IVANHOE MINES
NEW HORIZONS

February 2, 2004

INDEPENDENT SCOPING STUDY CONFIRMS OYU TOLGOI PROJECT'S POTENTIAL TO BECOME A WORLD-CLASS COPPER-GOLD MINE

DETAILED PRELIMINARY ASSESSMENT INDICATES FAST-TRACK START-UP IS POSSIBLE IN FOURTH QUARTER OF 2006

WORK UNDERWAY ON FULL FEASIBILITY STUDY AS NEXT STEP IN THE PROJECT DEVELOPMENT PROCESS

ULAANBAATAR, MONGOLIA — Ivanhoe Mines' Chairman Robert Friedland and President John Macken announced today that an independent Preliminary Assessment Report, or scoping study, confirms the potential of Ivanhoe's Oyu Tolgoi (Turquoise Hill) Project in southern Mongolia to become a new, long-life copper and gold producer that could rank among the largest in the world.

Three years of exploration by Ivanhoe so far has identified five co-genetic deposits at Oyu Tolgoi: Southwest Oyu, Central Oyu, South Oyu, Hugo Dummett South and Hugo Dummett North. The deposits will form the basis for the Oyu Tolgoi copper-gold production complex that will include open-pit and underground mines, processing facilities and associated infrastructure.

The Preliminary Assessment Report was prepared by an integrated engineering team of AMEC E&C Services Ltd., of Canada, and Ausenco International, the Mining Group of GRD Minproc and SRK Consultants, all of Australia. Ivanhoe commissioned the report to assess the development alternatives open to Ivanhoe and to chart an implementation path for the Oyu Tolgoi mining complex. A sensitivity analysis also was completed to determine the economic effects of such variable factors as capital, operating costs, smelting and refining costs and gold and copper prices.

The Preliminary Assessment Report forecasts the economic viability of both conventional open-pit and underground mining operations.

The Preliminary Assessment Report includes Inferred resources that have not yet been sufficiently drilled to have economic considerations applied to them to enable them to be categorized as reserves. Until there is additional drilling to upgrade the Inferred to Measured and Indicated resources, there can be no certainty that the preliminary assessment will be realized.

The study examined three alternative development concepts in detail, each of which has robust rates of return at different levels of capital investment and production profiles.

The base case for the report was a two-stage build-out of the Oyu Tolgoi project. It would involve the construction of a process plant to handle 20 million tonnes of ore per year, fed by open pits on the Southwest Oyu, Central Oyu and Hugo South deposits. This first stage would be followed by a second-stage build-out that would expand the production rate to 40 million tonnes a year in Year 5 through the development of the underground mine at the Hugo North deposit. The base case used metal prices of US$400/oz. gold and US$0.90/lb copper. The report used average life-of-mine metallurgical recoveries of 89.6% copper and 65.8% gold. Approximately 78% of the resources employed in the base case were classified as Inferred at the time of the study; the remaining 22% were in the Indicated category (see tables below).

The three development concepts are summarized in the following table:

Overview of Oyu Tolgoi Development Scenarios (Based on US$400/oz gold and US$0.90/lb copper)				
Option	**Production Level**			
1. Full-Scale Start-Up	Production begins at full design capacity of 40 million tonnes/ore/year (120,000 tonnes of ore a day)			
2. Two-Stage Build-Out (Base Case)	Fast-track start-up @ 17-20 million tonnes/ore/year (60,000 tonnes/day) in Stage 1, expanding to 40 million tonnes (120,000 tonnes/day) in Stage 2			
3. Stand-Alone (Initial Building Block)	Stand alone @ 17-20 million tonnes/ore/year (60,000 tonnes/day)			
Decision Factor	Units	Full- Scale	**Two-Stage Build-Out**	Stand-Alone
Initial capital	US$ million	1,167	**529**	510
Pre-tax payback period	Years	5.6	**6.2**	3.7
Total cash cost — first 10 years*	US$/lb copper	$0.41	**$0.39**	$0.33
After-tax NPV — 100% equity				
5% discount	US$ million	2,035	**2,033**	522
7.5% discount	US$ million	1,293	**1,324**	359
IRR				
100% equity financing	%	17.5	**21.2**	18.9
70/30 debt-to-equity financing	%		**27.8**	

***** Cash costs include all project general and administrative costs (G&A), all mine-site costs (including expensing of the pre-stripping costs of Hugo South Deposit), all treatment and refining charges and penalties, all concentrate transportation costs and all royalty, lease and property imposts.

1. **Full-Scale Start-Up Option:** Full-scale development in one step, with a start-up rate of 40 million tonnes of ore per year (tpy).
2. **Two-Stage Build-Out Option:** A two-stage, fast-tracked development, beginning with Stage 1 fast-track development of open pits at the Southwest Oyu and Central Oyu deposits and initial production of 17-20 million tpy, to be followed by the Stage 2 expansion to 40 million tpy over five years through the subsequent opening of a large open pit at the Hugo South deposit and underground block-caving at the Hugo North deposit.
3. **Stand-Alone Option:** Fast-track development of Southwest Oyu and Central Oyu as open pits, with production targeted at an annual rate of 17-20 million tpy beginning in 2007 — and possibly as soon as 2006 — modelled to demonstrate the indicated stand-alone economics of this initial building block.

In effect, the Stand-Alone Option is the first stage of the Two-Stage Build-Out Option, showing that — depending on future copper and gold prices — the project could, particularly with favourable government fiscal and tax concessions, partially self-finance its own expansion with internally generated cash flow, as detailed below. The Two-Stage Build-Out Option, which draws on the Stand-Alone economics and provides similar full-scale benefits, is used throughout this news release to highlight the full scope of the Oyu Tolgoi Project's development opportunities now independently confirmed by the Preliminary Assessment Report.

Given recent volatility in metal prices, the development scenarios also were modelled using a range of prices. The following table, based on US$1.00 copper and US$400 gold, illustrates the potential effect of a higher copper price on the financial parameters.

Alternative Overview of Oyu Tolgoi Development Scenarios (Based on US$400/oz gold and US$1.00/lb copper)	
Option	**Production Level**
1. Full-Scale **Start-Up**	Production begins at full design capacity of 40 million tonnes/ore/year (120,000 tonnes of ore a day)
2. Two-Stage Build-Out (Base Case)	Fast-track start-up @ 17-20 million tonnes/ore/year (60,000 tonnes/day) in Stage 1, expanding to 40 million tonnes (120,000 tonnes/day) in Stage 2
3. Stand-Alone (Initial Building Block)	Stand alone @ 17-20 million tonnes/ore/year (60,000 tonnes/day)

Decision Factor	Units	Full- Scale	Two-Stage Build-Out	Stand-Alone
Initial capital	US$ million	1,167	529	510
Payback period	Years	4.8	5.6	3.3
Total cash cost — first 10 years*	US$/lb copper	$0.41	$0.39	$0.33
After-tax NPV — 100% equity				
5% discount	US$ million	2,772	2,707	705
7.5% discount	US$ million	1,845	1,814	503
IRR				
100% equity financing	%	20.8	24.9	22.4
70/30 debt-to-equity financing	%		33.0	

***** Cash costs include all project general and administrative costs (G&A), all mine-site costs (including expensing of the pre-stripping costs of Hugo South Deposit), all treatment and refining charges and penalties, all concentrate transportation costs and all royalty, lease and property imposts.
The project cash-flow model was based on the fiscal regime that currently would apply to the project. The Two-Stage Build-Out Option has been modelled with tax holidays, initiated upon the start-up of each 20-million-tonne stage.

Key elements of a Two-Stage Build-Out Option

The Two-Stage Build-Out Option appears to have a number of important advantages, given Ivanhoe's 100% ownership of the project and the scenario's ability to minimize the capital requirement by utilizing internally generated cash flow. Details of this study, which provides a snapshot of the relative scale and economic merits of this particular plan, include:

- Stage 1 would deliver initial production of approximately 20 million tpy from conventional open-pit mining of the gold-rich Southwest and Central deposits, with production in 2007 — and possibly as soon as 2006.

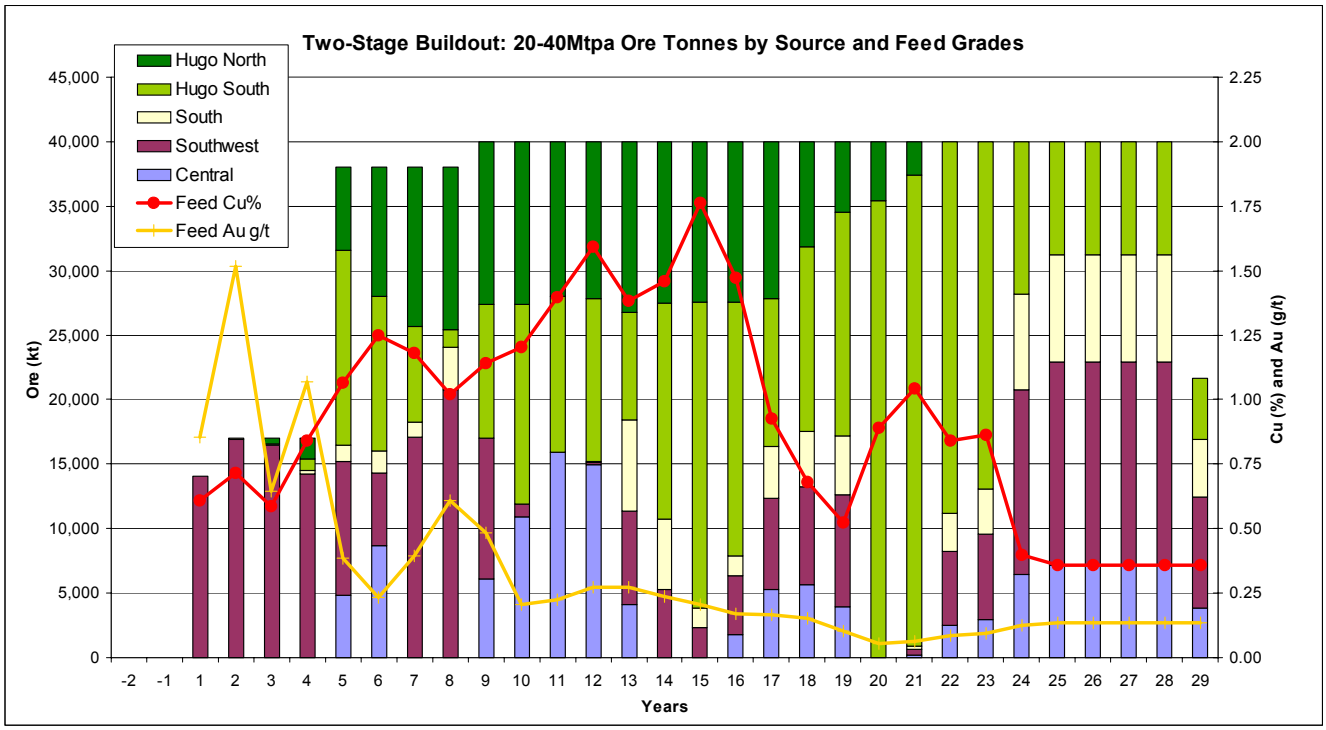
- Initial capital required to bring the project into Stage 1 production from Southwest Oyu is estimated at US$529 million, which would generate annual operating cash flows of up to US$263 million per year and average approximately US$145 million per year for the first four years (based on prices of US$400 gold and US$1.00 copper).
- Stage 2 would expand production to 40 million tpy in Year Five as the Hugo South open pit and Hugo North block-cave underground mine come on stream.
- The Two-Stage Build-Out scenario has a maximum cash drawdown requirement of US$643 million.
- At Stage 2 production of 40 million tpy, the project would generate after-tax cash flows ranging from US$399 to US$516 million per year for 11 years.
- Strong gold production is expected to average 400,000 ounces a year in the first four years.
- Copper production through Stage 2 is expected to be a minimum of 8.9 million tonnes (19.5 billion pounds), with Years 4 through 21 greater than 300,000 tpy (661.4 million pounds) and Years 7 through 15 greater than 400,000 tpy (881.8 million pounds).
- Initial open-pit resource: 862 million tonnes grading 0.70% copper and 0.24 gram of gold per tonne (2.4 billion tonnes of waste at a stripping ratio of 2.8:1).
- Early after-tax operating cash flow generation of approximately US$146 million per year, growing to approximately $400 million to $516 million per year as the Hugo South and Hugo North deposits reach capacity.
- The Oyu Tolgoi project generates more than US$20 billion worth of metal production over the first 30 years of mine life.
- The report also compared debt financing as an alternative to 100% equity. Using a 7% interest rate, for example, and a 70/30 debt-to-equity ratio, the leveraged case generated a 33.0% internal rate of return compared to 24.9% as a 100% equity option (based on US$400 gold and US$1.00 copper).

Mr. Friedland said it is possible that a two-stage, fast-track scenario could be project-financed with an equity component of approximately US$200 million using a conventional 70/30 debt to equity ratio. “This type of financing is clearly within Ivanhoe’s capability, given that Ivanhoe has the option of selling existing non-core assets or selling a minority participation in the Oyu Tolgoi project to one or more strategic partners.”

Stephen Hodgson, Technical Director of Mining for AMEC E&C Services Limited and leader of the engineering team that completed the report, said Oyu Tolgoi is capable of sustaining a production rate of 40 million tonnes per year for approximately 25 years, with annual production averaging approximately 400,000 ounces of gold per year in the early years and 480,000 tonnes of copper per year at a steady state of 40 million tonnes per year.

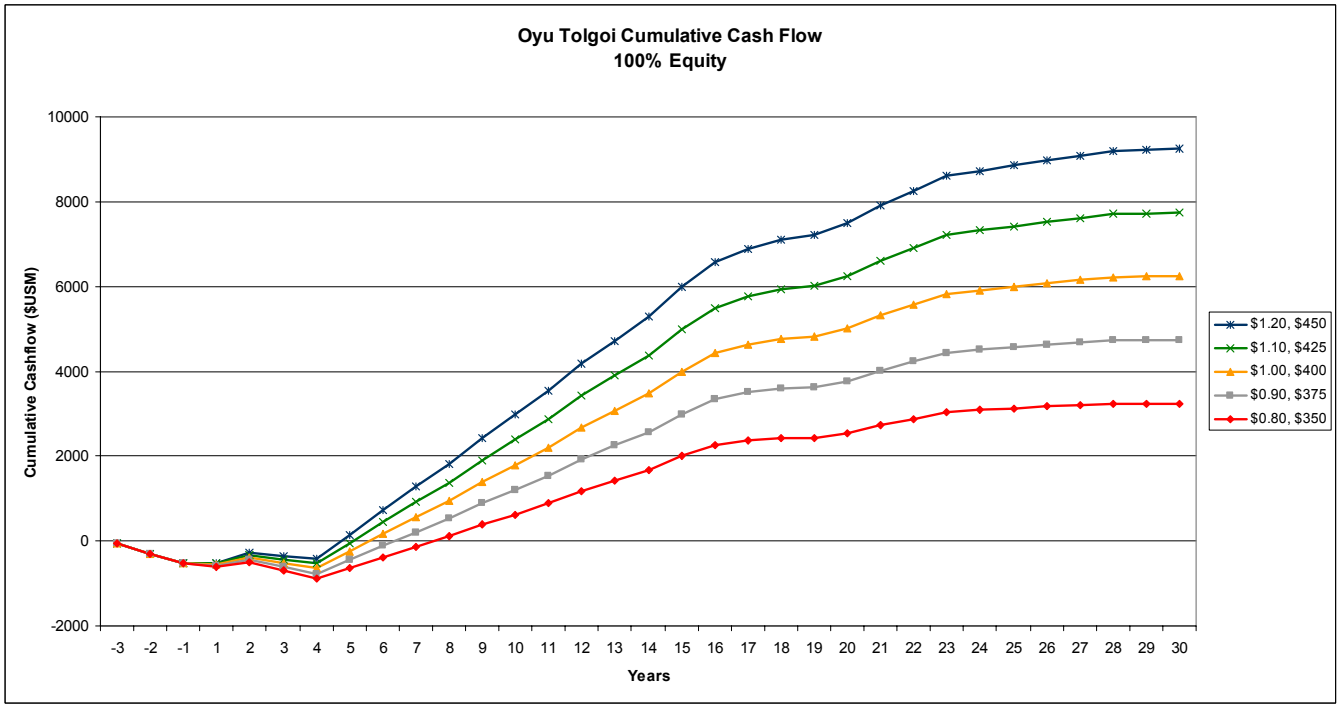
“There remains significant upside to further enhance the economics of the project given the continuing exploration underway to expand and upgrade the resources that were used as the basis for this assessment. It should be noted that the preliminary assessment process is dynamic in nature and provides a snapshot of possible production options based upon data available at the time of the study.”

Graph: Copper and gold production profile — Two-Stage Build-Out Option *



* Two-Stage Build-Out Option does not include an additional 203 million tonnes identified in bases of Southwest and Central pits.

Graph: Illustration of the strong cash-flow generated by the Two-Stage Build-Out Option at various copper and gold prices.



Significant conclusions in the Preliminary Assessment Report

These conclusions are subject to the qualifications contained in the Preliminary Assessment Report.

- The Hugo South Deposit also is amenable to open-pit mining, which would help to ensure a smooth transition to the expanded Stage 2 production from this large copper-rich ore body in Year Five.
- Low-cost block caving has been selected as the mining method for the deeper high-grade Hugo North Deposit. Shaft sinking and associated underground development will be fast-tracked by Ivanhoe to upgrade the Inferred resource to Measured and Indicated and confirm the design criteria of a 12 million tonne-per-year block cave operation.
- The project's economics will be enhanced by its proximity to China, which could:
  - reduce the costs of transportation and electricity supply; and
  - permit the use of Chinese materials and Chinese contractors who employ Mongolian nationals during construction, achieving further significant savings over comparable costs in Western countries.
- The project economics will be enhanced as well by utilization of Mongolian nationals during operation.
- China is the natural market for the copper and gold output from the project.
- Ore can be treated in a conventional flotation concentrator, using conventional technology.
- Water resources sufficient to supply the proposed mining operation already have been identified in the region.
- Continued exploration success and development optimization should add additional value to the project.

Oyu Tolgoi — estimate of indicated and inferred resources

(Based on a 0.30% copper-equivalent cut-off)

Deposit	Resources (million tonnes)	Copper Grade (%)	Gold Grade (g/t)	Copper Equiv. Grade (%)	Contained Metal		
					Copper (million tonnes)	Gold (million ounces)	Copper Equiv. (million tonnes)
Southwest Oyu							
Indicated	508.9	0.40	0.59	0.78	2.06	9.69	3.98
Inferred	290.8	0.32	0.50	0.64	0.92	4.70	1.86
South Oyu							
Inferred	270.3	0.39	0.13	0.48	1.07	1.10	1.28
Central Oyu							
Inferred	236.8	0.67	0.18	0.79	1.59	1.36	1.86
Hugo Dummett							
Inferred	1,800.3	0.86	0.12	0.94	15.50	7.22	16.92
Grand total: Indicated	508.9	0.40	0.59	0.78	2.06	9.69	3.98
plus							
Grand total: Inferred	2598.2	0.73	0.17	0.84	19.08	14.38	21.92

(Based on a 0.60% copper-equivalent cut-off)

Deposit	Resources (million tonnes)	Copper Grade (%)	Gold Grade (g/t)	Copper Equiv. Grade (%)	Contained Metal		
					Copper (million tonnes)	Gold (million ounces)	Copper Equiv. (million tonnes)
Southwest Oyu							
Indicated	267.0	0.53	0.86	1.08	1.42	7.35	2.88
Inferred	126.6	0.44	0.68	0.87	0.55	2.78	1.10
South Oyu							
Inferred	48.4	0.61	0.26	0.77	0.29	0.40	0.37
Central Oyu							
Inferred	147.5	0.84	0.24	0.99	1.24	1.14	1.46
Hugo Dummett							
Inferred	961.6	1.30	0.18	1.41	12.48	5.42	13.56
Grand total: Indicated	267.0	0.53	0.86	1.08	1.42	7.35	2.88
plus							
Grand total: Inferred	1284.1	1.13	0.24	1.28	14.58	9.74	16.50

Resource estimates prepared by AMEC E&C Services Limited, of Canada, in November and February, 2003.

1) Calculation of copper equivalent grades based on US$0.80/lb. for copper and US$350/oz. for gold); %Cu eq. = %Cu + Au (g/t) x (11.25/17.64).

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. The determination of an adjustment factor to account for differences in relative metallurgical recoveries between gold and copper will depend upon the completion of definitive metallurgical testing.

3) 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. An indicated mineral resource is 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 deposit. An inferred mineral 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.

Resources used in Preliminary Assessment Report

Mineral Inventory – Base Case: Two-Stage Build-Out

	Total Resource Mined				Waste	Total
Deposit	**Tonnes (000s)**	**CuEq %**	**Cu %**	**Au g/t**	**Tonnes (000s)**	**Tonnes (000s)**
Southwest	357,185	0.78	0.48	0.48	420,667	777,852
Central	126,611	0.84	0.75	0.14	206,021	332,632
Hugo South	378,372	1.00	0.97	0.05	1,780,374	2,158,746
Hugo North (U/G)	176,539	2.21	1.99	0.35		176,539
Total	***1,038,707***	***1.11***	***0.95***	***0.26***	***2,407,062***	***3,445,769***

Resource Classification in Mineral Inventory – Base Case: Two-Stage Build-Out

Indicated			
Resource	**CuEq**	**Cu**	**Au**
kt	**%**	**%**	**g/t**
229,043	0.87	0.49	0.59
Inferred			
Resource	**CuEq**	**Cu**	**Au**
kt	**%**	**%**	**g/t**
809,664	1.18	1.08	0.17

Milling cut-off, which defines the total mill feed given in the tables above, is the break-even cut-off where the value of the recoverable metal in a tonne of ore equals the total of on-site and off-site processing and general administrative (G&A) costs (but not including mining costs). For this inventory, the milling cost used was US$2.81 a tonne (including G&A). For conservative pit design and the purposes of these tables, calculations were based on US$0.85/lb copper and US$375/oz gold. For purposes of the Preliminary Assessment Report, the Hugo North underground block-cave mine has been planned to target the +2% copper equivalent cut-off boundary.

Open-pit and underground mining considerations

Mining of all the deposits except Hugo North is projected to be by open pit, using the largest available, proven equipment, including, for example, 340- to 360-tonne trucks and large-capacity shovels. In the case of Hugo South, limited in-pit crushing and conveying of ore and waste rock have been incorporated into the mine plan. The open-pit cut-off strategy is to feed the highest available grade to the mills at any time and stockpile lower grade material above milling cut-off for later processing.

The proposed ore-processing flow sheet is based upon a large flotation concentrator using conventional 40-foot-diameter SAG mills, ball mills and flotation.

The current schedule suggests completion of a full feasibility study in 2004 for the first building block — a major open-pit operation centred on the Southwest and Central deposits as outlined in the Stand-Alone Option. Construction would begin in 2005 and the first copper-concentrate shipments would be expected in 2007. There is an opportunity to “fast track” the development of the project by a rapid implementation of the Stand-Alone Option. Based on such a scenario, the operation could be in production as early as 2006. The study team assumed that electricity initially would be provided from the robust Chinese grid. Ivanhoe is currently in discussions with the Mongolian government and Chinese electrical power authorities to make the necessary arrangements. Hugo South open pit could be the subject of a pre-feasibility study in 2004 after the resource is raised to the Measured and/or Indicated classifications.

The report is based on mining of the Hugo North deposit by block caving, subject to confirmation of the assumptions used in the study. The underground development schedule for Hugo North will be fast-tracked in parallel with the open-pit development by sinking a shaft on the deposit, continuing the drill assessment from underground and completing pre-feasibility and feasibility studies. Mobilization for the shaft sinking will start in the second quarter of 2004.

“With the initiation of the open-pit feasibility study and the Hugo South pre-feasibility study this year, shaft sinking on Hugo North and an underground pre-feasibility study and further exploration drilling, we are confident we will continue to optimize the overall grade, define additional high-grade copper and gold mineralization and continue to identify opportunities that will further improve the project’s economics,” said Ivanhoe President John Macken.

Detailed studies of in-pit crushing and conveying and analysis of electric-trolley-assisted truck haulage are underway for Southwest Oyu, South Oyu, Central Oyu and Hugo South deposits to assess further reductions in operating costs.

There will be further detailed consideration of 42- or 44-foot SAG mills to improve the performance of the SAG/ball mill circuit. This would provide a second option for the expansion of production beyond the projected 40 million tonnes per year by milling lower-grade ore, rather than stockpiling it.

Preparations are under way for the drilling of 200mm-core holes on Southwest Oyu to generate a representative 120-tonne sample for feasibility-level metallurgical testing to define the expected throughput of a 40-foot SAG mill and downstream components.

Development Scenario Utilizing Fast-Track Development

The Stand-Alone Option represents a viable approach based solely on the open-pit resources contained in the South, Southwest and Central deposits. Given that the three deposits are more accessible and subject to more advanced resource classification than the adjacent Hugo Dummett deposits, they are amenable to a fast-track development plan that would form the Stage 1 building block for the two-stage development of the entire project. The Stand-Alone Option also supplies the base-case information and justification to take the project to the next step — reflected in the Two-Stage Build-Out Option that would expand production to 40 million tpy funded in part by cash generated by the open-pit production from the Southwest Deposit. Staged development has the advantage of minimizing the maximum capital investment requirement by utilizing operating cash flows from the first Stand-Alone phase.

Ivanhoe therefore intends to complete a definitive feasibility study on the Stand-Alone Option by the end of this year, effectively addressing the requirements of the Stage 1 approach outlined in the Two-Stage Build-Out Option. Current drilling already has defined a large portion of the Southwest Zone to the Indicated resource classification and limited additional drilling is necessary to elevate most of it to Measured and Indicated, as required for a definitive feasibility study. While this study is in progress, the additional work necessary to complete a pre-feasibility study on the Hugo South and Hugo North deposits — which comprise the projected Stage 2 expansion — would be well advanced.

At prices of US$400/oz for gold and US$1.00/lb for copper, the maximum capital required (not including interest expense) for the Two-Stage Build-Out Option would be US$643 million and could occur as the milling capacity of the project is being doubled from 20 million tonnes of ore per year to 40 million tonnes.

Average cash costs* of copper production for the Two-Stage Build-Out Option, after gold credits and at prices of $400/oz for gold and $1.00/lb for copper, are:

Years 1-5: 36 cents/lb
Years 1-15:40 cents/lb

*Cash costs include all project G&A, all mine-site costs (including expensing of the pre-stripping costs of Hugo South Deposit), all treatment and refining charges and penalties, all concentrate transportation costs and all royalty, lease and property imposts.

These cash costs also include smelting charges of US$60 per tonne of concentrate and refining charges of six cents per pound of copper. Current smelting and refining charges settled between major concentrate producers and major smelter/refineries for 2004 are slightly below $40 dollars and 4 cents, respectively. If similar smelting and refining charges from Chinese smelters could be locked in for the life of the project, the after-tax Net Present Value of the staged development at a 5% discount rate, US$400/oz gold price and US$1.00/lb copper price would increase from $2.707 billion to $2.907 billion and the after-tax Internal Rate of Return would increase from 24.9% to 27.1%. Cash costs of refined copper would be reduced by an average of 5.2 cents per pound. (See table of project sensitivities for calculations).

UPSIDE OPPORTUNITIES

Open-pit resource tops one billion tonnes

An additional open-pit resource totalling 203 million tonnes, grading 0.47% copper and 0.44 g/t gold and containing 950,000 tonnes (2.1 billion pounds) of copper and 2.9 million ounces of gold, has been identified in the base of the Southwest Oyu and Central Oyu pits as part of ongoing optimization engineering.
The resource, which was not part of the Two-Stage Build-Out Option modelling, increases the total open-pit inferred resource to 1.04 billion tonnes — sufficient for more than 30 years of production at planned rates.

This additional tonnage will be included in a study to be presented to the Government of Mongolia on February 20 as part of the recent grant to Ivanhoe of long-term mining licences for Oyu Tolgoi.

Upgrading of Oyu Tolgoi resource underway

Ivanhoe is conducting an extensive in-fill drilling program that it expects will increase the overall definition of the Oyu Tolgoi deposits by upgrading additional resources to the 'Measured' and 'Indicated' categories. The drill-out of the Central Oyu resource to Measured or Indicated status is nearing completion and the drill-out of the Southwest Oyu resource to Measured or Indicated status is expected to be completed by May, 2004. Contract documentation has been completed for the sinking of a shaft on Hugo North to facilitate the drill-out of the resource from underground to the Measured and Indicated status. Ivanhoe management is working to get this shaft collared and under construction as soon as possible.

An aggressive drilling program is continuing to explore the limits of the Hugo Dummett deposit, which remains open to depth. Drilling results will be updated and incorporated into the project's advancing development plans.

There is excellent potential to extend the resources in all five deposits identified to date and there is important potential to discover additional deposits on the Oyu Tolgoi Mining Licences and on Ivanhoe's extended exploration licences.

Treatment of Lower-Grade Material

In the Full-Scale and the Two-Stage options, a total of 310 million tonnes of lower-grade material above milling grade is planned to be stockpiled over approximately 15 years before it is fed to the mill and concentrator. This material averages 0.41% copper and 0.15 g/t gold.

Since G&A costs and the cost of mining this material are sunk costs (it already has been moved from the pits), only the incremental cost of milling and downstream costs apply against the production of this additional contained metal — comprising over 1.270 million tonnes of contained copper (2.8 billion pounds) and 1.5 million ounces of contained gold.

If, instead of stockpiling this ore, the second concentrator line was enlarged, or a third concentrator line was built, there could be a significant potential addition to early net cash flow.

There is more than adequate Inferred resource in the base of the Southwest Oyu and Central Oyu pits to replace the low-grade stockpile material later in the mine schedule. The replacement material is approximately 50% higher in grade than the low-grade material that is stockpiled and then treated in the base cases. This would sustain cash-flow generation in later years.

On-site smelting option has advantages

Construction of a smelter on site, designed to maximize the recovery of copper and gold from Oyu Tolgoi concentrates, could further enhance the project's value. The estimated cost to build a smelter of sufficient size to process 500,000 tpy of concentrates is approximately US$220 million; the estimated operating cost is $0.075 per pound of blister copper.

An on-site smelter would allow significant further optimization of metal recovery and eliminate the potential for future smelter deductions. The improved metal recovery, combined with savings in transport charges, lowered smelter charges and significant energy-generation potential, could significantly improve total project returns.

The base-case assumption in the Preliminary Assessment Report is that concentrates will be sold to Chinese smelters. While the preliminary estimates for a blister copper smelter at Oyu Tolgoi are very attractive, Ivanhoe has not yet definitively determined to build a smelter in connection with the project.

Ausmelt Limited, of Melbourne, Australia, has provided input to preliminary smelter studies and will begin a pre-feasibility study for a site-based smelter that would use its high-intensity smelting and converting furnaces. This would be an efficient, state-of-the-art facility with very high rates of gas capture and environmental controls similar to the Ausmelt smelter recently constructed in China.

Initial capacity of this smelter would be 500,000 tpy of concentrate. The smelter could be incrementally expanded as needed. Current assumptions are that gold recovery could be improved by five percentage points and copper recovery by one percentage point simply by optimizing the concentrator to produce at a higher metallurgical recovery rate of copper and gold into a lower-grade concentrate. Pyrite would be the primary impurity lowering the concentrate grade. Pyrite simply acts as a source of fuel in the smelting process.

Ivanhoe also has identified a heap-leach, solvent extraction-electrowinning (SX-EW) project based on the near-surface chalcocite blanket at Central Oyu that could be developed as a supplement to the main project. At a later stage, the SX-EW plant could be used to process copper leached from mine dumps.

Financial Analysis

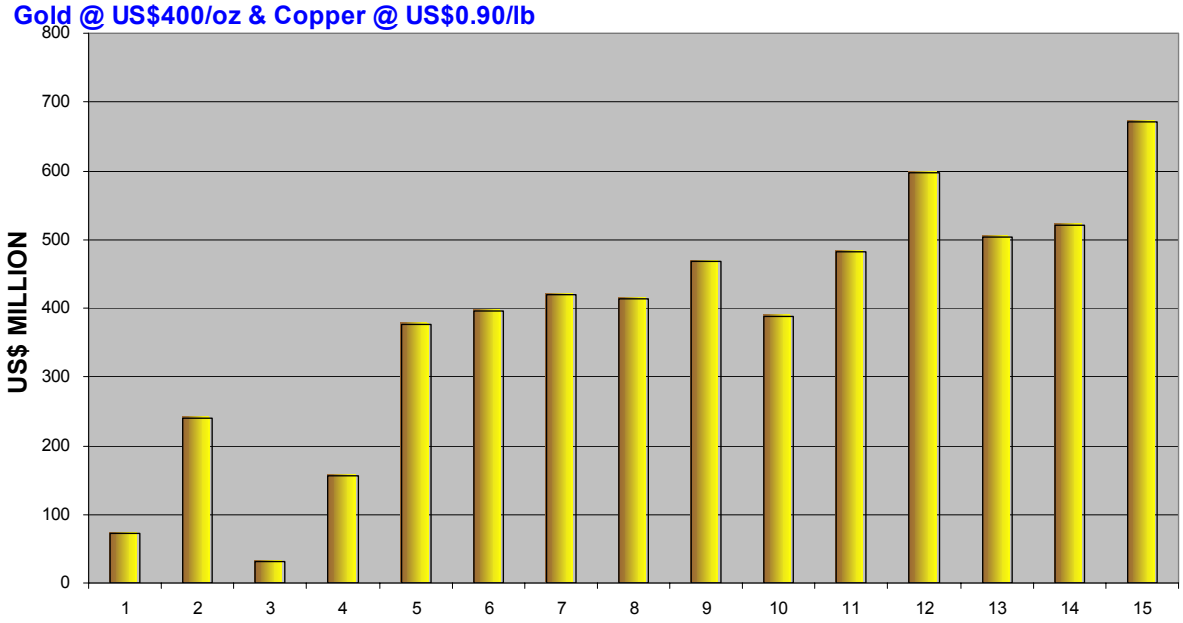
Financial analysis of the project was conducted through discounted cash-flow modelling, which was based on data contained in the preliminary assessment report.

All cases were based on open-pit mining from the South, Central, Southwest and Hugo South deposits, underground mining from the Hugo North deposit and processing of all ore through a concentrator to produce a copper concentrate containing gold that is sold to smelters outside Mongolia.

The modelling has been conducted on an after-tax basis, without escalation or inflation, and on the basis that the project will be 100% equity funded. The U.S. dollar was the currency used for the evaluation. No provisions were made for exchange-rate variations. A leveraged project-finance case (30% equity 70% debt) also has been modelled for the Two-Stage Build-Out. The project-finance internal rate of return (IRR) is 33.0%, employing a 7% interest rate, US$400 gold and US$1.00 copper.

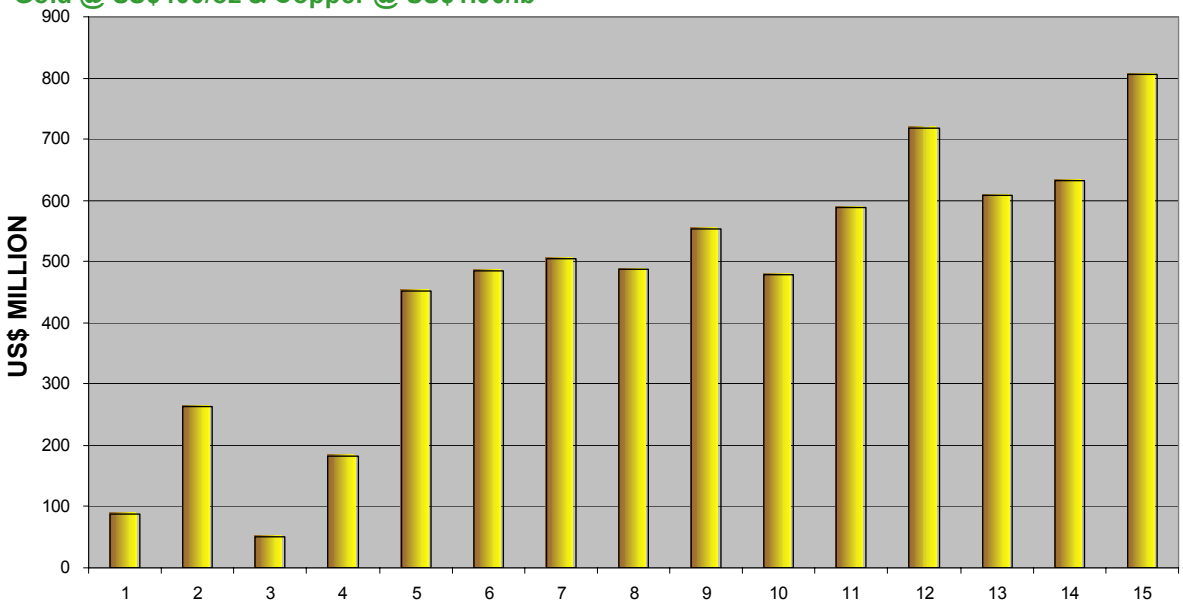
EBITDA
Two Stage Build-out Option
Year 1 to 15
US$Million per Year

Gold @ US$400/oz & Copper @ US$0.90/lb



EBITDA
Two Stage Build-out Option
Year 1 to 15
US$Million per Year

Gold @ US$400/oz & Copper @ US$1.00/lb



Sensitivity Analysis

The sensitivity analysis undertaken by AMEC indicates that Oyu Tolgoi could generate an after-tax, 100% equity IRR of 24.9%, with an associated NPV of $2.707 billion at US$1.00 copper and US$400 gold — according to the preliminary assessment of the project's capital costs, operating and processing costs, taxes and royalties. These robust economics are enhanced by the large initial gold production. A sensitivity analysis showed that the rate of return is most sensitive to changes in the copper price, followed by changes in the gold price, changes to the operating costs and finally changes in capital costs. For example, at US$1.10 copper andUS$400 gold, the after-tax IRR increases to 28.2% and the NPV increases to US$3.382 billion.

PROJECT SENSITIVITY

Parameter	Change	IRR Change	NPV Change
		(%)	($M)
Gold Price	± $25/oz	0.7%	42
Copper Price	± $0.05/lb	2.0%	183
Initial Capital	± $52 M	2.1%	82
Smelter Charges	± $10/wmt, $0.01/lb	1.1%	100
Gold Recovery	± 1% point	0.2%	10

Health, Safety and Environment

Ivanhoe Mines has developed a safety management system that utilizes the international safety standard OHSAS 18001. The Mongolian legal compliance requirements will be managed and monitored through this system.

The Western Australian Mine Safety & Inspection Regulations (1995) were adopted as the standard for mine and processing operations. Operating to this standard will also ensure compliance with International Labour Organization standards and other internationally recognized standards. The Western Australian Standards generally are more comprehensive than the Mongolian requirements identified to date.

Appropriate international standards will be incorporated into design, construction and contracting activities associated with the project. This Preliminary Assessment Report has ISO 14001 environmental accreditation.

Water Supply

Groundwater supply investigations by consultant Aquaterra Limited, of Perth, Western Australia, for the Oyu Tolgoi Project have been ongoing since April, 2002. Two separate investigations are underway: one is identifying groundwater resources within the licence area to provide camp and construction water; the other is a regional search for groundwater resources to provide a long-term process water supply.

Three deep, sedimentary groundwater systems well within 100 kilometres of Oyu Tolgoi are being drilled: Galbyn Gobi, Javkhlant and Gunii Hooloi. Indications are that these groundwater systems, as well as two other systems in the area, will be able to meet the water demand for a production rate of 40 million tonnes per year.

Study director

The preliminary assessment study was completed under the direction of Stephen Hodgson, P.Eng., technical director of mining for AMEC E&C Services Ltd. and an independent Qualified Person as defined by National Instrument 43-101.

Report available on Sedar website

A copy of the Preliminary Assessment Report is available on the Sedar website at www.sedar.com

About Ivanhoe Mines

Ivanhoe Mines, with operations concentrated in the Asia Pacific region, is a producer of copper, gold and iron ore products. Ivanhoe Mines' core assets are its 100%-owned Oyu Tolgoi Project (Turquoise Hill) in southern Mongolia and exploration rights that it holds or controls covering approximately 111,000 square kilometres in central and southern Mongolia and the Chinese province of Inner Mongolia.

Ivanhoe shares are listed on the NASDAQ market under the symbol HUGO and on the Toronto and Australian stock exchanges under the symbol IVN.

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Forward-Looking Statements

This press release includes certain "Forward-Looking Statements" within the meaning of section 21E of the United States Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and resources, exploration results and future development plans and objectives of Ivanhoe Mines for the Oyu Tolgoi project, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Ivanhoe's expectations include comments regarding development plans for the Oyu Tolgoi project; capital expenditures; planned production; costs of production; cash flow; sources of capital; copper and gold prices; geological, technical, permitting, mining or processing problems; financial market conditions; and other factors disclosed under the heading "Risk Factors" and elsewhere in Ivanhoe documents filed from time to time with the Toronto Stock Exchange, the Australian Stock Exchange, the United States Securities and Exchange Commission and other regulatory authorities.