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Ivanhoe buys 2% royalty that BHP Billiton had retained in Ivanhoe's copper-gold discoveries in Mongolia

SINGAPORE — Robert M. Friedland, Chairman of Ivanhoe Mines, announced today that the company has reached an agreement with BHP Minerals International Exploration, a subsidiary of BHP Billiton, to acquire the 2% net smelter return royalty interest that BHP Billiton had retained in Ivanhoe's copper and gold discovery at Turquoise Hill in Mongolia's South Gobi region.

Terms of the agreement require Ivanhoe to pay BHP Billiton a total of US\$37 million in two payments, with the final payment, of US\$20 million, to be made by February 5, 2004.

Ivanhoe earned 100% ownership of the Turquoise Hill project in early 2002 by paying BHP Billiton US\$5 million and spending \$6 million on exploration. BHP Billiton's back-in rights expired in mid-2002, giving Ivanhoe complete control over the present and future of the project, except for the 2% royalty.

"This is an excellent strategic acquisition for Ivanhoe Mines," Mr. Friedland said. "The 2% royalty is the remaining vestige of our original purchase agreement that was struck with BHP Billiton in 2000.

"The scale of the mineral discoveries at Turquoise Hill has continued to grow phenomenally under Ivanhoe's sustained exploration program that now has 16 drilling rigs continuing to find higher-grade mineralization. A panel of leading independent geological experts has agreed that Ivanhoe has discovered one of the world's largest and highest-grade copper-gold porphyry deposits. The growth of the discovery has meant that the net smelter royalty correspondingly has become an increasingly valuable asset that was outside our control.

"Mongolia has become the place to be for large and small companies engaged in the global quest for copper and gold. It is a matter of record that a number of major mining companies are closely following Ivanhoe's success and some are actively acquiring or seeking stakes in prospective Mongolia exploration properties," Mr. Friedland added.

“As Ivanhoe enters a critical mine development planning phase at Turquoise Hill, this is an appropriate time to consolidate our control over all aspects of the project. It is important that we retain the right to choose any party — whether it may be an international mining company or a regional governmental agency — that might come to hold a significant participating interest in our future operations.”

BHP Billiton originally acquired properties at Turquoise Hill in 1996 and conducted initial exploration between 1996 and 1998. Ivanhoe, which had examined more than 350 mineral occurrences in Mongolia since 1997 and had monitored BHP Billiton’s work, signed an option agreement with BHP Billiton in May, 2000, to earn a 100% interest in the concession. The agreement was subject to BHP Billiton retaining the 2% net smelter royalty that is the subject of this announcement. Ivanhoe, which held a right of first refusal to acquire the royalty from BHP Billiton, opted to conclude an agreement based on its understanding that a mining industry third party was attempting to buy the royalty from BHP Billiton.

In addition to the Turquoise Hill Project, Ivanhoe also holds or controls exploration rights covering more than 111,000 square kilometres in central and southern Mongolia. The Turquoise Hill project and the principal exploration properties in Mongolia, and in the neighbouring Inner Mongolia region of northern China, now constitute Ivanhoe’s core holding.

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

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Forward-Looking Statements: Statements in this release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed under the heading “Risk Factors” and elsewhere in the corporation’s periodic filings with Canadian and Australian securities regulators. Such information contained herein represents management’s best judgment as of the date hereof based on information currently available. The company does not assume the obligation to update any forward-looking statement.