



IVANHOE
MINES

AUSTRALIAN IRON ORE SUBSIDIARY
PURSUING RESTRUCTURING INITIATIVE
IN RESPONSE TO DETERIORATING GLOBAL STEEL MARKET

For Immediate Release

August 3, 2001

SINGAPORE — Ivanhoe Mines' President Daniel Kunz said today that, in response to the deteriorating global iron ore market, Goldamere Pty. Ltd., a subsidiary of Ivanhoe's wholly-owned subsidiary, ABM Mining Ltd., is pursuing a restructuring of the mine plan and financing package for its Savage River iron ore operations in Tasmania, Australia.

As part of the initiative, Goldamere has received a two-month deferral of its currency-hedge obligations to its major creditor, UBS Australia Limited. Mr. Kunz said that the agreement with UBS, which is subject to certain conditions, provides a period of interim liquidity relief during which Goldamere will attempt to negotiate with major stakeholders to achieve a satisfactory restructuring.

The viability of Goldamere's Tasmanian operations has been severely impaired in recent months by the sharp, global slowdown in the steel industry and resulting decline in demand for iron ore pellets. Slowing demand for iron ore has resulted in Goldamere's customers cancelling a total of three shipments of pellets this year, including two recent cancellations totalling 148,000 tonnes, as announced in a news release on July 20, 2001. The cancellations represent approximately US\$4.0 million in lost revenue. While Goldamere is endeavouring to place the cancelled sales with other customers, at this time it does not know if additional scheduled shipments will be deferred or cancelled. Additional cancellations will have an adverse effect on Goldamere's viability.

The credit facility with UBS Australia at June 30, 2001, consisted of a project loan for the Savage River operation of approximately A\$36 million, plus an obligation to deliver approximately US\$100 million under a foreign currency hedge which on a marked-to-market basis would result in an accrued loss of approximately US\$26 million. The loan and hedge are non-recourse to Ivanhoe Mines and ABM Mining.

The hedge arrangement requires Goldamere to deliver US\$5 million a month until February, 2003, in exchange for A\$7.33 million. The hedge, locked in at an exchange rate of US\$0.6817, currently costs the company approximately A\$30 million a year (A\$2.5 million a month) in foregone revenue, based on the current exchange rate.

“It is essential that Goldamere acts decisively in the face of weakening iron ore demand,” Mr. Kunz said. “There are no immediate prospects for an early recovery in the iron ore market, so Goldamere must explore all possible cost savings that could help to mitigate the financial impact of the downturn.”

Goldamere owns the Savage River open pit mine and a crusher/concentrator facility in northwestern Tasmania. It also owns a pellet plant at Port Latta, approximately 83 kilometres north of the Savage River Mine. The company’s products are sold to customers in Australia and Asia.

Separately, Ivanhoe produces cathode copper from its Monywa joint venture in Myanmar and is developing new gold and copper discoveries in Mongolia, Myanmar and South Korea.

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