

IVANHOE MINES AND PACIFIC MINERALS FORM JOINT VENTURES TO EXPLORE HIGH-GRADE NATIVE COPPER AND SILVER PROJECT IN CHINA'S YUNNAN PROVINCE

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BEIJING, CHINA – Ivanhoe Mines' Chairman Robert Friedland and Pacific Minerals' President Rui Feng announced today that they have formed two joint ventures to explore and develop high-grade native copper and silver prospects in China's Yunnan province.

Ivanhoe and Pacific, in cooperation with their Chinese partner, Yunnan Geological and Mining Co. Limited (YGMR), are exploring two land positions that cover more than 3,000 square kilometres in Yunnan. The joint ventures are targeting extensive deposits of copper and silver with platinum-group credits in a Keweenaw-type native copper geologic environment. The Keweenaw Peninsula in Michigan, USA, which produced approximately 20 billion pounds of native copper from 1845 to 1970, is one of the world's best-known sources of pure native copper.

Ivanhoe and Pacific signed two definitive cooperative agreements this week with YGMR, a geological exploration company owned by the Yunnan provincial government. The signing ceremony at the Diaoyutai State Guesthouse in Beijing was attended by Chen Xunru, Vice-Governor of Yunnan Province; Wang Jun, Chairman of China International Trust and Investment Corp. (CITIC); Li Xiaoming, Director General, Yunnan Bureau of Geology and Mineral Resources; Hans So, Vice-Chairman, CITIC Energy; Qui Yiyong, Executive Director, CITIC Energy; and representatives of the Canadian government and financial institutions in Canada, the USA and Australia.

Hundreds of native copper-silver mineralization occurrences have been delineated within the joint-venture permit area in Yunnan. The



Yunnan hillside showing old access tunnels used by early miners of native copper deposit on one of the prospects covered by the new joint venture between Ivanhoe Mines and Pacific Minerals.

mineralization is contained within a continental flood basalt terrain of late Permian age that has been mapped over an area 200 kilometres long and 80 kilometres wide in several broad, north-east-trending, basin-shaped synclines. This particular Permian basalt has an abnormally high background copper content of up to 170 grams per tonne. Although local copper mining dates back over several hundred years, the area has seen only limited modern exploration.

The native copper-silver mineralization, which occurs in association with bitumen (a solid form of hydrocarbons) and zeolites, is found in

the upper portion of the basalt package – mainly in the porous, tuffaceous to carbonaceous horizons at the tops of individual flows. Native copper occurs as plates or flakes with zeolite and bitumen particles and is pervasively disseminated in the tuffaceous-carbonaceous horizons. Known mineralization includes copper grades of from 2% to 10%, more than 100 grams of silver per tonne and significant platinum and palladium credits.

Surface exploration work on the Yunnan prospects has identified two regionally extensive



Native copper, with bitumen, in a rock sample from one of the Ivanhoe Mines'-Pacific Minerals' joint venture prospects in Yunnan.

native copper horizons in thicknesses of two to five metres that have been traced for several kilometres along the outcropping strike length of the individual basins.

Under the terms of the agreements with YGMR, two separate cooperative joint venture companies will be set up; Pacific can earn a 75% interest in one and a 70% interest in the other by contributing US\$4 million in capitalization to each JV company over three years. YGMR will

contribute its mineral rights covering the two land positions. Pacific also has the right to increase its interests to 90% and 87.5% respectively by being the sole provider of further funding to the JV companies. The acquisitions are subject to regulatory approvals in China and Canada.

Under the terms of an agreement between Ivanhoe and Pacific announced on June 2 this year, Ivanhoe will be able to earn up to 80% of Pacific's interest in the Yunnan project. Initially, Ivanhoe will earn 50% of Pacific's interest in each JV company by equally funding with Pacific the first US\$1 million contribution to each JV company. Ivanhoe then will have the option to acquire an additional 25% of Pacific's interest by funding the costs of a feasibility study, and another option to acquire a further 5% of Pacific's interest by arranging the funding necessary to take a mine to production. Ivanhoe's shares are listed on the Toronto and Australian stock exchanges under the symbol IVN. Pacific's shares are listed on the TSX Venture Exchange under the symbol PMZ.

Ivanhoe Mines, a diversified mining company, is advancing a series of gold and copper exploration discoveries in southern Mongolia through a major drilling program. It is producing LME Grade A copper from its Monywa joint venture in Myanmar, iron ore products from ABM Mining's Savage River Mine in Australia and gold and silver from its Silver Hill Mine in South Korea. Ivanhoe also is exploring for gold, platinum-group metals and base metals throughout Asia.

Pacific Minerals Inc. is actively exploring precious and base metal deposits in China and is currently operating two drilling programs in China on the 217 Gold Project and JBS Platinum/Palladium Project.

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