



**IVANHOE  
MINES**

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## **AUSTRALIAN IRON ORE PROJECT DEBT TO BE ACQUIRED BY IVANHOE MINES' SUBSIDIARY**

**SINGAPORE — Ivanhoe Mines' President Daniel Kunz announced today that a wholly-owned subsidiary company, ABM Mining Ltd., has agreed to purchase 100% of the project debt obligations that are outstanding against the Savage River iron ore project in Australia.**

**"The acquisition of this debt is great news for Ivanhoe Mines' shareholders," Mr. Kunz said. "It simultaneously eliminates a very unfavourable currency hedge and removes all iron ore project debt at an 80% discount."**

**A total of 1.2 million tonnes of iron ore pellets and concentrate produced at the Savage River operations in Tasmania were sold during the first six months of 2002, generating US\$36.5 million (A\$67.5 million) in sales revenue. Profit from operations during the same period was US\$7.1 million (A\$13.1 million), and cash flow from operations, excluding the currency hedge foreign-exchange loss and capitalized pre-stripping expenses, was US\$7.7 million (A\$14.2 million).**

**"Steel makers in Australia and Asia continue to value Savage River's high-quality products," Mr. Kunz said. "We are confident that the mine now is in a position to generate strong cash flows from ongoing sales in coming years. The mine is meeting its projected levels of production for this year and all of its planned 2002 output of pellets and concentrate has been pre-sold."**

**ABM Mining will pay a third-party financial institution US\$8.1 million (A\$15 million) to acquire project debt totalling US\$41 million (A\$75 million) — an 80% discount to face value. The debt — owed by ABM Mining's subsidiary, Goldamere Pty. Ltd., the operator of the Savage River mine and Port Latta pellet plant — arose from a project financing, and a related requirement to hedge the Australian dollar at an exchange rate of 68 Australian cents to the U.S. dollar, entered into by Goldamere prior to Ivanhoe's acquisition of ABM Mining approximately 20 months ago.**

**"The accumulated burden of project debt and the unfavourable currency hedge has been a considerable drag on the financial performance of the iron ore operations during the past 18 months," Mr. Kunz said.**

**The completion of this transaction will save the project approximately US\$15 million (A\$27.7 million) in annual currency exchange losses; it also will remove an additional US\$1.8 million (A\$3.3 million) per year in related interest charges and US\$41 million (A\$75 million) of principal repayments.**

**Mr. Kunz said that the deal will allow Ivanhoe Mines to shed more than US\$41 million (A\$75 million) of liabilities from its consolidated balance sheet. Ivanhoe expects its third-quarter results to reflect an extraordinary gain of approximately US\$29.7 million (A\$55 million) arising from the transaction.**

**Goldamere's project debt obligations are secured by the Savage River assets. With the purchase of the debt, Ivanhoe's subsidiary, ABM Mining, will have a priority claim on the project's assets. The mine's current stockpiles of ore and market-ready iron ore products are valued at US\$8.7 million (A\$16.0 million).**

Goldamere began pursuing a restructuring of the Savage River mine plan and financing package in August, 2001, to counter the adverse impacts of both a deterioration in the international market for iron ore and the dramatic slide of Australia's U.S. dollar exchange rate from 68 cents (the currency hedge obligation exchange rate) to approximately 50 cents. A plan to expand mine production was subsequently deferred and Ivanhoe substantially wrote down the value of the project at the end of 2001.

Ivanhoe's shares trade on the Toronto and Australian stock exchanges under the symbol IVN.

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FORWARD-LOOKING STATEMENTS: This document includes forward-looking statements regarding Ivanhoe Mines, and its subsidiaries, business and project plans. The forward-looking statements regarding Goldamere's plans for its Australia iron ore operation are estimates only and actual results could differ materially from this estimate. Other factors that could cause actual future results to differ materially are disclosed under the heading "Risk Factors" in Ivanhoe's most recent Annual Information Form, a copy of which may be viewed on our website at [www.ivanhoemines.com](http://www.ivanhoemines.com).