



IVANHOE
MINES

First Quarter Report, 2001

(All currency figures in US\$, unless otherwise specified)



Gold Exploration, Myanmar

Highlights

- **Share of copper production of 7.7 million pounds, with a low cash cost of 34 cents per pound.**
- **Iron ore production of 546,000 tonnes.**
- **Exceptional exploration results from high-grade gold projects in South Korea and Myanmar.**
- **Gold production to resume at Bakyrchik Gold Mine.**
- **Phase 2 drilling program underway in Mongolia on large copper-gold target.**
- **New strategies to build share holder value.**

Copper Operations

Copper production attributable to Ivanhoe from its 50%-owned S&K Mine in Myanmar was 3,479 tonnes (7.7 million pounds) in the first quarter of 2001, compared to 3,531 tonnes (7.8 million pounds) in 2000. Ivanhoe's share of copper sales in the first quarter of 2001 totalled \$5.2 million, compared to \$5.3 million in the same period in 2000.

Modifications to the handling of clay-bearing ore initiated at the mine during the fourth quarter of 2000 have been successful in improving the copper recovery level over that experienced in the second half of 2000. The mine is expected to produce approximately 28,300 tonnes of LME Grade A cathode in 2001, up from 26,711 tonnes in 2000.

We are very pleased that the S&K Mine has been awarded ISO 14001 certification — the internationally recognized, independent standard for environmental management and protection. This distinction validates the commitment by our entire management team to the attainment of the highest international standards of performance and to the continuing improvement of our environmental practices.

During the quarter, the mine reduced its bank loan by \$7.5 million. Including the reserve payment held in escrow, the balance owing on the non-recourse project loan has been reduced to \$60 million, with only \$30 million attributable to Ivanhoe.

The S&K Mine is a 50/50 joint venture between Ivanhoe and Mining Enterprise No. 1. The joint venture has been actively discussing financing options for the world-class Letpadaung deposit, the second phase of the Monywa copper project. We recently received a letter of intent from a major Japanese trading house to cover the financing and construction of the project. We also are in discussions with a leading Chinese development company interested in submitting a competing offer to finance the project. The initial capital cost to construct a 125,000-tonne-per-year operation is estimated at \$389 million. Equipment suppliers have expressed interest in financing the mining fleet, which could reduce the initial capital requirement by between \$50 million and \$60 million. Subject to financing and government approval, copper production from Letpadaung could commence in 2004.

Iron Ore Operations

Savage River

We have successfully completed our first quarter as owners and operators of the Savage River Iron Ore Mine and Port Latta processing and ship-loading facilities.

The Australian mine produced 546,000 tonnes of pellets and concentrate during the quarter. Sales of iron ore products during the quarter totalled 434,000 tonnes, generating sales revenue of \$12.8 million.

For the full year, production of pellets and iron concentrate is expected to increase to 2.37 million tonnes. In 2000, the mine produced 2.19 million tonnes of pellets and 19,400 tonnes of concentrate.

Ivanhoe recently reached an agreement with Pasminco Limited to acquire the Long Plains magnetite deposit, located eight kilometres south of the Savage River Mine. Based on Pasminco's drilling and Ivanhoe's fieldwork, the Long Plains Deposit is estimated to contain up to 30 million tonnes of magnetite mineralization. Drilling to confirm the resource has begun.

Pre-stripping is underway at Savage River's new South Deposit, located two kilometres south of the main producing Centre deposit, and mining is scheduled to commence in June. Three additional magnetic anomalies have been identified immediately to the south of the mine's Centre Pit, and drilling to test the new anomalies will commence during the second half of 2001. Maps showing the locations of the Long Plains, South and Central deposits are located on the Savage River Mine page on Ivanhoe's website at www.ivanhoemines.com.

In March, Ivanhoe signed an agreement with Duke Energy to supply natural gas to Ivanhoe's Port Latta pellet plant, beginning in 2002. The agreement will enable Ivanhoe to convert its pellet-plant furnaces from oil to cleaner burning natural gas, significantly reducing Ivanhoe's energy costs and emissions. Ivanhoe also signed agreements to replace the fleet of mining vehicles at Savage River. The new fleet will boost the capacity of the ore trucks and loading equipment and will enhance efficiency at the mine.

Bjørnevatn

The Bjørnevatn Mine in Norway remained on care-and-maintenance during the first quarter. Financing negotiations are continuing with various European financial institutions. Subject to the successful conclusion of these negotiations, Ivanhoe intends to redevelop the Bjørnevatn mine and the pellet and concentrate facilities at Kirkenes. Four European steel mills have expressed interest in buying iron ore products from Bjørnevatn.

Gold Operations

Ivanhoe plans to resume limited operations at the Bakyrchik Gold Mine in Kazakhstan this summer. Production of 20,000 ounces of gold a year is expected, with the potential to expand to between 40,000 and 50,000 ounces of gold a year. Gold recovery operations will use the existing facilities and a carbon-in-leach (CIL) plant, part of the mine complex that has been maintained on a production-ready basis since 1998.

Ivanhoe will focus its initial mining on two million tonnes of low-cost, outcropping oxide ore. Operations can be commenced quickly by processing existing ore stockpiles and then by extending existing, shallow open pits. Permitting has been initiated and the final mine development plan is expected by mid-June. Start-up costs are estimated at a modest \$200,000. The oxide ore will be crushed, milled and processed to produce gold doré on site. The company's engineering staff estimates that the total cash cost to produce an ounce of gold will be approximately \$110. At \$280 gold, the cash margin of a 20,000-ounce-a-year oxide operation would be approximately \$3.4 million, more than offsetting the current annual holding costs of \$2.5 million.

Exploration and Development

Modi Taung Project, Myanmar

Underground development work is continuing at the company's extremely high-grade gold discovery on the Modi Taung Project, in central Myanmar.

Since discovering the gold vein system in late-2000, Ivanhoe has explored the project area with a series of trenches, adits and crosscuts. Very high-grade gold assays (maximum 3,475 grams/tonne in a surface sample across 1.3 metres, or 111.2 ounces/tonne across 4.3 feet) have been recorded from trenches, as well as multi-ounce gold values (maximum 321.7 grams/tonne across 0.75 metres, or 9.99 ounces/tonne across 2.5 feet) in the quartz veins sampled in the adits.

The Modi Taung project is in the southern part of the Block 10 concession, approximately 150 kilometres southeast of Mandalay. The project includes five known parallel zones of mineralized vein structures, each between 500 and 800 metres long. It is located in a mesothermal slate belt similar to the famous multi-million-ounce gold fields at Bendigo, Australia. The project includes five known parallel zones of mineralized vein structures, each between 500 and 800 metres long.

Development activities have been concentrated on SW Zone 3, a long, sloping hillside area containing a high-grade, mineralized vein structure. Work to date, encompassing six adits and 26 trenches, has outlined a vein system with a strike length of at least 600 metres and a vertical interval of at least 300 metres. Vein widths of up to three metres have been intersected.

Ivanhoe's crews will continue with the underground development work during the monsoon season, from late-May through mid-September. A 10,000-metre combination reverse-circulation and diamond-drilling program will commence when the monsoon season ends.

Ivanhoe's wholly-owned subsidiary, Ivanhoe Myanmar Holdings, has an 83% interest in a joint venture to explore and develop the Block 10 concession. A complete list of assay results and sections, as well as photographs of the project, are posted on Ivanhoe's website, on the Myanmar exploration page.

South Korea

Ivanhoe continues to receive encouraging results from its development program at its gold/silver prospects in southwestern Korea. A drilling and trenching program is continuing to further evaluate the mineralized systems and to delineate other prospective zones of high-grade mineralization. Drilling to date has intersected multi-ounce gold and silver values, the best grading 120.13 grams of gold per tonne (3.84 ounces per tonne) and 680 grams of silver per tonne (21.76 ounces per tonne) over 3.05 metres.

Strong gold-grade intercepts were encountered up to 200 metres below the surface, indicating that the gold and silver mineralization has excellent down-dip potential. The vein systems identified so far have a cumulative strike length of 3.2 kilometres and remain open along strike.

Ivanhoe expects to be in a position to provide a preliminary resource estimate after completion of the current development program. The area is well equipped with existing mining infrastructure, including roads, ports and power lines.

Ivanhoe's operations in South Korea are conducted through Sun Shin Gold Mining Co., in which Ivanhoe holds 90% of the shares. Property maps and assay results are posted on Ivanhoe's website, on the South Korea exploration page.

Turquoise Hill Project, Mongolia

Ivanhoe has commenced a 5,000-metre drilling program to help delineate the grade and size of the mineralized zones at the Turquoise Hill (Oyu Tolgoi) project in southern Mongolia. The project contains four porphyry zones comprising a very large mineralized target within an area measuring 3,000 metres by 2,000 metres.

The drilling is focused on the South Oyu zone, where last year's drilling returned an intersection of 46 metres averaging 1.4% copper and 0.34 grams of gold per tonne from a hole 300 metres west of an earlier hole that intersected 76 metres of 1.6% copper and 0.18 grams of gold per tonne in a hypogene porphyry zone. The potential size and grade of this porphyry target is significant and clearly warrants a major drilling program.

Follow-up drilling also will be conducted on the other three porphyry zones, where copper grades in drill intersections within the porphyry ranged from 0.2% to greater than 1.6% over significant widths.

Ivanhoe may earn all rights to the project by spending a total of \$6 million on exploration over seven years and paying BHP Ltd. \$5 million.

Corporate Review

Ivanhoe has commenced a process to select a financial advisor to help the company increase shareholder value. Future plans may include acquisitions, business combinations or asset disposals. The plan may include third-party or related-party transactions. Ivanhoe has initiated discussions regarding a possible business combination with African Minerals Ltd. — a related-party, private mining company — which has development and exploration projects in South Africa. To date, no agreement has been reached.

Outlook

Our copper and iron ore businesses are expected to increase their production and contributions to earnings during the balance of 2001. Both have exciting plans to enhance their future competitiveness. The resumption in production at the Bakyrchik Gold Mine, at a time when gold has reached its highest price in nearly a year, is a positive development. Ivanhoe's exploration and development activities have yielded exceptional early results. We intend to continue to aggressively develop our quality copper, iron and gold prospects.

Robert M. Friedland
Chairman

Daniel Kunz
President

May 29, 2001