleaned of any mud contamination and placed in individual, core-sleeve style, plastic bags. The bags are labelled on the outside with both the core hole and sample number and sealed with plastic tape to prevent excessive moisture loss. Samples are then placed in sequence into waxed-cardboard core boxes. Core boxes are sealed with tape. Core boxes from the 2005 program were transported to OT LLC in Ulaanbaatar, then shipped to SGS[1] Mineral Labs in Denver, Colorado (ISO-9000 certified, accredited by the NQA in the United States of America). Core from the 2006 was similarly transported to SGS Laboratories offices in Ulaanbaatar, and then shipped to SGS Laboratories in Tianjin, China (currently holds ISO-17025 certification, accredited by the CNAS, China National Accreditation Service for Conformity Assessment).

At the time of shipment, during the 2005 and 2006 programs, scanned geologic and geophysical logs, laboratory instructions and shipment manifest were forwarded to Norwest's Salt Lake City office. Laboratory instructions and the shipment manifest were in turn forwarded to SGQ in Ulaanbaatar. All records are compared with contents upon arrival to SGS Laboratories. To date, there has been no loss or compromise of samples during shipment. Core samples undergo a full suite of coal quality testing including short proximate, full proximate, thermal tests, ash analysis, and metallurgical testing. Some select samples undergo washability testing.

RC Samples

Samples are collected at 1.0 m intervals into plastic bags. The bags are labelled on the outside with both the drill hole and sample number and sealed with plastic tape to prevent excessive moisture loss. Samples are then grouped by hole into larger bags, packaged and transported to Ulaanbaatar for storage at the facilities of SGS Laboratories. It is believed that testing of RC samples was discontinued in 2007.

In coal work additional special security methods for the shipping and storage of samples are not commonly employed, as coal is a relatively low-value bulk commodity.

Data Verification

Exploration drilling data collected during 2007 and 2008 was done under the supervision of SGQ. Norwest visited the site during 2009 and conducted a validation of those data. This validation included the following:

- Verification of drill hole position and elevation by visiting a significant percentage of the sites and taking GPS measurements for comparison with the survey data and topographic maps.
- Review of geophysical logs for validation with the geologic database
- Review of the coal quality analytical reports for validation with the geologic database.
- Review of selected core logs and core photographs.

Mineral Resource Estimate

In accordance with National Instrument 43-101, Norwest has used the referenced GSC Paper 88-21 during the classification, estimation and reporting of coal resources and reserves for the Ovoot Tolgoi Coal Project.

The term "resource" is utilized to quantify coal contained in seams occurring within specified limits of thickness and depth from surface. The resource estimations contained within are on a clean basis. i.e. as an in-

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1 SGS North America Inc. (Denver), and SGS-CSTS Ltd. (Tianjin), are independent international testing and certification service companies, not to be confused with SouthGobi sands LLC.

situ tonnage and not adjusted for mining losses or recovery. However, minimum mineable seam thickness and maximum removable parting thickness are considered; coal intervals not meeting these criteria are not included in the resources.

Resources are classified as to the assurance of their existence into one of three categories, Measured, Indicated or Inferred. The category to which a resource is assigned depends on the level of confidence in the geological information available. GSC Paper 88-21 provides guidance for categorizing various types of coal deposits by levels of assurance. These were considered by the Qualified Person during the classification of the resources.

Resources and Reserves are further classified in GSC Paper 88-21 as to the assurance of their existence into one of four categories, using the criteria for coals found in Geology Type "Complex" conditions, as shown in the table below. The resources have been further divided into surface mineable and underground resources. The surface mineable resources are limited to a depth from surface of 250 m and the underground resources are limited to between 250 m and 600 m from surface. The underground resources are limited to the 5 Main seam series due to consistency in seam thickness and extent of drill hole intercepts at depths below 250 m. All coal seams occurrences within each series are limited to a minimum apparent seam thickness of 0.6 m.

CRITERIA USED TO DEFINE ASSURANCE OF EXISTENCE FOR COALS IN COMPLEX GEOLOGY TYPE

	Assurance of Existence Category		
Criteria	**Measured**	**Indicated**	**Inferred**
Cross-section spacing (m)	150	300	600
Minimum # data points per section	3	3	3
Mean data point spacing (m)	100	200	400
Maximum data point spacing (m)	200	400	800

Coal Resources at Ovoot Tolgoi are defined for the categories of Measured, Indicated and Inferred, as summarized in the table below. The resource statement is current as of June 1, 2009 and based on exploration data gathered through 2008.

CLASSIFICATION OF RESOURCES GEOLOGY TYPE: COMPLEX*

		Resource Limits		In-Place Resources (Million Tonnes)		
Area	**Type**	**Depth (m)**	**ASTM Group**	**Measured**	**Indicated**	**Inferred**
Sunrise Field	Surface	Surface to 250 m	hvB to hvA	53.8	15.7	4.9
Sunset Field	Surface	Surface to 250 m	hvB to hvA	82.1	19.4	8.1
Sub-Total				**135.9**	**35.1**	**13.0**
Sunrise Field	Underground	250 m to 600 m	hvB to hvA	11.2	5.2	11.2
Sunset Field	Underground	250 m to 600 m	hvB to hvA	34.6	27.8	9.3
Sub-Total				**45.8**	**33.0**	**20.5**
Total				**181.7**	**68.1**	**33.5**

* Based on information as of June 1, 2009

To facilitate the estimation of resources in the Ovoot Tolgoi Coal Project property, Norwest developed geological models for the Sunrise and Sunset Fields using *MineSight*™ software. Key horizons or "surfaces" were modeled to provide the necessary limits for volume estimation. Volumes were converted to tonnages by application of density values representative of the coal seams as derived from available coal quality data.

Mineral Reserve Estimate

A coal reserve is the economically mineable part of a Measured or Indicated coal resource supported by at least a Preliminary Feasibility level of study, which includes information on mining, processing, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can he justified. Coal reserves are sub-divided in order of increasing confidence into “Probable” and “Proven” reserves, respectively. A “Probable” reserve is the economically mineable part of an “Indicated” resource and, in some cases may include a portion of a “Measured” resource. A “Proven” reserve is the economically mineable part of a “Measured” resource. Mineral resources that are not mineral reserves do not have demonstrated economic viability. All mineral reserves reported here are included within the identified mineral resources.

Total mineral reserves are summarized in the table below.

SUMMARY OF ESTIMATED RESERVES OVOOT TOLGOI MINE

		Surface Mineable Reserves Tonnes in Millions*		
Reserve Area	**ASTM Coal Rank**	**Proven**	**Probable**	**Total**
Ovoot Tolgoi open pit mine	hvB to hvA	105.0	9.1	**114.1**

* Based on information as of July 1, 2009

This estimate of resources and reserves was generated using the best information available concerning issues related to environmental, permitting, legal, title, taxation, socio-economics, marketing and political factors that could have a material influence on Norwest’s findings. Norwest is not aware of any additional factors which may affect its reserves estimate.

Mining Operations

Mining Method

In April 2008, with basic infrastructure already constructed in-place, the Ovoot Tolgoi Coal Project began stripping and producing its first coal.

As of the October 2009 date of the Ovoot Tolgoi Technical Report, mining operations are currently spread over two pits in the Sunset Field area; the main pit focusing on the Seam 5 with the additional pit uncovering the upper seams. Most of the mine infrastructure is in place or is currently being constructed. The mining method utilizes a combination of mining trucks matched with hydraulic mining shovels and front-end loaders to strip waste and uncover coal. Installed mining equipment is comprised of a mid-sized (13.5 m^3) hydraulic shovel and (10 — 17 m^3) front end loader (Liebherr 994 and LeTourneau 950, respectively), matched with a minimum of six Terex 91-tonne capacity mining trucks and a suite of support equipment. In addition, a larger hydraulic shovel (Liebherr R996, 34 m^3 bucket) is on-site. The information in this AIF proposes that this equipment continue to be used, with primary stripping to be accomplished using the larger 34 m^3 bucket-sized HMS matched with 218t-class mining trucks.

Three coal products are to be produced; a hard coking (or metallurgical) coal (HCC), a premium coal (PRE) that would potentially be used for PCI coking coal or a high-quality thermal coal, and a thermal coal product (THE) for use in power generation. Historically, coal in Mongolia has not been washed on site, but rather by the end-users in China, and this has been assumed in the Ovoot Tolgoi Technical Report. It is noted that none of the current sales contracts account for washed coal.

Mine infrastructure is installed and operations have been producing coal since 2008. Production will steadily ramp-up through 2011, and reach “steady-state” of 8,000,000 tonnes a year by 2012.

Mining is to occur in two distinct fields, the Sunrise Field to the east of the lease area, and the Sunset Field, approximately 5 km to the west. Mining will continue in the two Sunset pits until 2010, when the Sunrise field is developed. The two fields are mined concurrently so as to achieve a desired production of the three coal products and to balance the strip ratio. Initially, Sunrise consists of one pit, however, a smaller second pit begins in 2018. The Sunset Field in mined through the life of mine, while the Sunrise Field is depleted in 2023. Waste from the Sunset pit is initially dumped in two distinct out-of-pit dumps, however, by 2011 they will merge together. Waste from Sunrise is dumped out-of-pit in a single dump through 2019 after which point it is hauled back into the pit as backfill. Material volumes over the life of mine are summarized in the table below.

Production Forecast

The following table sets out the production forecast over the life of mine for each type of coal expected to be mined from the Ovoot Tolgoi Coal Project.

LIFE OF MINE SUMMARY QUANTITIES

(in thousands)	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11 2019	Year 12 2020	Year 13 2021	Year 14 2022	Year 15 2023	Year 16 2024	Total
Coking Coal (‘000 tonnes)																	
Tonnage Shipped	340	881	366	1,783	735	381	981	739	823	395	440	783	1,160	2,279	1,989	2,867	16,941
Cumulative Tonnage Shipped	340	1,220	1,586	3,369	4,104	4,485	5,466	6,205	7,028	7,423	7863	8,646	9,806	12,086	14,074	16,941	
Premium Coal (‘000 tonnes)																	
Tonnage Shipped	275	1,084	1,937	5,192	5,375	3,335	3,953	3,047	2,446	6,829	4,344	1,084	2,237	2,062	2,736	1,345	47,280
Cumulative Tonnage Shipped	275	1,359	3,296	8,488	13,863	17,198	21,151	24,198	26,643	33,473	37,817	38,901	41,137	43,199	45,935	47,280	
THEQ + THE Coal (‘000 tonnes)																	
Tonnage Shipped	385	2,035	4,196	1,026	1,890	4,283	3,066	4,215	4,732	776	3,216	6,133	4,603	3,659	3,276	2,403	49,894
Cumulative Tonnage Shipped	385	2,421	6,617	7,643	9,533	13,817	16,882	21,097	25,829	26,604	29,820	35,953	40,556	44,215	47,491	49,894	
Total Tonnage Shipped	1,000	4,000	6,500	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	6,614	114,114
Cumulative Tonnage Shipped	1,000	5,000	11,500	19,500	27,501	35,500	43,500	51,500	59,501	67,501	75,500	83,500	91,500	99,500	107,500	114,114	

Metallurgical Process

Various coal products are produced at Ovoot. They are sold to customers on a “raw” basis, and therefore it is currently assumed that no coal will be washed (some portion of the coal may require additional breaking and additional to reduce out-of-seam dilution). Historically, coal in Mongolia has not been washed on site, but rather by the end-users in China, and this has been assumed in the Ovoot Tolgoi Technical Report. This relates to a historical wish, on the part of Chinese investors, to minimize investment capital.

Coal Markets, Marketing and Sales Contracts

Currently SGQ expects that all production from the Ovoot Tolgoi Coal Project will continue to be marketed and sold into China. Since the commencement of sales in late 2008 through March 2010, SGQ sold approximately 1.8 million tonnes of coal from the mine. This includes SGQ's premium and thermal coal production.

The western region of Gansu is one of SGQ's key markets and, given the relatively close proximity of its projects to the region, SGQ believes that it is well positioned to exploit consumption growth in the area. Power plant expansion, currently underway, in Gansu is expected to increase thermal coal purchases from outside Gansu from approximately 13 million tonnes in 2008 to approximately 55 million tonnes in 2020. Gansu has no production of coking coal and all coking coal used in the steel industry is sourced from other provinces. The Ovoot Tolgoi Coal Project is located 492 kilometres from Jiayuguan, while mines in the next closest major supply base, Hami in Xinjiang, are located 619 kilometres away.

In anticipation of commencing production at the Ovoot Tolgoi Coal Project, SGQ began negotiating coal sales contracts in late 2007 and executed two contracts in May 2008. Both contracts provided for delivery of coal priced in Renminbi and payable in U.S. dollars. The initial sales of coal commenced in October and November 2008.

The first coal sales agreement provided for the delivery of approximately 300,000 tonnes of coal during the term of the agreement, subject to continuous quality monitoring. The agreement expired in January 2009 and the remaining tonnage was carried over to June 2009. In 2009, SGQ signed two more new contracts with the customer for a combined total of approximately 700,000 tonnes. The first contract expired at the end of September 2009 and the second contract expired on December 31, 2009. SGQ has signed another contract with the customer commencing January 1, 2010 to supply 25,000 tonnes per month (at SGQ's option) through to the end of March 31, 2010. SGQ renewed this contract for the second quarter and will make decisions regarding renewal on a quarterly basis.

Another agreement was signed with another customer in May 2008 and expires in January 2013. It provided for the delivery of approximately 400,000 tonnes of coal in 2008 and approximately 400,000 tonnes of coal in 2009. Although the contract calls for annual negotiation for price and quality, in 2010 the Company and customer have agreed to conduct those reviews on a quarterly basis. It also provides that quantities of coal to be delivered in 2010 through 2012 on an annual basis will be a minimum of 400,000 tonnes per year and that the parties to this agreement will discuss any potential annual increases in tonnages in this period by no later than December 31 of the previous year.

SGQ also signed a contract with a new customer for the sale of up to 400,000 tonnes during the period from August to December 2009 although the customer failed to perform its obligations and therefore this agreement was not renewed in 2010.

Of SGQ's current customer's, one is involved in coal trading and while the other is involved in coke production. Customers either use the coal directly or sell it throughout different regions of China. SGQ understands that the coal is used in various ways including using it as a thermal feed for its power plants or as a coking coal blend or is used directly by a customer as a coking coal blend for its coke plant in Inner Mongolia.

Under these agreements, the buyer is responsible for transporting the coal to China and for providing clean trucks ready for loading at the point of delivery. Each customer has the right to suspend the coal shipments if certain quality parameters are not met.

In March 2010, SGQ entered into two coal sales agreements both of which are scheduled to commence on April 1, 2010. The first one is for up to 460,000 tonnes (at SGQ's option) of three different qualities of coal. The second agreement is for up to 400,000 tonnes (at SGQ's option) of two different qualities of coal. SGQ also intends to pursue long-term supply contracts with large customers in China to secure stable and long-term demand from China.

SGQ intends to continue to develop markets for its premium quality coals. Fenwei has conducted a complete market analysis of the coal markets in western Inner Mongolia and Gansu provinces, helping SGQ to identify potential customers in these provinces. SGQ's target customer base consists of a mixture of distributors and end users of coal, including steel mills, power plants and industrial consumers.

SGQ opened a representative office in the PRC in September 2008 to strengthen relationships with existing clients, procure additional PRC customers and serve as its primary contact with customers in China.

Environmental Conditions

The principal Mongolian environmental agency is the Ministry of Nature and Environment. This agency reviews and approves EIAs, EPPs and Environmental Monitoring Plans required by the Minerals Law of Mongolia. In addition, the Soum Government receives a copy of the EIA document and has environmental inspectors who monitor the development, operation, and reclamation of mines within their jurisdiction.

In addition to obtaining approval of an EIA, an operator is also required to develop costs for annual implementation of the EPP. Money to cover an amount equal to 50 percent of the budget for each year is then deposited in a special account established by the Government Ministry in charge of the environment. Funds from this account are released upon demonstration of full implementation of the environmental protection plan for that year. Mining operations began in April, 2008. It was estimated that the cost of environmental work for that year would total \$60,000, and \$30,000 was therefore posted.

If the mining damages the environment, causes pollution, or violates the terms of any permits, the operator must make payments for the damage as determined by the government. In addition if any cultural or historic resource is damaged as a result of the mining, the operator must also pay damages. Financial compensation is also required for damages to any structure owned by individuals. The mine operator is also required to pay all relocation costs for anyone required to be relocated as a result of the mining operation. The applicability of these costs is not included in the scope of this study.

SGS completed its detailed EIA and EPP for the Ovoot Tolgoi Coal Project in August 2005 and submitted the documents to the Ministry of Nature and Environment. The documents were approved in October 2005. Since that time, the MELs were transferred from OT LLC to SGS and subsequently converted into a mining license. A number of fairly significant project changes have also occurred including adding of reserves which increased the mine pit size and depth with associated increases in ore and waste rock quantities and hauling; increased blasting; increased operating hours and days; increased workforce; and relocation of the man camp. These changes resulted in the preparation of an addendum to the approved EIA, which was completed in March 2007.

The EIA and addendum for the Ovoot Tolgoi Coal Project outlined a number of potential environmental concerns. Several of these issues could require study and result in additional expenditures for mitigation of potential environmental impacts.

One of the issues concerns pit dewatering. The water collected during pit operations will have various uses such as dust mitigation on the mine site. If site uses do not require all this collected water, the surplus will be monitored for quality and, if acceptable, discharged to the surface water system. In fact, since the beginning of operations a containment pond has been constructed according to 'best practise' and typical standards, and is currently used to contain pit water. Site use of the water was included in the EIA and therefore has been approved by the Mongolian Ministry of Health and Environment, however, several issues were identified in the EIA report that suggested further study to evaluate potential additional costs associated with settling pond construction and sizing. The first is the sizing for these settling ponds and how the ponds would be lined to prevent discharges to ground water. It was not clear how many ponds or how large these ponds will need to be to contain the water being pumped. Norwest has addressed this by making a preliminary estimate for the cost and execution of a Water Management Plan. It is also expected that SGQ will be given variance to allow a downstream discharge of collected water.

Another potential issue is the flooding of the final pit. As backfilling is not proposed as a significant part of the mine plan it is possible that a pit lake would appear as a result of re-establishment of the groundwater table. If a pit lake is a part of the post mining reclamation, then this creates a potential water quality liability. The pit slopes are to be scaled back to a reasonable grade which is expected to mitigate safety concerns. In addition, it is recommended that appropriate study be performed to determine if the pit lake will discharge to the surface water system or the alluvium in order to estimate the long term effect of water in the final pit. Final reclamation plans are to include scaling back final highwall slope crests (as well as final dumps) to a 3:1 slope, in such a way as way as to minimize potential hazards, improve stability and reduce the visual impact.

Taxes

The following taxes, royalties and duties are applicable to the Ovoot Tolgoi Coal Project: (i) royalty rate of 5% of FOB coal price; (ii) VAT rate of 10%, payable on all capital, materials and supplies; (iii) a refund on all VAT paid, the following year; (iv) income tax is 10% on first 3 billion togrogs ($2.575M), then 25% on excess; (v) property tax assumed to 0.6%; and (vi) social insurance of 13% to be charged for all employees.

Currently, the Mongolian tax code allows for VAT paid by the producer to claim a refund. In this study it is assumed that the VAT would be refunded in full the following year. However, it is understood that there have been recent adjustments to the tax code specifically relating to VAT, although the new law has not yet been officially published. The new law proposes to make all sales of "unfinished" mineral products "exempt" from the refund provision, i.e., producers will not be able to claim the refund. Furthermore, SGQ has not yet received a refund for VAT claims made prior to the new rule. There are some indications that claims made before the rule would be honoured.

For these reasons, it has been decided to assume that the current official rule of VAT refund will apply to the "base case" cost flow analysis. An exemption to the rule is assumed separately as a sensitivity-case.

Mine Life

There are sufficient economic reserves for 16 years of mining at a steady-state production of 8 million tonnes per annum. Continued exploration may bring additional resources into a demonstrated category of confidence. If that is the case, then a pre-feasibility level or higher mining study could identify additional economically attractive resources that in turn may increase the mine life.

Expected Payback Period of Capital

According to Norwest, the current base case indicates that the development capital, including all such costs prior to June 1, 2009, will be recovered during 2010.

Other Projects

Mongolia

Metal Prospects

IVN, through its 100% subsidiary Asia Gold Mongolia LLC, operates an exploration program in Mongolia on licences that are not part of the Oyu Tolgoi Project. The exploration program has been reduced substantially from previous years; Asia Gold Mongolia LLC now holds approximately 230,000 hectares of land in 15 separate licenses including JV licenses. Of these licenses, 53,290 hectares constitute the Tumen-Ulzii Uul license (a joint venture with GoviEx Uranium Inc. ("GoviEx")), and approximately 25,000 hectares constitute a group of four licenses, including Ulaan Khuud, held in a joint venture with BHP Billiton ("BHP").

The Tumen—Ulzii Uul licence abuts the licence covering the Tsagaan Survarga copper deposit, believed to be the second largest copper deposit in the South Gobi with similarities to Oyu Tolgoi. A joint venture was entered into with GoviEx in September 2008 to explore for mineralization under cover rocks using IP. In 2009 IP was carried out and further exploration is planned in 2010.

The Ulaan Khuud licence, which abuts the northern end of the Shivee Tolgoi JV licence, is a joint venture in which BHP is the operator. In 2010, a single 600 meter drill was drilled to test the northern extension of the mineralized trend extending north from Oyu Tolgoi. The hole intersected quartz vein stockworked quartz monzodiorite but copper and gold assay results were low.

In addition, IVN holds approximately 26,000 hectares in three licences at Kharmagtai (in joint ventures with Kerry Holdings and MCS). In 2010 Tsairt LLC was contracted to complete a resource estimate report on one of the licences and conducted drilling for hydrogeological studies and resampling of core for metallurgical and analytical data.

Coal Prospects

SouthGobi holds interests in a number of prospective coal properties in Mongolia. These prospects include the Soumber property, located approximately 20 km east of Ovoot Tolgoi, the Tsagaan Tolgoi deposit and several other exploration licences in Omnigovi Aimag.

The Soumber property has received the greatest focus of exploration effort, with approximately 190 holes drilled. A resource estimate covering a portion of the deposit has been prepared, and Norwest is analyzing samples for potential coking coal characteristics.

Kazakhstan

IVN holds a 50% voting equity interest in Altynalmas Gold, a company that holds a 100% interest in the Kyzyl gold project, which encompasses the Bakyrchik and Bolshevik gold deposits in northeastern Kazakhstan. Located approximately 100 km southwest of Ust-Kamenogorsk, the industrial centre of East Kazakhstan, the Kyzyl gold project is served by an established railway and an electricity grid, and also has significant, existing underground workings, shafts and minesite infrastructure.

The Kyzyl gold system consists of a series of mineralized lenses, or lodes, lying within a large, 15-km-long shear zone. The geological potential remains untested along 13 km of strike and at depth. In September 2009, Altynalmas Gold commenced a 39,000-metre deep-level drilling program at the Bakyrchik gold deposit the results of which are intended to form the basis for resource delineation and inclusion in a pre-feasibility study. As of the date of this AIF, the drilling is over 50% complete.

Altynalmas Gold plans to continue to advance the Kyzyl gold project with a 6,000 m, near-surface drilling program at the Bakyrchik gold deposit, scheduled to begin during the second quarter of 2010, to test targets for potential open pit development. Altynalmas Gold also plans to continue to delineate extensions of the mineralization along strike and at depth to follow up a high-grade gold intercept that indicates the continuation of the gold mineralization system at depth and along strike.

The majority of the gold mineralization in the Kyzyl shear zone is encapsulated by arsenopyrite and, to a lesser extent, pyrite. The associated sediments contain up to 4% carbon and the deposit is said to be 'double-refractory' in nature which has, historically, adversely affected gold recoveries. In an effort to improve gold recovery, Altynalmas Gold has engaged consultants to undertake laboratory bench-scale and pilot test work using a fluidized-bed roasting technology. This technology involves two stages: a reductive first stage, followed by an oxidative second stage. Whereas the reductive first stage volatizes and drives off arsenic, the oxidative stage oxidizes sulphur and carbon. Following the completion of the pilot test work, Altynalmas Gold believes that gold recoveries of up to 90% can be realized in a commercial-scale plant using this technology.

Australia

IVN holds an 81% interest in Ivanhoe Australia. IVN originally acquired Ivanhoe Australia in 2003. In 2008, Ivanhoe Australia completed a Aus$125 million initial public offering and listed its shares on the ASX.

The principal asset of Ivanhoe Australia is the Cloncurry Project, which is an extensive series of mining tenements covering an area of approximately 3,000 km2 in Queensland, Australia. The lands that constitute the Cloncurry Project have a long history of mining and the Mt. Isa Inlier, within which the property is located, continues to host several nearby operating mines.

The Cloncurry Project contains prospective copper, gold, lead, zinc, molybdenum, rhenium, silver and uranium mineral deposits and occurrences. The highest priority deposits identified to date are the Merlin molybdenum and rhenium deposit located within the Mt. Dore group of tenements, the Mt. Elliot and Starra Line iron ore, copper and gold deposits and a copper, polymetallic zone at Mt. Dore. Through ongoing exploration work, Ivanhoe Australia has also identified mineralization in a number of other prospective zones.

At the Merlin deposit, Ivanhoe Australia has identified a deposit of molybdenum and rhenium located below prospective copper and gold mineralization zones at Mt. Dore. Ivanhoe Australia has completed a number of drill programs and completed JORC compliant indicated and inferred resource estimates over the deposit, delineating a mineralized zone approximately 500 m down dip extending along a strike length of approximately 1,300 m and with a true thickness of approximately 20 m. Ivanhoe Australia has completed a scoping study on the Merlin deposit and will continue mine planning and engineering analysis with a view to completing a pre-feasibility study.

Additional resource estimates have been identified for copper and gold resources at Mt. Dore and at the Mt. Elliott and Starra Line prospects. Ivanhoe Australia recently completed a drill program focussing in particular on the Swan zone of Mt. Elliot, and an updated resource estimate is being prepared.

IVN has provided financial support for ongoing operations at Ivanhoe Australia. To date, IVN has advanced an aggregate Aus$63.4 million in inter-corporate loans.

Other Information

Equity Investments

IVN holds equity investments in a number of publicly traded, non-subsidiary mineral exploration and development companies. The following table outlines the equity investments held by the IVN Group and, in respect of each such equity investment involving securities that are listed on a stock exchange, their quoted market value as at December 31, 2009:

Company	Number of Shares	Value
Entrée Gold Inc. (TSX)	13,799,333	Cdn$34,498,333
Intec Limited (ASX)	41,174,840	Aus$576,448
Asia Now Resources Corp. (TSX-V)	969,036	Cdn$300,401
Exco Resources NL (ASX) (1)	65,802,267	Aus$14,805,510
Emmerson Resources Limited (ASX) (2)	22,610,000	Aus$6,330,800
Kangaroo Resources Limited (ASX) (3)	50,000,000	Aus$11,000,000
Ivanhoe Nickel & Platinum Ltd. (unlisted) (4)	3,584,220(5)	$18,932,740(6)

(1) IVN's interest in Exco Resources NL is indirect, as IVN's subsidiary, Ivanhoe Australia owns the 65,802,267 shares of Exco Resources NL.

(2) IVN's interest in Emmerson Resources Limited is indirect, as IVN's subsidiary, Ivanhoe Australia owns the 22,610,000 shares of Emmerson Resources Limited.

(3) IVN's interest in Kangaroo Resources Limited is indirect, as IVN's subsidiary, SouthGobi Energy Resources owns the 50,000,000 shares of Kangaroo Resources Limited.

(4) IVN's Chairman, Robert M. Friedland, holds a voting equity ownership interest of 34% in Ivanhoe Nickel & Platinum Ltd. ("Ivanplats").

(5) IVN also holds 1.1 million liquidity rights and 550,000 share purchase warrants of Ivanplats. Each liquidity right is convertible into 0.1 of a common share of Ivanplats for no additional consideration if a liquidity event (an initial public offering ("IPO") or other transaction that results in a public listing of Ivanplats' common shares) does not occur on or before December 31, 2010. The share purchase warrants vest upon the closing of an IPO. If an IPO occurs prior to December 31, 2010, each share purchase warrant entitles the holder to purchase one Ivanplats common share at the IPO price up until two years after the closing of the IPO. If an IPO occurs after December 31, 2010, each share purchase warrant entitles the holder to purchase 1.1 common shares at the IPO price up until two years after the closing of the IPO.

(6) Represents the aggregate acquisition cost of all Ivanplats securities held by IVN.

Employees

As at December 31, 2009, IVN had approximately 1,091 employees working at various locations.

DIVIDENDS

IVN has not paid any dividends on its outstanding Common Shares since its incorporation and does not anticipate that it will do so in the foreseeable future. The declaration of dividends on the Common Shares is, subject to certain statutory restrictions described below, within the discretion of the Board of Directors based on their assessment of, among other factors, IVN's earnings or lack thereof, its capital and operating expenditure requirements and its overall financial condition. Under the YBCA, the discretion of the Board of Directors to declare or pay a dividend on the Common Shares is restricted if reasonable grounds exist to conclude that IVN is, or after payment of the dividend would be, unable to pay its liabilities as they become due or that the realizable value of its assets would, as a result of the dividend, be less than the aggregate sum of its liabilities and the stated capital of the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of IVN consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares. As of March 30, 2010, there are 441,136,052 Common Shares and no Preferred Shares issued and outstanding. Rights and restrictions in respect of the Common Shares and the Preferred Shares are set out in IVN's articles of continuance, IVN's by-laws and in the YBCA, and its regulations.

Common Shares

The holders of Common Shares are entitled to one vote per Common Share at all meetings of shareholders except meetings at which only holders of another specified class or series of shares of IVN are entitled to vote separately as a class or series. Subject to the prior rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of IVN in the event of liquidation, dissolution or winding up of IVN. The Common Shares have no pre-emptive, redemption, purchase or conversion rights. Neither the YBCA nor the constating documents of IVN impose restrictions on the transfer of Common Shares on the register of IVN, provided that IVN receives the certificate representing the Common Shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board of Directors from time to time. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or to assessment by IVN. The YBCA provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

Preferred Shares

The Preferred Shares are issuable in one or more series, each consisting of such number of Preferred Shares as may be fixed by IVN's directors. IVN's directors may from time to time, by resolution passed before the issue of any Preferred Shares of any particular series, alter the constating documents of IVN to determine the designation of the Preferred Shares of that series and to fix the number of Preferred Shares therein and alter the constating documents to create, define and attach special rights and restrictions to the shares of that series, including, without limitation, the following: (i) the nature, rate or amount of dividends and the dates, places and currencies of payment thereof; (ii) the consideration for, and the terms and conditions of, any purchase of the Preferred Shares for cancellation or redemption; (iii) conversion or exchange rights; (iv) the terms and conditions of any share purchase plan or sinking fund; and (v) voting rights and restrictions.

Registered holders of both the Preferred Shares and Common Shares are entitled, at their option, to a certificate representing their shares of IVN.

MARKET FOR SECURITIES

The Common Shares of IVN are traded in Canada on the TSX, and in the United States on the New York Stock Exchange and Nasdaq Stock Market. The closing price of IVN's Common Shares on the TSX on March 30, 2010 was Cdn$17.32.

The following sets forth the high and low market prices and the volume of the Common Shares traded on the TSX during the periods indicated:

(stated in Canadian dollars)

PERIOD	HIGH	LOW	VOLUME
January 2009	$ 4.70	$ 3.22	20,975,661
February 2009	$ 6.00	$ 3.20	36,523,213
March 2009	$ 7.95	$ 5.16	38,966,077
April 2009	$ 8.90	$ 6.51	25,954,008
May 2009	$ 8.70	$ 5.51	34,906,649
June 2009	$ 7.54	$ 5.59	31,460,547
July 2009	$10.32	$ 7.36	45,509,445
August 2009	$12.50	$ 8.00	32,627,266
September 2009	$13.95	$11.64	31,229,582
October 2009	$14.45	$11.21	28,313,581
November 2009	$13.59	$11.30	21,922,183
December 2009	$15.85	$12.26	22,164,729

DIRECTORS AND OFFICERS

Name and Occupation

The name, province or state, and country of residence and position with IVN of each director and executive officer of IVN, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years is as follows:

Name and Municipality of Residence	Position with Company	Principal Occupation During Past Five Years
ROBERT M. FRIEDLAND Singapore	Executive Chairman and Director (Director since March 1994)	Chairman of IVN (March 1994 to present); Chief Executive Officer of IVN (March 1994 to May 2006); Executive Co-Chairman, President and CEO of Ivanhoe Energy Inc. (May 2008 to present); Chairman and President, Ivanhoe Capital Corporation (a venture capital company) (1988 to present); Deputy Chairman, Capital Markets for Ivanhoe Energy Inc. (June 1999 to March 2008).
PETER G. MEREDITH Vancouver, Canada	Deputy Chairman and Director (Director since March 2005)	Deputy Chairman of IVN (May 2006 to present); Chief Financial Officer of IVN (May 2004 to May 2006); Chief Financial Officer of Ivanhoe Capital Corporation (a venture capital company) (1996 to March 2009); Chief Executive Officer, SouthGobi Energy Resources (June 2007 to October 2009); Chairman, SouthGobi Energy Resources (October 2009 to present).

Name and Municipality of Residence	Position with Company	Principal Occupation During Past Five Years
JOHN MACKEN Massachusetts, USA	Director, President and Chief Executive Officer (Director since January 2003)	Chief Executive Officer of IVN (May 2006 to present); President of IVN (January 2004 to present); Chairman of SouthGobi Energy Resources (June 2007 to October 2009); Consultant (2000 to January 2004); and Senior Vice President of Freeport McMoran Copper & Gold (a mining company) (1996 to 2000).
DAVID HUBERMAN Vancouver, Canada	Director (lead director) (Director since September 2003)	President, Coda Consulting Corp. (business consulting firm) (1993 to present).
R. EDWARD FLOOD Ketchum, Idaho	Director (Director since March 1995)	Chairman of Western Uranium Corporation (March 2007 to present); Managing Director, Investment Banking, Haywood Securities (UK) Limited (investment dealer) (March 2007 to March 2010); Deputy Chairman of IVN (May 1999 to February 2007); Senior Mining Analyst, Haywood Securities Inc. (investment dealer) (May 1999 to November 2001).
KJELD THYGESEN London, England	Director (Director since February 2001)	Managing Director, Lion Resource Management (investment firm and fund manager) (May 1989 to present).
HON. ROBERT HANSON London, England	Director (Director since February 2001)	Chairman, Hanson Capital Investments Limited (investment and finance company) (February 1998 to present); Chairman, Strand Hanson Ltd. (October 2009 to present); Chairman, Hanson Family Group (formerly Hanson Transport Group) (May 1990 to present).
DR. MARKUS FABER Hong Kong, China	Director (Director since February 2002)	Managing Director, Marc Faber Limited (investment advisory firm and fund manager) (June 1990 to present).
HOWARD BALLOCH Beijing, China	Director (Director since March 2005)	President, The Balloch Group (investment and consulting company) (July 2001 to present); Vice-Chairman, Canada-China Business Council (July 2001 to present); Canadian Ambassador to China, Mongolia and Democratic Republic of Korea (April 1996 to July 2001).
DAVID KORBIN West Vancouver, Canada	Director (Director since May 2006)	Independent Management and Financial Consultant (May 1998 to present).
ANDREW HARDING Surrey, England	Director (Director since November 2009)	Chief Executive, Rio Tinto Copper (October 2009 to present); President and Chief Executive, Kennecott Utah Copper (November 2007 to October 2009); various other positions within the Rio Tinto Group (1992 to present).
LIVIA MAHLER Vancouver, Canada	Director (Director since March 2009)	Partner and co-founder, Greenstone Venture Partners (February 2000 to present).
TONY GIARDINI Vancouver, Canada	Chief Financial Officer	Chief Financial Officer of IVN (May 2006 to present); Vice-President and Treasurer, Placer Dome Inc. (a mining company) (December 2003 to April 2006); Treasurer, Placer Dome Inc. (November 2002 to December 2003).
DOUGLAS KIRWIN Bangkok, Thailand	Executive Vice-President, Exploration	Executive Vice-President, Exploration of IVN (September 1995 to present).
STEVEN GARCIA North Carolina, USA	Executive Vice President	Executive Vice President of IVN (October 2005 to present); Project Director of IVN (May 2005 to present); CEO Chamoa Farm, Inc. (a wholesale landscaping and nursery company) (2001 to present).

Name and Municipality of Residence	Position with Company	Principal Occupation During Past Five Years
DAVID WOODALL Western Australia, Australia	President, Gold Division	President, Gold Division of IVN (August 2006 to present); Operations Manager of Robe River Associates (a mining company) (March 2005 to August 2006); General Manager, Operations of Sino Gold Limited (a mining company) (April 2004 to January 2005); Mine General Manager of Placer Dome Inc. (a mining company) (July 2001 to 2004).
RICHARD GOSSE Richmond, Canada	Vice President, Exploration	Vice President, Exploration of IVN (January 2009 to present); Vice President, Exploration, Metals Division of SouthGobi Energy Resources (February 2004 to December 2008); Exploration Manager, India, Hudson Bay Exploration and Development Company Ltd. (January 2000 to December 2003).
JAY GOW Burnaby, Canada	Vice President, Marketing	Vice President, Marketing of IVN (May 2004 to present); Marketing Manager, Copper & Molybdenum, Compania Minera Antamina S.A. (a mining company) (January 2001 to December 2003).
PIERRE MASSE West Vancouver, Canada	Vice President, Finance	Vice President, Finance of IVN (May 2007 to present); Vice President and Treasurer of IVN (May 2004 to May 2007); Chief Financial Officer of IVN (November 2001 to May 2004).
BEVERLY A. BARTLETT New Westminster, Canada	Vice President and Corporate Secretary	Vice President of IVN (May 2006 to present); Vice President of SouthGobi (May 2007 to present); Vice President of Ivanhoe Energy Inc. (August 2006 to present); Vice President of Jinshan Gold Mines Ltd. (May 2007 to May 2008); Corporate Secretary of IVN (June 2001 to present); Corporate Secretary of SouthGobi (August 2003 to present); Corporate Secretary of Ivanhoe Energy Inc. (oil and gas company) (May 2001 to present); Corporate Secretary of Jinshan Gold Mines (May 2003 to May 2008).
CATHERINE BARONE Port Moody, Canada	Vice President and Corporate Controller	Vice President of IVN (May 2008 to present); Controller of IVN (November 2002 to present).
GEOFFREY HARDING Vancouver, Canada	Vice President, Project Evaluation and Development	Vice President, Project Evaluation and Development of IVN (May 2008 to present); Manager of Mining of IVN (July 2003 to May 2008).

Each director's term of office expires at the next annual general meeting of IVN.

Shareholdings of Directors and Executive Officers

As of March 30, 2010, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 97,609,361 Common Shares representing approximately 22.1% of all issued and outstanding Common Shares.

Committees of the Board

The committees of the Board of Directors of IVN consist of an Audit Committee, a Compensation and Benefits Committee, a Corporate Governance and Nominating Committee, an Executive Committee and a Currency Advisory Committee. The members of the Audit Committee are David Korbin, Kjeld Thygesen, Markus Faber and Livia Mahler. The members of the Compensation and Benefits Committee are David Huberman, Robert Hanson, David Korbin, Howard Balloch and Markus Faber. The members of the Corporate Governance and Nominating Committee are David Huberman, Kjeld Thygesen, Robert Hanson, Howard Balloch and Livia Mahler. The members of the Executive Committee are Robert Friedland, John Macken, Peter Meredith and David Huberman. The directors who are members of the Currency Advisory Committee are David Korbin, Peter Meredith and Markus Faber. IVN's Chief Financial Officer, Tony Giardini, who is not a director, is also a member of the Currency Advisory Committee.

Conflicts of Interest

Certain directors of IVN and its subsidiaries are associated with other reporting issuers or other corporations. These relationships may give rise to conflicts of interest from time to time. For example, Robert Friedland, Peter Meredith and Markus Faber are directors of Ivanhoe Nickel & Platinum Ltd., a company that may compete with IVN for mineral resource acquisition opportunities, and Andrew Harding is an executive officer of the Rio Tinto Group, a member of which is the Company's largest shareholder. Mr. Harding is the individual nominated by Rio Tinto to act as a director of the Company pursuant to Rio Tinto's board representation rights under the Private Placement Agreement.

In accordance with the YBCA, directors and officers of IVN are required to disclose to IVN the nature and extent of any interest that they have in a material contract or material transaction, whether made or proposed, with IVN, if the director or officer is: (a) a party to the contract or transaction; (b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction.

IVN has adopted a Code of Business Conduct and Ethics (the "Ethics Policy") that applies to all directors, officers and employees of IVN and its subsidiaries. As required by the Ethics Policy, individuals representing IVN must not enter into outside activities, including business interests or other employment that might interfere with or be perceived to interfere with their performance at IVN.

Audit Committee Information

Information concerning the Audit Committee of IVN, as required by National Instrument 52-110, is provided in Schedule A to this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this AIF, no director or executive officer of the Company or person that beneficially owns or controls, directly or indirectly, 10% or more of the issued and outstanding Common Shares or associate or affiliate of any such director or executive officer or 10% shareholder has any material interest, direct or indirect, in any transaction within the Company's three most recently completed financial years or within the current financial year that has materially affected or would materially affect the Company.

IVN is a party to cost sharing agreements with other companies in which the Company's Chairman, Robert M. Friedland has a material direct or indirect beneficial interest. Through these agreements, IVN shares, on a cost-recovery basis, office space, furnishings, equipment and communications facilities in Vancouver, Singapore and London, and an aircraft. IVN also shares the costs of employing administrative and non-executive management personnel in these offices. During the year ended December 31, 2009, IVN's share of these costs was $15.8 million (2008 – $12.6 million and 2007 – $13.4 million). The companies with which IVN is a party to the cost sharing agreements, and Mr. Friedland's ownership interest in each of them, as at December 31, 2009, are as follows:

Company Name	Robert Friedland Ownership Interest
Ivanhoe Energy Inc.	17.5%
Ivanhoe Capital Corporation	100%
Ivanhoe Nickel & Platinum Ltd.	33.7%
SouthGobi Energy Resources Ltd.	(1)
GoviEx Gold Inc.	(1)
GoviEx Uranium Inc.	Nil

(1) As at December 31, 2009, Mr. Friedland owned 22.8% of the Common Shares of the Company, which owned 78.6% of the common shares of SouthGobi Energy Resources Ltd. (57.4% as of March 30, 2010) and 1.5% of GoviEx Gold Inc.

As at December 31, 2009, IVN held a 10.3% voting equity interest in Ivanhoe Nickel & Platinum Ltd. ("Ivanplats"), on a fully diluted basis, after having acquired the following Ivanplats securities during 2009:

- 1.2 million common shares of Ivanplats from two institutional investors at an aggregate acquisition cost of $1,842,000;
- 220,000 common shares at a cost of $1,320,000 and 250,000 special warrants, convertible into 250,000 common shares, at a cost of $1,500,000 from Kjeld Thygesen and Robert Hanson, respectively, both directors of the Company; and
- 1.1 million units of Ivanplats at a cost of $9,900,000 pursuant to a private placement. Each unit is comprised of one common share, one liquidity right and one-half of one share purchase warrant.

Each liquidity right is convertible into 0.1 of a common share of Ivanplats for no additional consideration if a liquidity event (an initial public offering ("IPO") or other transaction that results in a public listing of Ivanplats' common shares) does not occur on or before December 31, 2010. The share purchase warrants vest upon the closing of an IPO. If an IPO occurs prior to December 31, 2010, each share purchase warrant entitles the holder to purchase one Ivanplats common share at the IPO price up until two years after the closing of the IPO. If an IPO occurs after December 31, 2010, each share purchase warrant entitles the holder to purchase 1.1 common shares at the IPO price up until two years after the closing of the IPO.

Rio Tinto is the Company's largest shareholder, holding 22.4% of the Company's issued and outstanding Common Shares. Within the Company's three most recently completed financial years, and within the current financial year, members of the Rio Tinto Group have been parties to a series of transactions that have materially affected, or could materially affect, the Company. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions". During the year ended December 31, 2009, the Rio Tinto Group provided engineering-related services to the Company for the Oyu Tolgoi Project on a cost-recovery basis for which the Rio Tinto Group was paid $8.6 million (2008 – $4.8 million and 2007 – $1.3 million).

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the Common Shares in Canada is CIBC Mellon Trust Company at its principal offices in Vancouver and Toronto.

MATERIAL CONTRACTS

Material contracts under National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") are contracts, other than contracts entered into in the ordinary course of the Company's business, that are material to the Company. The following is a list of: (i) material contracts entered into since January 1, 2009; and (ii) material contracts entered into prior to January 1, 2009 but after January 1, 2002 that remain in effect:

1. Entrée Earn-in Agreement, pursuant to which IVN earned a participating interest in the Entrée Joint Venture of 80% in respect of minerals below 560m and 70% in minerals above 560m by having expended $35 million in earn-in expenditures on the areas of the Hugo North Extension that are the subject of the Entrée Joint Venture.

2. Head Agreement dated February 4, 2005 among IVN, Stemcor Pellets AG, Stemcor Holdings Ltd. and Dominant Holdings AG, pursuant to which IVN disposed of its interest in the Savage River Project. Under the terms of the agreement, IVN sold its interest in the Savage River Project for two initial cash payments totalling $21.5 million, plus a series of five contingent, annual payments that commenced on March 31, 2006. To date, IVN has received $137.9 million in proceeds from the sale of the Savage River Project. At December 31, 2009, IVN had accrued a $20.9 million receivable in relation to the fifth contingent annual payment due on March 31, 2010. This amount is calculated based upon the actual tonnes of iron ore sold during the nine-month period that ended December 31, 2009, under the escalating price formula in the agreement.

3. Private Placement Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Private Placement Agreement".

4. Credit Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Credit Agreement".

5. Contract Assignment Arrangement Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Contract Assignment Arrangement Agreement and Put Agreement".

6. Put Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Rio Tinto Transactions – Contract Assignment Arrangement Agreement and Put Agreement".

7. Investment Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – Investment Agreement".

8. Shareholders' Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – Shareholders' Agreement".

9. T-Bill Purchase Agreement. See "GENERAL DEVELOPMENT OF THE BUSINESS – Agreements with the Government of Mongolia – T-Bill Purchase Agreement".

INTERESTS OF EXPERTS

Deloitte & Touche LLP is the independent auditor of IVN.

IVN has relied on the work of the qualified persons listed in the section of this AIF entitled "DESCRIPTION OF THE BUSINESS – Qualified Persons" in connection with the scientific and technical information presented in this AIF in respect of its material mineral properties, the Oyu Tolgoi Project and the Ovoot Tolgoi Coal Project, which is based upon the Oyu Tolgoi Technical Report and the Ovoot Tolgoi Technical Report, each of which reports is available for review on SEDAR at www.sedar.com.

To the knowledge of IVN, none of Deloitte & Touche LLP, Stephen Torr, any of the other qualified persons listed in the section of this AIF entitled "DESCRIPTION OF THE BUSINESS – Qualified Persons" who prepared or contributed to the preparation of the Oyu Tolgoi Technical Report and the Ovoot Tolgoi Technical Report nor any of companies listed therein that employ those individuals, hold Common Shares or securities exercisable to acquire Common Shares equal to or greater than 1% of the issued and outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of IVN's securities and options to purchase IVN's Common Shares is contained in the management proxy circular for the annual general meeting of IVN to be held on May 7, 2010, which will be made available on SEDAR at www.sedar.com concurrent with the delivery of the management proxy circular to IVN's shareholders. Additional financial information is contained in IVN's comparative financial statements and MD&A as at and for the years ended December 31, 2009 and 2008. Copies of the management proxy circular (when filed), financial statements and MD&A are available on SEDAR, and may also be obtained upon request from IVN at 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1.

Additional information relating to IVN may be found on SEDAR at www.sedar.com.

SCHEDULE A — Audit Committee Information

Composition of Audit Committee

IVN's Audit Committee consists of David Korbin, Kjeld Thygesen, Livia Mahler and Markus Faber. Mr. Korbin has been Chairperson of the Audit Committee since May 11, 2007. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" as defined in National Instrument 52-110. In addition, in accordance with New York Stock Exchange corporate governance listing standards, the Board of Directors has determined that David Korbin is an audit committee financial expert.

Relevant Education and Experience

David Korbin

Mr. Korbin holds a Chartered Accountant designation. For 16 of his 25 years in the accounting profession, he was managing partner of a number of firms including the Vancouver office of Deloitte Haskins & Sells and Deloitte & Touche LLP. He is currently working as a management and financial consultant and has been a director of E-Comm Emergency Communications for Southwest British Columbia Incorporated since 2001 serving as Chair of the board of directors since 2004 and Chair of their audit committee from 2002 to 2003. Prior thereto, Mr. Korbin served on the board of directors for Vancouver General Hospital and the Vancouver Hospital and Health Sciences Centre and Chair of the Board from 1995 — 1998.

Markus Faber

Dr. Faber holds a PhD in economics from the University of Zurich. He has over 35 years experience in the finance industry, including acting as manager of an investment bank in the United States in which he routinely performed financial analysis of a range of different companies. His current occupation is principal of Marc Faber Limited, an investment advisory firm and fund manager. He also acts as a director and advisor to a number of investment funds.

Livia Mahler

Ms. Mahler received a Bachelor of Science degree from the Hebrew University of Jerusalem in 1981 and an MBA from the University of British Columbia in 1991. Ms. Mahler is a member of the Canadian Venture Capital Association, Institutional Investors Committee. Ms. Mahler is a member of the Institute of Corporate Directors and sits on the Advisory Board of the Maurice Young Entrepreneurship and Venture Capital Research Centre at the University of British Columbia's Sauder School of Business. Previously, Ms. Mahler was a Senior Investment Manager for the Business Development Bank of Canada and is the founding General Partner for the Western Technology Seed Investment fund.

Kjeld Thygesen

Mr. Thygesen holds a bachelor of commerce, majoring in economics and accounting. He has been a resource investment analyst and fund manager for over 30 years. He has been the Managing Director of Lion Resource Management since 1989, and prior thereto was the Director, Natural Resources Department and fund manager for Rothschild Asset Management.

Audit Fees

Deloitte & Touche LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as auditors of the Company with their remuneration to be fixed by the Board of Directors. Deloitte & Touche LLP have been the Company's auditors since January 1995.

Fees billed by Deloitte & Touche LLP and its affiliates during fiscal 2009 and fiscal 2008 were approximately Cdn$2,403,000 and Cdn$3,330,000, respectively. The aggregate fees billed by the auditors in fiscal 2009 and fiscal 2008 are detailed below.

(Canadian $ in 000's)	2009	2008
Audit Fees (a)	$ 873	$ 1,030
Audit Related Fees (b)	1,469	1,960
Tax Fees (c)	26	43
All Other Fees (d)	35	297
Total	$ 2,403	$ 3,330

(a) Fees for audit services billed or expected to be billed relating to fiscal 2009 and 2008 consisted of:

- audit of the Company's annual statutory financial statements; and
- audit of its subsidiaries (SouthGobi Energy Resources Ltd. and Ivanhoe Australia Limited), annual statutory financial statements.

In addition, in 2009 and 2008 fees were paid for services provided in connection with review pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the required attestations relating to internal controls.

(b) Fees for audit-related services provided during fiscal 2009 and 2008 consisted of:

- reviews of IVN's quarterly financial statements, SouthGobi's quarterly financial statements and Ivanhoe Australia's half yearly statements; and
- translation services;
- financial accounting and reporting consultations;
- comfort letters, consents, and other services related to SEC, Canadian and other securities regulatory authorities' matters.

(c) Fees for tax services provided during fiscal 2009 and 2008 consisted of income tax compliance, and tax planning and advice relating to transactions and proposed transactions of the Company and its subsidiaries.

(d) The Company incurred fees of Cdn$35,000 and Cdn$297,000 for products and services provided by its principal accountant during fiscal 2009 and 2008 not disclosed in subsections (a), (b) or (c).

Pre-Approval Policies and Procedures

All services to be performed by the Company's independent auditor must be approved in advance by the Audit Committee or a designated member of the Audit Committee ("Designated Member"). The Designated

Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any *de minimis* non-audit services allowed by applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service are reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Company's external auditors relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee or the Designated Member.

Audit Committee Charter

I. Purpose

The primary objective of the Audit Committee (the "Committee") of Ivanhoe Mines Ltd. (the "Company") is to act as a liaison between the Board and the Company's independent auditors (the "Auditors") and to assist the Board in fulfilling its oversight responsibilities with respect to (a) the financial statements and other financial information provided by the Company to its shareholders, the public and others, (b) the Company's compliance with legal and regulatory requirements, (c) the qualification, independence and performance of the Auditors and (d) the Company's risk management and internal financial and accounting controls, and management information systems.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditors.

The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

II. Organization

The Committee shall consist of three or more directors and shall satisfy the laws governing the Company and the independence, financial literacy, expertise and experience requirements under applicable securities law, stock exchange and any other regulatory requirements applicable to the Company.

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Corporate Governance & Nominating Committee. A majority of the members of the Committee shall constitute a quorum. A majority of the members of the Committee shall be empowered to act on behalf of the Committee. Matters decided by the Committee shall be decided by majority votes. The chair of the Committee shall have an ordinary vote.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Meetings

The Committee shall meet as frequently as circumstances require, but not less frequently than four times per year. The Committee shall meet at least quarterly with management, the Company's financial and accounting officer(s) and the Auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

The Chair of the Committee shall be an independent chair who is not Chair of the Board. In the absence of the appointed Chair of the Committee at any meeting, the members shall elect a chair from those in attendance at the meeting. The Chair, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting.

The Committee will appoint a Secretary who will keep minutes of all meetings. The Secretary may be the Company's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair.

The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee as well as the other directors in advance of the meeting.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Company's accounting and financial officer(s) and the Auditors shall attend any meeting when requested to do so by the Chair of the Committee.

IV. Authority and Responsibilities

The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of the Company in accordance with applicable law. The Auditors report directly to the Audit Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

The Committee shall have the following responsibilities:

(a) Auditors

1. Recommend to the Board the independent auditors to be nominated for appointment as Auditors of the Company at the Company's annual meeting and the remuneration to be paid to the Auditors for services performed during the preceding year; approve all auditing services to be provided by the Auditors; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable.

2. When there is to be a change of the Auditor, review all issues related to the change, including any notices required under applicable securities law, stock exchange or other regulatory requirements, and the planned steps for an orderly transition.

3. Review the Auditor's audit plan and discuss the Auditor's scope, staffing, materiality, and general audit approach.

4. Review on an annual basis the performance of the Auditors, including the lead audit partner.

5. Take reasonable steps to confirm the independence of the Auditors, which include:

   (a) Ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and the Company;

   (b) Considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;

   (c) Approving in advance any non-audit related services provided by the Auditor to the Company, and the fees for such services, with a view to ensure independence of the Auditor, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors; and

   (d) As necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.

6. Review and approve any disclosures required to be included in periodic reports under applicable securities law, stock exchange and other regulatory requirements with respect to non-audit services.

7. Confirm with the Auditors and receive written confirmation at least once per year (i) indicating that the Auditors are a member in good standing with the Canadian Public Accountability Board (CPAB) and comparable bodies in the United States, Australia and elsewhere to the extent required and disclosing any sanctions or restrictions imposed by the CPAB and such other comparable bodies; and (ii) responding to any other reasonable request of the Audit Committee for confirmation as to their qualifications to act as the Company's Auditors.

8. Consider the tenure of the lead audit partner on the engagement in light of applicable securities law, stock exchange or applicable regulatory requirements.

9. Review all reports required to be submitted by the Auditors to the Committee under applicable securities laws, stock exchange or other regulatory requirements.

10. Receive all recommendations and explanations which the Auditors place before the Committee.

(b) Financial Statements and Financial Information

11. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's annual audited financial statements, including disclosures made in management's discussion and analysis, prior to filing or distribution of such statements and recommend to the Board, if appropriate, that the Company's audited financial statements be included in the Company's annual reports distributed and filed under applicable laws and regulatory requirements.

12. Review and discuss with management, the financial and accounting officer(s) and the Auditors, the Company's interim financial statements, including management's discussion and analysis, and the Auditor's review of interim financial statements, prior to filing or distribution of such statements.

13. Review any earnings press releases of the Company before the Company publicly discloses this information.

14. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information and extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures.

15. Discuss with the Auditor the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit including:

    (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices;

    (b) the management letter provided by the Auditor and the Company's response to that letter; and

    (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management.

16. Discuss with management and the Auditors major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under generally accepted accounting principles.

17. Prepare any report under applicable securities law, stock exchange or other regulatory requirements, including any reports required to be included in statutory filings, including in the Company's annual proxy statement.

(c) Ongoing Reviews and Discussions with Management and Others

18. Obtain and review an annual report from management relating to the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.

19. Periodically review separately with each of management, the financial and accounting officer(s) and the Auditors; (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.

20. Periodically discuss with the Auditors, without management being present, (a) their judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements.

21. Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

22. Review and discuss with management, the Auditors and the Company's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.

23. Enquire of the Company's financial and accounting officer(s) and the Auditors on any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of the Company.

24. Review the principal control risks to the business of the Company, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.

25. Review and discuss with management any earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as any financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e. discussion of the types of information to be disclosed and the types of presentations made).

26. Review and discuss with management any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.

27. Review and discuss with management the Company's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Company's risk assessment and risk management guidelines and policies.

(d) Risk Management and Internal Controls

28. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by the Company's financial and accounting group and the responsibilities, budget and staffing needs of such group.

29. Ensure that management has designed and implemented effective systems of risk management and internal controls and, at least annually, review and assess the effectiveness of such systems.

30. Approve and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk.

31. In consultation with the Auditors and management, review the adequacy of the Company's internal control structure and procedures designed to insure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Company's financial and accounting group.

32. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

33. Review the internal control reports prepared by management, including management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting and (ii) the Auditors' attestation, and report, on the assessment made by management.

34. Review the appointment of the chief financial officer and any key financial executives involved in the financial reporting process and recommend to the Board any changes in such appointment.

(e) Other Responsibilities

35. Create an agenda for the ensuing year and confirm a timetable for the Audit Committee for the ensuing year.

36. Review and approve related-party transactions if required under applicable securities law, stock exchange or other regulatory requirements.

37. Review and approve (a) any change or waiver in the Company's code of ethics applicable to senior financial officers and (b) any disclosures made under applicable securities law, stock exchange or other regulatory requirements regarding such change or waiver.

38. Establish, review and approve policies for the hiring of employees or former employees of the Company's Auditors.

39. Review and reassess the duties and responsibilities set out in this Charter annually and recommend to the Corporate Governance & Nominating Committee and to the Board any changes deemed appropriate by the Committee.

40. Review its own performance annually, seeking input from management and the Board.

41. Perform any other activities consistent with this Charter, the Company's articles and by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

V. Reporting

The Committee shall report regularly to the Board and shall submit the minutes of all meetings of the Audit Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of the Company's financial and accounting group.

VI. Resources and Access to Information

The Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Committee.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Committee has direct access to anyone in the organization and may request any officer or employee of the Company or the Company's outside counsel or the Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee with or without the presence of management. In the performance of any of its duties and responsibilities, the Committee shall have access to any and all books and records of the Company necessary for the execution of the Committee's obligations.

The Committee shall consider the extent of funding necessary for payment of compensation to the Auditors for the purpose of rendering or issuing the annual audit report and recommend such compensation to the Board for approval. The Audit Committee shall determine the funding necessary for payment of compensation to any independent legal, accounting and other consultants retained to advise the Committee.

IVANHOE MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Stated in U.S. dollars, except where noted)

INTRODUCTION

This discussion and analysis of the financial condition and results of operations (MD&A) of Ivanhoe Mines Ltd. should be read in conjunction with the audited consolidated financial statements of Ivanhoe Mines Ltd. and the notes thereto for the year ended December 31, 2009. These financial statements have been prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP). In this MD&A, unless the context otherwise dictates, a reference to the Company refers to Ivanhoe Mines Ltd. and a reference to Ivanhoe Mines refers to Ivanhoe Mines Ltd., together with its subsidiaries. Additional information about the Company, including its Annual Information Form, is available at www.sedar.com.

References to "C$" refer to Canadian dollars, "A$" to Australian dollars, and "$" to United States dollars.

This discussion and analysis contains forward-looking statements. Please refer to the cautionary language on page 44.

The effective date of this MD&A is March 31, 2010.

OVERVIEW

HIGHLIGHTS

- **On March 31, 2010, Ivanhoe Mines announced the successful completion of the conditions precedent that had been incorporated into the landmark Investment Agreement to build and operate the Oyu Tolgoi copper-gold mining complex in Mongolia's South Gobi Region, giving the agreement full legal effect.**
- **Ivanhoe Mines, with its subsidiary, Oyu Tolgoi LLC (OT LLC), and its strategic partner, Rio Tinto, signed and approved the long-awaited Investment Agreement with the Government of Mongolia in October 2009, establishing a comprehensive framework for maintaining a stable tax and operating environment for the construction and operation of the Oyu Tolgoi Project. The signing culminated nine years of exploration successes that have established Oyu Tolgoi as one of the world's largest, undeveloped copper-gold porphyry projects, and nearly six years of negotiations with the Government of Mongolia for an Investment Agreement.**
- **Provisions of the Investment Agreement include protection of the parties' investments in the Oyu Tolgoi Project, the amount and term of the parties' investments in the Oyu Tolgoi Project, the right to realize the benefits of such investments, the conduct of mining with minimum environmental impact and progressive rehabilitation, the social and economic development of the South Gobi Region and the creation of thousands of new jobs in Mongolia.**
- **Mongolia's state-owned company, Erdenes MGL LLC, will acquire a 34% interest in the Oyu Tolgoi Project within 14 days of the approved Investment Agreement taking effect. Ivanhoe Mines will retain a controlling 66% interest in OT LLC.**
- **Given the extent of the mineral discoveries associated with the Oyu Tolgoi Project and the potential for additional discoveries, Ivanhoe Mines and the Government of Mongolia agreed that the approved Investment Agreement should conform with the provision of Mongolia's current Minerals Law specifying that certain deposits of strategic importance qualify for 30 years of stabilized tax rates and regulatory provisions, with an option of extending the term of the Investment Agreement for an additional 20 years. Major taxes and rates stabilized for the life of the agreement include: corporate income tax, customs duty, value-added tax; excise tax; royalties; exploration and mining licences; and immovable property and/or real estate tax.**

- **In late 2009, the joint Ivanhoe Mines-Rio Tinto Oyu Tolgoi Technical Committee conditionally approved a $758.0 million budget for 2010 to begin full-scale construction of Oyu Tolgoi. The 2010 budget provides for an early start on a site-wide development program.**
- **In March 2010, Ivanhoe Mines issued 15.0 million common shares to Rio Tinto at C$16.31 per share for total proceeds of C$244.7 million ($241.1 million). Ivanhoe Mines used $195.4 million of the proceeds received to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi mining complex. With the transaction, Rio Tinto increased its ownership in Ivanhoe Mines from 19.6% to 22.4%. Acquisition of the equipment is another significant step in building one of the world's largest copper-gold mines.**
- **In late 2009, Ivanhoe Mines completed the first comprehensive field test of the Zeus™ proprietary, induced polarization and resistivity (IP) technology, a technological breakthrough that has significantly increased the potential for additional gold and copper resources to be discovered at the Oyu Tolgoi Project.**
- **Ivanhoe Mines' 57%-owned subsidiary, SouthGobi Energy Resources (SouthGobi), shipped approximately 1.3 million tonnes of coal from its Ovoot Tolgoi Mine in southern Mongolia at an average realized selling price of approximately $29 per tonne. This compares to 0.1 million tonnes of coal shipped in 2008 at an average realized selling price of $29 per tonne. This resulted in $36.0 million of revenue being recognized in 2009 compared to $3.1 million in 2008.**
- **On January 29, 2010, SouthGobi closed a global equity offering of 27.0 million common shares at a price of C$17.00 per common share, for gross proceeds of C$459.0 million to expand SouthGobi's coal mining and exploration activities in southern Mongolia. SouthGobi also commenced trading on the Main Board of the Hong Kong Stock Exchange (HK: 1878), the first Canadian mining company to have dual listings on the Hong Kong Stock Exchange and the Toronto Stock Exchange.**
- **In November 2009, SouthGobi entered into a financing agreement with a wholly-owned subsidiary of China Investment Corporation for $500.0 million in the form of a secured, convertible debenture.**
- **Ivanhoe Mines' 81%-owned subsidiary, Ivanhoe Australia (IVA — ASX), discovered a new, high-grade molybdenum and rhenium deposit at its Merlin Project on its Cloncurry tenements in northwestern Queensland.**
- **Ivanhoe Mines, through its 50% interest in Altynalmas Gold Ltd., is advancing the Kyzyl Gold Project in Kazakhstan, one of the world's largest undeveloped gold projects. Altynalmas has completed 21,800 metres of a 39,000-metre deep-level drilling program that is intended to upgrade the mineral resource.**
- **In 2009, Ivanhoe Mines incurred $177.1 million in exploration and development activities, compared to $250.6 million in 2008. In 2009, Ivanhoe Mines' exploration activities were largely focused in Mongolia and Australia.**

IVANHOE MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Stated in U.S. dollars, except where noted)

INDEX

The MD&A is comprised of the following sections:

SELECTED ANNUAL FINANCIAL INFORMATION

This selected financial information is in accordance with U.S. GAAP as presented in the annual consolidated financial statements.

	Years Ended December 31,		
	2009	2008	2007
	($ in millions of U.S. dollars, except per share information)		
Revenue	$ 36.0	$ 3.1	$ —
Exploration expenses	(177.1)	(250.6)	(299.4)
General and administrative	(45.8)	(27.5)	(27.1)
Foreign exchange gains (losses)	34.1	(62.9)	11.9
Gain on sale of long-term investment and note receivable	1.4	201.4	1.0
Change in fair value of embedded derivatives	(45.0)	—	—
Write-down of carrying value of investment held for sale	—	—	(134.3)
Write-down of carrying value of long-term investments	—	(7.1)	—
Write-down of carrying value of other long-term investments	—	(18.0)	(24.5)
Net loss from continuing operations	$ (276.6)	$(208.4)	$(485.0)
Net (loss) income from discontinued operations	(3.6)	24.3	27.3
Net loss	$ (280.2)	$(184.1)	$(457.7)
Net loss per share from continuing operations	$ (0.71)	$ (0.55)	$ (1.29)
Net (loss) income per share from discontinued operations	(0.01)	0.06	0.07
Net loss per share	$ (0.72)	$ (0.49)	$ (1.22)
Total assets	$1,534.7	$ 742.2	$ 530.2
Total long-term financial liabilities	$ 583.0	$ 354.4	$ 142.9

REVIEW OF OPERATIONS

Ivanhoe Mines is an international exploration and development company with activities concentrated in Central Asia and the Asia Pacific Region. The Company's principal assets include:

- The Oyu Tolgoi Copper and Gold Project in southern Mongolia, presently 100%-owned by Ivanhoe Mines. Ivanhoe Mines' ownership will be reduced to 66% as Mongolia's state-owned company, Erdenes MGL LLC (Erdenes), will acquire a 34% interest in the Oyu Tolgoi Project within 14 days of the approved Investment Agreement taking effect.
- A 57% interest in SouthGobi Energy Resources, which is producing and selling coal from its Ovoot Tolgoi Mine in southern Mongolia to customers in China and is conducting ongoing exploration and development programs at several other Mongolian coal prospects.
- An 81% interest in Ivanhoe Australia, which owns the Merlin Project, a high-grade molybdenum and rhenium deposit in Queensland, Australia. Ivanhoe Australia also is continuing to explore and advance its Iron-Oxide-Copper-Gold (IOCG) projects in the Cloncurry region.

- A 50% interest in Altynalmas Gold, which owns the Kyzyl Gold Project that hosts the Bakyrchik and Bolshevik Gold Deposits in Kazakhstan.

In 2009, Ivanhoe Mines recorded a net loss of $280.2 million (or $0.72 per share), compared to a net loss of $184.1 million (or $0.49 per share) in 2008, representing an increase of $96.1 million. Results for 2009 were mainly affected by $177.1 million in exploration expenses, $45.8 million in general and administrative expenses, $21.6 million in interest expense, $45.0 million in a change in fair value of embedded derivatives and $45.9 million in a share of losses of significantly influenced investees. These amounts were offset by coal revenue of $36.0 million and $34.1 million in mainly unrealized foreign exchange gains.

Exploration expenses of $177.1 million in 2009 decreased $73.5 million from $250.6 million in 2008. The exploration expenses included $130.9 million spent in Mongolia ($197.6 million in 2008), primarily for Oyu Tolgoi and Ovoot Tolgoi, and $41.5 million incurred by Ivanhoe Australia ($46.5 million in 2008). Exploration costs are charged to operations in the period incurred and often represent the bulk of Ivanhoe Mines' operating loss for that period. Ivanhoe Mines expects to commence capitalizing Oyu Tolgoi development costs in the second quarter of 2010.

Ivanhoe Mines' cash position, on a consolidated basis at December 31, 2009, was $965.8 million. As at March 31, 2010, Ivanhoe Mines' current consolidated cash position is approximately $1.3 billion.

A. EXPLORATION ACTIVITIES

In 2009, Ivanhoe Mines expensed $177.1 million in exploration and development activities, compared to $250.6 million in 2008. In 2009, Ivanhoe Mines' exploration and development activities were largely focused in Mongolia and Australia.

Summary of exploration and development expenditures by location:

	Years Ended December 31,	
	2009	2008
	(Stated in $000's of dollars)	
Mongolia		
Oyu Tolgoi	$107,381	$155,999
Coal Division	21,499	35,006
Other Mongolia Exploration	2,004	6,560
	130,884	197,565
Australia	41,465	46,457
Indonesia	3,145	4,547
Other	1,568	2,022
	$177,062	$250,591

MONGOLIA

OYU TOLGOI COPPER-GOLD PROJECT

The Oyu Tolgoi Project is approximately 550 kilometres south of Ulaanbaatar and 80 kilometres north of the Mongolia-China border. Mineralization on the property consists of porphyry-style copper, gold and molybdenum contained in a linear structural trend (the Oyu Tolgoi Trend), with a strike length that extends over 20 kilometres. Mineral resources have been identified in a series of deposits throughout this trend. They include, from south to north, the Heruga Deposit, the Southern Oyu deposits (Southwest Oyu, South Oyu, Wedge and Central Oyu), and the Hugo Dummett Deposit (Hugo South, Hugo North and Hugo North Extension). In March 2010, an updated Oyu Tolgoi Technical Report prepared by AMEC Minproc Limited (formerly GRD Minproc Limited) was released. This estimate can be found in the 2010 Annual Information Form on www.sedar.com.

In 2009, Ivanhoe Mines incurred exploration expenses of $107.4 million at Oyu Tolgoi, compared to the $156.0 million incurred in 2008. A significant portion of the 2009 expenditures was related directly to development work. Ivanhoe Mines expects to begin capitalizing Oyu Tolgoi development costs in the second quarter of 2010.

Rio Tinto increased its interest in Ivanhoe Mines to 22.4%

In March 2010, Ivanhoe Mines issued 15.0 million common shares to Rio Tinto at C$16.31 per share for total proceeds of C$244.7 million ($241.1 million). Ivanhoe Mines used C$198.2 million ($195.4 million) of the proceeds to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project. Ivanhoe Mines will use the balance of the proceeds, C$46.4 million ($45.7 million) to purchase additional equipment and for general corporate purposes. With this transaction, Rio Tinto has increased its ownership in Ivanhoe Mines from 19.6% to 22.4%.

In October 2009, Rio Tinto had also increased its ownership interest in Ivanhoe Mines when it completed Tranche 2 of the original October 2006 private placement financing — consisting of 46,304,473 Ivanhoe Mines shares at $8.38 per share — for proceeds to Ivanhoe Mines of $388.0 million. The financing increased Rio Tinto's equity ownership at that time in Ivanhoe Mines from 9.9% to 19.7%. The proceeds of $388.0 million will be used to help build and commission the open-pit mine at Oyu Tolgoi and to advance development of the underground block-cave mine.

Under the current agreement with Ivanhoe Mines, Rio Tinto has rights to subscribe for common shares from Ivanhoe Mines' representing up to 44.3% of Ivanhoe Mines and, during the next 19 months, Rio Tinto may increase this stake to a maximum of 46.6% through purchases on the open market.

Ivanhoe Mines and Rio Tinto signed long-term Investment Agreement with the Mongolian Government to build and operate Oyu Tolgoi

On October 6, 2009, Ivanhoe Mines, with its subsidiary, Oyu Tolgoi LLC (OT LLC)(formerly Ivanhoe Mines Mongolia Inc. LLC) and its strategic partner, Rio Tinto, signed and approved the long-awaited Investment Agreement with the Government of Mongolia. The agreement established a comprehensive framework for maintaining a stable tax and operating environment for the construction and operation of the Oyu Tolgoi Project. The signing, at a nationally-televised state ceremony, culminated nine years of exploration successes that have established Oyu Tolgoi as one of the world's largest, undeveloped copper-gold porphyry projects, and nearly six years of negotiations with the Government of Mongolia for an Investment Agreement.

The Government will acquire a 34% interest in Oyu Tolgoi's licence holder, OT LLC, and Ivanhoe Mines will retain a controlling 66% interest in OT LLC. Provisions of the Investment Agreement include protection of the parties' investments in the Oyu Tolgoi Project, the amount and term of the parties' investments in the Oyu Tolgoi Project, the right to realize the benefits of such investments, the conduct of mining with minimum environmental impact and progressive rehabilitation, the social and economic development of the South Gobi Region and the training and employment of thousands of new workers in Mongolia.

The Shareholders' Agreement, which was also signed and approved on October 6, 2009, established the basis upon which the Government of Mongolia will, through its wholly-state-owned company, Erdenes MGL LLC (Erdenes), acquire and hold the initial 34% equity interest in OT LLC and provides for the respective rights and obligations of the parties as shareholders of OT LLC. The Shareholders' Agreement also addresses the circumstances and the requirements pursuant to which Ivanhoe Mines and Rio Tinto will arrange financing for Erdenes' portion of the investment capital needed for the Project.

A 50-year assurance of stability

Given the extent of the mineral discoveries associated with the Oyu Tolgoi Project and the potential for additional discoveries, Ivanhoe Mines and the Government of Mongolia agreed that the approved Investment Agreement should conform with Mongolia's current Minerals Law specifying that certain deposits of strategic importance qualify for 30 years of stabilized tax rates and regulatory provisions, with an option of extending the term of the Investment Agreement for an additional 20 years.

Major taxes and rates stabilized for the life of the Investment Agreement include: corporate income tax, customs duty, value-added tax; excise tax; royalties; exploration and mining licences; and immovable property and/or real estate tax.

OT LLC also will receive a 10% investment tax credit on all capital expenditures and investments made throughout the initial Oyu Tolgoi construction period. Any future taxes introduced will not be imposed on the Project unless future legislation is more favourable, in which case Ivanhoe Mines may request the more favourable treatment. If Mongolia enters a tax or bilateral treaty that provides greater benefits to the investor, Ivanhoe Mines may request the benefit of such law, regulation or treaty to help ensure that a stable taxation and operating environment is maintained. In addition, Ivanhoe Mines will have the opportunity to apply a favourable loss-carry-forward benefit to the Project as previously enacted into law by Parliament and clarified for application to the Project by the Investment Agreement.

The Mongolian Government will join Ivanhoe Mines and Rio Tinto as a partner in Oyu Tolgoi

Mongolia's state-owned company, Erdenes, will acquire a 34% interest in the Oyu Tolgoi Project within 14 days of the approved Investment Agreement taking effect.

Noteworthy provisions of the approved Investment Agreement and Shareholders' Agreement also include:

- Ivanhoe Mines will arrange financing for the construction of Oyu Tolgoi within two years of the Investment Agreement taking effect. Production must begin within five years of financing being secured.
- Ivanhoe Mines will fund the construction of the Oyu Tolgoi Project through loans and equity obtained during the construction and initial production periods. Ivanhoe Mines will receive loan repayments, redemption of equity, dividends and interest at a rate of 9.9% adjusted to the US CPI.
- Erdenes is entitled to nominate three directors and Ivanhoe Mines will nominate six directors to the nine-member board of directors of OT LLC.
- Ivanhoe Mines will nominate the management team that will be responsible for Oyu Tolgoi's core operations. Management services payments will be received, based on capital and operating costs, through the construction period and after production begins.
- The Government has the option to purchase an additional equity interest of 16% of OT LLC, at an agreed upon fair-market value, one year after the expiry of the initial 30-year term of the Investment Agreement and following the start of the permitted 20-year extension. If exercised, this additional equity interest would give the Government a total maximum interest of 50% of OT LLC for the remainder of the Oyu Tolgoi Project's operational life. Ivanhoe Mines would continue to hold management rights over the project and hold a deciding vote at board and shareholder meetings.

Procedural and administrative conditions have been satisfied

On March 31, 2010, the Mongolian Government confirmed that the procedural and administrative conditions contained in the Investment Agreement had been satisfied within the allocated six-month period that has followed the agreement's official signing on October 6, 2009. The comprehensive Investment Agreement now has taken full legal effect.

Mongolian Government Treasury Bills purchased

On October 6, 2009, OT LLC agreed to purchase three Treasury Bills (T-Bills) from the Government of Mongolia, having an aggregate face value of $287.5 million, for the aggregate sum of $250 million. The annual rate of interest on the T-Bills is 3.0%. Each T-Bill will mature on the fifth anniversary from the date of its respective issuance.

- The initial T-Bill, with a face-value of $115.0 million, was purchased on October 20, 2009. The purchase price was $100.0 million.
- A second T-Bill, with a face value of $57.5 million, will be purchased for $50.0 million within 14 days of the satisfying of all conditions precedent of the Investment Agreement.
- The final T-Bill, having a face value of $115.0 million, will be purchased for $100.0 million within 14 days of OT LLC fully drawing down the financing necessary to enable the complete construction of the Oyu Tolgoi Project, or June 30, 2011, whichever date is earlier.

Ivanhoe Mines acquires critical mining and milling equipment for the Oyu Tolgoi copper-gold complex in Mongolia

In March 2010, Ivanhoe Mines used $195.4 million of the $241.1 million of proceeds received from the issue of 15 million common shares to Rio Tinto to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project.

The equipment includes principal components for the 100,000-tonne-per-day Oyu Tolgoi phase-one copper-gold concentrator, including two large, 38-foot-diameter, semi-autogenous grinding (SAG) mills, four ball mills, re-grind mills, crushers, motors, gearless drives, conveyors and flotation cells. Also included is the hoist and major components for the sinking of Shaft #2 — the 10-metre-diameter, main production shaft for the underground block-cave mine at the Hugo North Deposit.

Much of the equipment originally was ordered by Ivanhoe Mines from various manufacturers while it was waiting for an Investment Agreement with the Government of Mongolia. Ivanhoe Mines subsequently transferred ownership of the equipment to Rio Tinto in August 2008 under an agreement between the companies. Additional equipment also was acquired by Rio Tinto directly from suppliers. At the time, Ivanhoe Mines required funds for the ongoing development of the Oyu Tolgoi Project. The equipment-sale agreement with Rio Tinto ensured that the procurement and delivery schedules for the critical, long-lead-time major mining and milling equipment were protected while Ivanhoe Mines and Rio Tinto worked with the Mongolian Government to conclude the mutually-acceptable, long-term Investment Agreement that was executed in October 2009.

Ivanhoe Mines announces construction budget of US$758.0 million for development work in 2010 at Oyu Tolgoi

In late 2009, the joint Ivanhoe Mines-Rio Tinto Oyu Tolgoi Technical Committee conditionally approved a $758.0 million budget for 2010 to begin full-scale construction of Oyu Tolgoi. The budget for 2010 includes Ivanhoe Mines' repurchase from Rio Tinto of major items of mining and milling equipment, as discussed in the preceding section.

The 2010 budget provides for an early start on a site-wide development program which is now expected to be implemented following the successful completion of the conditions precedent to the effectiveness of the Investment Agreement.

Work in 2010 is planned to include:

- Resumption of the sinking of the 10-metre-diameter Shaft #2, which will be used to hoist ore to the surface from the deep, underground, copper-gold-rich Hugo Dummett Deposit.
- Construction of a 97-metre-tall (approximately 31-storey), reinforced-concrete headframe for Shaft #2.
- Pouring the concrete foundation for the 100,000-tonne-per-day concentrator and deliveries of building materials for the concentrator and infrastructure.
- Installation of a 20-megawatt power station and 35-kilovolt distribution system.
- Initial earthworks for the open-pit mine at the Southern Oyu deposits.
- Continuation of lateral underground development off Shaft #1 at the Hugo Dummett Deposit.
- Construction of a 105-kilometre highway link to the Mongolia-China border, which will be fully paved by the time production begins.
- Construction of a regional airport, with a concrete runway to accommodate Boeing 737-sized aircraft.

2009 activities at Oyu Tolgoi

In 2009, the main focus for the Oyu Tolgoi Project was finalizing the Investment Agreement. Other activities included continuing detailed exploration, expanding underground lateral development and ensuring the engagement of key management for construction and operations.

The 1,385-metre Shaft #1 was completed in 2009 and is supporting the initial development program that is underway for the Hugo North underground block-cave mine. Lateral development continued in 2009 as planned, including the continuation of the ramp down toward crusher one. The South characterization drift was completed and cross-cut three also was developed through to align with the North characterization drift. The 2009 year-end development rate was 45% above plan, with 1,074 metres achieved. At the end of 2009, the underground contractor also moved from one shift to two shifts, which will allow for 24-hour operation.

Preparatory work also was completed for the establishment of a raise-bore ventilation hole at Shaft #1. Once completed in July 2011, future lateral development rates will increase by approximately 75% as this will allow the use of a second mining fleet.

In addition, surface works for the construction of Shaft #2 were completed in 2009.

Site earthworks were undertaken in preparation for the laying of the concentrator foundation. An initial 1,800-person construction camp has been built and the construction warehousing facility is nearing completion.

(Stated in U.S. dollars, except where noted)

By December 31, 2009, engineering for the concentrator facility was 75% complete and engineering for the required infrastructure was 50% complete.

Key management for construction and operations was engaged in 2009 and is in place in Mongolia in preparation for the start of full-scale construction.

Ivanhoe Mines has continued to advance mine planning and engineering. An updated integrated development plan for the Oyu Tolgoi Project based on the terms of the approved Investment Agreement is being prepared and will be incorporated into a technical report that is expected to support an estimate of underground reserves. The updated integrated development plan is being prepared for Ivanhoe Mines by Independent Engineers including several of the world's foremost engineering, mining and environmental consultants, led by AMEC Minproc Limited and including Stantec (formerly McIntosh) Engineering.

Oyu Tolgoi Exploration

Oyu Tolgoi exploration continued on the area between Southwest Oyu and Heruga; Zeus™ IP survey technology deployed in first full field test

During 2009, Ivanhoe Mines completed 20,024 metres of diamond drilling on the Oyu Tolgoi Project comprised of 17,060 metres completed in the area between Southwest Oyu and Heruga (the New Discovery Zone) and 2,964 metres completed in other parts of Oyu Tolgoi and the surrounding area. Average assay intercepts are shown below:

Average Assay Intercepts, New Discovery Zone Drilling

Hole Number	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Mo (ppm)	CuEq (%)
OTD1487	1978	1994	16	0.1	1.65	38	1.73
	2028	2053.7	25.7	0.85	0.89	62	1.47
OTD1487A	1978	1994	16	0.09	1.55	38	1.63
	2028	2126	98	0.96	0.88	115	1.56
	2258	2336.3 (EOH)	78.3	2.13	0.82	126	2.24
	1978	2336.3	358.3	0.85	0.54	66	1.12
OTD1495A	2034	2314	280	0.06	0.84	13	0.88
	2330	2377.2 (EOH)	47.2	0.10	1.32	8	1.39
	2034	2377.2 (EOH)	343.2	0.06	0.87	12	0.91
OTD1498A	1978	2100	122	0.05	0.42	54	0.48
	2240	2318	78	0.07	0.61	12	0.66
	2346	2418	72	0.07	0.44	41	0.51
OTD1500	1800	1910	110	0.17	0.44	189	0.65
OTD1500A		in progress					
OTD1501		in progress					

Copper equivalencies were calculated using the following metal prices and formula.
(Au = US$650/oz, Cu=US$1.35/lb, Mo=US$10/lb).
[CuEq=Cu%+((Aug/t*18.98)+(Moppm*0.01586))/29.76]

The holes drilled in the New Discovery Zone are in five northwest-southeast-oriented sections 500 metres apart. Of the holes drilled, only two have been successful so far in intersecting copper and gold mineralization, OTD1487/OTD1487A completed in 2008 and OTD1495A completed in September 2009. Together, these two holes, in sections 1.5 kilometres apart, emphasize the importance of the zone. The mineralization at Far South is rich in bornite and appears to be very similar to that in the Hugo Dummett Deposit.

Of the other holes drilled, four holes (OTD1487C, OTD1487D, OTD1492 and OTD1496) targeted induced polarization (IP) anomalies. All were terminated after intersecting a major north-northeast-oriented fault, thought to be an extension of the West Bat Fault that terminates the western side of the Hugo Dummett deposit. Minor sulfides near the fault are thought to explain the IP. Four other holes (OTD1493, OTD1493A, OTD1495 and OTD1498) reached the top of the mineralized zone but were lost due to drilling difficulties. Two other holes in the northern-most section drilled (OTD1497 and OTD1499) hit a major fault, with OTD1499 reaching the top of the mineralized section before being faulted off.

Ivanhoe Mines and GoviEx Gold entered into an agreement to inaugurate the proprietary Zeus™ high-power technology at Oyu Tolgoi in an expanded, gradient array IP survey to test the full extent, on strike and at depth, of the Oyu Tolgoi copper and gold mineralized trend. To the end of 2009, part of the Oyu Tolgoi trend, extending from the southern end of the Heruga Deposit to the northern end of the Hugo Dummett Deposit has been surveyed. Follow-up drilling targeting the deep IP anomalies defined by the Zeus technology is continuing.

Geological mapping during 2009 focused on the southern end of the Oyu Tolgoi trend and the Javhalaad group of licences further south. This mapping showed that the Oyu Tolgoi trend probably curves to the south west at the southern end of Heruga and is cut by an east-west-trending belt of younger granites.

Follow up of IP anomalies on the previously postulated, linear southern continuation of the Oyu Tolgoi trend suggests that the anomalies are not related to Oyu Tolgoi porphyry-style targets. Geological mapping, ground magnetometer surveying, Zeus IP surveying and the drilling of a single, 1,452-metre drill hole (JUD010) on one anomaly showed that carboniferous rocks are 450 metres or more thick in this area and no Devonian host rocks have been found yet.

Ivanhoe Mines files updated Oyu Tolgoi Technical Report

In the Oyu Tolgoi Technical Report, filed on March 31, 2010, on www.sedar.com, a consolidated resource estimate for the Oyu Tolgoi Property is reported as follows:

Total Oyu Tolgoi Project Mineral Resources March 2010[1][2]
(based on a 0.60% copper equivalent (CuEq) cut-off)

Resource Category	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	CuEq[3] (%)	Contained Metal[4] Cu ('000 lbs)	Contained Metal[4] Au (ounces)	Contained Metal[4] CuEq[3] ('000 lbs)
Measured	101,590,000	0.64	1.10	—	1.34	1,430,000	3,590,000	3,000,000
Indicated	1,285,840,000	1.38	0.42	—	1.65	39,120,000	17,360,000	46,770,000
Measured + Indicated	1,387,430,000	1.33	0.47	—	1.63	40,680,000	20,970,000	49,860,000
Inferred	2,367,130,000	0.78	0.33	50	1.02	40,610,000	25,390,000	53,280,000

Notes:

(1) Resource classifications conform to CIM Standards on Mineral Resources and Reserves referred to in National Instrument 43-101. Mineral Resources that are not Reserves do not have demonstrated economic viability. Measured and Indicated Resources are that part of a mineral resource for which quantity and grade can be estimated with a level of confidence sufficient to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the project. An Inferred Resource is that part

of a mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

(2) This table includes estimated resources on the Hugo North Extension Deposit and the Heruga Deposit. These deposits are located on mineral licences owned by Entrée but subject to the Entrée Joint Venture. These resources consist of indicated resources of 117,000,000 tonnes grading 1.8% copper and 0.61 g/t gold and inferred resources of 910,000,000 tonnes grading 0.48% copper and 0.49 g/t gold and a 141 ppm molybdenum at a 0.6% cut-off grade on the combined Hugo North Extension and Heruga Deposits.

(3) CuEq has been calculated using assumed metal prices ($1.35/lb. for copper and $650/oz for gold and $10/lb for molybdenum);%CuEq. = Cu+((Au*18.98)+(Mo*0.01586))/29.76. Mo grades outside of Heruga are assumed to be zero for CuEq calculations. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and copper recovery was 72%.

(4) The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper. Differences in measured and indicated totals relate to rounding associated with tonnes and grade.

The estimates were based on 3D block models utilizing commercial mine planning software (MineSite®). Industry-accepted methods were used to create interpolation domains; these domains were based upon mineralization and geology. Grade estimation was performed by ordinary kriging. A separate resource model was prepared for each of the deposits. Only hypogene mineralization was estimated, with the exception of a zone of supergene mineralization at Central Oyu. The estimation plans, or sets of parameters used for estimating blocks, were designed using a philosophy of restricting the number of samples for local estimation, as it was found to be an effective method of reducing smoothing and producing estimates that match the Discrete Gaussian change-of-support model and ultimately the actual recovered grade-tonnage distributions.

Modelling consisted of grade interpolation by ordinary kriging. Only capped grades were interpolated in the Southern Oyu and Hugo South deposits. Nearest neighbour grades were interpolated for validation purposes. For copper and gold, on all deposits except Hugo South, an outlier restriction was used to control the effect of high-grade composites. In the Southern Oyu deposits, resource grades also were adjusted to reflect likely occurrences of internal and contact dilution from unmineralized post-mineral dykes. Validation procedures included Discrete Gaussian change-of-support method, comparisons using a nearest neighbour model and visual checks.

The base case CuEq cut-off grade assumptions for each deposit were determined using cut-off grades applicable to mining operations exploiting similar deposits.

MONGOLIA

COAL PROJECTS

SOUTHGOBI ENERGY RESOURCES (57% owned)

Toronto Stock Exchange and Hong Kong Stock Exchange listing; global equity offering raised C$459.0 million

On December 3, 2009, SouthGobi began trading on the Toronto Stock Exchange which replaced its initial listing on the TSX Venture Exchange (TSX: SGQ).

On January 29, 2010, SouthGobi closed a global equity offering of 27.0 million common shares at a price of C$17.00 per common share, for gross proceeds of C$459.0 million. The proceeds of the offering will be used to expand SouthGobi's coal mining and exploration activities in southern Mongolia and for general corporate purposes.

In conjunction with the closing of the global equity offering, SouthGobi commenced trading on the Main Board of the Hong Kong Stock Exchange (HK: 1878). SouthGobi is the first Canadian mining company to have dual listings on the Hong Kong Stock Exchange and the Toronto Stock Exchange.

SouthGobi secured $500.0 million convertible debenture financing from China Investment Corporation

In November 2009, SouthGobi entered into a financing agreement with a wholly-owned subsidiary of China Investment Corporation (CIC) for $500.0 million in the form of a secured, convertible debenture bearing interest at 8.0% (6.4% payable in cash and 1.6% payable in SouthGobi shares, where the number of shares to be issued is calculated based on the 50-day volume-weighted average price (VWAP)), with a maximum term of 30 years. The financing primarily will support the accelerated investment program in Mongolia and up to $120.0 million of the financing also may be used for working capital, repayment of debt due on funding, general and administrative expenses and other general corporate purposes.

The conversion price is set as the lower of C$11.88 or the 50-day VWAP at the date of conversion, with a floor price of C$8.88 per share.

SouthGobi and CIC each have various rights to call conversion of the debenture into common shares. CIC has the right to convert the debenture, in whole or in part, into common shares 12 months after the date of issue. SouthGobi has the right to call for the conversion of up to $250.0 million of the debenture on the earlier of 24 months after the issue date, if the conversion price is greater than C$10.66, or upon SouthGobi achieving a public float of 25% of its common shares under certain agreed circumstances, if the conversion price is greater than C$10.66.

After five years from the issuance date, at any time that the conversion price is greater than C$10.66, SouthGobi will be entitled to require conversion of the outstanding convertible debenture in whole or in part, into common shares at the conversion price.

On March 29, 2010, CIC, at SouthGobi's request, converted $250.0 million of its convertible debenture into common shares of SouthGobi at a conversion price of C$11.88 per share. As a result of the conversion, Ivanhoe Mines' ownership interest in SouthGobi was reduced to approximately 57%.

Expansion planned for SouthGobi's Ovoot Tolgoi coal mine

SouthGobi is producing and selling coal at its Ovoot Tolgoi Project in Mongolia's South Gobi Region, 40 kilometres north of the Shivee Khuren-Ceke crossing at the Mongolia-China border.

During early 2009, SouthGobi and other regional coal exporters, experienced difficulties expediting coal shipments across the Mongolia-China border due to sporadic openings at the Shivee Khuren-Ceke crossing. In January 2009, SouthGobi curtailed production to preserve cash and to manage stockpiles. By the end of Q2'09, the operating hours at the border crossing had increased to 11 hours a day, six days a week, enabling SouthGobi to increase its coal sales and draw down its coal stockpiles. With the increasing sales and reductions in its coal inventory, SouthGobi resumed non-stop mining operations effective July 1, 2009.

To increase the amount of coal traffic across the border Chinese and Mongolian authorities agreed in July 2009 to create a designated coal transportation corridor at the Shivee Khuren-Ceke border crossing. This facility is under construction and is expected to be operational in 2010. When completed, it will permit coal to be transported across the border through three corridors that are separate from other, non-coal, border traffic. SouthGobi believes that these improvements in the border crossing capacity will allow SouthGobi to continue to substantially increase the amount of coal shipped into China.

The Ovoot Tolgoi Mine's proximity to the Shivee Khuren-Ceke border crossing allows SouthGobi's customers to transport coal by truck on an unpaved road from the minesite to China. SouthGobi is studying the feasibility of building additional road infrastructure from the Ovoot Tolgoi complex to the Mongolia-China border.

A north-south railway line in China already connects Ceke with Jiayuguan City in Gansu Province and with the interior of China. Another east-west railway line from Ceke to Linhe, an industrial city in China's eastern Inner Mongolia, is expected to be operational in 2010. This line is expected to have an initial transportation capacity of approximately 15 million tonnes per year, later increasing to 25 million tonnes per year. Coal could be shipped along this line to Baotou and to ports further to the east, on China's Bohai Gulf.

In 2009, SouthGobi shipped approximately 1.3 million tonnes of coal at an average realized selling price of approximately $29 per tonne. This compares to 0.1 million tonnes of coal shipped in 2008 at an average realized selling price of $29 per tonne. This resulted in $36.0 million of revenue being recognized in 2009, compared to $3.1 million in 2008.

Cost of sales was $29.4 million in 2009, compared to $2.2 million for 2008. The increase in cost of sales relates to the higher sales volume in 2009. In 2008, sales were completed only in Q4'08, compared to a full year of sales in 2009. Cost of sales is comprised of the cost of the product sold, mine administration costs, equipment depreciation, depletion of stripping costs and stock-based compensation costs.

In 2008, SouthGobi purchased a second fleet of coal-mining equipment, with some equipment commissioned in Q4'09 and the remaining equipment scheduled to be commissioned in Q2'10. The new shovel/truck mining fleet consists of a Liebherr 996 hydraulic excavator with a 34-cubic-metre bucket and four Terex MT4400 218-tonne-capacity trucks. The new fleet will supplement the existing mine fleet, which consists of a Liebherr 994 hydraulic excavator with a 13.5-cubic-metre bucket and seven Terex TR100 91-tonne-capacity trucks.

Additional equipment will be required as production at the mine expands, including larger hydraulic shovels, larger dump trucks, bulldozers and graders. SouthGobi has entered into an agreement for a third fleet that will be delivered in mid-2010, with an additional fourth fleet likely to be ordered for 2011. The larger equipment will increase productivity. However, SouthGobi will continue to employ the smaller initial fleet in areas of thinner seams and to supplement the larger equipment.

Ovoot Tolgoi updated resources and reserves

On March 31, 2010, Ivanhoe Mines filed an updated Technical Report on the Ovoot Tolgoi property on www.sedar.com. The independent estimate prepared by Norwest Corporation (Norwest) calculated 114.1 million tonnes of Proven and Probable open-pit coal reserves at July 1, 2009.

Total Surface and Underground Coal Resource Summary as of June 1, 2009

SouthGobi also received an updated, independent NI 43-101-compliant resource estimate for the Ovoot Tolgoi Complex, prepared by Norwest.

The Ovoot Tolgoi surface and underground resources contain measured plus indicated coal resources of 249.8 million tonnes, with an additional inferred coal resource of 33.5 million tonnes as at June 1, 2009.

				In-Place Resources (million tonnes)		
Area	**Type**	**Resource Limits Depth (metres)**	**ASTM Group**	**Measured**	**Indicated**	**Inferred**
Sunrise Field	Surface	Surface to 250m	hvB to hvA	53.8	15.7	4.9
Sunset Field	Surface	Surface to 250m	hvB to hvA	82.1	19.4	8.1
Sub-Total				**135.9**	**35.1**	**13.0**
Sunrise Field	Underground	250m to 600m	hvB to hvA	11.2	5.2	11.2
Sunset Field	Underground	250m to 600m	hvB to hvA	34.6	27.8	9.3
Sub-Total				**45.8**	**33.0**	**20.5**
Total				**181.7**	**68.1**	**33.5**

Ovoot Tolgoi resources are found in two different resource areas, referred to as the Sunrise and Sunset Fields (formerly the South-East and West Fields, respectively).

AUSTRALIA

IVANHOE AUSTRALIA (81% owned)

Ivanhoe Australia incurred exploration expenses of $41.5 million in 2009, compared to $46.5 million in 2008. The decrease was due to Ivanhoe Australia's concentrated focus on the Merlin project and a decrease in its greenfields exploration during the global financial crisis.

Ivanhoe Australia's key projects, all situated on granted Mining Leases, are Merlin, Mount Dore and Mount Elliott. During 2009, drilling was focused on the Merlin infill drilling, exploration drilling testing the geochemical anomalies extending six kilometres north of Merlin, and at Lanham's Shaft, where copper previously had been mined on a small-scale.

Ivanhoe Australia also holds significant equity stakes in, and joint-venture agreements with, Emmerson Resources Limited (Emmerson) and Exco Resources Limited (Exco).

Merlin molybdenum and rhenium

The Merlin discovery area now has been tested by 190 drill holes; assay results are complete for 174 of these holes, including some historical holes that have been re-assayed for molybdenum and rhenium. On March 31, 2010, Ivanhoe Australia released a scoping study on the Merlin Deposit.

Merlin is the lower-most mineralized zone in the Mount Dore Deposit starting near the surface and dipping east at between 45 and 55 degrees. To date, the deposit has been intersected to approximately 500 metres down-dip. Merlin has an average true thickness of approximately 20 metres. Mineralization has been found over a strike length of 1,300 metres in step-out holes; however, the mineralization thins to the north, where it also is noted that the copper, zinc and gold content increases.

Drilling down-dip to the east has indicated that the molybdenum mineralization continues at depth. This has yet to be followed down-dip further to the east as the focus for drilling during Q4'09 was on infill drilling to maximize the indicated resources and to further define the high-grade Little Wizard Zone.

Initial metallurgical design testwork has demonstrated that the molybdenum and rhenium can be readily floated with high recovery into a bulk concentrate. Samples have been selected to allow full testing throughout the orebody. These samples are with laboratories in the United States for variability flotation tests covering all styles of molybdenum mineralization within the known Merlin Zone.

The initial design studies and cost estimates for decline access and mining of Merlin were completed during the year. The final design of the exploration phase of the decline is underway and selection of the final decline path requires completion of the geotechnical investigation. A tender process to select the mining contractor for the exploratory phase of the Merlin decline was completed and a preferred contractor selected. The final award of the exploration decline contract is subject to approval of the Ivanhoe Australia Board.

Mount Dore Deposit

Drill holes testing the Merlin Project also tested the Mount Dore oxide, transitional and primary sulphides zones. The results demonstrated the continuity of these polymetallic zones.

Work continued on the Mount Dore solvent extraction-electrowinning scoping study and preliminary plant designs were received from contractors in December 2009. Column leach results have been received for six columns; two remained under leach at year end. To date, all -12 mm crush columns have yielded recoveries of more than 90% for copper. Sequential copper leach data is awaited on all holes through the oxide and transition zone to accurately determine boundaries to mineralization. The resources will be re-estimated and open pit optimization commenced once this data is available.

Mount Elliott Project

The Mount Elliott project hosts three principal zones of copper-gold mineralization: Mount Elliott, SWAN and SWELL. Mineralization primarily is hosted in banded and brecciated calc-silicates and is associated with albite-pyroxene-magnetite-chalcopyrite-pyrite alteration.

The results received during Q1'09 highlighted the strong east-west axis of the higher-grade SWAN mineralization and have now connected the SWAN and SWELL bodies just west of the Mount Elliott mine. The SWAN zone now appears to be rolling under the Mount Elliott mine into untested areas.

Metallurgical test work to date has shown the primary chalcopyrite ore zone to yield very high copper and gold recoveries under a simple flotation regime. Sequential copper leach data from the shallow drill program undertaken during 2009 aims to identify zones of more-difficult-to-treat oxide ore near the surface. Assay results are pending.

Emmerson shareholding and joint-venture agreement

In April 2009, Ivanhoe Australia purchased an initial 10% equity stake in Emmerson, with the opportunity to increase this to 19.9%. Ivanhoe Australia also entered into a joint-venture agreement covering all of Emmerson's tenements in the Tennant Creek Mineral Field (TCMF), in the Northern Territory. Ivanhoe Australia will spend A$18 million over three years to earn a 51% equity interest in the joint venture, which could increase to 70% in particular projects if certain Mineral Resource thresholds are met.

Emmerson is an Australian mineral exploration company listed on the Australian Stock Exchange. Emmerson's gold rich tenements in the TCMF cover approximately 2,700 square kilometres.

Exploration undertaken by Emmerson to date has indicated the presence of deep IOCG-style targets.

Exco shareholding and joint venture agreement

Ivanhoe Australia has a 20.2% interest in Exco and a joint venture agreement on various Exco tenements. Exco is an Australian mineral exploration company listed on the Australian Stock Exchange. Exco holds extensive exploration tenements in the Cloncurry copper, uranium and gold region in northwest Queensland and the White Dam gold project in South Australia.

During 2009, Exco focused on advancing the White Dam project. Exco secured funding for the White Dam project in September 2009 and construction began in October 2009. White Dam remains on track for first gold production in Q2'10.

Regional exploration

Ivanhoe Australia holds 13 Exploration Permits for Minerals (EPMs) and 20 Mining Leases (MLs) covering a total of 1,523 square kilometres, in the Cloncurry area. Ivanhoe Australia also has 12 EPM applications in process, covering 1,548 square kilometres. Exploration drilling in 2009 included 9,369 metres of reverse-circulation drilling on 13 prospects, as well as 13,136 metres of diamond drilling on 13 prospects. Drilling on Ivanhoe Australia's tenements in 2009 focused on brownfields exploration between Merlin and Metal Ridge North, as well as on the Elana M trend in the northeastern portions of the tenements that include Lanham's Shaft, Barnes Shaft and Triga.

KAZAKHSTAN

Kyzyl Gold Project (50% owned)

In March 2010, Ivanhoe Mines increased its interest from 49% to 50% in Altynalmas Gold, the company that holds 100% ownership of the Kyzyl Gold Project. Ivanhoe Mines and its strategic partner will proceed to advance the project under the Altynalmas Gold umbrella.

During 2009, Altynalmas Gold established that single-stage roasting was not to be a long-term technology solution for the Kyzyl Gold Project that hosts the Bakyrchik and Bolshevik gold deposits. Altynalmas Gold has engaged consultants to undertake laboratory bench-scale and pilot test work using a fluidized-bed roasting technology. This technology involves two stages: a reductive first stage, followed by an oxidative second stage. Whereas the reductive first stage volatizes and drives off arsenic, the oxidative stage oxidizes sulphur and carbon. Following the completion of the pilot test work, Altynalmas Gold believes that gold recoveries of up to 90% can be realized in a commercial-scale plant using this technology.

In September 2009, Altynalmas Gold commenced a 39,000-metre deep-level drilling program at the Bakyrchik Deposit intended to upgrade the present mineral resource for inclusion in the pre-feasibility study and follow on feasibility study. This drilling program is expected to be completed by April 2011. At the end of March 2010, 21,800 metres of drilling was completed. Following sample preparation, samples are to be sent to Canada for assaying. Initial assay results are expected in April 2010. The drill work undertaken to date confirms the thickness and extent of known mineralization.

Altynalmas Gold recorded an impairment against the carrying value of the Demonstration Roaster Plant that was built to assess the validity of single-stage roasting, using a rotary kiln. In April 2009, the decision was made to shut down the Demonstration Roaster Plant due to poor gold recoveries that were being achieved. Included in Ivanhoe Mines' share of equity loss for Altynalmas of $44.7 million is an amount of $28.3 million in relation to this impairment. Altynalmas Gold plans to use the Demonstration Roaster Plant to treat surface stockpiles.

OTHER EXPLORATION

Ivanhoe Mines has active exploration programs in China, Indonesia and the Philippines. These programs principally have been conducted through joint ventures and are focused on orogenic gold, porphyry-related copper-gold, epithermal vein and breccia-hosted gold-silver and copper deposits. Exploration has involved detailed data reviews, field traverses and systematic rock chip and channel sampling of all properties, trenching and in some cases scout diamond drilling. In addition, Ivanhoe Mines conducted detailed reviews of projects and prospective belts in Canada and South America. Work in all these regions will continue in 2010.

B. DISCONTINUED OPERATIONS

This category is comprised of Ivanhoe Mines' discontinued operations of the Savage River iron ore mine in Tasmania, Australia, and SouthGobi's discontinued Mamahak coal project in Indonesia.

Savage River, Tasmania, Australia

In February 2005, Ivanhoe Mines sold its Savage River mining operations in Tasmania, Australia, for two initial cash payments totalling $21.5 million, plus a series of five contingent, annual payments that commenced on March 31, 2006.

The first contingent annual payment of $28.2 million was received by Ivanhoe Mines in 2006, the second contingent annual payment of $20.3 million was received in 2007 and the third contingent annual payment of $29.2 million was received in 2008.

On April 1, 2009, Ivanhoe Mines received an amount of $37.0 million in relation to the fourth annual contingent payment and a further $1.7 million was received in Q3'09.

To date, Ivanhoe Mines has received $137.9 million in proceeds from the sale of Savage River.

At December 31, 2009, Ivanhoe Mines had accrued a $20.9 million receivable in relation to the fifth contingent annual payment due in March 2010. This amount is calculated based upon the actual tonnes of iron ore sold during the nine-month period ended December 31, 2009, and the escalating price formula.

Mamahak Project, Indonesia

During 2009, as SouthGobi progressed with efforts to prepare for the mining and shipment of the targeted 30,000-tonne trial cargo from its Mamahak Deposit in Indonesia, SouthGobi became aware of the requirement for additional capital expenditure beyond what originally had been budgeted to develop the project. After reviewing the project expenditures and related budgets, SouthGobi suspended further development works at Mamahak pending a detailed operational review and analysis. As a result of the suspension, SouthGobi recorded an impairment of $23.3 million for the Mamahak Project in Q3'09.

In December 2009, SouthGobi sold its 85% interest in the Mamahak Deposit to Kangaroo Resources Limited (Kangaroo), an Australian mining company, for consideration comprising US$1.0 million in cash and 50 million shares of Kangaroo.

The divestment of its 85% interest in the Mamahak Project will enable SouthGobi to focus on its Mongolian coal operations and projects.

C. ADMINISTRATIVE AND OTHER

General and administrative costs. Administrative costs in 2009 were $45.8 million, an increase of $18.3 million from 2008 ($27.5 million). The increase includes an additional $5.2 million non-cash stock compensation expense related mainly to options granted during 2009, an additional $2.0 million in travel costs and an increase of $7.7 million in general consulting costs.

Interest income. Interest income in 2009 of $3.6 million was $9.6 million less than 2008 ($13.2 million) primarily due to significantly lower interest rates being achieved in 2009.

Interest expense. Interest expense in 2009 of $21.6 million was $4.0 million more than 2008 ($17.6 million) due to $4.7 million in interest being incurred by SouthGobi on the November 2009 convertible debenture issued to CIC. Ivanhoe Mines incurred $16.2 million in interest on its convertible credit facility with Rio Tinto (2008: $17.1 million)

Foreign exchange gain. The $34.1 million foreign exchange gain during 2009 was mainly attributable to the strengthening of the Canadian and Australian dollars against the U.S. dollar during the year. The majority of this foreign exchange gain was unrealized at December 31, 2009.

Share of loss on significantly influenced investees. The $45.9 million share of loss on significant influenced investees in 2009 represents Ivanhoe Mines' share of Exco's ($1.2 million) and Altynalmas Gold's net loss ($44.7 million). Ivanhoe Mines share of loss on significantly influenced investees in 2008 was $10.1 million.

Change in fair value of embedded derivatives in convertible debenture. The $45.0 million change in fair value of embedded derivatives in convertible debenture relates to the SouthGobi convertible debenture issued to CIC in November 2009. The conversion features are considered embedded derivative liabilities that must be recorded at their fair value upon initial measurement and revalued at each subsequent reporting period.

SELECTED QUARTERLY DATA

	Quarter Ended			
	Dec-31 2009	Sep-30 2009	Jun-30 2009	Mar-31 2009
	($ in millions of dollars, except per share information)			
Revenue	$ 9.9	$ 11.9	$ 10.7	$ 3.5
Exploration expenses	(67.2)	(40.6)	(35.2)	(34.1)
General and administrative	(15.0)	(12.5)	(10.5)	(7.8)
Foreign exchange gains (losses)	2.2	19.5	21.7	(9.3)
Change in fair value of embedded derivatives	(45.0)	—	—	—
Gain on sale of long-term investments	—	1.4	—	—
Net (loss) income from continuing operations	(138.7)	(47.5)	(27.0)	(63.4)
Income (loss) from discontinued operations	9.2	(22.3)	2.1	7.4
Net (loss) income	(129.5)	(69.8)	(24.9)	(56.0)
Net (loss) income per share — basic				
Continuing operations	$ (0.35)	$(0.12)	$(0.07)	$(0.17)
Discontinued operations	$ 0.03	$(0.06)	$ 0.00	$ 0.02
Total	$ (0.32)	$(0.18)	$(0.07)	$(0.15)
Net (loss) income per share — diluted				
Continuing operations	$ (0.35)	$(0.12)	$(0.07)	$(0.17)
Discontinued operations	$ 0.03	$(0.06)	$ 0.00	$ 0.02
Total	$ (0.32)	$(0.18)	$(0.07)	$(0.15)

(Stated in U.S. dollars, except where noted)

	Quarter Ended			
	Dec-31 2008	Sep-30 2008	Jun-30 2008	Mar-31 2008
Revenue	$ 3.1	$ —	$ —	$ —
Exploration expenses	(73.0)	(56.8)	(66.0)	(54.8)
General and administrative	(8.1)	(5.1)	(7.5)	(6.8)
Foreign exchange (losses) gains	(40.6)	(20.0)	(1.0)	(1.3)
Writedown of other long-term investments	(18.0)	—	—	—
Gain on sale of long-term investments	—	—	201.4	—
Net (loss) income from continuing operations	(165.0)	(95.8)	119.6	(67.1)
Income from discontinued operations	5.0	7.8	7.9	3.5
Net (loss) income	(160.0)	(88.0)	127.5	(63.6)
Net (loss) income per share — basic				
Continuing operations	$ (0.44)	$(0.25)	$ 0.32	$(0.18)
Discontinued operations	$ 0.01	$ 0.02	$ 0.02	$ 0.01
Total	$ (0.43)	$(0.23)	$ 0.34	$(0.17)
Net (loss) income per share — diluted				
Continuing operations	$ (0.44)	$(0.25)	$ 0.29	$(0.18)
Discontinued operations	$ 0.01	$ 0.02	$ 0.02	$ 0.01
Total	$ (0.43)	$(0.23)	$ 0.31	$(0.17)

FOURTH QUARTER

Revenue. In Q4'09, SouthGobi recognized $9.9 million in coal revenue, compared to $3.1 million in 2008. SouthGobi shipped approximately 359,000 tonnes of coal in Q4'09 at an average realized selling price of approximately $29 per tonne, compared to 113,000 tonnes of coal in Q4'08 at an average realized selling price of approximately $29 per tonne.

Exploration. In Q4'09, Ivanhoe Mines expensed $67.2 million in exploration and development activities, compared to $73.0 million in Q4'08. The majority of the $67.2 million was spent on the Mongolian properties ($50.7 million in Q4'09, compared to $62.1 million in Q4'08). Approximately $42.3 million was spent on the Oyu Tolgoi Project, $7.4 million was spent on SouthGobi's Mongolian coal projects and $15.1 million was spent by Ivanhoe Australia.

Administrative costs. Administrative costs in Q4'09 were $15.0 million, an increase of $6.9 million from Q4'08 ($8.1 million). The increase was due to a $1.4 million increase in non-cash stock based compensation related mainly to options granted during Q4'09 and a general increase in travel, salaries and consulting costs.

Foreign exchange gain. The $2.1 million foreign exchange gain during Q4'09 was attributable to the strengthening of the Canadian and Australian dollars against the U.S. dollar. The majority of this foreign exchange gain was unrealized at December 31, 2009.

Change in fair value of embedded derivatives in convertible debenture. The $45.0 million change in fair value of embedded derivatives in convertible debenture relates to the SouthGobi convertible debenture issued to CIC in November 2009. The conversion features are considered embedded derivative liabilities that must be recorded at their fair value upon initial measurement and revalued at each subsequent reporting period.

Writedown of other long-term investments. The $18.0 million write-down of other long-term investments in Q4'08 represents the additional impairment recorded on the Company's Long-term Notes.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Operating activities. The $183.3 million of cash used in operating activities in 2009 primarily was the result of $155.1 million in cash exploration expenditures, a $7.5 million change in non-cash operating working capital and $19.2 million of cash used in discontinued operations.

Investing activities. The $190.3 million of cash used in investing activities in 2009 included $15.0 million purchased in short-term investments, $30.4 million in long-term investments and $147.5 million purchased in other long-term investments. The $147.5 million of other long-term investments purchased consisted mainly of the $100.0 million Mongolian Treasury Bill purchased by OT LLC and $47.5 million in long-term money market instruments purchased by SouthGobi. There also was $39.0 million used in property, plant and equipment purchases mainly relating to Ovoot Tolgoi. These outflows were slightly offset by the receipt of $38.7 million as part of the fourth annual payment from the sale of the Savage River operation.

Financing activities. The $912.6 million in cash provided by financing activities was mainly attributable to $388.0 million received from the exercise by Rio Tinto of Tranche 2 of the 2006 Private Placement, $485.0 million raised by SouthGobi upon issue of the convertible debenture to CIC and $37.6 million drawn down from credit facilities.

Liquidity and Capital Resources

At December 31, 2009, Ivanhoe Mines' consolidated working capital was $597.9 million, including cash and cash equivalents of $965.8 million, compared with working capital of $401.9 million and cash and cash equivalents of $384.1 million at December 31, 2008. Included in the December 31, 2009, cash and cash equivalents balance of $965.8 million was $357.3 million of SouthGobi's cash and cash equivalents and $10.6 million of Ivanhoe Australia's cash and cash equivalents, which were not available for the Company's use.

As at March 31, 2009, Ivanhoe Mines' current consolidated cash position was approximately $1.3 billion. Ivanhoe Mines, based on its current cash position, believes that its existing funds should be sufficient to fund its minimum obligations, including general corporate activities, for at least the next 12 months.

Ivanhoe Mines is advancing its financing plan for the Oyu Tolgoi Project. Ivanhoe Mines' current consolidated cash position, together with the future proceeds from the expected exercise by Rio Tinto of its Ivanhoe Mines warrants and rights, for a total of $1.2 billion, will provide the foundation for the funding of the Oyu Tolgoi Project.

In January 2010, Ivanhoe Mines announced that it had retained leading global investment banking firm Citi and independent mining sector specialist Hatch Corporate Finance (Hatch) to evaluate and advise the Company on a range of strategic options to further enhance shareholder value. Citi and Hatch will assist the Company's management to evaluate a range of options during the coming months. Options include, but are not limited to, potential debt/equity offerings, a credit facility, the sale of subsidiaries, equity investments, project financing and/or various corporate transactions. No specific transaction is being considered at this time.

Ivanhoe Mines has begun to assess the availability of debt financing for the development of Oyu Tolgoi. Discussions are being held with potential project lenders with the intention of raising funds in 2010. Based on that review, the Company believes that the remaining funding requirements for the Project can be fulfilled primarily through debt. Numerous sovereign-wealth funds, international banks and multilateral agencies have made unsolicited approaches to Ivanhoe Mines and expressed direct interest in participating in project financing arrangements.

Financial Instruments

Ivanhoe Mines' financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, long-term investments, other long-term investments, accounts payable, amounts due under credit facilities and convertible credit facilities.

The fair value of Ivanhoe Mines' long-term investments was determined by reference to published market quotations, which may not be reflective of future values.

The fair value of Ivanhoe Mines' other long-term investments, consisting of the Long-Term Notes, the Mongolian Treasury Bill and long-term money market instruments was determined by considering the best available data regarding market conditions for such investments, which may not be reflective of future values.

The fair value of the Rio Tinto convertible credit facility was estimated to approximate the balance of principal and interest outstanding, due primarily to the short-term maturity of this facility.

The fair value of the CIC convertible debenture was estimated to approximate the aggregate carrying amount of the CIC convertible credit facility liability and interest payable. This aggregate carrying amount includes the estimated fair value of the embedded derivative liability which was determined using a Monte Carlo simulation valuation model.

The fair values of Ivanhoe Mines' remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments.

Ivanhoe Mines is exposed to credit risk with respect to its accounts receivable. The significant concentrations of credit risk are situated in Mongolia and Australia. Ivanhoe Mines does not mitigate the balance of this risk in light of the credit worthiness of its major debtors.

Ivanhoe Mines is exposed to interest rate risk with respect to the variable rates of interest incurred on the Rio Tinto convertible credit facility and amounts due under credit facilities. Interest rate risk is concentrated in Canada. Ivanhoe Mines does not mitigate the balance of this risk.

SHARE CAPITAL

At March 31, 2010, the Company had a total of:

- 441.2 million common shares outstanding.
- 20.3 million incentive stock options outstanding, with a weighted average exercise price of C$8.82 per share. Each option is exercisable to purchase a common share of the Company at prices ranging from C$2.82 to C$16.79 per share.
- 92.1 million share-purchase warrants outstanding granted to Rio Tinto, divided into two series. The lives of these warrants are determined by the date on which an approved Investment Agreement is reached. The Warrant Determination Date within the warrant terms presented below is the earlier of the date on which an approved Investment Agreement is reached or October 27, 2009.

  The 46,026,522 Series A Warrants are non-transferable. Each warrant entitles Rio Tinto to purchase one Common Share of the Company at a price of:

  (i) $8.38 during the period commencing November 30, 2006 and ending 180 days following the Warrant Determination Date; and

  (ii) $8.54 during the period commencing 181 days after the Warrant Determination Date and ending 365 days after the Warrant Determination Date.

The 46,026,522 Series B Warrants are non-transferable. Each warrant entitles Rio Tinto to purchase one Common Share of the Company at a price of:

(i) $8.38 during the period commencing November 30, 2006 and ending 180 days following the Warrant Determination Date;

(ii) $8.54 during the period commencing 181 days after the Warrant Determination Date and ending 365 days after the Warrant Determination Date;

(iii) $8.88 during the period commencing 366 days after the Warrant Determination Date and ending 545 days after the Warrant Determination Date; and

(iv) $9.02 during the period commencing 546 days after the Warrant Determination Date and ending 725 days after the Warrant Determination Date.

- 35.0 million Series C share-purchase warrants outstanding granted to Rio Tinto as part of the $350.0 million credit facility agreement, with an exercise price of $10.00 per share, which are exercisable until October 24, 2012.
- 1.4 million share purchase warrants outstanding with an exercise price of C$3.15 per share. These warrants were granted to Rio Tinto under certain anti-dilution provisions in the 2006 Private Placement Agreement (Anti-Dilution warrants), are divided into two series and have lives identical to the Series A & B warrants.

OUTLOOK

The information below is in addition to the disclosure concerning specific operations included in the Review of Operations section of this MD&A.

The Company has worked with the Government of Mongolia to satisfy the remaining conditions precedent to the approved Investment Agreement. On March 31, 2010, the Mongolian Government confirmed that the procedural and administrative conditions contained in the Investment Agreement had been satisfied within the allocated six-month period that has followed the agreement's official signing on October 6, 2009. The comprehensive Investment Agreement now has taken full legal effect.

As a result, the Company:

- expects to shortly fully implement the 2010 construction budget;
- expects to purchase a second T-Bill from the Government of Mongolia within 14 days of the approved Investment Agreement taking effect.
- will transfer to Mongolia's state-owned company, Erdenes, a 34% interest in the Oyu Tolgoi Project within 14 days of the approved Investment Agreement taking effect.

General Economic Conditions

The markets in which Ivanhoe Mines expects to sell its products have seen significant improvements during the year. Prices for base and precious metal prices increased significantly in 2009. There has been increased demand for coal, particularly in Asia. While world-wide economic conditions continue to improve and stability appears to be returning to financial and commodity markets, there continues to be significant concern about the short- and medium-term global economic outlook. Specifically, the cost of obtaining capital has increased and there continues to be limited availability of funds. Accordingly, management is reviewing the effects of the current conditions on Ivanhoe Mines' business.

Exchange rates

The sale of Ivanhoe Mines' coal products are denominated in US dollars.

Ivanhoe Mines holds a portion of its cash resources in currencies other than the US$. Ivanhoe Mines expects to incur future expenditures in currencies other than the US$, most notably in Canadian and Australian dollars. As a result, exchange gains and losses from holding Canadian and Australian dollars primarily are unrealized and are expected to continue to fluctuate significantly given the recent volatility in foreign exchange rates.

Capital Expenditures

Ivanhoe Mines continues to review its capital spending in light of current market conditions.

In late 2009, the joint Ivanhoe Mines-Rio Tinto Oyu Tolgoi Technical Committee conditionally approved a $758.0 million budget for 2010 to begin full-scale construction of the Oyu Tolgoi mining complex. The budget for 2010 includes Ivanhoe Mines repurchase from Rio Tinto of $195.4 million of key mining and milling equipment that was financed by the sale of 15 million shares to Rio Tinto at a price of $16.07 per share (C$16.31 per share) for proceeds of $241.1 million (C$244.7 million).

The 2010 budget provides for an early start on a site-wide development program at Oyu Tolgoi.

See "Liquidity and Capital Resources" for more information on Ivanhoe Mines' financing plans for the Oyu Tolgoi Project.

Other information

The Company is actively involved in advancing several other projects. These activities are expected to continue in 2010, with a focus on subsidiary SouthGobi and its mining of coal; subsidiary Ivanhoe Australia and its activities on its Cloncurry tenements and its Tennant Creek joint-venture; and Altynalmas Gold and its drilling program at the Kyzyl Gold Project. SouthGobi and Ivanhoe Australia have sufficient funds to advance their operations and development plans for 2009. Ivanhoe Mines owns 50% of Altynalmas Gold, which is reviewing its operating plans to determine the amount of funding that it will require from its shareholders.

OFF-BALANCE-SHEET ARRANGEMENTS

During the year ended December 31, 2009, Ivanhoe Mines was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.

CONTRACTUAL OBLIGATIONS

	Payments Due by Period				
	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years	Total
	($000's of U.S. dollars)				
Operating leases[1]	$ 4,123	$ 6,452	$ 2,194	$ —	$ 12,769
Purchase obligations[1]	31,902	375	—	—	32,277
Debt obligations[2]	412,934	37,979	—	500,000	950,913
Other long-term obligations[3]	3,339	—	—	18,539	21,878
Total	$ 452,298	$ 44,806	$ 2,194	$518,539	$ 1,017,837

(1) These amounts mainly represent various long-term contracts that include commitments for future operating payments under contracts for drilling, engineering, equipment purchases, rentals and other arrangements.

(2) Debt obligations consist of amounts due under credit facilities and convertible credit facilities.

(3) Other long-term obligations consist of asset retirement obligations.

Other contractual or contingent obligations that are not included in the above table:

- On October 6, 2009, Ivanhoe Mines' subsidiary, OT LLC agreed to purchase three T-Bills from the Government of Mongolia having an aggregate face value of $287.5 million, for the aggregate sum of $250.0 million. On October 20, 2009, OT LLC purchased the initial $100.0 million T-Bill. OT LLC is committed to purchase the second $50.0 million T-Bill within 14 days of the conditions precedent having been addressed and purchase the final $100.0 million T-Bill within 14 days of having fully drawn down the financing necessary to enable the full and complete construction of the Oyu Tolgoi Project or June 30, 2011, whichever date is earlier.
- In March 2010, Ivanhoe Mines used $195.4 million of the $241.1 million of proceeds received from the issue of 15.0 million common shares to Rio Tinto to repurchase from Rio Tinto certain key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project.

CHANGES IN ACCOUNTING POLICIES

The Company adopted the FASB Accounting Standards Codification (ASC) on July 1, 2009. The ASC becomes the source of authoritative U.S. GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The ASC supersedes all non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the ASC will become nonauthoritative. The adoption of the ASC had no impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the ASC guidance for noncontrolling interests was updated to establish accounting and reporting standards pertaining to (i) the nature and classification of the noncontrolling interest in the Consolidated Statement of Financial Position, (ii) attributing net income and comprehensive income to the parent and the noncontrolling interest, (iii) changes in a parent's ownership interest in a subsidiary, and (iv) deconsolidation of a subsidiary. For presentation and disclosure purposes, the updated guidance requires noncontrolling interests to be classified as a separate component of shareholders' equity. The Company adopted the provisions of the updated guidance on January 1, 2009. Except for presentation changes, the adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the ASC guidance for business combinations was updated. The updated guidance changes accounting for acquisitions that close beginning in 2009. More transactions and events will qualify as business combinations and will be accounted for at fair value under the new standard. The updated guidance promotes greater use of fair values in financial reporting. Some of the changes will introduce more volatility into earnings. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2008, ASC guidance for convertible debt instruments was updated. The updated guidance applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. The updated guidance requires that the liability and equity components of convertible debt instruments within its scope be separately accounted for in a manner that reflects the entity's nonconvertible borrowing rate. This requires an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component will be reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied retrospectively to all periods presented. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In October 2008, the ASC guidance for an instrument (or embedded feature) with a settlement amount that is based on the stock of an entity's consolidated subsidiary was updated to clarify whether such an instrument (or embedded feature) qualifies for the scope exemption from derivative accounting. For purposes of applying the scope exemption from derivative accounting, freestanding financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary are not precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent. An equity-classified instrument (including an embedded feature that is separately recorded in equity under applicable GAAP) within the scope of the updated guidance shall be presented as a component of noncontrolling interest in the consolidated financial statements whether the instrument was entered into by the parent or the subsidiary. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied prospectively. The adoption of the updated guidance resulted in the reclassification of the fair value of the derivative contract to noncontrolling interests on January 1, 2009 and any subsequent changes to the fair value of the derivative contract will no longer be recorded through earnings.

In November 2008, the ASC guidance for equity method investment accounting was updated. The updated guidance clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The updated guidance provides guidance on a number of factors, including, determination of the initial carrying value of an equity method investment, performing an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment, accounting for an equity method investee's issuance of shares, and accounting for a change in an investment from the equity method to the cost method. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied prospectively. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2009, the ASC guidance was updated to provide additional guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate when a transaction is not orderly. The updated guidance is effective for interim and annual reporting periods ending on or after June 15, 2009, and shall be applied prospectively. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2009, the ASC guidance for interim disclosures about fair value was updated to require disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The updated guidance is effective for interim and annual reporting periods ending on or after June 15, 2009. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2009, the ASC guidance for subsequent events was updated. The updated guidance establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The updated guidance sets forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires Ivanhoe Mines to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

A detailed summary of all of the Company's significant accounting policies and the estimates derived therefrom is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2009. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies and the estimates derived therefrom have been identified as being critical:

- Carrying Values of Property, Plant and Equipment;
- Depletion and Depreciation of Property, Plant and Equipment;
- Asset Retirement Obligations; and
- Income Taxes.

Carrying values of Property, Plant and Equipment

Ivanhoe Mines reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment is considered to exist if total estimated future cash flows, or probability-weighted cash flows on an undiscounted basis, are less than the carrying value of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with values beyond proven and probable reserves and resources. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of Ivanhoe Mines' investments in property, plant and equipment.

Depletion and Depreciation of Property, Plant and Equipment

Property, plant and equipment comprise one of the largest components of Ivanhoe Mines' assets and, as such, the amortization of these assets has a significant effect on Ivanhoe Mines' financial statements.

On the commencement of commercial production, depletion of each mining property is provided on the unit-of-production basis using estimated proven and probable reserves as the depletion basis. The mining plant and equipment and other capital assets are depreciated, following the commencement of commercial production, over their expected economic lives using either the unit-of-production method or the straight-line method.

Capital projects in progress are not depreciated until the capital asset has been put into operation.

The proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets, or could result in impairment, resulting in a write-down of the assets.

Asset Retirement Obligations

Ivanhoe Mines has obligations for site restoration and decommissioning related to its mining properties. Ivanhoe Mines, using mine closure plans or other similar studies that outline the requirements planned to be carried out, estimates the future obligations for mine closure activities. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change — resulting from amendments in those laws and regulations relating to environmental protection and other legislation affecting resource companies.

Ivanhoe Mines recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Because the estimate of obligations is based on future expectations in the determination of closure provisions, management makes a number of assumptions and judgments. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods in relation to the remediation of Ivanhoe Mines' existing assets could differ materially from the $21.9 million undiscounted future value of Ivanhoe Mines' estimated asset retirement obligations at December 31, 2009.

Income Taxes

The Company must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. Ivanhoe Mines' operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to Ivanhoe Mines' financial position and results of operations.

The Company computes the provision for deferred income taxes under the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement's carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those deferred income tax assets that management believes will, more likely than not, fail to be realized.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred income taxes payable requires management to exercise judgment and make assumptions about the future performance of the Company. Management is required to assess whether the Company is "more likely than not" to be able to benefit from these tax losses. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

RECENT ACCOUNTING PRONOUNCEMENTS

There were no recently issued United States accounting pronouncements other than those already adopted in 2009 and disclosed under "Changes in Accounting Policies".

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Ivanhoe Mines has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in Canada and the United States with respect to their plans regarding convergence to International Financial Reporting Standards (IFRS). Ivanhoe Mines is a 'domestic' issuer under Canadian securities law and a 'foreign private issuer' under US Securities and Exchange Commission (SEC) regulations. Ivanhoe Mines files its financial statements with both Canadian and US securities regulators in accordance with US GAAP, as permitted under current regulations. In 2008, the Accounting Standards Board in Canada and the Canadian Securities Administrators (CSA) confirmed that domestic issuers will be required to transition to IFRS for fiscal years beginning on or after January 1, 2011. The CSA Staff issued Staff Notice 52-321 *"Early adoption of International Financial Reporting Standards, Use of US GAAP and References to IFRS-IASB"* on June 27, 2008 which confirmed that domestic issuers that are also SEC registrants are able to continue to use US GAAP. Consequently, Ivanhoe Mines is not required to convert to IFRS effective January 1, 2011.

RISKS AND UNCERTAINTIES

Ivanhoe Mines is subject to a number of risks due to the nature of the industry in which it operates, the present state of development of its business and the foreign jurisdictions in which it carries on business. The following is a description of some of the risks and uncertainties to which Ivanhoe Mines is subject. Some of the following statements are forward-looking and actual results may differ materially from the results anticipated in these forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in this MD&A.

Although the conditions to the effectiveness of the Investment Agreement have been fulfilled, Ivanhoe Mines now has obligations to the Government of Mongolia that must be performed within a relatively short period of time.

As of the date of this MD&A, all of the conditions to the effectiveness of the Investment Agreement have been fulfilled. However, the Company has significant obligations to the Government of Mongolia to pay money and convey a 34% voting equity interest in OT LLC to Erdenes, a company controlled by the Government of Mongolia, within a relatively short period of time. If these obligations are not met in a timely manner, the Government of Mongolia may declare that Ivanhoe Mines is in breach of the terms of the Investment Agreement or otherwise challenge the validity of its terms, which could have significant adverse effects on the development of the Oyu Tolgoi Project and on Ivanhoe Mines itself.

Ivanhoe Mines may be limited in its ability to enforce the Investment Agreement against a sovereign government.

The Investment Agreement imposes numerous obligations and commitments upon the Government of Mongolia that provide clarity and certainty in respect of the development and operation of the Oyu Tolgoi Project.

The Investment Agreement also includes an arbitration clause that requires the parties to resolve disputes through international commercial arbitration procedures. Nevertheless, if and to the extent that the Government of Mongolia does not observe the terms and conditions of the Investment Agreement, there may be limitations on Ivanhoe Mines' ability to enforce the terms of the Investment Agreement against the Government of Mongolia which is a sovereign entity, regardless of the outcome of an arbitration proceeding. Without an effective means of enforcing the terms of the Investment Agreement, Ivanhoe Mines could be deprived of substantial rights and benefits arising from its investment in the Oyu Tolgoi Project with little or no recourse against the Government of Mongolia for fair and reasonable compensation. Such an outcome would have a material adverse impact on the Company.

The Investment Agreement includes a number of future covenants that may be outside of the control of Ivanhoe Mines to complete.

The Investment Agreement commits Ivanhoe Mines to perform a number of obligations in respect of the development and operation of the Oyu Tolgoi Project. While performance of many of these obligations is within the effective control of Ivanhoe Mines, the scope of certain obligations may be open to interpretation. The performance of other obligations may require co-operation from third parties or may be dependent upon circumstances that are not necessarily within the control of Ivanhoe Mines. For example:

- Ivanhoe Mines is obligated to obtain project financing for the development of the Oyu Tolgoi Project within two years following the Effective Date of the Investment Agreement and to commence commercial production within five years of securing such financing. There is a risk that OT LLC will be unable to obtain sufficient project financing within the stipulated time or that, in order to meet the project financing requirement in a timely manner, OT LLC is required to accept financing terms that are less advantageous than those that might have been available had there been no deadline for obtaining such financing. There is also a risk that unanticipated construction delays or other unforeseen development problems may cause delays in commencement in commercial production or that unforeseen mining or processing difficulties are encountered that prevent OT LLC from attaining the required commercial production levels.
- Ivanhoe Mines is obligated to utilize only Mongolian power sources within four years of commencing commercial production. Such sources of power may not be available or may be available upon commercial terms that are less advantageous than those available from other potential power suppliers.
- Mongolian nationals must represent at least 90% of the Oyu Tolgoi Project work force once commercial production is attained and 50% of the Project's engineers must be Mongolian nationals within five years, increasing to 70% after 10 years. While Ivanhoe Mines has a plan for achieving these targets, success in doing so is contingent upon the availability of a sufficient number of qualified personnel which is not wholly within Ivanhoe Mines' control.
- Ivanhoe Mines is obligated to use Mongolian services, transportation and freight facilities on a priority basis. Such services and facilities may not be available to the extent required or may be available upon commercial terms that are less advantageous than those available from other sources.
- OT LLC has community development commitments and social responsibility obligations. There is a risk that OT LLC will be unable to meet the expectations or demands of relevant community stakeholders to the extent contemplated to allow OT LLC to meet its commitments under the Investment Agreement.
- The extension of the term of the Investment Agreement from 30 years to 50 years is subject to a number of conditions, including Ivanhoe Mines having demonstrated that the Oyu Tolgoi Project has been operated in accordance with industry best practices in terms of national and community benefits, environment and health and safety practices. The inherently subjective nature of these criteria creates the risk that Ivanhoe Mines and

the Government of Mongolia may disagree as to whether the conditions for extending the term of the Investment Agreement have been met.

- Despite Ivanhoe Mines' best efforts, such provisions are not necessarily within the control of the Company and non-fulfillment may result in default under the Investment Agreement. Such a default could result in termination of the Investment Agreement or damages accruing, which could have a material adverse effect on the Company.

The Oyu Tolgoi Project will be operated as a corporate/government joint venture and will be subject to joint venture risk.

Although the Shareholders' Agreement contemplates that Ivanhoe Mines will maintain a controlling interest in the Oyu Tolgoi Project, the Government of Mongolia will also hold a significant stake in what is effectively a corporate joint venture involving a government entity. In addition, a portion of the Oyu Tolgoi Project property is held subject to the Entrée Joint Venture. As such, the Oyu Tolgoi Project is, to a certain extent, a joint venture within a joint venture. Therefore, Ivanhoe Mines will be subject, on multiple levels, to all of the risks to which participants in mining joint ventures are typically exposed. Such risks include the potential for disputes respecting development, operation and financing matters resulting from differing levels of sophistication in relevant business and technical matters, inequality of bargaining power and incompatible long-term strategic and economic objectives.

The Government of Mongolia T-Bills may remain illiquid beyond the stated maturity date.

OT LLC is obligated to complete the purchase of an additional $150 million of T-Bills in addition to the $100 million of T-Bills already purchased. Mongolia continues to maintain a relatively high level of debt and, as such, its debt securities carry a higher level of risk than similar securities issued by countries with lower debt and more developed economies. There is no assurance that Ivanhoe Mines will be able to readily convert the T-Bills into cash upon the stated maturity date, and the inability to do so could have a material adverse impact on Ivanhoe Mines' cash position.

There can be no assurance that Ivanhoe Mines will be capable of raising the additional funding that it needs to carry out its development and exploration objectives.

Carrying out the development and exploration of the Oyu Tolgoi Project and the various other mineral properties in which Ivanhoe Mines holds interests depends upon Ivanhoe Mines' ability to obtain financing through capital markets, sales of non-core assets or other means. Ivanhoe Mines expects to be able to meet short-term cash requirements for the development of the Oyu Tolgoi Project and Ivanhoe Mines' other projects from its existing financial resources, but these funds will not be sufficient to meet all anticipated development expenditure requirements. The Private Placement Warrants held by Rio Tinto may, if exercised in full, account for a portion of the development cost of the Oyu Tolgoi Project, but will be insufficient to fund the entire development cost and, in any case, there is no assurance that Rio Tinto will fully exercise the Private Placement Warrants, which are exercisable at the sole discretion of Rio Tinto. Even if Rio Tinto fully exercises the Private Placement Warrants, Ivanhoe Mines will require access to additional sources of capital to complete the development of the Oyu Tolgoi Project and to advance the development of its other mineral properties. The terms of the Investment Agreement oblige Ivanhoe Mines to obtain, within two years of the Effective Date of the Investment Agreement, project financing sufficient to complete the development activities necessary to establish commercial production. Market volatility in precious and base metals may affect the terms upon which debt financing or equity financing is available. Ivanhoe Mines operates in a region of the world that is prone to economic and political upheaval and instability, which may make it more difficult for Ivanhoe Mines to obtain debt financing from project lenders.

Failure to obtain additional financing on a timely basis may cause Ivanhoe Mines to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

Lack of infrastructure in proximity to Ivanhoe Mines' material properties could adversely affect mining feasibility.

The Oyu Tolgoi Project is located in an extremely remote area in the South Gobi Region of Mongolia, which currently lacks basic infrastructure, including sources of electric power, water, housing, food and transport, necessary to develop and operate a major mining project. While Ivanhoe Mines has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant and transportation infrastructure in the area will need to be established before Ivanhoe Mines can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. The Ovoot Tolgoi Coal Project is similarly located in a remote area of southern Mongolia and, although it is in commercial production, it faces the same challenges that come from operating in such a remote location.

The resource and reserve estimates for Ivanhoe Mines' projects disclosed in this MD&A are estimates only and are subject to change based on a variety of factors, some of which are beyond Ivanhoe Mines' control. Ivanhoe Mines' actual production, revenues and capital expenditures may differ materially from these estimates.

The estimates of reserves and resources disclosed in this MD&A, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Reserve and resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of metals or increases in the costs to recover metals from Ivanhoe Mines' mining projects may render the mining of ore reserves uneconomical and materially adversely affect Ivanhoe Mines' operations. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could reduce materially Ivanhoe Mines' reserves and resources. Should such reductions occur, material write downs of Ivanhoe Mines' investment in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects, increased net losses and reduced cash flow. The estimates of mineral reserves and resources attributable to a specific property are based on accepted engineering and evaluation principles. The estimated amount of contained metals in proven and probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

There are numerous uncertainties inherent in estimating quantities of mineral reserves and resources. The estimates in this MD&A are based on various assumptions relating to commodity prices and exchange rates during the expected life of production, mineralization of the area to be mined, the projected cost of mining, and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates.

Mining projects are sensitive to the volatility of metal prices.

The long-term viability of the Oyu Tolgoi Project depends in large part on the world market prices of copper and gold. The market prices for these metals are volatile and are affected by numerous factors beyond Ivanhoe Mines' control. These factors include international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, increased production due to improved mining and production methods and economic events, including the performance of Asia's economies.

The aggregate effect of these factors on metals prices is impossible to predict. Should prevailing metal prices remain depressed or below variable production costs of Ivanhoe Mines' current and planned mining operations for an extended period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of Ivanhoe Mines' mining, development and exploration activities. Ivanhoe Mines would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of Ivanhoe Mines' reserves and resources. These factors could have an adverse impact on Ivanhoe Mines' future cash flows, earnings, results of operations, stated reserves and financial condition.

The following table sets forth for the periods indicated (1) the London Metals Exchange's high, low and average settlement prices for copper in U.S. dollars per pound and (2) the high, low and average London afternoon fixing prices for gold.

	Copper			Gold		
Year	**High**	**Low**	**Average**	**High**	**Low**	**Average**
2005	$2.11	$1.39	$1.67	$ 536	$411	$444
2006	$3.99	$2.06	$3.05	$ 725	$524	$604
2007	$3.77	$2.37	$3.23	$ 841	$604	$695
2008	$4.08	$1.26	$3.15	$1,011	$713	$872
2009	$3.33	$1.38	$2.34	$1,213	$810	$972

Ivanhoe Mines' ability to carry on business in Mongolia is subject to legal and political risk.

Although Ivanhoe Mines expects that the Investment Agreement will bring significant stability and clarity to the legal, political and operating environment in which Ivanhoe Mines will develop and operate the Oyu Tolgoi Project, Ivanhoe Mines is still subject to legal and political risks in Mongolia.

The Ovoot Tolgoi Project is not covered by the Investment Agreement. SouthGobi holds its interest in its Mongolian mineral exploration and development projects indirectly through mining licences and exploration licences, and the rights with respect to those activities may be subject to changes in legislation or government regulations or changes in political attitudes within Mongolia.

The Investment Agreement is expected to mitigate a significant degree of political risk. Nevertheless, there is still a risk, particularly with respect to investments not covered by the Investment Agreement, that the Government may change its policies to discourage foreign investment, mining projects may be nationalized or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that Ivanhoe Mines' assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of Ivanhoe Mines' original investment or to compensate for the loss of the current value of the Mongolian projects. Insofar as the Government of Mongolia is a sovereign entity against which the terms of the Investment Agreement may be unenforceable, this risk applies to the Oyu Tolgoi Project despite the provisions of the Investment Agreement respecting nationalization and expropriation. Similarly, other projects in Mongolia in which Ivanhoe Mines holds a direct or indirect interest that are not covered by the Investment Agreement, such as the Ovoot Tolgoi Coal Project, may be affected in varying degrees by, among other things, government regulations with respect to restrictions on production, price controls, export controls, income taxes, environmental legislation, mine safety and annual fees to maintain mineral licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. Although legal title risks in respect of the Oyu Tolgoi Project are expected to be significantly mitigated by the terms of the Investment Agreement, there may still be ambiguities, inconsistencies and anomalies in the other agreements, licences and title documents through which Ivanhoe Mines holds its interests in other mineral resource properties in Mongolia, or the underlying legislation upon which those interests are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of Ivanhoe Mines' rights and obligations. Local institutions and bureaucracies responsible for administrating laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. For decades Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. Accordingly, while Ivanhoe Mines believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

Recent and future amendments to Mongolian laws could adversely affect Ivanhoe Mines' mining rights in the Oyu Tolgoi Project or make it more difficult or expensive to develop the project and carry out mining.

The Government of Mongolia has, in the past, expressed its strong desire to foster, and has to date protected the development of, an enabling environment for foreign investment. Ivanhoe Mines believes that the successful negotiation of the Investment Agreement in respect of the Oyu Tolgoi Project clearly demonstrates the level of commitment of the current government to continue to do so. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to the Minerals Law in 2006. At present, Ivanhoe Mines has no reason to believe that the Government of Mongolia intends to sponsor or that Parliament intends to enact amendments to the Minerals Law or other legislation that would be materially adverse to the interests of international investors in Mongolia's mining sector, including those of Ivanhoe Mines. Nevertheless, there can be no assurance that the present government or a future government will refrain from enacting legislation or adopting government policies that are adverse to Ivanhoe Mines' interests or that impair Ivanhoe Mines' ability to develop and operate the Oyu Tolgoi Project, Ovoot Tolgoi or other projects on the basis presently contemplated.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Ivanhoe Mines' business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Ivanhoe Mines' decision as to whether to continue to operate in a particular jurisdiction or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Ivanhoe Mines is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on Ivanhoe Mines' future cash flows, earnings, results of operations and financial condition.

Ivanhoe Mines is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations, either through current or future operations or a pre-existing condition could materially adversely affect Ivanhoe Mines.

All phases of Ivanhoe Mines' operations are subject to environmental regulations in the various jurisdictions in which it operates. For example, the Oyu Tolgoi Project is subject to a requirement to meet environmental protection obligations. Ivanhoe Mines must complete an Environmental Protection Plan for Government approval and complete a report prepared by an independent expert on environmental compliance every three years.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Ivanhoe Mines' operations. Environmental hazards may exist on the properties in which the Ivanhoe Mines Group holds interests which are presently unknown to Ivanhoe Mines and which have been caused by previous or existing third party owners or operators of the properties. Government approvals and permits are also often required in connection with various aspects of Ivanhoe Mines' operations. To the extent such approvals are required and not obtained, Ivanhoe Mines may be delayed or prevented from proceeding with planned exploration or development of its mineral properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Ivanhoe Mines and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Previous mining operations may have caused environmental damage at current and former Ivanhoe Mines mining projects, and if Ivanhoe Mines cannot prove that such damage was caused by such prior operators, its indemnities and exemptions from liability may not be effective.

Ivanhoe Mines has received exemptions from liability from relevant governmental authorities for environmental damage caused by previous mining operations at current and former mining projects, including at the Kyzyl Gold Project in Kazakhstan and the Cloncurry Project in Australia. There is a risk, however, that, if an environmental accident occurred at those sites, it may be difficult or impossible to assess the extent to which environmental damage was caused by Ivanhoe Mines' activities or the activities of other operators. In that event, the liability exemptions could be ineffective and possibly worthless.

The actual cost of developing the Oyu Tolgoi Project may differ significantly from Ivanhoe Mines' estimates and involve unexpected problems or delays.

The estimates regarding the development and operation of the Oyu Tolgoi Project are based on the IDP05. This study established estimates of resources, construction and development costs, operating costs and project economic returns are based, in part, on assumptions about future metal prices and future cost inputs, determined as at October 2005 and variances in these inputs, as well as other inputs that form the basis of IDP05, may result in operating costs, construction and development costs, production and economic returns that differ significantly from those anticipated by the IDP05 and future development reports. In the case of operating costs, IDP05 derives estimates of average cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of copper and gold from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

The Company is planning to extensively update IDP05 using assumptions that are based upon the terms and conditions of the Investment Agreement. The Company will need to update the IDP05 before it can proceed with the financing and development of a mine. There are also a number of uncertainties inherent in the development and construction of any new mine, including the Oyu Tolgoi Project. These uncertainties include:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour, power, water and transportation;
- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain necessary environmental and other government permits, and the timing of those permits; and
- the availability of funds to finance construction and development activities.

The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as the Oyu Tolgoi Project. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that future development activities will result in profitable mining operations.

Ivanhoe Mines' ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions imposed by law, foreign currency exchange regulations and financing arrangements.

Ivanhoe Mines conducts its operations through subsidiaries. Its ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate. The subsidiaries' ability to pay dividends or make other distributions to Ivanhoe Mines is also subject to their having sufficient funds to do so. If the subsidiaries are unable to pay dividends or make other distributions, Ivanhoe Mines' growth may be inhibited unless it is able to obtain additional equity or debt financing on acceptable terms. In the event of a subsidiary's liquidation, Ivanhoe Mines may lose all or a portion of its investment in that subsidiary. Ivanhoe Mines will be able to rely on the terms of the Investment Agreement to pay dividends out of Mongolia, subject to certain restrictions contained in the Investment Agreement but will be unable to do so in respect of projects that are not covered by the terms of the Investment Agreement.

There can be no assurance that the interest held by Ivanhoe Mines in its exploration, development and mining properties is free from defects or that material contractual arrangements between Ivanhoe Mines and entities owned or controlled by foreign governments will not be unilaterally altered or revoked.

Ivanhoe Mines has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of Ivanhoe Mines. There can also be no assurance that Ivanhoe Mines' rights will not be challenged or impugned by third parties. Ivanhoe Mines has also applied for rights to explore, develop and mine various properties, but there is no certainty that such rights, or any additional rights applied for, will be granted on terms satisfactory to Ivanhoe Mines or at all.

The proceeds from the sale of the Savage River Project are dependent on iron ore prices and the remaining supply of ore at the Savage River Project.

The remaining portion of the proceeds payable to Ivanhoe Mines from the sale of the Savage River Project are deferred, and the amount of such payments are dependent on prevailing prices for iron ore (as represented by the Nibrasco/JSM pellet price) in the year that the compensation is paid and the total tonnage of iron ore pellets sold from the Savage River Project in that year. Such prices are very volatile and in the past prices have suffered significant declines. Lower prices mean lower corresponding payments to Ivanhoe Mines. In addition, while current reserve and resource estimates indicate that the mine will be capable of producing sufficient ore to meet the desired tonnes per year threshold for the term of deferred payments, there is no assurance that these estimates will actually bear themselves out. If insufficient ore is actually present to produce the desired threshold amount of ore, then the corresponding payments to Ivanhoe Mines will be lower.

Competition for new mining properties by larger, more established companies may prevent Ivanhoe Mines from acquiring interests in additional properties or mining operations.

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Ivanhoe Mines may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Ivanhoe Mines will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

There is no assurance that Ivanhoe Mines will be capable of consistently producing positive cash flows.

Ivanhoe Mines has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Ivanhoe Mines has not, to date, produced positive cash flows from operations, and there can be no assurance of its ability to operate its projects profitably. While Ivanhoe Mines may in the future generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that Ivanhoe Mines will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

There is no guarantee that any exploration activity will result in commercial production of mineral deposits.

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that additional commercial quantities of ore will be discovered on any of Ivanhoe Mines' exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of Ivanhoe Mines.

Ivanhoe Mines cannot insure against all of the risks associated with mining.

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including:

- rock bursts, slides, fires, earthquakes or other adverse environmental occurrences;
- industrial accidents;
- labour disputes;
- political and social instability;
- technical difficulties due to unusual or unexpected geological formations;
- failures of pit walls, shafts, headframes, underground workings; and
- flooding and periodic interruptions due to inclement or hazardous weather condition.

These risks can result in, among other things:

- damage to, and destruction of, mineral properties or production facilities;
- personal injury;
- environmental damage;
- delays in mining;

- monetary losses; and
- legal liability.

It is not always possible to obtain insurance against all such risks and Ivanhoe Mines may decide not to insure against certain risks as a result of high premiums or other reasons. The incurrence of an event that is not fully covered or covered at all, by insurance, could have a material adverse effect on Ivanhoe Mines' financial conditions, results of operations and cash flows and could lead to a decline in the value of the securities of Ivanhoe Mines. Ivanhoe Mines does not maintain insurance against political or environmental risks.

Insofar as Rio Tinto is the Company's largest shareholder, Rio Tinto has the ability to significantly influence the business and affairs of Ivanhoe Mines.

Through its existing shareholding in the Company and the rights it holds to acquire additional Common Shares, Rio Tinto has the ability to exercise voting power to significantly influence the policies, business and affairs of Ivanhoe Mines and the outcome of any significant corporate transaction or other matter, including a merger, business combination or a sale of all, or substantially all, of Ivanhoe Mines' assets. Through existing contractual arrangements, including the Credit Agreement, Rio Tinto has the benefit of a series of negative covenants that limit actions that the Company can take and transactions in which the Company can participate without Rio Tinto's approval. Rio Tinto also has, among other rights, a right of first offer in respect of any equity financing that the Company proposes to undertake and a right of first refusal with respect to any proposed disposition by Ivanhoe Mines of an interest in the Oyu Tolgoi Project. Rio Tinto's voting equity position in Ivanhoe Mines and its existing contractual rights may have the effect of delaying, deterring or preventing a transaction involving a change of control of Ivanhoe Mines in favour of a third party that otherwise could result in a premium in the market price of the Common Shares in the future.

Rio Tinto is also able to significantly influence the management, development and operation of the Oyu Tolgoi Project through its representatives on the Technical Committee, established to manage the Oyu Tolgoi Project. Rio Tinto appointees represent a majority of the members of the Technical Committee and are entitled to control the ongoing decisions made by the Technical Committee.

Ivanhoe Mines is exposed to risks of changing political stability and government regulation in the countries in which it operates.

Ivanhoe Mines holds mineral interests in countries, which may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the control of Ivanhoe Mines and may adversely affect its business. Ivanhoe Mines' operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. Ivanhoe Mines' operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

In certain areas where Ivanhoe Mines is active, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The laws of many of the countries in which Ivanhoe Mines operates also contain inconsistencies and contradictions. Many of them are structured to bestow on government bureaucrats substantial administrative discretion in their application and enforcement with the result that the laws are subject to changing and different interpretations. As such, even

Ivanhoe Mines' best efforts to comply with the laws may not result in effective compliance in the determination of government bureaucrats.

Ivanhoe Mines' prospects depend on its ability to attract and retain key personnel.

Recruiting and retaining qualified personnel is critical to Ivanhoe Mines' success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. Ivanhoe Mines believes that it has been successful in recruiting excellent personnel to meet its corporate objectives but, as Ivanhoe Mines' business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although Ivanhoe Mines believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Certain directors of Ivanhoe Mines are directors or officers of, or have significant shareholdings, in other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with Ivanhoe Mines.

Certain of the directors of Ivanhoe Mines are directors or officers of, or have significant shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which Ivanhoe Mines may participate, the directors of Ivanhoe Mines may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. This includes the individuals nominated by Rio Tinto, to serve on the Company's board of directors. Rio Tinto is entitled to nominate a number of directors to the Company's board of directors proportionate to its level of ownership of Ivanhoe Mines' issued and outstanding Common Shares from time to time. Certain of these nominees are or may be directors or officers of, or have significant shareholdings in, Rio Tinto Group companies or other mineral resource companies and, to the extent that such companies may engage in business relationships with Ivanhoe Mines, the directors of Ivanhoe Mines appointed by Rio Tinto may have conflicts of interest in negotiating and concluding terms of such relationships. In all cases where directors and officers have an interest in another resource company, such other companies may also compete with Ivanhoe Mines for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of Ivanhoe Mines and will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, Ivanhoe Mines will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Yukon *Business Corporations Act*, the directors of Ivanhoe Mines are required to act honestly, in good faith and in the best interests of Ivanhoe Mines. In determining whether or not Ivanhoe Mines will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to Ivanhoe Mines, the degree of risk to which Ivanhoe Mines may be exposed and its financial position at that time.

Capital markets are volatile.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of Ivanhoe Mines' securities.

If Ivanhoe Mines is required to access credit markets to carry out its development objectives, the state of domestic and international credit markets and other financial systems could affect Ivanhoe Mines' access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could, make it more difficult for Ivanhoe Mines to obtain, or increase its cost of obtaining, capital and financing for its operations. Such capital may not be available on terms acceptable to Ivanhoe Mines or at all.

Ivanhoe Mines is subject to the U.S. Foreign Corrupt Practices Act.

Ivanhoe Mines is subject to the U.S. Foreign Corrupt Practices Act (the FCPA), which prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. Ivanhoe Mines' international activities create the risk of unauthorized payments or offers of payments by our employees, consultants or agents, even though they may not always be subject to our control. Ivanhoe Mines discourages these practices by our employees and agents. However, Ivanhoe Mines' existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants and agents may engage in conduct for which we might be held responsible. Any failure by us to adopt appropriate compliance procedures and ensure that our employees and agents comply with the FCPA and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on our ability to conduct business in certain foreign jurisdictions.

Ivanhoe Mines and SouthGobi hold substantial funds in cash and cash equivalents and there is a risk that financial market turmoil or other extraordinary events could prevent the companies from obtaining timely access to such funds or result in the loss of such funds.

Ivanhoe Mines and SouthGobi both currently hold substantial investments in cash and cash equivalents, including treasury bills, money market funds and bank deposits. Management has adopted a conservative investment philosophy with respect to such funds, as the Company may require that these funds be used on short notice to support the business objectives of the Company and SouthGobi. Nevertheless, there is a risk that an extraordinary event in financial markets generally or with respect to an obligor under an investment individually will occur that prevents the Company and/or SouthGobi from accessing its cash and cash equivalent investments. Such an event could, in the case of delayed liquidity, have a negative impact on implementation of time sensitive business objectives that require access to such funds or such an event could, in extreme circumstances, result in the loss of some or all of such funds.

RELATED-PARTY TRANSACTIONS

The following tables summarize related party expenses incurred by Ivanhoe Mines, primarily on a cost recovery basis, with an officer of a subsidiary of Ivanhoe Mines, a company affiliated with Ivanhoe Mines, or with companies related by way of directors or shareholders in common. The tables below summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Years Ended December 31,	
	2009	2008
	(Stated in $000's of U.S. dollars)	
Global Mining Management Corporation(a)	**$ 8,982**	$ 8,147
Ivanhoe Capital Aviation LLC(b)	**5,940**	3,840
Fognani & Faught, PLLC(c)	**60**	621
Ivanhoe Capital Corporation(d)	**211**	—
Ivanhoe Capital Services Ltd.(e)	**618**	601
Rio Tinto plc(f)	**8,588**	4,783
	$24,399	$17,992

	Years Ended December 31,	
	2009	2008
Exploration	**$ 8,588**	$ 4,783
Legal	**60**	621
Office and administrative	**2,432**	2,451
Salaries and benefits	**7,379**	6,297
Travel (including aircraft rental)	**5,940**	3,840
	$24,399	$17,992

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.

Accounts receivable and accounts payable at December 31, 2009, included $0.7 million and $4.8 million, respectively (December 31, 2008 — $0.1 million and $3.2 million, respectively), which were due from/to a company under common control, a company affiliated with Ivanhoe Mines, or companies related by way of directors in common.

(a) Global Mining Management Corporation (Global) is a private company based in Vancouver owned equally by seven companies, one of which is Ivanhoe Mines. Global has a director in common with the Company. Global provides administration, accounting, and other office services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC (Aviation) is a private company 100% owned by the Company's Chairman. Aviation operates aircraft which are rented by the Company on a cost-recovery basis.

(c) An officer of a subsidiary of Ivanhoe Mines is associated with Fognani & Faught, PLLC, a legal firm which provides legal services to Ivanhoe Mines.

(d) Ivanhoe Capital Corporation (ICC) is a private company 100% owned by the Company's Chairman. ICC provides administration and other office services out of London, England on a cost-recovery basis.

(e) Ivanhoe Capital Services Ltd. (ICS) is a private company 100% owned by the Company's Chairman. ICS provides management services out of Singapore on a cost-recovery basis.

(f) Rio Tinto owns 22.4% of Ivanhoe Mines. Rio Tinto provides engineering related services for the Oyu Tolgoi Project on a cost-recovery basis.

The Company's Chairman has a 34% interest in Ivanhoe Nickel and Platinum Ltd. (Ivanplats). During 2009, Ivanhoe Mines acquired 1.2 million Ivanplats common shares at a cost of $1,842,000. In addition, Ivanhoe Mines purchased 220,000 Ivanplats common shares at a cost of $1,320,000 and 250,000 special warrants, convertible into 250,000 Ivanplats common shares, at a cost of $1,500,000 from certain directors of the Company.

Also during 2009, Ivanhoe Mines acquired 1.1 million units of Ivanplats at a cost of $9,900,000. Each unit is comprised of one common share, one liquidity right and one-half of one initial public offering (IPO) warrant. Each liquidity right is convertible into 0.1 of an Ivanplats common share for no additional consideration in the event that a liquidity event does not occur on or before December 31, 2010. IPO warrants vest upon closing of an IPO. If an IPO occurs prior to December 31, 2010, each IPO warrant entitles the holder to purchase one Ivanplats common share at the IPO price up until two years after the closing of the IPO. If an IPO occurs after December 31, 2010, each IPO warrant entitles the holder to purchase 1.1 Ivanplats common shares at the IPO price up until two years after the closing of the IPO.

As at December 31, 2009, Ivanhoe Mines held a 10.3% equity interest in Ivanplats on a fully diluted basis.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's principal executive officer and principal financial officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the Company's fiscal year ended December 31, 2009, an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) was carried out by the Company's management with the participation of the principal executive officer and principal financial officer. Based upon that evaluation, the Company's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the Company's principal executive officer and principal financial officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles and the requirements of the Securities and Exchange Commission in the United States, as applicable. The Company's principal executive officer and principal financial officer have assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2009 in accordance with Internal Control —

(Stated in U.S. dollars, except where noted)

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's principal executive officer and principal financial officer have determined that the Company's internal control over financial reporting was effective as of December 31, 2009 and have certified Ivanhoe Mines' annual filings with the U.S. Securities and Exchange Commission on Form 40-F as required by the United States Sarbanes-Oxley Act and with Canadian securities regulatory authorities.

Management reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors. Deloitte & Touche LLP, independent registered chartered accountants, was engaged, as approved by a vote of the Company's shareholders, to audit and provide independent opinions on the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. Deloitte & Touche LLP has provided such opinions.

Changes in internal control over financial reporting

During the year ended December 31, 2009 there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OVERSIGHT ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews, with management and the external auditors, the Company's MD&A and related consolidated financial statements and approves the release of such information to shareholders. For each audit or quarterly review, the external auditors prepare a report for members of the Audit Committee summarizing key areas, significant issues and material internal control weaknesses encountered, if any.

QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of Ivanhoe Mines' material mineral resource properties were prepared by, or under the supervision of, the "qualified persons" (as that term is defined in NI 43-101) listed below:

Project	Qualified Person	Relationship to Ivanhoe Mines
Oyu Tolgoi Project	Stephen Torr, P.Geo, Ivanhoe Mines	Employee of the Company
Ovoot Tolgoi Project	Stephen Torr, P.Geo, Ivanhoe Mines	Employee of the Company

CAUTIONARY STATEMENTS

LANGUAGE REGARDING RESERVES AND RESOURCES

Readers are advised that National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) of the Canadian Securities Administrators requires that each category of mineral reserves and mineral resources be reported separately. For detailed information related to Company resources and reserves, readers should refer to the Annual Information Form of the Company for the year ended December 31, 2009, and other continuous disclosure documents filed by the Company since January 1, 2010, at www.sedar.com.

NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

This document, including the documents incorporated by reference herein, has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. Without limiting the foregoing, this document, including the documents incorporated by reference herein, uses the terms "measured", "indicated" and "inferred" resources. United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is a permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this document, or in the documents incorporated by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC. National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this document have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. NI 43-101 permits a historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (d) includes any more recent estimates or data available.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking information and statements are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will", "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting future equity investments in Ivanhoe Mines by Rio Tinto; the availability of project financing for the Oyu Tolgoi Project; expansion of the reserves and resources identified to date at the Oyu Tolgoi Project; mining plans for the Oyu Tolgoi Project and the schedule for carrying out and completing construction of the Oyu Tolgoi Project; the estimated schedule and cost of bringing the Oyu Tolgoi Project into commercial production; anticipated future production and cash flows; target milling rates; mining plans and production forecasts for the Ovoot Tolgoi Coal Project; the schedule for carrying out and completing an expansion of the production capability of the Ovoot Tolgoi Coal Project; the potential improvement of the export conditions at the Shivee Khuren-Ceke border between Mongolia and China; the planned drilling program and feasibility study at the Kyzyl Gold Project; the ability to achieve gold recoveries of up to 90% from a commercial scale plant at the Kyzyl Gold Project; the impact of amendments to the laws of Mongolia and other countries in which Ivanhoe Mines carries on business, particularly with respect to taxation; cost and outcome of plans to continue the development of non-core projects, and other statements that are not historical facts.

All such forward-looking information and statements are based on certain assumptions and analyses made by Ivanhoe Mines' management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risks and Uncertainties" elsewhere in the Company's MD&A. The reader is cautioned not to place undue reliance on forward-looking information or statements.

The MD&A also contains references to estimates of mineral reserves and mineral resources. The estimation of reserves and resources is inherently uncertain and involves subjective judgments about many relevant factors. 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, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral reserves and mineral resources can be mined or processed profitably. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Except as required by law, the Company does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The Consolidated Financial Statements and the management's discussion and analysis of financial condition and results of operations (MD&A) are the responsibility of the management of Ivanhoe Mines Ltd. These financial statements and the MD&A have been prepared by management in accordance with accounting principles generally accepted in the United States and regulatory requirements, respectively, using management's best estimates and judgment of all information available up to March 31, 2010.

The Board of Directors has approved the information contained in the consolidated financial statements and the MD&A. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with financial officers of the Company and the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors who approve the consolidated financial statements.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 2 to the Consolidated Financial Statements.

The consolidated financial statements have been audited by Deloitte & Touche LLP, independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). They have full and unrestricted access to the Audit Committee.

/s/ "John Macken"

John Macken
President and CEO

/s/ "Tony Giardini"

Tony Giardini
Chief Financial Officer

March 31, 2010
Vancouver, BC, Canada

Report of Independent Registered Chartered Accountants and Consolidated Financial Statements of

IVANHOE MINES LTD.

December 31, 2009 and 2008

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of
IVANHOE MINES LTD.

We have audited the consolidated balance sheets of Ivanhoe Mines Ltd. and subsidiaries (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ivanhoe Mines Ltd. and subsidiaries as at December 31, 2009 and 2008 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

(signed) Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 29, 2010

Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the changes described in Note 2 to the consolidated financial statements. Although we conducted our audits in accordance with both Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) our report to the Board of Directors and Shareholders, dated March 29, 2010, is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

(signed) Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 29, 2010

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of
IVANHOE MINES LTD.

We have audited the internal control over financial reporting of Ivanhoe Mines Ltd. and subsidiaries (the "Company") as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2009 of the Company and our report dated March 29, 2010 expressed an unqualified opinion on those financial statements and included a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference referring to changes in accounting principles.

(signed) Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 29, 2010

IVANHOE MINES LTD.

Consolidated Balance Sheets
(Stated in thousands of U.S. dollars)

	December 31, 2009	December 31, 2008 (Note 2 (q))
ASSETS		
CURRENT		
Cash and cash equivalents (Note 5)	**$ 965,823**	$ 384,110
Short-term investments	**14,999**	—
Accounts receivable (Note 6)	**39,349**	47,520
Inventories (Note 7)	**18,015**	16,136
Prepaid expenses	**15,988**	11,160
TOTAL CURRENT ASSETS	**1,054,174**	458,926
LONG-TERM INVESTMENTS (Note 8)	**93,511**	55,945
OTHER LONG-TERM INVESTMENTS (Note 9)	**145,035**	22,301
PROPERTY, PLANT AND EQUIPMENT (Note 10)	**218,781**	199,281
DEFERRED INCOME TAXES (Note 16)	**6,953**	—
OTHER ASSETS (Note 11)	**16,227**	5,749
TOTAL ASSETS	**$ 1,534,681**	$ 742,202
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	**$ 55,128**	$ 41,103
Amounts due under credit facilities (Note 13)	**17,544**	15,963
Interest payable on long-term debt (Note 14 (b))	**4,712**	—
Convertible credit facility (Note 14 (a))	**378,916**	—
TOTAL CURRENT LIABILITIES	**456,300**	57,066
CONVERTIBLE CREDIT FACILITIES (Note 14)	**544,990**	349,128
AMOUNTS DUE UNDER CREDIT FACILITIES (Note 13)	**37,979**	—
DERIVATIVE CONTRACT (Note 15)	**—**	5,320
DEFERRED INCOME TAXES (Note 16)	**10,888**	9,512
ASSET RETIREMENT OBLIGATIONS (Note 17)	**5,436**	3,922
TOTAL LIABILITIES	**1,055,593**	424,948
COMMITMENTS AND CONTINGENCIES (Note 25)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 18)		
Authorized		
Unlimited number of preferred shares without par value		
Unlimited number of common shares without par value		
Issued and outstanding		
425,447,552 (2008 — 378,046,013) common shares	**1,886,789**	1,485,864
SHARE PURCHASE WARRANTS AND SHARE ISSUANCE COMMITMENT (Note 18 (b) and (c))	**27,386**	32,560
BENEFICIAL CONVERSION FEATURE (Note 14 (a))	**30,250**	28,883
ADDITIONAL PAID-IN CAPITAL	**348,468**	293,485
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 19)	**(14,578)**	(24,222)
DEFICIT	**(1,800,179)**	(1,520,008)
TOTAL IVANHOE MINES LTD. SHAREHOLDERS' EQUITY	**478,136**	296,562
NONCONTROLLING INTERESTS (Note 20)	**952**	20,692
TOTAL SHAREHOLDERS' EQUITY	**479,088**	317,254
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,534,681**	$ 742,202

APPROVED BY THE BOARD:

/s/ D. Korbin
D. Korbin, Director

/s/ K. Thygesen
K. Thygesen, Director

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.

Consolidated Statements of Operations
(Stated in thousands of U.S. dollars, except for share and per share amounts)

	Year Ended December 31, 2009	2008
REVENUE	**$ 36,038**	$ 3,126
COST OF SALES		
Production and delivery	**(23,611)**	(1,931)
Depreciation and depletion	**(5,814)**	(314)
COST OF SALES	**(29,425)**	(2,245)
EXPENSES		
Exploration (Note 3 and 18 (a))	**(177,062)**	(250,591)
General and administrative (Note 18 (a))	**(45,750)**	(27,453)
Depreciation	**(4,326)**	(4,957)
Mining property care and maintenance	**—**	(10,342)
Accretion of convertible credit facilities (Note 14)	**(14,345)**	(9,658)
Accretion of asset retirement obligations (Note 17)	**(141)**	(429)
Gain on sale of other mineral property rights	**3,000**	—
Write-down of carrying values of property, plant and equipment	**(1,243)**	(515)
TOTAL EXPENSES	**(269,292)**	(306,190)
OPERATING LOSS	**(233,254)**	(303,064)
OTHER INCOME (EXPENSES)		
Interest income	**3,587**	13,182
Interest expense	**(21,601)**	(17,599)
Foreign exchange gains (losses)	**34,070**	(62,946)
Unrealized gain on long-term investments (Note 8 (d))	**1,099**	—
Unrealized gain on other long-term investments	**438**	—
Realized gain on redemption of other long-term investments (Note 9 (a))	**1,458**	—
Change in fair value of embedded derivatives (Note 14 (b))	**(44,980)**	—
Write-down of carrying value of long-term investments	**—**	(7,103)
Write-down of carrying value of other long-term investments (Note 9 (a))	**—**	(18,009)
Gain on sale of long-term investment and note receivable (Note 8 (c))	**1,424**	201,428
Other (expense) income (Note 21)	**(11,869)**	(14,171)
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	**(269,628)**	(208,282)
Recovery (provision) for income taxes (Note 16)	**13,465**	(4,314)
Share of loss of significantly influenced investees (Note 8)	**(45,898)**	(10,092)
NET LOSS FROM CONTINUING OPERATIONS	**(302,061)**	(222,688)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS (Note 4)	**(3,645)**	24,305
NET LOSS	**(305,706)**	(198,383)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 20)	**25,535**	14,270
NET LOSS ATTRIBUTABLE TO IVANHOE MINES LTD.	**$(280,171)**	$(184,113)
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM		
CONTINUING OPERATIONS	**$ (0.71)**	$ (0.55)
DISCONTINUED OPERATIONS	**(0.01)**	0.06
	$ (0.72)	$ (0.49)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000's)	**386,536**	375,801

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.

Consolidated Statements of Shareholders' Equity
(Stated in thousands of U.S. dollars, except for share amounts)

	Share Capital		Share Purchase Warrants and Share Issuance Commitment	Beneficial Conversion Feature	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Deficit	Total
	Number of Shares	Amount							
Balances, December 31, 2007	375,073,433	$1,477,457	$ 26,619	$ 11,869	$ 52,649	$ 17,498	$ —	$(1,335,895)	$ 250,197
Net loss	—	—	—	—	—	—	—	(184,113)	(184,113)
Other comprehensive loss (Note 19)	—	—	—	—	—	(41,720)	—	—	(41,720)
Comprehensive loss									(225,833)
Shares issued for:									
Acquisition of investment (Note 8 (c)(v)), net of issue costs of $31	2,224,698	4,339	—	—	—	—	—	—	4,339
Exercise of stock options	463,127	3,022	—	—	(1,663)	—	—	—	1,359
Private placement (Note 18 (b))	243,772	612	—	—	—	—	—	—	612
Share purchase plan	40,983	434	—	—	—	—	—	—	434
Share purchase warrants (Note 18 (b))	—	—	94	—	—	—	—	—	94
Convertible credit facility and share purchase warrants (Notes 14 (a) and 18 (c))	—	—	5,847	17,014	—	—	—	—	22,861
Movement in noncontrolling interests (Note 20)	—	—	—	—	—	—	20,692	—	20,692
Dilution gains	—	—	—	—	213,285	—	—	—	213,285
Stock compensation charged to operations	—	—	—	—	29,214	—	—	—	29,214
Balances, December 31, 2008	378,046,013	$1,485,864	$ 32,560	$ 28,883	$ 293,485	$ (24,222)	$ 20,692	$(1,520,008)	$ 317,254
Net loss	—	—	—	—	—	—	—	(280,171)	(280,171)
Other comprehensive income (Note 19)	—	—	—	—	—	9,644	—	—	9,644
Comprehensive loss									(270,527)
Shares issued for:									
Exercise of stock options	867,500	8,661	—	—	(2,560)	—	—	—	6,101
Private placement (Note 18 (b)), net of issue costs of $3,032	46,304,473	390,173	(5,174)	—	—	—	—	—	384,999
Bonus shares	125,000	1,622	—	—	—	—	—	—	1,622
Share purchase plan	104,566	469	—	—	—	—	—	—	469
Convertible credit facility (Note 14 (a))	—	—	—	1,367	—	—	—	—	1,367
Movement in noncontrolling interests (Note 20)	—	—	—	—	—	—	(19,740)	—	(19,740)
Dilution gains	—	—	—	—	21,368	—	—	—	21,368
Stock compensation charged to operations	—	—	—	—	36,175	—	—	—	36,175
Balances, December 31, 2009	425,447,552	$1,886,789	$ 27,386	$ 30,250	$ 348,468	$ (14,578)	$ 952	$(1,800,179)	$ 479,088

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.

Consolidated Statements of Cash Flows
(Stated in thousands of U.S. dollars)

	Year Ended December 31, 2009	2008
OPERATING ACTIVITIES		
Cash used in operating activities (Note 22)	**$(183,259)**	$(318,749)
INVESTING ACTIVITIES		
Proceeds from sale of discontinued operations	**38,725**	29,230
Purchase of short-term investments	**(14,999)**	—
Purchase of long-term investments	**(30,391)**	(39,497)
Purchase of other long-term investments	**(147,449)**	—
Proceeds from sale of other mineral property rights	**3,000**	—
Proceeds from sale of long-term investments and note receivable	**3,844**	216,730
Proceeds from redemption of other long-term investments	**2,236**	—
Cash reduction on commencement of equity accounting (Note 8 (a))	**—**	(2,865)
Expenditures on property, plant and equipment	**(38,975)**	(135,376)
Proceeds from sale of property, plant and equipment (Note 10 (e))	**—**	121,498
Proceeds from (expenditures on) other assets	**172**	(1,113)
Cash (used in) provided by investing activities of continued operations	**(183,837)**	188,607
Cash used in investing activities of discontinued operations	**(6,511)**	(8,521)
Cash (used in) provided by investing activities	**(190,348)**	180,086
FINANCING ACTIVITIES		
Issue of share capital	**392,877**	2,374
Proceeds from convertible credit facility (Note 14)	**485,000**	200,000
Proceeds from credit facilities (Note 13)	**37,575**	—
Repayment of credit facilities (Note 13)	**(2,193)**	—
Increase to deferred charges	**(4,565)**	—
Repayment of loan payable to related party	**—**	(4,250)
Noncontrolling interests' investment in subsidiaries	**3,897**	246,293
Cash provided by financing activities	**912,591**	444,417
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**42,729**	(67,338)
NET CASH INFLOW	**581,713**	238,416
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**384,110**	145,694
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 965,823**	$ 384,110
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash on hand and demand deposits	**$ 277,103**	$ 119,458
Short-term money market instruments	**688,720**	264,652
	$ 965,823	$ 384,110
Supplementary cash flow information (Note 22)		

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

1. NATURE OF OPERATIONS

Ivanhoe Mines Ltd. (the "Company"), together with its subsidiaries (collectively referred to as "Ivanhoe Mines"), is an international mineral exploration, development and production company holding interests in and conducting operations on mineral resource properties principally located in Central Asia and Australia.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with United States of America generally accepted accounting principles ("U.S. GAAP"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries. The principal subsidiaries of the Company at December 31, 2009 are Oyu Tolgoi LLC (100.0% owned), Ivanhoe Australia Limited (81.5% owned) ("Ivanhoe Australia"), and SouthGobi Energy Resources Ltd. (B.C., Canada) (78.6% owned) ("SouthGobi"), and their respective subsidiaries.

Altynalmas Gold Ltd. (B.C., Canada) ("Altynalmas") (49.0% owned), along with its subsidiary Bakyrchik Mining Venture (Kazakhstan) ("BMV"), ceased being a subsidiary of the Company in October 2008 and from October 3, 2008 onwards it has been accounted for as an equity method investment (Note 8 (a)).

All intercompany transactions and balances have been eliminated.

Variable Interest Entities ("VIE's"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns.

(b) Measurement uncertainties

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, among other things, the recoverability of accounts receivable and investments, the proven and probable ore reserves, the estimated recoverable tonnes of ore from each mine area, the estimated net realizable value of inventories, the provision for income taxes and composition of deferred income tax assets and deferred income tax liabilities, the expected economic lives of and the estimated future operating results and net cash flows from property, plant and equipment, depreciation and depletion, stock-based compensation, beneficial conversion feature, estimated fair value of share purchase warrants, estimated fair value of embedded derivatives and derivative contracts, and the anticipated costs and timing of asset retirement obligations.

(c) Foreign currencies

The Company has determined the U.S. dollar to be its functional currency as it is the currency of the primary economic environment in which the Company and its subsidiaries operate. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are included in operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currencies (Continued)

For foreign subsidiaries whose functional currency is the local currency, assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income (loss) within shareholders' equity.

(d) Revenue recognition

Sales revenues are recognized when the risks and rewards of ownership pass to the customer, collection is reasonably assured and the price is reasonably determinable. This occurs when coal is either loaded onto a train or truck or when it is unloaded at the final destination, depending on the terms of the sales contract.

(e) Cash and cash equivalents

Cash and cash equivalents include short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding 90 days.

(f) Short-term investments

Short-term investments include money market instruments with terms to maturity, at the date of acquisition, exceeding 90 days and with remaining terms at December 31, 2009 of less than one year.

(g) Inventories

Stockpiles are valued at the lower of production cost and net realizable value. Production cost includes direct and indirect labour, operating materials and supplies, transportation costs, and an applicable portion of operating overhead, including depreciation and depletion. Net realizable value is the expected average selling price of the finished product less the costs to get the product into saleable form and to the selling location.

Mine stores and supplies are valued at the lower of the weighted average cost, less allowances for obsolescence, and replacement cost.

(h) Long-term investments

Long-term investments in companies in which Ivanhoe Mines has voting interests between 20% and 50%, or where Ivanhoe Mines has the ability to exercise significant influence, are accounted for using the equity method. Under this method, Ivanhoe Mines' share of the investees' earnings and losses is included in operations and its investments therein are adjusted by a like amount. Dividends received are credited to the investment accounts.

Long-term investments not subject to significant influence are classified as either "available-for-sale" or "held-for-trading". Available-for-sale investments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income as a separate component of shareholders' equity, unless the declines in market value are judged to be other than temporary, in which case the losses are recognized in income for the period. Held-for-trading investments are measured at fair value with changes in those fair values recognized in income for the period.

(i) Exploration and development

All direct costs related to the acquisition of mineral property interests are capitalized in the period incurred.

Generally, exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Exploration and development (Continued)

Certain costs incurred constructing surface assets at Oyu Tolgoi have been capitalized (Note 10 (a)). Ivanhoe Mines determined that these costs met the definition of an asset and that they were recoverable through salvage value or transfer of the assets to other locations. These costs were tested for impairment using estimated future cash flows based on reserves and resources beyond proven and probable reserves, in accordance with accounting policy Note 2 (j) for property, plant and equipment.

(j) Property, plant and equipment

Property, plant and equipment are carried at cost (including development and preproduction costs, capitalized interest, other financing costs and all direct administrative support costs incurred during the construction period, net of cost recoveries and incidental revenues), less accumulated depletion and depreciation including write-downs. Following the construction period, interest, other financing costs and administrative costs are expensed as incurred.

On the commencement of commercial production, depletion of each mining property is provided on the unit-of-production basis, using estimated proven and probable reserves as the depletion basis.

Property, plant and equipment are depreciated, following the commencement of commercial production, over their expected economic lives using either the unit-of-production method or the straight-line method (over one to twenty years).

Capital works in progress are not depreciated until the capital asset has been put into operation.

Ivanhoe Mines reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment is considered to exist if total estimated future cash flows, or probability-weighted cash flows on an undiscounted basis, are less than the carrying value of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with values beyond proven and probable reserves and resources. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

(k) Stripping costs

Stripping costs incurred during the production phase of a mine are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

(l) Asset retirement obligations

Ivanhoe Mines recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

(m) Stock-based compensation

The Company has an Employees' and Directors' Equity Incentive Plan which is disclosed in Note 18. The fair value of stock options at the date of grant is amortized to operations, with an offsetting credit to additional paid-in

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Stock-based compensation (Continued)

capital, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of additional paid-in capital are transferred to share capital.

(n) Deferred income taxes

The provision for deferred income taxes is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement's carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those deferred income tax assets that management believes will, more likely than not, fail to be realized.

Ivanhoe Mines recognizes accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

(o) Loss per share

The basic loss per share is computed by dividing the net loss attributable to common stock by the weighted average number of common shares outstanding during the year. All stock options and share purchase warrants outstanding at each period end have been excluded from the weighted average share calculation. The effect of potentially dilutive stock options, share purchase warrants and the Rio Tinto convertible credit facility was antidilutive in the years ending December 31, 2009 and 2008.

The potentially dilutive shares excluded from the loss per share calculation due to antidilution are as follows:

	December 31,	
	2009	**2008**
Options	**21,158,270**	18,810,470
Share purchase warrants	**128,493,450**	128,493,450
Convertible credit facility	**39,067,775**	37,416,459
Total potentially dilutive shares	**188,719,495**	184,720,379

(p) Segmented reporting

The Company has two operating segments, its coal division located in Mongolia, and its exploration and development division with projects located primarily in Mongolia and Australia.

(q) Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2009. In particular, $20,692,000 of noncontrolling interests has been reclassified to shareholders' equity (Note 2 (r)).

(r) Accounting changes

- The Company adopted the FASB Accounting Standards Codification ("ASC") on July 1, 2009. The ASC is the source of authoritative U.S. GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The ASC supersedes all non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the ASC is

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Accounting changes (Continued)

nonauthoritative. The adoption of the ASC had no impact on the Company's consolidated financial position, results of operations or cash flows.

- In December 2007, the ASC guidance for noncontrolling interests was updated to establish accounting and reporting standards pertaining to (i) the nature and classification of the noncontrolling interest in the Consolidated Statement of Financial Position, (ii) attributing net income and comprehensive income to the parent and the noncontrolling interest, (iii) changes in a parent's ownership interest in a subsidiary, and (iv) deconsolidation of a subsidiary. For presentation and disclosure purposes, the updated guidance requires noncontrolling interests to be classified as a separate component of shareholders' equity. The Company adopted the provisions of the updated guidance on January 1, 2009. Except for presentation changes, the adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In December 2007, the ASC guidance for business combinations was updated. The updated guidance changes accounting for acquisitions that close beginning in 2009. More transactions and events will qualify as business combinations and will be accounted for at fair value under the new standard. The updated guidance promotes greater use of fair values in financial reporting. Some of the changes will introduce more volatility into earnings. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In May 2008, the ASC guidance for convertible debt instruments was updated. The updated guidance applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. The updated guidance requires that the liability and equity components of convertible debt instruments within its scope be separately accounted for in a manner that reflects the entity's nonconvertible borrowing rate. This requires an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component will be reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied retrospectively to all periods presented. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In October 2008, the ASC guidance for an instrument (or embedded feature) with a settlement amount that is based on the stock of an entity's consolidated subsidiary was updated to clarify whether such an instrument (or embedded feature) qualifies for the scope exemption from derivative accounting. For purposes of applying the scope exemption from derivative accounting, freestanding financial instruments (and embedded features) for which the payoff to the counterparty is based, in whole or in part, on the stock of a consolidated subsidiary are not precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent. An equity-classified instrument (including an embedded feature that is separately recorded in equity under applicable GAAP) within the scope of the updated guidance shall be presented as a component of noncontrolling interest in the consolidated financial statements whether the instrument was entered into by the parent or the subsidiary. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied prospectively. The adoption of the updated guidance resulted in the reclassification of the fair value of the derivative

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Accounting changes (Continued)

contract to noncontrolling interests on January 1, 2009 and any subsequent changes to the fair value of the derivative contract will no longer be recorded through earnings.

- In November 2008, the ASC guidance for equity method investment accounting was updated. The updated guidance clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The updated guidance provides guidance on a number of factors, including, determination of the initial carrying value of an equity method investment, performing an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment, accounting for an equity method investee's issuance of shares, and accounting for a change in an investment from the equity method to the cost method. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2009 and has been applied prospectively. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In April 2009, the ASC guidance was updated to provide additional guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate when a transaction is not orderly. The updated guidance is effective for interim and annual reporting periods ending on or after June 15, 2009, and shall be applied prospectively. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In April 2009, the ASC guidance for interim disclosures about fair value was updated to require disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The updated guidance is effective for interim and annual reporting periods ending on or after June 15, 2009. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.
- In May 2009, the ASC guidance for subsequent events was updated. The updated guidance establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The updated guidance sets forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. The Company adopted the provisions of the updated guidance for the year ended December 31, 2009. The adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

3. EXPLORATION EXPENSES

Generally, exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, at which time subsequent exploration costs and the costs incurred to develop a property are capitalized. Included in exploration costs are engineering and development costs associated with the Oyu Tolgoi Project located in Mongolia. Ivanhoe Mines expects to begin capitalizing Oyu Tolgoi development costs once the approved Investment Agreement's conditions precedent have been satisfied and the agreement has taken full effect.

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

3. EXPLORATION EXPENSES (Continued)

Ivanhoe Mines incurred exploration and development costs as follows:

	Years Ended December 31,	
	2009	**2008**
Mongolia		
Oyu Tolgoi	**$107,381**	$155,999
Coal Division	**21,499**	35,006
Other Mongolia Exploration	**2,004**	6,560
	130,884	197,565
Australia	**41,465**	46,457
Indonesia	**3,145**	4,547
Other	**1,568**	2,022
	$177,062	$250,591

4. DISCONTINUED OPERATIONS

	Years Ended December 31,	
	2009	**2008**
Savage River (a)	**$ 26,816**	$33,995
Indonesia Coal Division (b)	**(30,461)**	(9,690)
	$ (3,645)	$24,305

(a) In February 2005, Ivanhoe Mines sold the Savage River Iron Ore Project in Tasmania, Australia for two initial payments totalling $21.5 million, plus a series of five contingent, annual payments that commenced on March 31, 2006. The annual payments are based on annual iron ore pellet tonnes sold and an escalating price formula based on the prevailing annual Nibrasco/JSM pellet price.

In 2009, Ivanhoe Mines received the fourth annual contingent payment of $38.7 million. At December 31, 2009 Ivanhoe Mines has accrued $20.9 million in relation to the fifth contingent annual payment due in March 2010.

To date, Ivanhoe Mines has received $137.9 million in proceeds from the sale.

(b) During December 2009, Ivanhoe Mines sold the Indonesia Coal Division, which was composed entirely of the Mamahak Coal Project ("Mamahak"). Ivanhoe Mines divested its 85.0% interest in Mamahak to Kangaroo Resources Limited ("Kangaroo") for consideration comprising of $1.0 million cash and 50.0 million shares of Kangaroo possessing a fair value of $8.8 million. Ivanhoe Mines incurred transaction costs of $1.0 million related to the disposition of Mamahak. As a result of this transaction, Ivanhoe Mines held 6.7% of the issued and outstanding shares of Kangaroo on December 23, 2009, the closing date, and those shares are subject to a one year hold period.

As a result of suspending operations at Mamahak in the third quarter of 2009, Ivanhoe Mines wrote-off the entire $23.3 million carrying amount of Mamahak's inventory and property, plant and equipment. Loss from discontinued operations includes this write-off.

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2009 included SouthGobi's balance of $357.3 million (December 31, 2008 — $10.3 million) and Ivanhoe Australia's balance of $10.6 million (December 31, 2008 — $40.5 million), which were not available for Ivanhoe Mines' general corporate purposes.

6. ACCOUNTS RECEIVABLE

	December 31, 2009	December 31, 2008
Contingent income (Note 4 (a))	**$20,868**	$28,045
Trade receivables	**5,201**	1,743
Refundable taxes	**11,787**	13,988
Related parties (Note 23)	**676**	142
Accrued interest	**133**	3,090
Other	**684**	512
	$39,349	$47,520

7. INVENTORIES

	December 31, 2009	December 31, 2008
Stockpiles	**$ 9,553**	$13,158
Materials and supplies	**8,462**	2,978
	$18,015	$16,136

8. LONG-TERM INVESTMENTS

	December 31, 2009	December 31, 2008
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	**$ 9,860**	$31,290
Exco Resources N.L. (b)	**10,499**	6,785
Investments "available-for-sale" (c)	**63,276**	17,870
Investments "held-for-trading" (d)	**9,876**	—
	$93,511	$55,945

(a) On October 3, 2008, Ivanhoe Mines closed an agreement with several strategic partners whereby Altynalmas issued shares to acquire a 100% participating interest in BMV and a 100% participating interest in Intergold Capital LLP ("IGC"). Both IGC and BMV are limited liability partnerships established under the laws of Kazakhstan that are engaged in the exploration and development of minerals in Kazakhstan. As a result of this transaction, Ivanhoe Mines' investment in Altynalmas was diluted to 49%. Ivanhoe Mines ceased consolidating Altynalmas on October 3, 2008 and commenced equity accounting for its investment.

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

8. LONG-TERM INVESTMENTS (Continued)

(a) Continued

	December 31, 2009	December 31, 2008
Amount due from Altynalmas	**$ 68,533**	$ 57,997
Carrying amount of equity method investment	**(58,673)**	(26,707)
Net investment in Altynalmas	**$ 9,860**	$ 31,290

Amounts advanced to Altynalmas bear interest compounded monthly at a rate per annum equal to the one month London Inter-bank Offered Rate plus 3.0% and are due on demand.

During 2009, Ivanhoe Mines recorded a $44,707,000 (2008 — $6,268,000) equity loss on this investment.

(b) During the first quarter of 2009, Ivanhoe Mines acquired 1.8 million shares of Exco Resources N.L. ("Exco") at a cost of $113,000 (Aud$169,000) on the open market.

During June 2009, Ivanhoe Mines acquired an additional 5.1 million shares of Exco at a cost of $965,000 (Aud$1,199,000) by way of a private placement. In a subsequent private placement, during October 2009, Ivanhoe Mines acquired an additional 8.3 million shares of Exco at a cost of $1,888,000 (Aud$2,041,000).

During May 2008, Ivanhoe Mines exercised its full option entitlement of 21.1 million Exco share purchase options to acquire 21.1 million shares of Exco at a cost of $6,926,000 (Aud$7,392,000). Also during June 2008, Ivanhoe Mines acquired an additional 3.0 million shares of Exco at a cost of $990,000 (Aud$1,050,000). As a result of these purchases and the subsequent appointment of an Ivanhoe Mines' representative to the Board of Directors of Exco, Ivanhoe Mines commenced equity accounting for its investment in Exco on July 1, 2008.

During 2009, Ivanhoe Mines recorded a $1,191,000 (2008 — $3,015,000) equity loss on this investment.

At December 31, 2008, the carrying value of Ivanhoe Mines' investment in Exco was greater than its share of the underlying book value of Exco's net assets by approximately $1,662,000 (Aud$2,572,000). This difference resulted in an other-than-temporary impairment charge on Ivanhoe Mines investment in Exco of $1,662,000.

At December 31, 2009, the market value of Ivanhoe Mines' 20.2% investment in Exco was $13,291,000 (Aud$14,806,000).

(c) Investments "available-for-sale"

	December 31, 2009				December 31, 2008			
	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value	Equity Interest	Cost Basis	Unrealized Loss	Fair Value
Entrée Gold Inc.	**14.3%**	**$19,957**	**$12,799**	**$32,756**	14.6%	$19,957	$ (8,635)	$11,322
Emmerson Resources Limited (i)	**10.0%**	**3,107**	**6,637**	**9,744**	—	—	—	—
Jinshan Gold Mines Inc. (ii)	**—**	**—**	**—**	**—**	0.9%	554	—	554
Intec Ltd. (iii)	**4.8%**	**521**	**(3)**	**518**	6.1%	521	—	521
GoviEx Gold Inc. (iv)	**1.5%**	**1,043**	**—**	**1,043**	1.5%	1,043	—	1,043
Ivanhoe Nickel & Platinum Ltd. (v)	**6.1%**	**18,929**	**—**	**18,929**	1.9%	4,370	—	4,370
Other (vi)	**—**	**60**	**226**	**286**	—	60	—	60
		$43,617	**$19,659**	**$63,276**		$26,505	$ (8,635)	$17,870

(i) During 2009, Ivanhoe Mines acquired 22.6 million common shares of Emmerson Resources Limited ("Emmerson") and 27.9 million Emmerson share purchase options for a total cost of $2,141,000 (Aud$2,939,000). Each Emmerson share purchase option is exercisable until June 1, 2011 to purchase an additional Emmerson common share at a price of Aud$0.20.

8. LONG-TERM INVESTMENTS (Continued)

(c) Investments "available-for-sale" (Continued)

(ii) During 2009, Ivanhoe Mines disposed its remaining 1.5 million common shares of Jinshan Gold Mines Inc. ("Jinshan") for $1,978,000. This transaction resulted in a gain of $1,424,000 being recognized.

During 2008, Ivanhoe Mines exercised its full warrant entitlement of 1.5 million Jinshan warrants to acquire 1.5 million shares of Jinshan at a cost of $3,776,000 (Cdn$3,750,000).

Also during 2008, Ivanhoe Mines recorded an other-than-temporary impairment of $3,223,000 against this investment based on an assessment of the fair value of Jinshan.

In May 2008, Ivanhoe Mines ceased equity accounting for its investment in Jinshan following the sale of 67.5 million shares of Jinshan and the Jinshan note receivable for total proceeds of $216,730,000 (Cdn $217,662,000). This transaction resulted in a gain on sale of $201,428,000 being recognized.

During 2008, Ivanhoe Mines recorded a $809,000 equity loss on its investment in Jinshan.

(iii) During 2008, Ivanhoe Mines acquired 6.9 million shares of Intec Ltd. ("Intec") at a cost of $328,000 (Aud$343,000).

Also during 2008, Ivanhoe Mines recorded an other-than-temporary impairment of $724,000 against this investment based on an assessment of the fair value of Intec.

(iv) During 2008, Ivanhoe Mines acquired 1.0 million shares of GoviEx Gold Inc. ("GoviEx") in exchange for a geophysics exploration team and certain mineral exploration equipment.

Also during 2008, Ivanhoe Mines acquired an additional 42,500 shares of GoviEx at a cost of $43,000.

(v) During 2009, Ivanhoe Mines acquired 1.2 million common shares of Ivanhoe Nickel and Platinum Ltd. ("Ivanplats") from third parties at a cost of $1,842,000. In addition, during December 2009, Ivanhoe Mines purchased 220,000 common shares of Ivanplats at a cost of $1,320,000 and 250,000 Ivanplats special warrants, convertible into 250,000 common shares of Ivanplats, at a cost of $1,500,000 from certain directors of the Company.

During November 2009, Ivanhoe Mines acquired 1.1 million units of Ivanplats at a cost of $9,900,000. Each unit is comprised of one common share, one liquidity right and one-half of one initial public offering ("IPO") warrant. Each liquidity right is convertible into 0.1 of an Ivanplats common share for no additional consideration in the event that a liquidity event does not occur on or before December 31, 2010. The 550,000 IPO warrants vest upon closing of an IPO. If an IPO occurs prior to December 31, 2010, each IPO warrant entitles the holder to purchase one Ivanplats common share at the IPO price up until two years after the closing of the IPO. If an IPO occurs after December 31, 2010, each IPO warrant entitles the holder to purchase 1.1 common shares of Ivanplats at the IPO price up until two years after the closing of the IPO.

During 2008, Ivanhoe Mines acquired 1.0 million common shares of Ivanplats and 3.4 million Ivanplats special warrants in exchange for 2.2 million common shares of Ivanhoe Mines.

As at December 31, 2009, Ivanhoe Mines held a 10.3% equity interest in Ivanplats on a fully diluted basis.

(vi) During 2008, Ivanhoe Mines recorded an other-than-temporary impairment of $1,494,000 against other investments based on an assessment of their fair values.

(d) Investments "held-for-trading"

During 2009, Ivanhoe Mines acquired 50.0 million shares of Kangaroo in exchange for the Mamahak Coal Project (Note 4(b)).

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

9. OTHER LONG-TERM INVESTMENTS

	December 31, 2009	December 31, 2008
Long-Term Notes (a)	**$ 24,689**	$22,301
Government of Mongolia Treasury Bills (b)	**73,152**	—
Money market investments (c)	**47,194**	—
	$145,035	$22,301

(a) Long-Term Notes

As at December 31, 2008, the Company held $60.2 million principal amount of non-bank-sponsored Asset-Backed Commercial Paper ("Montreal Proposal ABCP") which was recorded at a fair value of $22.3 million. On January 12, 2009, the Ontario Superior Court of Justice granted the Amended Plan Implementation Order filed by the Pan-Canadian Restructuring Committee under the Companies' Creditors Arrangement for the restructuring of the Montreal Proposal ABCP.

On January 21, 2009, the Amended Plan restructuring was completed. Upon closing of the Amended Plan, the Company received $60.2 million of long-term investments (the "Long-Term Notes") consisting of:

- $22.7 million of MAV2 Class A-1 Notes;
- $22.7 million of MAV2 Class A-2 Notes;
- $4.1 million of MAV2 Class B Notes;
- $1.5 million of MAV2 Class C Notes;
- $1.3 million of MAV2 IA Class 1 Notes;
- $1.0 million of MAV2 IA Class 2 Notes;
- $0.9 million of MAV2 IA Class 3 Notes;
- $1.2 million of MAV2 IA Class 13 Notes;
- $1.6 million of MAV3 TA Class 14 Notes; and
- $3.2 million of MAV3 TA Class 25 Notes.

As at December 31, 2009, the Company held $65.2 million of the Long-Term Notes. The increase from December 2008 in principal of $5.0 million was due to the strengthening of the Canadian dollar ($7.2 million), offset by principal redemptions ($2.2 million). The Company has designated the Long-Term Notes as held-for-trading. The Long-Term Notes are recorded at fair value with unrealized holding gains and losses included in earnings.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company has estimated the fair value of the Long-Term Notes considering information provided on the restructuring, the best available public information regarding market conditions and other factors that a market participant would consider for such investments.

The Company is aware of a limited number of trades in the Long-Term Notes that occurred prior to December 31, 2009, but does not consider them to be of sufficient volume or value to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes.

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

9. OTHER LONG-TERM INVESTMENTS (Continued)

(a) Long-Term Notes (Continued)

The Company has used a discounted cash flow approach to value the Long-Term Notes at December 31, 2009 incorporating the following assumptions:

Bankers Acceptance Rate:	0.31%
Discount Rates:	9% to 25%
Maturity Dates:	7.0 years
Expected Return of Principal:	
A-1 Notes	100%
A-2 Notes	100%
B Notes	10%
C Notes	0%
IA Notes	0%
TA Notes	100%

Based on the discounted cash flow model as at December 31, 2009, the fair value of the Long-Term Notes was estimated at $24.7 million. As a result of this valuation, the Company recorded an unrealized trading gain of $0.7 million for the year ended December 31, 2009.

Continuing uncertainties regarding the value of the assets that underlie the notes, the amount and timing of cash flows and changes in general economic conditions could give rise to a further change in the fair value of the Company's investment in the notes, which would impact the Company's results from operations. A 1.0% increase, representing 100 basis points, in the discount rate will decrease the fair value of the Long-Term Notes by approximately $1.4 million.

(b) Government of Mongolia Treasury Bills

On October 6, 2009, Ivanhoe Mines agreed to purchase three Treasury Bills ("T-Bills") from the Government of Mongolia, having an aggregate face value of $287.5 million, for the aggregate sum of $250 million. The annual rate of interest on the T-Bills is 3.0%. Each T-Bill will mature on the fifth anniversary from the date of its respective issuance.

i. The initial T-Bill, with a face value of $115 million, was purchased on October 20, 2009. The purchase price was $100 million.

ii. A second T-Bill, with a face value of $57.5 million, will be purchased for $50 million within 14 days of the satisfying of all conditions precedent to the Investment Agreement.

iii. The final T-Bill, having a face value of $115 million, will be purchased for $100 million within 14 days of Oyu Tolgoi LLC fully drawing down the financing necessary to enable the complete construction of the Oyu Tolgoi Project, or June 30, 2011, whichever date is earlier.

The Company has designated the T-Bills as available-for-sale with changes in fair value recognized in accumulated other comprehensive income. The fair value of the T-Bills are estimated based on available public information regarding what market participants would consider for such investments.

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

9. OTHER LONG-TERM INVESTMENTS (Continued)

(b) Government of Mongolia Treasury Bills (Continued)

The Company has used a discounted cash flow approach to value the T-Bills at December 31, 2009 incorporating the following assumptions:

Face Value:	$ 115,000,000
Discount Rates:	9.9%
Term	5.0 years

Based on the discounted cash flow model as at December 31, 2009, the fair value of the T-Bills was estimated at $73.2 million. As a result of this valuation, Ivanhoe Mines recorded an unrealized loss of $27.4 million in accumulated other comprehensive income for the year ended December 31, 2009.

(c) Money Market Investments

During 2009, Ivanhoe Mines purchased certain money market investments with original maturities of greater than one year.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31,					
	2009			2008		
	Cost	Accumulated Depletion and Depreciation, Including Write-downs	Net Book Value	Cost	Accumulated Depletion and Depreciation, Including Write-downs	Net Book Value
Mining plant and equipment						
Ovoot Tolgoi, Mongolia (b)	**$ 9,991**	**$ (359)**	**$ 9,632**	$ —	$ —	$ —
Other mineral property interests						
Oyu Tolgoi, Mongolia (a)	**$ 43,792**	**$ (6,296)**	**$ 37,496**	$ 43,860	$ (6,274)	$ 37,586
Ovoot Tolgoi, Mongolia (b)	**16,264**	**(83)**	**16,181**	13,969	(64)	13,905
Cloncurry, Australia (c)	**24,403**	**(126)**	**24,277**	20,291	(126)	20,165
Mamahak, Indonesia (d)	**—**	**—**	**—**	13,182	—	13,182
Other exploration projects	**1,335**	**(1,306)**	**29**	1,270	(62)	1,208
	$ 85,794	**$ (7,811)**	**$ 77,983**	$ 92,572	$ (6,526)	$ 86,046
Other capital assets						
Oyu Tolgoi, Mongolia (a)	**$ 16,119**	**$ (11,756)**	**$ 4,363**	$ 17,925	$ (10,736)	$ 7,189
Ovoot Tolgoi, Mongolia (b)	**74,469**	**(8,323)**	**66,146**	42,833	(437)	42,396
Cloncurry, Australia (c)	**5,724**	**(1,557)**	**4,167**	3,364	(706)	2,658
Other exploration projects	**2,657**	**(2,128)**	**529**	6,547	(5,825)	722
	$ 98,969	**$ (23,764)**	**$ 75,205**	$ 70,669	$ (17,704)	$ 52,965
Capital works in progress						
Oyu Tolgoi, Mongolia (a) (e)	**$ 54,991**	**$ —**	**$ 54,991**	$ 53,466	$ —	$ 53,466
Ovoot Tolgoi, Mongolia (b)	**970**	**—**	**970**	6,804	—	6,804
	$ 55,961	**$ —**	**$ 55,961**	$ 60,270	$ —	$ 60,270
	$250,715	**$ (31,934)**	**$218,781**	$223,511	$ (24,230)	$199,281

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

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Ivanhoe Mines has a 100% interest in the Oyu Tolgoi copper-gold project located in Mongolia. In 2007, the Project's four mining licenses were re-issued as Special Permits for Mining, which are each valid for 30 years and may be extended two times for 20 years per extension.

Capital works in progress at December 31, 2009 consisted mainly of surface assets being constructed at Oyu Tolgoi for Shaft No. 1, Shaft No. 2, and the concentrator.

A significant portion of exploration expenses incurred during the year relate directly to the development of Oyu Tolgoi. Included in exploration expenses are shaft sinking, engineering, and development costs that have been expensed and not capitalized (Note 3).

(b) SouthGobi holds a 100% interest in the Ovoot Tolgoi coal project located in Mongolia. In 2008, SouthGobi began open pit operations at Ovoot Tolgoi.

(c) Ivanhoe Mines through its majority owned subsidiary, Ivanhoe Australia, owns certain mining and exploration leases in Queensland, Australia, which contain prospective molybdenum, rhenium, copper, gold, zinc, silver and uranium occurrences.

(d) For the year ended December 31, 2008, SouthGobi held a 85% working interest in the Mamahak coal project located in Indonesia. The Mamahak coal project was written-off in the third quarter of 2009 and subsequently sold in the fourth quarter (Note 4 (b)).

(e) In March 2010, Ivanhoe Mines and Rio Tinto completed an agreement whereby the Company issued 15 million common shares to Rio Tinto for net proceeds of $241.1 million (Cdn$244.7 million). Ivanhoe Mines used $195.4 million of the proceeds to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project (Note 25 (a)).

Much of the equipment originally was ordered by Ivanhoe Mines from various manufacturers while it was waiting for an Investment Agreement with the Government of Mongolia. Ivanhoe Mines sold the equipment for $121.5 million to Rio Tinto in August 2008 under an agreement between the companies. Additional equipment also was acquired by Rio Tinto directly from suppliers.

11. OTHER ASSETS

	December 31,	
	2009	2008
Environmental bond	**$ 3,427**	$2,272
Deferred SouthGobi Hong Kong listing fees	**4,565**	—
Transaction costs (Note 14 (b))	**5,601**	—
Restricted cash	**852**	—
Advances	**1,187**	3,333
Other	**595**	144
	$16,227	$5,749

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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2009	2008
Accounts payable	**$36,454**	$24,449
Payroll and other employee related payables	**2,097**	617
Accrued construction costs	**11,737**	12,820
Amounts payable to related parties (Note 23)	**4,840**	3,217
	$55,128	$41,103

13. AMOUNTS DUE UNDER CREDIT FACILITIES

	December 31, 2009	2008
Current		
Non-revolving bank loans (a)	**$14,544**	$15,963
Revolving line of credit facility (b)	**3,000**	—
	$17,544	$15,963
Non-Current		
Two-year extendible loan facility (c)	**$37,979**	$ —

(a) In October 2007, Ivanhoe Mines obtained non-revolving bank loans which are due on demand and secured against certain securities and other investments.

(b) In December 2009, Ivanhoe Mines obtained a one year revolving line of credit facility, which is secured against certain equipment in Mongolia.

(c) In April 2009, Ivanhoe Mines obtained a non-revolving, two-year extendible loan facility, which is secured against certain securities and other investments.

14. CONVERTIBLE CREDIT FACILITIES

(a) Rio Tinto

	December 31, 2009	2008
Principal amount of convertible credit facility	**$350,000**	$350,000
Accrued paid-in-kind interest	**40,678**	24,165
	390,678	374,165
(Deduct) add:		
Beneficial conversion feature	**(30,250)**	(28,883)
Share purchase warrants	**(9,403)**	(9,403)
Accretion of discount	**27,891**	13,249
	$378,916	$349,128

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

14. CONVERTIBLE CREDIT FACILITIES (Continued)

(a) Rio Tinto (Continued)

In September 2007, Rio Tinto provided Ivanhoe Mines with a $350.0 million convertible credit facility to finance ongoing mine development activities at the Oyu Tolgoi Project. In 2007, Ivanhoe Mines made an initial draw against the credit facility of $150.0 million and further draws of $200 million were made in 2008.

Amounts advanced under the credit facility bear interest at a rate per annum equal to the three-month London Inter-Bank Offered Rate plus 3.3%, and mature on September 12, 2010. The outstanding principal amount and up to $108.0 million in interest are convertible into a maximum of 45.8 million common shares of Ivanhoe Mines at a price of $10.00 per share and will be automatically converted into common shares upon maturity.

As part of the credit facility transaction, Rio Tinto also received share purchase warrants exercisable to purchase up to 35.0 million common shares of Ivanhoe Mines at a price of $10.00 per share for a period of five years (Note 18 (c)).

Amounts drawn on the credit facility were allocated to the convertible credit facility liability and incremental exercisable share purchase warrants based on their respective fair values at the time of the draw. The existence of a beneficial conversion feature was then assessed using an effective conversion price based on the proceeds allocated to the convertible credit facility liability.

Allocating proceeds to share purchase warrants and, if necessary, a beneficial conversion feature resulted in discounts on the convertible credit facility liability. These discounts are recognized as accretion expense over the life of the credit facility using the effective interest rate method. Any unamortized balance of the beneficial conversion feature discount will be expensed immediately upon conversion of the credit facility.

The accounting treatment for paid-in-kind interest is the same as that described above for amounts drawn on the credit facility.

During 2009, Ivanhoe Mines capitalized $0.3 million of interest expense and $0.3 million of accretion expense incurred on the convertible credit facility.

(b) China Investment Corporation

	December 31, 2009	December 31, 2008
Principal amount of convertible debenture	**$ 500,000**	$ —
(Deduct) add:		
Bifurcation of embedded derivative liability	**(313,292)**	—
Accretion of discount	**10**	—
Carrying amount of debt host contract	**186,718**	—
Embedded derivative liability	**358,272**	—
Convertible credit facility	**544,990**	
Accrued interest	**4,712**	—
Transaction costs allocated to deferred charges	**(5,601)**	—
Net carrying amount of convertible debenture	**$ 544,101**	$ —

On November 19, 2009, SouthGobi issued a convertible debenture to a wholly owned subsidiary of China Investment Corporation (“CIC”) for $500.0 million. The convertible debenture is secured, bears interest at 8.0% and has a term of 30 years. The financing primarily will support an accelerated investment program in Mongolia and up

14. CONVERTIBLE CREDIT FACILITIES (Continued)

(b) China Investment Corporation (Continued)

to $120.0 million of the financing may also be used for working capital, repayment of debt due on funding, general and administrative expense and other general corporate purposes.

Key financial terms of the convertible debenture include:

- Interest — 6.4% payable semi-annually in cash and 1.6% payable annually in shares of SouthGobi. The number of SouthGobi shares issued upon the settlement of interest is calculated using the 50-day volume-weighted average price ("VWAP").
- Term — 30 years.
- Security — First charge over SouthGobi's assets, including shares of its material subsidiaries.
- Conversion price — Lower of Cdn$11.88 or the 50-day VWAP at the date of conversion, subject to a floor price of Cdn$8.88 per share.
- Investor's conversion option — CIC has the right to convert the debenture, in whole or in part, into common shares of SouthGobi from November 19, 2010 onwards.
- Issuer's conversion option — SouthGobi has the right to convert up to $250.0 million of the debenture on the earlier of November 19, 2011 or upon achieving a public float of 25.0% of its common shares under certain agreed circumstances if the conversion price is at least Cdn$10.66. After November 19, 2014, SouthGobi is entitled to convert the debenture, in whole or in part, into its common shares at the conversion price if the conversion price is at least Cdn$10.66.

The convertible debenture is a hybrid instrument containing a debt host contract and three embedded derivatives: the investor's conversion option, issuer's conversion option and share-based interest payment provision. These embedded derivatives were bifurcated from the debt host contract, measured at fair value and bundled together as a single compound embedded derivative liability. Each reporting period the embedded derivative liability is remeasured at fair value with changes in fair value being recognized in earnings.

The initial $186.7 million carrying amount of the debt host contract is the residual principal amount after bifurcating the $313.3 million fair value of the embedded derivative liability. A debt discount arises due to the difference between the initial carrying amount of the debt host contract and the amount payable at maturity.

Transaction costs of $15.0 million were allocated between the embedded derivative liability and debt host contract in proportion to the allocation of the total proceeds between the two components. The $9.4 million allocated to the embedded derivative liability was expensed immediately. Whereas, the $5.6 million allocated to the debt host contract is reported in the balance sheet as a deferred charge.

Both the debt discount and deferred charge are amortized as accretion expense over the 30 year contractual life of the convertible debenture using the interest method.

The embedded derivative liability was valued using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement in the inputs can be independent of each other. Some of the key inputs used by the Monte Carlo simulation include: floor and ceiling conversion prices, risk-free rate of return, expected volatility of SouthGobi's share price, forward Cdn$ exchange rate curves and spot Cdn$ exchange rates.

As at December 31, 2009, the fair value of the embedded derivative liability was determined to be $358.3 million.

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

14. CONVERTIBLE CREDIT FACILITIES (Continued)

(b) China Investment Corporation (Continued)

Assumptions used in the Monte Carlo valuation model are as follows:

	December 31, 2009		November 19, 2009	
Floor conversion price	**Cdn$**	**8.88**	Cdn$	8.88
Ceiling conversion price	**Cdn$**	**11.88**	Cdn$	11.88
Expected volatility		**75%**		80%
Risk-free rate of return		**4.09%**		3.92%
Spot Cdn$ exchange rate		**0.96**		0.94
Forward Cdn$ exchange rate curve		**0.90 - 0.95**		0.90 - 0.94

15. DERIVATIVE CONTRACT

In November 2008, Ivanhoe Mines entered into a Share Purchase Agreement with a third party (the "Transferor") to acquire two million shares of SouthGobi for an initial payment of $7.0 million. Contemporaneously, Ivanhoe Mines entered into an Option Agreement which provides the Transferor with the option to acquire up to two million SouthGobi shares from Ivanhoe Mines at any time on or before the third anniversary of the agreements at an escalating price agreed upon in the Option Agreement.

At the time of entering into the contract, the Option Agreement was considered a freestanding contract indexed to the stock of a consolidated subsidiary and was initially recorded as a liability at fair value and subsequently marked to fair value through earnings.

The fair value of the option was determined using a Black-Scholes option pricing model, using the following assumptions at December 31, 2008:

		2008
Risk-free interest rate		**1.05%**
Expected life		**1.4 years**
Expected volatility		**84%**
Expected dividends	**$**	**Nil**

During 2008, Ivanhoe Mines recorded a derivative loss of $3.2 million on the Option Agreement.

The adoption of the updated ASC guidance for an instrument (or an embedded feature) with a settlement amount that is based on the stock of an entity's consolidated subsidiary resulted in the reclassification of the fair value of the derivative contract to noncontrolling interests on January 1, 2009 (Note 20). Any subsequent changes to the fair value of the derivative contract will no longer be recorded through earnings.

During 2009, the Transferor exercised their option to acquire 1,025,000 SouthGobi shares. As a result, a portion of the carrying amount of the derivative contract has been removed from noncontrolling interests (Note 20).

16. INCOME TAXES

As referred to in Note 2(b), Ivanhoe Mines must make significant estimates in respect of its provision for income taxes and the composition of its deferred income tax assets and liabilities. Ivanhoe Mines' operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in

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

16. INCOME TAXES (Continued)

adjustments to the amount of deferred income tax assets and liabilities, and those adjustments may be material to Ivanhoe Mines' financial position and results of operations.

Ivanhoe Mines' (recovery) provision for income and capital taxes for continuing operations consists of the following:

	Years Ended December 31, 2009	2008
Deferred income taxes	**$(14,520)**	$4,003
Capital taxes	**1,055**	311
	$(13,465)	$4,314

Deferred income tax assets and liabilities for continuing operations at December 31, 2009 and 2008 arise from the following:

	December 31, 2009	2008
Deferred income tax assets		
Long-term investments	**$ 42,642**	$ 35,375
Loss carry-forwards	**281,308**	250,429
Other	**13,290**	12,792
	337,240	298,596
Valuation allowance	**(330,287)**	(298,596)
Net deferred income tax assets	**6,953**	—
Deferred income tax liabilities		
Property, plant and equipment	**10,888**	9,512
	10,888	9,512
Deferred income tax liabilities, net	**$ 3,935**	$ 9,512

A reconciliation of the provision for income and capital taxes for continuing operations is as follows:

	Years Ended December 31, 2009	2008
Recovery of income taxes based on the combined Canadian federal and provincial statutory tax rates of 30.0% in 2009 and 31.0% in 2008 applied to the net loss from continuing operations	**$ 86,997**	$ 63,272
Deduct		
Lower foreign tax rates	**(3,696)**	(13,593)
Tax benefit of losses not recognized	**(60,189)**	(54,372)
Non-taxable portion of realized capital gains	**—**	24,714
Capital taxes	**(1,055)**	(311)
Foreign exchange and other	**(8,592)**	(24,024)
Recovery (provision) for income and capital taxes	**$ 13,465**	$ (4,314)

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

16. INCOME TAXES (Continued)

At December 31, 2009, Ivanhoe Mines had the following unused tax losses from continuing operations:

		Local Currency	U.S. Dollar Equivalent(i)	Expiry Dates
Non-capital losses:				
Canada	Canadian	$ 191,927	$ 182,233	2010 to 2029
Australia	Australian	$ 137,510	$ 123,443	(a)
Mongolia	Mongolian Tugrik	1,136,177,959	$ 786,282	(b)
Mongolia	Mongolian Tugrik	31,697,485	$ 21,936	2010 to 2019
Mongolia	Mongolian Tugrik	31,940,035	$ 22,104	2010 to 2011
Indonesia	Indonesian Rupiah	77,407,871	$ 8,231	2011 to 2014
Capital losses:				
Canada	Canadian	$ 35,246	$ 33,466	(c)

(i) Translated using the year-end exchange rate.

(a) These losses are carried forward indefinitely, subject to continuity of ownership and business tests.

(b) These losses are carried forward until production from a mine commences; thereafter, they can be amortized on a straight-line basis.

(c) These losses are carried forward indefinitely for utilization against future net realized capital gains.

Ivanhoe Mines also has deductible temporary differences and unused tax losses in certain other foreign jurisdictions that are not disclosed above, as it is currently highly unlikely that these items will be utilized.

Ivanhoe Mines had no unrecognized tax benefits as of December 31, 2009 and 2008. Under current conditions and expectations, management does not foresee any significant changes in unrecognized tax benefits that would have a material impact on the Company’s financial statements.

During 2009 and 2008, Ivanhoe Mines did not recognize any accrued interest or penalties related to unrecognized tax benefits within the statement of operations or balance sheet.

Ivanhoe Mines is subject to taxes in Canada, Mongolia, Australia and various foreign countries. The tax years of major tax jurisdictions which remain subject to examination as of December 31, 2009 are as follows:

Canada	2003 to 2009
Mongolia	2000 to 2009
Australia	2003 to 2009

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

17. ASSET RETIREMENT OBLIGATIONS

	December 31, 2009	2008
Balance, beginning of year	**$3,922**	$ 9,160
Increase (decrease) in obligations for:		
Changes in estimates	**706**	2,582
Amounts incurred	**—**	(11)
Unrealized foreign exchange	**667**	(546)
Accretion expense	**141**	429
Reduction on commencement of equity accounting (Note 8 (a))	**—**	(7,692)
Balance, end of year	**$5,436**	$ 3,922

The total undiscounted amount of estimated cash flows required to settle the obligations is $21.9 million (2008 — $20.1 million), which has been discounted using credit adjusted risk free rates ranging from 5.6% to 11.3%. The majority of reclamation obligations are not expected to be paid for several years and will be funded from Ivanhoe Mines' cash balances and environmental bonds restricted for the purpose of settling asset retirement obligations.

18. SHARE CAPITAL

(a) Equity Incentive Plan

The Company has an Employees' and Directors' Equity Incentive Plan (the "Equity Incentive Plan"), which includes three components: (i) a Share Option Plan; (ii) a Share Bonus Plan; and (iii) a Share Purchase Plan.

(i) The Share Option Plan authorizes the Board of Directors of the Company to grant options to directors and employees of Ivanhoe Mines to acquire Common Shares of the Company at a price based on the weighted average trading price of the Common Shares for the five days preceding the date of the grant. Options vest over four years and have seven year contractual terms unless otherwise determined from time to time by the Board of Directors, on the recommendation of the Compensation and Benefits Committee. The Share Option Plan also provides that these options may, upon approval of the Board of Directors, be converted into stock appreciation rights.

(ii) The Share Bonus Plan permits the Board of Directors of the Company to authorize the issuance, from time to time, of Common Shares of the Company to employees of the Company and its affiliates.

(iii) The Share Purchase Plan entitles each eligible employee of Ivanhoe Mines to contribute up to seven percent of each employee's annual basic salary in semi-monthly instalments. At the end of each calendar quarter, each employee participating in the Share Purchase Plan is issued Common Shares of the Company equal to 1.5 times the aggregate amount contributed by the participant, based on the weighted average trading price of the Common Shares during the preceding three months.

The Company is authorized to issue a maximum of 6.5% of the issued and outstanding Common Shares (December 31, 2009 — 27,654,091) pursuant to the Equity Incentive Plan. At December 31, 2009, an aggregate of 6,495,821 Common Shares were available for future grants of awards under the plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option award and stock price volatility. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behaviour. Expected volatility is based on the historical volatility of the Company's stock. These estimates involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate

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

18. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (Continued)

and only recognize expense for those options expected to vest. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that reported.

The weighted average grant-date fair value of stock options granted during 2009 and 2008 was Cdn$5.08 and Cdn$2.50, respectively. The fair value of these options was determined using a Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2009	**2008**
Risk-free interest rate	**2.10%**	2.86%
Expected life	**3.7 years**	3.6 years
Expected volatility	**74%**	57%
Expected dividends	**$ Nil**	$ Nil

A summary of stock option activity and information concerning outstanding and exercisable options at December 31, 2009 is as follows:

	Options Outstanding		
	Options Available for Grant	**Number of Common Shares**	**Weighted Average Exercise Price (Expressed in Canadian dollars)**
Balances, December 31, 2007	5,435,246	14,563,900	$ 10.10
Options granted	(5,604,070)	5,604,070	5.68
Options exercised	—	(707,800)	5.70
Options cancelled	649,700	(649,700)	7.49
Shares issued under share purchase plan	(40,983)	—	—
Balances, December 31, 2008	439,893	18,810,470	$ 9.04
Increase in amount authorized	9,500,794	—	—
Options granted	(9,400,500)	9,400,500	9.59
Options exercised	—	(867,500)	7.47
Options cancelled	6,185,200	(6,185,200)	10.77
Bonus shares	(125,000)	—	—
Shares issued under share purchase plan	(104,566)	—	—
Balances, December 31, 2009	6,495,821	21,158,270	$ 8.84

At December 31, 2009, the U.S. dollar equivalent of the weighted average exercise price was $8.39 (December 31, 2008 — $7.42).

The total intrinsic value of options exercised during the years ended December 31, 2009 and 2008 was $4.7 million and $3.6 million, respectively.

As at December 31, 2009, options vested and expected to vest totalled 21,158,270 (December 31, 2008 — 18,810,470) and had an aggregate intrinsic value of $132.1 million (December 31, 2008 — $0.9 million).

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

18. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (Continued)

The following table summarizes information concerning outstanding and exercisable options at December 31, 2009:

Range of Exercise Prices (Expressed in Canadian dollars)	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Life (in years)	Options Outstanding: Weighted Average Exercise Price per Share (Expressed in Canadian dollars)	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price per Share (Expressed in Canadian dollars)
$ 2.82 to $ 3.47	3,095,620	5.92	$ 2.98	552,068	$ 2.97
$ 3.48 to $ 7.03	677,100	3.67	6.39	303,300	6.78
$ 7.04 to $ 8.20	5,885,500	5.75	8.12	2,173,500	7.98
$ 8.21 to $ 8.96	3,356,450	4.08	8.46	752,200	8.42
$ 8.97 to $10.27	3,306,700	3.11	9.72	2,861,700	9.72
$10.28 to $12.62	664,900	3.08	11.62	397,500	11.33
$12.63 to $16.79	4,172,000	5.98	13.76	628,500	13.68
	21,158,270	4.99	$ 8.84	7,668,768	$ 8.91

As at December 31, 2009 there was $46.0 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 1.7 years.

As at December 31, 2009 the aggregate intrinsic value for fully vested stock options was $48.1 million (December 31, 2008 — $Nil).

Stock-based compensation charged to operations was allocated between exploration expenses and general and administrative expenses as follows:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Exploration (i)	**$21,937**	$20,440
General and administrative	**13,898**	8,672
	$35,835	$29,112

(i) Stock-based compensation of $340,000 (2008 — $102,000) has been excluded as amounts relate to discontinued operations.

Stock-based compensation charged to operations was incurred by Ivanhoe Mines as follows:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Ivanhoe Mines Ltd.	**$21,507**	$13,106
SouthGobi Energy Resources Ltd. (i)	**7,019**	7,404
Ivanhoe Australia Ltd.	**7,309**	8,602
	$35,835	$29,112

(i) Stock-based compensation of $340,000 (2008 — $102,000) has been excluded as amounts relate to discontinued operations.

18. SHARE CAPITAL (Continued)

(b) Rio Tinto Placement

In 2006, Ivanhoe Mines and Rio Tinto formed a strategic partnership whereby Rio Tinto would invest in Ivanhoe Mines.

In October 2006, Rio Tinto completed a first private placement tranche under the agreement by purchasing approximately 37.1 million shares at a price of $8.18 per share, for proceeds totalling $303.4 million.

In October 2009, Rio Tinto completed the second private placement tranche under the agreement, consisting of 46.3 million shares at a price of $8.38 per share, for proceeds totalling $388.0 million. As a result, the $5.2 million carrying amount of the share issuance commitment was reclassified to share capital. This financing increased Rio Tinto's equity ownership in the Company from 9.9% to 19.7%.

In March 2010, Ivanhoe Mines issued 15.0 million shares to Rio Tinto at Cdn$16.31 per share, for total proceeds of $241.1 million (Cdn$244.7 million) (Note 10 (e) and 25 (a)).

In addition to the first and second private placement tranches, Rio Tinto was granted 92,053,044 warrants, divided into two series. The lives of these warrants are determined by the date an approved Investment Agreement is reached. The Warrant Determination Date within the warrant terms presented below is the earlier of the date an approved Investment Agreement is reached or October 27, 2009.

The 46,026,522 Series A Warrants are non-transferable. Each warrant entitles Rio Tinto to purchase one Common Share of the Company at a price of:

(i) $8.38 during the period commencing November 30, 2006 and ending 180 days following the Warrant Determination Date; and

(ii) $8.54 during the period commencing 181 days after the Warrant Determination Date and ending 365 days after the Warrant Determination Date.

The 46,026,522 Series B Warrants are non-transferable. Each warrant entitles Rio Tinto to purchase one Common Share of the Company at a price of:

(i) $8.38 during the period commencing November 30, 2006 and ending 180 days following the Warrant Determination Date;

(ii) $8.54 during the period commencing 181 days after the Warrant Determination Date and ending 365 days after the Warrant Determination Date;

(iii) $8.88 during the period commencing 366 days after the Warrant Determination Date and ending 545 days after the Warrant Determination Date; and

(iv) $9.02 during the period commencing 546 days after the Warrant Determination Date and ending 725 days after the Warrant Determination Date.

During 2008, Rio Tinto received 243,772 shares and 1,440,406 additional share purchase warrants (the "Anti-Dilution Warrants"), divided into two series. The lives of the Anti-Dilution Warrants are identical to the Series A Warrants and Series B Warrants above. Each Anti-Dilution Warrant entitles Rio Tinto to purchase one Common Share of the Company at a price of Cdn$3.15.

Ivanhoe Mines has recorded an amount of $23.1 million in shareholders' equity, attributable to the fair value of the Rio Tinto share purchase warrants and second tranche share issuance commitment. As at December 31, 2009, all of the Series A Warrants, Series B Warrants and Anti-Dilution Warrants were outstanding.

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

18. SHARE CAPITAL (Continued)

(c) Rio Tinto Financing

As part of the credit facility transaction disclosed in Note 14 (a), Rio Tinto received share purchase warrants exercisable to purchase up to 35.0 million common shares of Ivanhoe Mines at a price of $10.00 per share at any time on or before October 24, 2012. As at December 31, 2009, 35.0 million share purchase warrants were exercisable.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

	December 31, 2009	December 31, 2008
Accumulated OCI at beginning of year		
Long-term investments, net of tax of $nil, $nil	**$ (8,635)**	$ 17,498
Other long-term investments, net of tax of $nil, $nil	**—**	—
Currency translation adjustment, net of tax of $nil, $nil	**(18,256)**	—
Noncontrolling interests	**2,669**	—
	$(24,222)	$ 17,498
Other comprehensive income (loss) for the year:		
Changes in fair value of long-term investments	**$ 29,718**	$(35,703)
Changes in fair value of other long-term investments	**(27,448)**	—
Currency translation adjustments	**12,241**	(18,256)
Noncontrolling interests (Note 20)	**(1,547)**	2,669
Less: reclassification adjustments for gains/losses recorded in earnings:		
Investments:		
Other than temporary impairment charges	**—**	3,990
Gains realized on sale	**(1,424)**	—
Less: reclassification on commencement of equity accounting:		
Exco Resources N.L. (Note 8(b))	**—**	5,580
Other comprehensive income (loss), before tax	**11,540**	(41,720)
Income tax expense related to OCI	**(1,896)**	—
Other comprehensive income (loss), net of tax	**$ 9,644**	$(41,720)
Accumulated OCI at end of year		
Long-term investments, net of tax of $1,896, $nil	**$ 17,763**	$ (8,635)
Other long-term investments, net of tax of $nil, $nil	**(27,448)**	—
Currency translation adjustment, net of tax of $nil, $nil	**(6,015)**	(18,256)
Noncontrolling interests (Note 20)	**1,122**	2,669
	$(14,578)	$(24,222)

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

20. NONCONTROLLING INTERESTS

At December 31, 2009 there were noncontrolling interests in SouthGobi and Ivanhoe Australia:

	Noncontrolling Interests		
	SouthGobi	Ivanhoe Australia	Total
Balance, December 31, 2007	$ —	$ —	$ —
Increase in noncontrolling interests arising from share issuances by subsidiaries	28,847	8,784	37,631
Noncontrolling interests' share of loss	(11,224)	(3,046)	(14,270)
Noncontrolling interests' share of other comprehensive loss (Note 19)	—	(2,669)	(2,669)
Balance, December 31, 2008	17,623	3,069	20,692
Changes in noncontrolling interests arising from changes in ownership interests	1,258	(122)	1,136
Noncontrolling interests' share of loss	(19,515)	(6,020)	(25,535)
Derivative contract (Note 15)	2,594	—	2,594
Purchase Metals division from subsidiary	518	—	518
Noncontrolling interests' share of other comprehensive loss (Note 19)	—	1,547	1,547
Balance, December 31, 2009	$ 2,478	$ (1,526)	$ 952

21. OTHER INCOME/EXPENSE

	Year Ended December 31,	
	2009	2008
Transaction costs on issuance of convertible debenture (Note 14(b))	**$ (9,399)**	$ —
SouthGobi Hong Kong listing fees	**(2,470)**	(6,715)
Gain on sale of equipment (Note 8 (c)(iv))	**—**	911
Loss on sale of equipment (Note 10 (e))	**—**	(5,996)
Loss on derivative contract (Note 15)	**—**	(3,209)
Gain on settlement of debt (i)	**—**	838
	$(11,869)	$(14,171)

(i) During 2008, Ivanhoe Mines recorded a $838,000 gain upon the settlement of loans payable to the Chairman of the Company or a company controlled by him.

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

22. CASH FLOW INFORMATION

(a) Reconciliation of net loss to net cash flow used in operating activities

	Year Ended December 31, 2009	2008
Net loss	**$(305,706)**	$(198,383)
Loss (Income) from discontinued operations	**3,645**	(24,305)
Items not involving use of cash		
Stock-based compensation	**35,835**	29,112
Accretion expense	**14,486**	10,087
General and administrative expenses	**1,978**	—
Accrued mining property care and maintenance	**—**	448
Depreciation	**10,140**	5,271
Gain on sale of other mineral property rights	**(3,000)**	—
Write-down of carrying values of property, plant and equipment	**1,243**	6,080
Accrued interest income	**(600)**	(3,646)
Accrued interest expense	**20,885**	17,054
Unrealized gain on long-term investments	**(1,099)**	—
Unrealized gain on other long-term investments	**(438)**	—
Realized gain on redemption of other long-term investments	**(1,458)**	—
Change in fair value of embedded derivatives	**44,980**	—
Transaction costs on issuance of convertible debenture	**9,399**	—
Unrealized foreign exchange (gains) losses	**(33,394)**	57,790
Share of loss of significantly influenced investees	**45,898**	10,092
Write-down of carrying value of other long-term investments	**—**	18,009
Gain on sale of long-term investments and note receivable	**(1,424)**	(201,428)
Write-down of carrying value of long-term investments	**—**	7,103
Loss on derivative contract	**—**	3,209
Gain on settlement of debt	**—**	(838)
Gain on sale of equipment	**—**	(911)
Loss on sale of equipment	**—**	5,996
Deferred income taxes	**(14,520)**	4,003
Bonus shares	**1,622**	—
Net change in non-cash operating working capital items:		
Decrease (increase) in:		
Accounts receivable	**(875)**	(2,323)
Inventories	**(2,301)**	(11,616)
Prepaid expenses	**(4,816)**	(4,597)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**15,488**	(35,787)
Cash used in operating activities of continuing operations	**(164,032)**	(309,580)
Cash used in operating activities of discontinued operations	**(19,227)**	(9,169)
Cash used in operating activities	**$(183,259)**	$(318,749)

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

22. CASH FLOW INFORMATION (Continued)

(b) Other supplementary information

	Years Ended December 31, 2009	Years Ended December 31, 2008
Interest paid	**$ 717**	$470
Income taxes paid	**$1,055**	$311

23. RELATED PARTY TRANSACTIONS

The following tables summarize related party expenses incurred by Ivanhoe Mines, primarily on a cost-recovery basis, with an officer of a subsidiary of Ivanhoe Mines, a company subject to significant influence by Ivanhoe Mines, a company affiliated with Ivanhoe Mines, or with companies related by way of directors or shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Years Ended December 31, 2009	Years Ended December 31, 2008
Global Mining Management Corporation (a)	**$ 8,982**	$ 8,147
Ivanhoe Capital Aviation LLC (b)	**5,940**	3,840
Fognani & Faught, PLLC (c)	**60**	621
Ivanhoe Capital Corporation (d)	**211**	—
Ivanhoe Capital Services Ltd. (e)	**618**	601
Rio Tinto plc (f)	**8,588**	4,783
	$24,399	$17,992

	Years Ended December 31, 2009	Years Ended December 31, 2008
Exploration	**$ 8,588**	$ 4,783
Legal	**60**	621
Office and administrative	**2,432**	2,451
Salaries and benefits	**7,379**	6,297
Travel (including aircraft rental)	**5,940**	3,840
	$24,399	$17,992

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.

Accounts receivable and accounts payable at December 31, 2009, included $676,000 and $4,840,000, respectively (December 31, 2008 — $142,000 and $3,217,000, respectively), which were due from/to a company under common control, a company affiliated with Ivanhoe Mines, or companies related by way of directors in common.

23. RELATED PARTY TRANSACTIONS (Continued)

(a) Global Mining Management Corporation ("Global") is a private company based in Vancouver owned equally by seven companies, one of which is Ivanhoe Mines. Global has a director in common with the Company. Global provides administration, accounting, and other office services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC ("Aviation") is a private company 100% owned by the Company's Chairman. Aviation operates an aircraft which is rented by the Company on a cost-recovery basis.

(c) An officer of a subsidiary of Ivanhoe Mines is a partner with Fognani & Faught, PLLC, a legal firm which provides legal services to Ivanhoe Mines.

(d) Ivanhoe Capital Corporation ("ICC") is a private company 100% owned by the Company's Chairman. ICC provides administration and other office services in London on a cost-recovery basis.

(e) Ivanhoe Capital Services Ltd. ("ICS") is a private company 100% owned by the Company's Chairman. ICS provides management services out of Singapore and London on a cost-recovery basis.

(f) Rio Tinto owns 19.7% of Ivanhoe Mines. Rio Tinto provides engineering related services for the Oyu Tolgoi Project on a cost-recovery basis.

Ivanplats is a private company 34% owned by the Company's Chairman. During 2009, Ivanhoe Mines purchased common shares, warrants and units of Ivanplats (Note 8 (c)(v)).

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

24. SEGMENT DISCLOSURES

	Year Ended December 31, 2009			
	Exploration	Coal	Corporate	Consolidated
REVENUE	$ —	$ 36,038	$ —	**$ 36,038**
COST OF SALES				
Production and delivery	—	(23,611)	—	**(23,611)**
Depreciation and depletion	—	(5,814)	—	**(5,814)**
COST OF SALES	—	(29,425)	—	**(29,425)**
EXPENSES				
Exploration	(155,563)	(21,499)	—	**(177,062)**
General and administrative	—	—	(45,750)	**(45,750)**
Depreciation	(4,186)	(20)	(120)	**(4,326)**
Mining property care and maintenance	—	—	—	**—**
Accretion of convertible credit facilities	—	(10)	(14,335)	**(14,345)**
Accretion of asset retirement obligations	(88)	(53)	—	**(141)**
Gain on sale of other mineral property rights	3,000	—	—	**3,000**
Write-down of carrying values of property, plant and equipment	(266)	—	(977)	**(1,243)**
TOTAL EXPENSES	(157,103)	(51,007)	(61,182)	**(269,292)**
OPERATING LOSS	(157,103)	(14,969)	(61,182)	**(233,254)**
OTHER INCOME (EXPENSES)				
Interest income	1,821	77	1,689	**3,587**
Interest expense	—	(4,721)	(16,880)	**(21,601)**
Foreign exchange gains (losses)	(288)	(1,070)	35,428	**34,070**
Unrealized gain on long-term investments	—	1,099	—	**1,099**
Unrealized gain (loss) on other long-term investments	—	(255)	693	**438**
Realized gain on redemption of other long-term investments	—	—	1,458	**1,458**
Change in fair value of embedded derivatives	—	(44,980)	—	**(44,980)**
Write-down of carrying value of long-term investments	—	—	—	**—**
Write-down of carrying value of other long-term investments	—	—	—	**—**
Gain on sale of long-term investment and note receivable	—	—	1,424	**1,424**
Other (expense) income	—	(11,869)	—	**(11,869)**
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(155,570)	(76,688)	(37,370)	**(269,628)**
Recovery (provision) for income taxes	1,227	6,337	5,901	**13,465**
Share of loss of significantly influenced investees	(1,191)	—	(44,707)	**(45,898)**
NET LOSS FROM CONTINUING OPERATIONS	(155,534)	(70,351)	(76,176)	**(302,061)**
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	—	(30,461)	26,816	**(3,645)**
NET LOSS	(155,534)	(100,812)	(49,360)	**(305,706)**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	6,019	—	19,516	**25,535**
NET LOSS ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (149,515)	$(100,812)	$ (29,844)	**$ (280,171)**
CAPITAL EXPENDITURES	$ 2,761	$ 36,175	$ 39	**$ 38,975**
TOTAL ASSETS	$ 271,512	$ 576,568	$ 686,601	**$ 1,534,681**

During the year ended December 31, 2009, all of the coal division's revenue arose from coal sales in Mongolia to two customers. Total revenues by customer were $23.0 million and $13.0 million.

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

24. SEGMENT DISCLOSURES (Continued)

	Year Ended December 31, 2008			
	Exploration	Coal	Corporate	Consolidated
REVENUE	$ —	$ 3,126	$ —	**$ 3,126**
COST OF SALES				
Production and delivery	—	(1,931)	—	**(1,931)**
Depreciation and depletion	—	(314)	—	**(314)**
COST OF SALES	—	(2,245)	—	**(2,245)**
EXPENSES				
Exploration	(207,673)	(42,918)	—	**(250,591)**
General and administrative	—	—	(27,453)	**(27,453)**
Depreciation	(4,133)	(244)	(580)	**(4,957)**
Mining property care and maintenance	—	—	(10,342)	**(10,342)**
Accretion of convertible credit facilities	—	—	(9,658)	**(9,658)**
Accretion of asset retirement obligations	(75)	(10)	(344)	**(429)**
Gain on sale of other mineral property rights	—	—	—	**—**
Write-down of carrying values of property, plant and equipment	(7)	(504)	(4)	**(515)**
TOTAL EXPENSES	(211,888)	(45,921)	(48,381)	**(306,190)**
OPERATING LOSS	(211,888)	(42,795)	(48,381)	**(303,064)**
OTHER INCOME (EXPENSES)				
Interest income	1,396	1,857	9,929	**13,182**
Interest expense	—	—	(17,599)	**(17,599)**
Foreign exchange gains (losses)	(1,483)	(4,630)	(56,833)	**(62,946)**
Unrealized gain on long-term investments	—	—	—	**—**
Unrealized gain (loss) on other long-term investments	—	—	—	**—**
Realized gain on redemption of other long-term investments	—	—	—	**—**
Change in fair value of embedded derivatives	—	—	—	**—**
Write-down of carrying value of long-term investments	(1,662)	—	(5,441)	**(7,103)**
Write-down of carrying value of other long-term investments	—	—	(18,009)	**(18,009)**
Gain on sale of long-term investment and note receivable	—	—	201,428	**201,428**
Other (expense) income	(5,996)	(6,715)	(1,460)	**(14,171)**
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(219,633)	(52,283)	63,634	**(208,282)**
Recovery (provision) for income taxes	(88)	(121)	(4,105)	**(4,314)**
Share of loss of significantly influenced investees	(3,015)	—	(7,077)	**(10,092)**
NET LOSS FROM CONTINUING OPERATIONS	(222,736)	(52,404)	52,452	**(222,688)**
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	—	(9,690)	33,995	**24,305**
NET LOSS	(222,736)	(62,094)	86,447	**(198,383)**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	14,270	—	—	**14,270**
NET LOSS ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (208,466)	$ (62,094)	$ 86,447	**$ (184,113)**
CAPITAL EXPENDITURES	$ 63,947	$ 53,975	$ 17,454	**$ 135,376**
TOTAL ASSETS	$ 206,349	$110,523	$ 425,330	**$ 742,202**

During the year ended December 31, 2008, all of the coal division's revenue arose from coal sales in Mongolia to two customers. Total revenues by customer were $1.9 million and $1.2 million

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

24. SEGMENT DISCLOSURES (Continued)

	December 31, 2009	December 31, 2008
Property, plant and equipment at the end of the year:		
Mongolia	**$189,837**	$161,346
Australia	**28,444**	22,823
Indonesia	**26**	13,182
Canada	**168**	341
Other	**306**	1,589
	$218,781	$199,281

25. COMMITMENTS AND CONTINGENCIES

Ivanhoe Mines has, in the normal course of its business, entered into various long-term contracts, which include commitments for future operating payments under contracts for drilling, engineering, equipment rentals and other arrangements as follows:

2010	$36,026
2011	3,747
2012	3,080
2013	2,194
2014 onwards	—
	$45,047

(a) In March 2010, Ivanhoe Mines used $195.4 million of the $241.1 million of proceeds received from the issue of 15 million common shares to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project.

(b) On October 6, 2009, Ivanhoe Mines agreed to purchase three T-Bills from the Government of Mongolia having an aggregate face value of $287.5 million, for the aggregate sum of $250 million. Ivanhoe Mines purchased the initial $100 million T-Bill on October 20, 2009 and is committed to purchase the second $50 million T-Bill within 14 days of the conditions precedent to the Investment Agreement having been addressed and purchase the final $100 million T-Bill within 14 days of having fully drawn the financing necessary to enable the full and complete construction of the Oyu Tolgoi Project or June 30, 2011, whichever date is earlier.

26. FAIR VALUE ACCOUNTING

The ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

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

26. FAIR VALUE ACCOUNTING (Continued)

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at December 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	**$ 14,999**	$ 14,999	$ —	$ —
Long-term investments	**86,443**	62,410	24,033	—
Other long-term investments	**145,035**	47,194	—	97,841
	$246,477	$124,603	$ 24,033	$97,841
Liabilities:				
Embedded derivative liability	**$358,272**	$ —	$358,272	$ —
	$358,272	$ —	$358,272	$ —

	Fair Value at December 31, 2008			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Long-term investments	**$ 20,430**	$ 15,017	$ 5,413	$ —
Other long-term investments	**22,301**	—	—	22,301
	$ 42,731	$ 15,017	$ 5,413	$22,301
Liabilities:				
Derivative contract	**$ 5,320**	$ —	$ 5,320	$ —
	$ 5,320	$ —	$ 5,320	$ —

The Company's short-term and long-term investments are classified within Level 1 and 2 of the fair value hierarchy as they are valued using quoted market prices of certain investments, as well as quoted prices for similar investments.

The Company's other long-term investments are classified within Level 1 and 3 of the fair value hierarchy and consist of Long-Term Notes received upon the completion of the Asset-Backed Commercial Paper restructuring, Government of Mongolia T-Bills and money market investments.

The Company's embedded derivative liability, included within convertible credit facilities (Note 14 (b)), is classified within Level 2 of the fair value hierarchy as it is determined using a Monte Carlo simulation valuation model, which uses readily observable market inputs.

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

26. FAIR VALUE ACCOUNTING (Continued)

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial assets (other long-term investments) for the year ended December 31, 2009.

	Long-Term Notes	T-Bills	Totals
Balance, December 31, 2007	$ 47,132	$ —	**$ 47,132**
Foreign exchange losses	(6,822)	—	**(6,822)**
Write-down of carrying value	(18,009)	—	**(18,009)**
Balance, December 31, 2008	$ 22,301	$ —	**$ 22,301**
Additions	—	100,000	**100,000**
Accrued interest	—	600	**600**
Foreign exchange gains	2,473	—	**2,473**
Fair value redeemed	(778)	—	**(778)**
Unrealized gain (loss)	693	(27,448)	**(26,755)**
Balance, December 31, 2009	**$ 24,689**	**$ 73,152**	**$ 97,841**

27. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

(a) The estimated fair value of Ivanhoe Mines' financial instruments was as follows:

	December 31,			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	**$965,823**	**$965,823**	$384,110	$384,110
Short-term investments	**14,999**	**14,999**	—	—
Accounts receivable	**39,349**	**39,349**	47,520	47,520
Long-term investments	**93,511**	**154,976**	55,945	78,427
Other long-term investments	**145,035**	**145,035**	22,301	22,301
Accounts payable and accrued liabilities	**55,128**	**55,128**	41,103	41,103
Amounts due under credit facilities	**55,523**	**55,523**	15,963	15,963
Convertible credit facilities	**928,618**	**940,380**	349,128	374,165
Derivative contract	**—**	**—**	5,320	5,320

The fair value of Ivanhoe Mines' long-term investments was determined by reference to published market quotations, which may not be reflective of future values.

The fair value of Ivanhoe Mines' other long-term investments, consisting of Long-Term Notes, T-Bills and money market investments, was determined by considering the best available data regarding market conditions for such investments, which may not be reflective of future values.

The fair value of the Rio Tinto convertible credit facility was estimated to approximate the balance of principal and interest outstanding, due primarily to the short-term maturity of this facility.

The fair value of the CIC convertible debenture was estimated to approximate the aggregate carrying amount of the CIC convertible credit facility liability and interest payable. This aggregate carrying amount includes the

27. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS (Continued)

estimated fair value of the embedded derivative liability which was determined using a Monte Carlo simulation valuation model.

The fair values of Ivanhoe Mines' remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments.

(b) Ivanhoe Mines is exposed to credit risk with respect to its accounts receivable. The significant concentrations of credit risk are situated in Mongolia and Australia. Ivanhoe Mines does not mitigate the balance of this risk in light of the credit worthiness of its major debtors.

(c) Ivanhoe Mines is exposed to interest rate risk with respect to the variable rates of interest incurred on the Rio Tinto convertible credit facility (Note 14 (a)) and amounts due under credit facilities (Note 13). Interest rate risk is concentrated in Canada. Ivanhoe Mines does not mitigate the balance of this risk.

28. SUBSEQUENT EVENTS

(a) On January 29, 2010, SouthGobi successfully completed an international offering of 27 million shares for gross proceeds of Cdn$459.0 million. Simultaneously, with the international offering, SouthGobi's shares began trading on the Hong Kong Stock Exchange under the ticker HKEX: 1878.

(b) On March 29, 2010, CIC, at SouthGobi's request, converted $250.0 million of its convertible debenture (Note 14 (b)) into shares of SouthGobi at a conversion price of Cdn$11.88. As a result of the conversion and the international offering, Ivanhoe Mines' ownership interest in SouthGobi was reduced to 57.4%.

EXHIBIT 23.1
CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the incorporation by reference of our reports dated March 29, 2010 relating to (1) the consolidated financial statements of Ivanhoe Mines Ltd. (which report expresses an unqualified opinion and includes a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference relating to changes in accounting principles) and (2) the effectiveness of Ivanhoe Mines Ltd.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of Ivanhoe Mines Ltd. for the year ended December 31, 2009.

We also consent to the incorporation by reference of the above mentioned reports in Registration Statement No. 333-160783 on Form S-8.

/s/ Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 31, 2010

EXHIBIT 23.2
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We hereby consent to the use of and reference to our name and the Oyu Tolgoi Technical Report dated March 2010 (the "Technical Report") and the inclusion of information derived from the Technical Report under the headings "Description of the Business — Qualified Persons" and "Description of the Business — Oyu Tolgoi Copper and Gold Project, Mongolia", and to the use of and reference to our name and the Technical Report in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

AMEC Minproc Limited

/s/ Malcolm Brown
Name: Malcolm Brown
Title: President

Date: March 31, 2010

EXHIBIT 23.3
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the “40-F”) of Ivanhoe Mines Ltd. (the “Company”) to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010, under the headings “Description of the Business — Qualified Persons” and “Description of the Business — Oyu Tolgoi Copper and Gold Project, Mongolia”, and to the use of and reference to my name in “Interests of Experts”, in the Company’s Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Bernard Peters
Title: Principal Mining Consultant
Company: AMEC Minproc Limited

Date: March 31, 2010

EXHIBIT 23.4
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010, under the headings "Description of the Business — Qualified Persons" and "Description of the Business — Oyu Tolgoi Copper and Gold Project, Mongolia", and to the use of and reference to my name in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ John Vann
Title: Principal Consultant
Company: Quantitative Geoscience Pty. Ltd.

Date: March 31, 2010

EXHIBIT 23.5
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010 under the heading "Description of the Business — Qualified Persons", and to the use of and reference to my name in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Dean David
Title: Process Consultant
Company: AMEC Minproc Limited

Date: March 31, 2010

EXHIBIT 23.6
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010, under the headings "Description of the Business — Qualified Persons" and "Description of the Business — Oyu Tolgoi Copper and Gold Project, Mongolia", and to the use of and reference to my name in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Scott Jackson
Title: Principal Consultant
Company: Quantitative Geoscience Pty. Ltd.

Date: March 31, 2010

EXHIBIT 23.7
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the “40-F”) of Ivanhoe Mines Ltd. (the “Company”) to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010 under the heading “Description of the Business — Qualified Persons”, and to the use of and reference to my name in “Interests of Experts”, in the Company’s Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Albert Victor Chance
Title: Principal Geotechnical Consultant
Company: Golder Associates Limited

Date: March 31, 2010

EXHIBIT 23.8
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the “40-F”) of Ivanhoe Mines Ltd. (the “Company”) to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Oyu Tolgoi Technical Report dated March 2010 and for the Ovoot Tolgoi Technical Report dated October 21, 2009, under the heading “Description of the Business — Qualified Persons”, and to the use of and reference to my name in “Interests of Experts”, in each case in the Company’s Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Stephen Torr
Title: Resource Manager
Company: Ivanhoe Mines Ltd.

Date: March 31, 2010

EXHIBIT 23.9
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the “40-F”) of Ivanhoe Mines Ltd. (the “Company”) to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We hereby consent to the use of and reference to our name and the Ovoot Tolgoi Technical Report dated October 21, 2009 (the “Technical Report”) and the inclusion of information derived from the Technical Report under the headings “Description of the Business — Qualified Persons” and “Description of the Business — Ovoot Tolgoi Coal Project”, and to the use of and reference to our name and the Technical Report in “Interests of Experts”, in the Company’s Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

Norwest Corporation

/s/ Alister Horn
Name: Alister Horn
Title: Norwest Corporation

Date: March 31, 2010

EXHIBIT 23.10
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Ovoot Tolgoi Technical Report dated October 21, 2009 under the heading "Description of the Business — Qualified Persons", and to the use of and reference to my name in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Alister Horn

Name:	Alister Horn
Title:	Project Manager
Company:	Norwest Corporation

Date: March 31, 2010

EXHIBIT 23.11
CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Ivanhoe Mines Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name as a Qualified Person for the Ovoot Tolgoi Technical Report dated October 21, 2009 under the heading "Description of the Business — Qualified Persons", and to the use of and reference to my name in "Interests of Experts", in the Company's Annual Information Form for the year ended December 31, 2009, dated March 31, 2010, and in the 40-F.

Sincerely,

/s/ Richard Tifft III

Name:	Richard Tifft III
Title:	Vice President Geologic Services/General Manager
Company:	Norwest Corporation

Date: March 31, 2010

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, John Macken, certify that:

1. I have reviewed this annual report on Form 40-F of Ivanhoe Mines Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2010

By: /s/ *John Macken*
John Macken
Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Tony Giardini, certify that:

1. I have reviewed this annual report on Form 40-F of Ivanhoe Mines Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2010

By: /s/ *Tony Giardini*
Tony Giardini
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report of Ivanhoe Mines Ltd. (the "Company") on Form 40-F for the fiscal year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Macken, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2010

By: /s/ *John Macken*
John Macken
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report of Ivanhoe Mines Ltd. (the “Company”) on Form 40-F for the fiscal year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tony Giardini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2010

By: /s/ *Tony Giardini*
Tony Giardini
Chief Financial Officer