

IVANHOEMINES

NEW HORIZONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2015**

DATED: AUGUST 5, 2015

INTRODUCTION

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ivanhoe Mines Ltd. ("Ivanhoe" or the "Company"), for the three and six months ended June 30, 2015, which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and the audited consolidated financial statements of Ivanhoe for the years ended December 31, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures stated herein are in U.S. dollars, unless otherwise specified. References to "C\$" mean Canadian dollars.

The effective date of this MD&A is **August 5, 2015**. Additional information relating to the Company is available on SEDAR. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, including without limitation, the timing and results of: (i) a pre-feasibility study (PFS) at the Kamoia Project; (ii) statements regarding the expected date that the contract to develop the first set of Kamoia twin declines is awarded and statements regarding the date construction is expected to commence; (iii) statements regarding the declines having been designed to intersect the high-grade copper mineralization in the Kansoko Sud area; (iv) statements regarding the construction of a concrete roadway, drains and de-watering sumps in the Kamoia Project box cut; (v) statements regarding the projected depth of Shaft 1 at the Platreef Project in 2018 and the timing of the commencement of the start of Shaft 2 development; (vi) statements regarding the operational and technical capacity of Shaft 1; (vii) statements regarding the internal diameter and hoisting capacity of Shaft 2 (viii) statements regarding peak water use of 10 million litres per day at the Platreef Project and development of the Pruisen Pipeline Project; (ix) statements regarding the completion of a new resource estimate at the Platreef Project in 2015; (x) statements regarding underground mining to use mechanized room-and-pillar and drift-and-fill methods; (xi) efforts to upgrade historical resource estimates at the Kipushi Project; (xii) the de-watering program at the Kipushi Project; (xiii) statements regarding the completion of the Kipushi Project Environmental, Social and Health Impact Assessment (ESHIA) baseline study and (xiv) statements regarding the timing, size and objectives for completion of drilling and other exploration programs for 2015 and future periods.

Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect the Company's current expectations regarding future events, performance and results and speak only as of the date of this MD&A.

As well, the results of the preliminary economic assessment of the Kamoia Project and the pre-feasibility study of the Platreef Project constitute forward-looking information, and include future estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoia and Platreef Projects, the Company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the

mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper, nickel, platinum, palladium, rhodium and gold; (vi) the availability of equipment and facilities necessary to complete development; (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the Company's projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that ultimately may prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, platinum group elements (PGE), gold or other mineral prices; (ii) results of drilling; (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risk Factors", as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the Company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below in the "Risk Factors" section beginning on page 32 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

Ivanhoe Mines is a mineral exploration and development company. The Company's financial performance is primarily affected by ongoing exploration and development activities being conducted at its three material properties. The Company has no producing properties and does not have operating revenues. The Company expects to fund all of its exploration and development activities through debt and equity financing until operating revenues commence. The Company's material properties consist of:

- The Kamoa copper discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of Congo. (See "*Kamoa Project*".)
- The Platreef Discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of the Bushveld Complex in South Africa. (See "*Platreef Project*".)
- The historic, high-grade Kipushi zinc-copper mine, also on the Copperbelt in the DRC and now being drilled and upgraded following a care-and-maintenance program conducted between 1993 and 2011. (See "*Kipushi Project*".)

KAMOA PROJECT

The Kamoa Project is a very large, stratiform copper deposit with adjacent prospective exploration areas within the Central African Copperbelt, approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi. Ivanhoe holds its 95% interest in the Kamoa Project through a subsidiary company, Kamoa Copper SA (formerly African Minerals Barbados Limited SPRL). A 5%, non-dilutable interest in Kamoa Copper SA was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Ivanhoe also has offered to sell an additional 15% interest to the DRC government on commercial terms to be negotiated.

Kamoa is the world's largest undeveloped, high-grade copper deposit. On January 17, 2013, an updated mineral resource estimate was issued that increased Kamoa's Indicated Mineral Resources to a total of 739 million tonnes grading 2.67% copper and containing 43.5 billion pounds of copper. This was an increase of 115% over the previous estimate, prepared in September 2011, of 348 million tonnes grading 2.64% copper and containing 20.2 billion pounds of copper. Both estimates used a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

In addition to the Indicated Resources, the updated estimate included Inferred Mineral Resources of 227 million tonnes grading 1.96% copper and containing 9.8 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

At a higher, 2.0% copper cut-off grade, Kamoa's Indicated Resources total an estimated 550 million tonnes grading 3.04% copper and containing 36.9 billion pounds of copper. At the 2.0% cut-off, Kamoa also has 93 million tonnes of Inferred Resources grading 2.64% copper, which contain an estimated 5.4 billion pounds of copper.

Diamond drilling progress

Limited drilling occurred in Q2 2015, with an additional 891 metres completed in eight shallow holes. This brought the total metres drilled for the six months ending June 30, 2015, to 992 metres. Three geotechnical holes were drilled to test the ground conditions for the planned Kansoko Sud declines; three exploration holes were drilled to test the Kanzenze area, just north of the Kamoa mining licence;

and two resource holes were drilled to test for extension of the known resource in the Kansoko Nord area, east of the Kamoia Dome.

Ivanhoe plans to continue drilling through the remainder of 2015 with two company-owned rigs and a recently purchased, new rig that is capable of drilling to a depth of 1,000 metres. The exploration program will focus on regional exploration targets and on the southern portion of the project area where the successful 2014 program highlighted the Kakula discovery, a promising target that is similar in style and stratigraphic position to the high-grade Kansoko trend. Exploration also will continue to look for shallow, high-grade zones in the Kamoia North area.

Preparation for construction of first declines

The construction of the box cut for the first access declines to the initial, planned underground mine was completed at the end of 2014. This will enable the construction of the twin declines that have been designed to intersect the high-grade copper mineralization in the Kansoko Sud area, approximately 150 metres below the surface.

Figure 1: Completed box cut, with access roadway under construction.



Ivanhoe's drilling program in this area has defined a thick, near-surface zone of high-grade copper mineralization, where a recent drill hole intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

A tender for construction of the twin declines to the first mining area was issued at the end of November 2014. Tenders were received from five companies and, following adjudication, Byrncut Underground Congo SARL (BUCS) was selected as the preferred bidder. Contract negotiations are nearing completion and the contract is planned to be awarded during Q3 2015. The scope of the BUCS contract – which includes approximately 1.2 kilometres of development for each of the two declines – is expected to last 18 months, including a three-month mobilization period. Geotechnical drilling for support design has been completed and interpretation of the drill core is underway.

A local contractor, Tanga Logistics and Mining SA (TLM), has been appointed to complete a number of small civil works in the box cut, including the roadway, sump and drain. TLM is establishing its work

site. Ivanhoe is preparing the box-cut site for the mobilization of the decline contractor; work includes upgrading of existing accommodation and the supply of power, diesel fuel, workshops and offices.

Pre-feasibility study progressing

The Kamoia pre-feasibility study (PFS) is progressing and the completed report is expected to be finalized and delivered during Q4 2015. The PFS is based on the project's planned first phase and consistent with the phased approach to project development outlined in the 2013 Kamoia preliminary economic assessment. Phase one will see the construction of an underground operation producing three million tonnes a year and feeding an adjacent concentrator.

Given the relatively undeformed, continuous mineralization of the Kamoia resource, it is considered amenable to large-scale, mechanized, stepped-room-and-pillar mining, which will transition to drift-and-fill mining in deeper sections.

The PFS's geology and mining sections have been completed. The plant and infrastructure draft report and costing have been received and are being reviewed by the Kamoia owners' team. Costing for the tailings dam has been received and the draft report is expected shortly. Cost estimates are being inserted into the financial model. The backfill and environmental sections are expected to be completed early in Q3.

Continued focus on health, safety and community sustainability

Safety, health, environmental management and community sustainability remain key priorities at the Kamoia site. By the end of Q2 2015, 4,203,853 hours had been worked without a lost-time injury.

During Q2 2015, three Kolwezi construction companies were short-listed for the construction of the community office for the Muvunda chiefdom. RBC Construction was selected and construction work has started. A community agreement was signed to establish applicable responsibilities.

Ivanhoe continued with its Livelihood sustainability program. During the quarter, the team focused on vegetable production, selecting and establishing new beehives, training residents in additional villages on poultry management and monitoring the 2014/2015 maize (corn) production program.

Health initiatives during the quarter included distribution of malaria nets and the donation of medicine to people living in the Luilu and Lufupa areas.

A kick-off meeting on Ivanhoe's Fionet Program, utilizing mobile smart devices to rapidly diagnose infectious diseases in rural settings, was held with internal partners to complete the operating plan and align objectives. Chemonics International, an organization with extensive experience in managing development projects in the DRC and elsewhere in Africa, has been chosen to implement the initiative that is planned to be launched during Q3 2015.

Figure 2: Mulching Irish potatoes.



A social and environmental management system has been developed to monitor and record environmental and community statistics. The environment team continued with regular monitoring of water, noise and dust during Q2.

PLATREEF PROJECT

The Platreef Project in South Africa's Limpopo province is 64%-owned by Ivanhoe through its subsidiary, Ivanplats (Pty.) Ltd. (Ivanplats) and 10%-owned by a Japanese consortium of ITOCHU Corporation and its affiliate, ITC Platinum; Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. The consortium's interest in the Platreef Project was acquired in two tranches for a total investment of \$290 million. The remaining 26% interest is held by Ivanhoe's broad-based, black economic empowerment (B-BBEE) partners, which include communities, employees and entrepreneurs. Ivanplats announced in February that it had achieved Level 3 status in its first verification assessment on a B-BBEE scorecard, the highest-ranking platinum-sector mining company in compliance with South Africa's black empowerment laws.

The Platreef Project hosts an underground deposit of thick, platinum-group metals, nickel, copper and gold mineralization in the Northern Limb of the Bushveld Igneous Complex, approximately 280 kilometres northeast of Johannesburg.

On the Northern Limb, such mineralization is hosted primarily within the Platreef, a mineralized sequence that is traced more than 30 kilometres along strike. Ivanhoe's Platreef Project, within the Platreef's southern sector, is comprised of three contiguous properties: Turfspruit, Macalacaskop and Rietfontein. Turfspruit, the northernmost property, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of properties and mining operations.

Since 2007, Ivanhoe has focused its exploration activities on defining and advancing the down-dip extension of its original Platreef discovery, now known as the Flatreef Deposit, which is viewed as being amenable to highly mechanized, underground mining methods. The Flatreef area lies entirely on the Turfspruit and Macalacaskop properties.

Figure 3: Shaft 1 collar and ventilation plenum construction, July 2015.



Mining right activated

The Ivanplats mining right was officially executed by the national government's Department of Mineral Resources on November 4, 2014. The mining right authorizes the Company to exclusively mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome from the mining area for an initial period of 30 years, and may be renewed for an unlimited number of consecutive periods each of up to 30 years, in accordance with section 24 of the Mineral and Petroleum Resources Development Act.

Mining operations must be conducted in accordance with the Mining Work Program (MWP) and any amendment to such MWP, and with an approved Environmental Management Plan (EMP). The Company commenced the roll-out of its Social and Labour Plan (SLP), which includes the planning, implementation and execution of local economic development projects, human resource development and enterprise/supplier development.

Shaft 1 construction

The construction of the large, concrete shaft collar and plenum is well underway. Construction is nearing completion on the foundations for the large winding equipment required for deeper shaft sinking. The winding equipment has been refurbished and is being stored off-site. Commissioning is underway for the installed pre-sink winder that will be operated during initial sinking down to 60 metres. Work is 80% complete on the electricity sub-station, which will have a capacity of five-million volt-amperes (MVA), and power lines from Eskom, the South African public power utility, that will be used for the sinking of Shaft 1.

Figure 4: Pre-sink winder installed.



Figure 5: 5MVA sub-station and lines to deliver Eskom power.



Figure 6: Construction of Shaft 1 ventilation plenum.



Figure 7: Construction of the lined storm-water pond.



Other work on site includes the construction of the primary terraces for Shaft 1 and the storm-water pond. A total of 73% of the 611 permanent and contract workers presently employed by the Company are from the local area.

Platreef implementing a phased approach to a large, underground, mechanized mine

The Company completed a pre-feasibility study (PFS) in January 2015 that covered the first phase of development that is expected to include construction of an underground mine, concentrator and other associated infrastructure to support initial concentrate production by 2019. There will be opportunities to refine and modify the timing and capacities of subsequent phases of production to suit market conditions during the development and commissioning of the first phase. The feasibility study, based on the first phase, began in August 2015.

PFS highlights

- Development of a large, mechanized, underground mine with an initial four-million-tonne-per-year concentrator and associated infrastructure.
- Planned initial average annual production rate of 433,000 ounces of platinum, palladium, rhodium and gold (3PE+Au), plus 19 million pounds of nickel and 12 million pounds of copper.
- Estimated pre-production capital requirement of approximately \$1.2 billion, including \$114 million in contingencies, at a ZAR:USD exchange rate of 11 to 1.
- Platreef would rank at the bottom of the cash-cost curve, at an estimated \$322 per ounce of 3PE+Au, net of by-products.
- The planned Platreef mine is projected to require a workforce of approximately 2,200 within four years of the start of production.
- After-tax Net Present Value (NPV) of \$972 million, at an 8% discount rate.
- After-tax Internal Rate of Return (IRR) of 13%.

The development scenarios describe a staged approach structured to provide opportunities to expand the operation based on demand, smelting and refining capacity and capital availability. As the Phase 1 production scenario is developed and placed into production, there is expected to be an opportunity to modify and optimize the subsequent phases, allowing for changes to the timing of capacity expansions to suit market conditions.

Mineral resources in the Flatreef underground discovery

The Flatreef Mineral Resource, with a strike length of 6.5 kilometres, lies predominantly within a flat to gently dipping portion of the Platreef mineralized belt at relatively shallow depths of approximately 700 to 1,100 metres below the surface.

The Flatreef Deposit is characterized by its very large vertical thicknesses of high-grade mineralization and a platinum-to-palladium ratio of approximately 1:1, which is significantly higher than other recent PGM discoveries on the Bushveld's Northern Limb. The grade shells used to constrain mineralization in the Flatreef Indicated Mineral Resource area have average true thicknesses of approximately 24 metres at a cut-off grade of 2.0 grams per tonne (g/t) of platinum, palladium and gold (2PE+Au). The Indicated Mineral Resource grade at an equivalent 2.0-gram-per-tonne 3PE+Au cut-off is 4.1 g/t 3PE+Au, 0.34% nickel and 0.17% copper. Flatreef's Indicated Mineral Resources of 214 million tonnes contain an estimated 28.5 million ounces of platinum, palladium, gold and rhodium, 1.6 billion pounds of nickel and 0.8 billion pounds of copper. The Company has declared an initial Probable Mineral Reserve of 15.5 million ounces of platinum, palladium, rhodium and gold, using a declining Net Smelter Return

(NSR) cut-off of \$100/t-\$80/t.

Mining methods

Mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface. Four vertical shafts will provide access to the mine. Shaft 2 will host the main personnel transport cage, material and ore handling systems, while Shafts 1, 3 and 4 will provide ventilation for the underground workings. Shaft 1, now under development, will be used for initial access to the ore body and early underground development.

Mining will be performed using highly productive, mechanized methods, including long-hole stoping and drift-and-fill mining. The mined drift-and-fill and long-hole stopes will be backfilled with a paste mixture that utilizes tailings from the process plant and cement. The ore will be hauled from the stopes to the bottom of Shaft 2, where it will be crushed and hoisted to surface.

Metallurgical and processing

Metallurgical test work has focused on maximizing the recovery of platinum-group elements (PGE) and base metals, while producing an acceptably high-grade concentrate suitable for further processing and/or sale to a third party. The three main geo-metallurgical units and composites have produced smelter-grade final concentrates of approximately 85 g/t PGE + Au at acceptable PGE recoveries. Testwork also has shown that the material is amenable to treatment by one stage of main stream grinding followed by conventional flotation without the need for concentrate re-grinding. Batch open-circuit and locked-cycle flotation testwork has been performed.

Comminution and flotation testwork has indicated that the optimum grind size is 80% passing 75 µm (micrometres), which is consistent with sizes commonly reported by platinum mines in South Africa. The circuit developed during 2014 includes the use of industry-standard reagents and has replaced the previous circuit that included niche flotation reagents. Current flotation test work is focused on improving the concentrate specification to facilitate discussions around future off-take agreements.

Platreef ore is classified as ranging from hard to very hard, and thus is not suitable for semi-autogenous grinding. A multi-stage crushing and ball-milling circuit is the preferred option.

A two-phased development approach was used for PFS flow-sheet design. The selected flow sheet is comprised of a four-million-tonne-per-year, three-stage crushing circuit that will feed crushed material to two parallel milling-flotation modules, each with a capacity of two million tonnes per year. Flotation is followed by a four-million-tonne-per-year tailings handling and concentrate thickening, filtration and storage circuit.

Contracts for Shafts 1 and 2

Shaft 1 will have an internal diameter of 7.25 metres and is projected to reach a total depth of 975 metres in 2018. South Africa-based Aveng Mining, the shaft-sinking contractor, also is responsible for the excavation of the box-cut access for the shaft collar and vent plenum. The fabrication of the temporary, sinking head-frame and centre tower is well underway.

Shaft 1, including some initial lateral underground development work, is expected to be fully funded from dedicated funds remaining in Ivanhoe's treasury from the \$280 million received in 2011 for the sale of an 8% interest in the Platreef Project to the ITOCHU-led Japanese consortium.

Shaft 2 will have an internal diameter of 10.0 meters and will be capable of hoisting six million tonnes per year. Ivanhoe awarded the contract for the design and engineering of Shaft 2 to South Africa-based Murray & Roberts Cementation in June 2014. Ivanhoe expects to start Shaft 2 early works in 2015,

including the box cut and hitch foundation civil works. The box cut designs are complete and the contract for the early engineering works for the winding equipment has been awarded to South Africa-based FLSmidth.

Bulk water and electricity supply

The Olifants River Water Resource Development Project (ORWRDP) is designed to deliver water to the Eastern and Northern limbs of South Africa's Bushveld Igneous Complex. The project consists of the new De Hoop Dam, the raised wall of the Flag Boshielo Dam and related pipeline infrastructure that ultimately will deliver water to Pruissen, southeast of the Northern Limb. The Pruissen Pipeline Project will be developed to deliver water onward from Pruissen to the municipalities, communities and mining projects on the Northern Limb. Ivanhoe is a member of the ORWRDP's Joint Water Forum. The Minister of Water & Sanitation has directed that the Trans-Caledon Tunnel Authority will serve as the implementing agent for the outstanding phases of the ORWRDP scheme, which include the Phase 2B pipeline from Flag Boshielo Dam to Mokopane.

Participants in the water development scheme are required to indicate their water requirements so that the total water demand may be calculated relative to the scheme's capacity. The Platreef Project's water requirement for the first phase of development is projected to peak at approximately 10 million litres per day. Ivanhoe is continuing to investigate various alternative bulk water sources.

The Platreef Project's power requirement for a four-million-tonne per year underground mine, concentrator and associated infrastructure has been estimated at approximately 100 million volt amperes (MVA). As power is required for the initial mine development work, including shaft sinking, before the main power supply becomes available, an agreement with Eskom has been reached for the supply of 5MVA of temporary construction power.

Exploration and resource expansion drilling

There was no exploration diamond drilling undertaken during Q2 2015. Exploration and resource development activities were focused on completing structural and geological interpretations across the property in preparation for a new resource estimate.

Job-skills training and environmental management commitments

As required under South African legislation, and in conjunction with the approval of the Platreef Project's mining right, an integrated water-use licence application was submitted to the Department of Water and Sanitation (DWS); a waste-management licence application was submitted to the National Department of Environmental Affairs; and an application for environmental authorization was submitted to the Limpopo Department of Economic Development, Environment and Tourism (LEDET). Extensive environmental, social and engineering baseline studies were conducted in 2013 in support of these applications.

The Platreef Project received environmental authorization in June 2014 from LEDET. Ivanhoe is working closely with LEDET to ensure continual compliance during the implementation of the approved environmental management plan and the conditions stipulated in the environmental authorization. Authorization also was received from the DWS for the extraction of specified quantities of water from groundwater resources.

Ivanhoe has engaged with the South African Heritage Resources Agency (SAHRA) to obtain input and guidance on the management of archaeological and heritage resources in the area. A heritage and grave relocation process is underway.

The Platreef Project recently achieved more than four million person hours worked without a lost-time injury. Through teamwork, and in partnership with employees, consultants and contractors, Ivanhoe is working to establish a sustainable culture of harm prevention to benefit workers, communities, other stakeholders and the environment through an effective health, safety and environmental management system that recognizes and utilizes best industry practices.

Following the activation of the Platreef mining right in November 2014, Ivanhoe began investing in its Social and Labour Plan, to which the Company has pledged a total of R160 million (\$14 million) during the next five years. The approved plan includes R67.2 million (\$6 million) for the development of job skills among local residents and R87.7 million (\$8 million) for local economic development projects. This allocation includes R26 million (\$2 million) to build a community skills development and a training facility in the Mokopane area as part of Ivanhoe's objective of helping to establish a roster of qualified, local candidates for jobs at the mine and its associated minerals processing plant. The facility will be accredited by the Mining Qualifications Authority (MQA).

A total of 134 employees will participate in a planned internal training to provide members of the current workforce with opportunities to expand their skills, predominantly focused on mining and generic activities. A total of 13 employees who do not meet the minimum Grade 12 employment requirement are enrolled in Adult Basic Education and Training (ABET). Internships for two employees in the Safety Department also are continuing.

Another community training initiative was launched in 2015, in partnership with the Department of Basic Education. ABET began in four centres in communities directly affected by the planned development of the Platreef mine. Non-core technical training began in February 2015 and concluded in July 2015 at the Ergo Maphelong Training Centre in Masodi, where 78 local students were trained in various non-core activities for employment during the mine's construction phase. An additional 125 students started at the same training centre in similar skills programmes. This training was also extended to another training centre, Scoways, that is currently training 100 community members on skills programmes in non-core skills.

Ivanhoe has initiated a R24 million (\$2 million) partnership between South Africa's University of Limpopo and Laurentian University in Canada to develop and equip Limpopo's geology department to improve its curriculum choices for students, conduct research on the Platreef Project and offer post-graduate studies in geology. Ivanhoe will allocate approximately R12 million (\$1 million) to the University of Limpopo and R12 million (\$1 million) to Laurentian University over the next five years, and has committed to renewing the partnership for a further five-year period.

Figure 8: Renovation of a community care centre in a host village.



In addition to its SLP and B-BBEE commitments, Ivanhoe has spent approximately R11 million (\$1 million) on water harvesting, community sanitation and renovation of a community care centre in its host communities. The Platreef Project will provide internships to help university students complete practical components of their studies and, in the process, provide the mine with potential candidates for permanent employment.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-lead mine, in the Democratic Republic of Congo, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of Lubumbashi. It also is located on the Central African Copperbelt, southeast of Ivanhoe's Kamoa Project, and less than one kilometre from the Zambian border. Ivanhoe acquired its 68% interest in the Kipushi Project in November 2011; the balance of 32% is held by the state-owned mining company, La Générale des Carrières et des Mines (Gécamines).

Project development and infrastructure

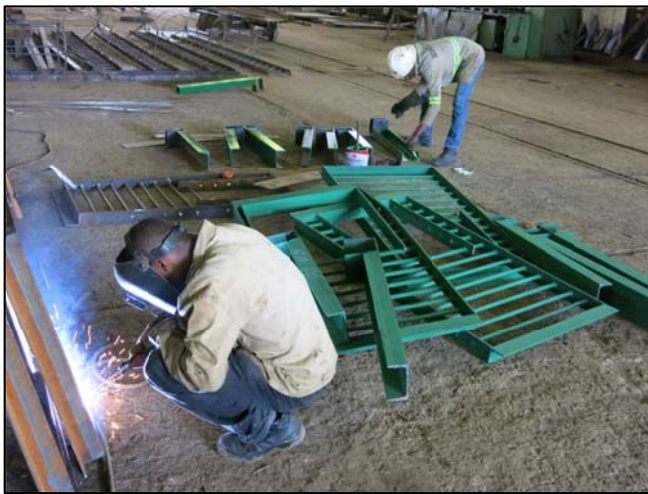
Work began in early March 2014 on the planned underground diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing dewatering program directed by Ivanhoe during the previous three years following its acquisition of the historic mine in November 2011.

The mine, which had been placed on care and maintenance in 1993, flooded in early 2011 due to a lack of pump maintenance over an extended period. At its peak, water reached 851 metres below the surface level. A major milestone was reached in December 2013 when Ivanhoe restored access to the mine's principal haulage level at 1,150 metres below the surface.

Since then, crews have been upgrading underground infrastructure to permanently stabilize the water levels and support the drilling program. Recent improvements included emergency escape ladders in shafts P2, P2Bis and P15, fabrication of an emergency cage and a winch in Shaft P3, and refurbishment of the Shaft P5 friction-rope-reeler gearbox.

Water levels are stabilized below the 1,150-metre-level haulway and the 1,272-metre-level hanging-wall drift, enabling access for drilling, that has targeted the Série Récurrente, Fault Zone and Big Zinc.

Figure 9 (left): Fabrication of platforms and ladders for emergency escapes in shafts P2, P2Bis and P15. Figure 10 (right): Shaft P5 rope take-up spool during testing of refurbished gearbox.



Environmental studies and sustainability

Golder Associates was engaged in early 2014 to conduct an IFC-compliant Environmental, Social and Health Impact Assessment (ESHIA) baseline study to determine the impact of previous mining activities by Gécamines and provide a baseline for the future.

Final sections of the report for the ESHIA baseline study are complete and air and water quality monitoring is ongoing to meet DRC regulatory requirements.

The water sanitation and health program initiated in collaboration with the Kipushi Territorial Administrator and local community residents started its first task of cleaning storm drains in the municipality to prevent flooding in the rainy season and remove breeding areas for malaria-carrying mosquitoes.

Ivanhoe also assisted with the logistics for the Kipushi Health Zone Oral Polio Vaccination (OPV) campaign, as well as the Mwaiseni Community Radio education initiative and the repair of hand-operated water pumps in Mimbulu village.

Figure 11: Ivanhoe community relations officer Olivia Simamba (second from left) assisting the Kipushi Health Zone's polio-prevention campaign, which vaccinated approximately 40,000 children in Kipushi and surrounding villages.



Confirmatory and exploration drilling

Ivanhoe's underground drilling program at Kipushi is designed to confirm and update the mine's estimated historical mineral resources and to further expand the resources along strike and at depth. As a result of the success of the exploration program, a decision was made in Q2 to extend the program by an additional 2,500 to 3,000 metres of follow-up exploration on previously identified, promising holes on the fault zone south of the Big Zinc and at depth on the Nord Riche.

A total of 3,828 metres in 14 drill holes were completed in Q2 2015 in the Big Zinc, the southern exploration area and Nord Riche zones. By the end of Q2 2015, a total of 21,241 metres of drilling had been completed in 91 holes since Ivanhoe started its drilling program in March 2014. Ivanhoe expects to complete the remaining portion of the exploration drill program in early Q3.

Ivanhoe is working with MSA of Johannesburg to finalize an updated Mineral Resource Estimate for the Kipushi Project that will incorporate all of the drill results received to date. The independent estimate, which is being prepared in accordance with 2014 CIM definition standards, is expected to be completed and issued during Q3 2015.

Kipushi's 68 years of production history

Following its start-up in 1924 as the Prince Léopold Mine, available records show that Kipushi produced a total of 6.6 million tonnes of zinc and 4.0 million tonnes of copper – from 60 million tonnes grading 11% zinc and approximately 7% copper – until political instability prompted the suspension of operations in 1993. The mine also produced 278 tonnes of germanium between 1956 and 1978.

In addition to the recorded production of copper, zinc, lead and germanium, Gécamines' mine-level plans for Kipushi also report the presence of precious metals, specifically silver and rhenium. There is no formal record of the production of precious metals on the property.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial information for the prior eight quarters. Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	3 Months ended			
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	9,009	13,241	26,122	33,385
General administrative expenditure	1,323	5,775	8,976	8,045
Shared-based payments	1,736	1,986	2,245	7,060
Finance costs	48	34	382	377
Mark-to-market (gain) loss on revaluation of warrants	(1,334)	(4,212)	(2,316)	(12,360)
Deferred tax recovery	-	-	(46)	-
Total comprehensive loss attributable to:				
Owners of the Company	11,008	15,511	31,649	23,474
Non-controlling interest	3,564	3,498	5,434	15,092
Loss per share (basic and diluted)	0.01	0.02	0.05	0.03

	3 Months ended			
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
	\$'000	\$'000	\$'000	\$'000
Exploration and project expenditure	39,580	37,102	60,638	39,793
General administrative expenditure	4,913	9,318	11,567	6,259
Shared-based payments	85,428	2,561	2,029	1,898
Impairment of mineral property, goodwill and other	-	-	334,338	-
Legal settlement	-	-	-	10,000
Finance costs	1,124	358	559	543
Mark-to-market (gain) loss on revaluation of warrants	5,152	-	-	-
Deferred tax recovery	-	-	(75,701)	-
Total comprehensive loss attributable to:				
Owners of the Company	129,474	42,750	240,262	51,787
Non-controlling interest	6,280	6,057	92,606	6,248
Loss per share (basic and diluted)	0.21	0.07	0.41	0.10

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended June 30, 2015 vs. June 30, 2014

The Company's total comprehensive loss for Q2 2015 of \$14.6 million was \$121.2 million lower than for the same period in 2014 (\$135.8 million). The decrease mainly was due to the share-based payment expense arising from the Company implementing its B-BBEE structure in June 2014 of \$84.4 million, as well as the capitalization of development costs in the current period on the Platreef and Kamoia projects of \$12.7 million and \$9.1 million respectively.

Exploration and project expenditures for the three months ending June 30, 2015 were \$17.7 million less than for the same period in 2014. With the focus during 2015 at the Kamoia and Platreef projects on development, \$8.9 million of the total \$9.0 million exploration and project expenditure related to Kipushi where the drilling program and upgrading of the underground and surface infrastructure continued.

Expenditure at the Kipushi Project decreased by \$4.3 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project in Q2 2015 and Q2 2014 are set out in the following table:

	Three months ended June 30, 2015 \$'000	Three months ended June 30, 2014 \$'000
Kipushi Project		
Salaries and benefits	2,962	3,910
Electricity	1,752	1,719
Drilling	900	1,214
Repair and maintenance	419	321
Contracting work	228	1,763
Site security and safety	214	379
Other expenditure	2,343	3,763
Total project expenditure	8,818	13,069

Review of the six months ended June 30, 2015 vs. June 30, 2014

The Company's total comprehensive loss for the six months ended June 30, 2015, of \$33.6 million was \$151.0 million lower than for the same period in 2014 (\$184.6 million). The decrease mainly was due to the share-based payment expense of \$83.6 million recognised in 2014 as a result of the Platreef B-BBEE transaction, as well as the capitalization of development costs in the current period on the Platreef and Kamoia projects of \$25.2 million and \$16.1 million respectively. During the six months ended June 30, 2015 the Company recognised a mark-to-market gain on revaluation of warrants of \$5.5 million while a mark-to-market loss of \$5.2 million was recognised in the same period in 2014.

Exploration and project expenditures for the six months ending June 30, 2015 were \$31.4 million less than for the same period in 2014. With the focus during 2015 at the Kamoia and Platreef projects on development, \$17.1 million of the total \$21.9 million exploration and project expenditure related to Kipushi. A total of \$4.1 million related to retrenchment costs incurred in the closure of Ivanhoe's regional exploration company in the DRC.

Expenditure at the Kipushi Project decreased by \$8.1 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project for the six months ending June 30, 2015 and 2014 are set out in the following table:

	Six months ended June 30, 2015 \$'000	Six months ended June 30, 2014 \$'000
Kipushi Project		
Salaries and benefits	5,853	7,826
Electricity	3,254	3,403
Drilling	1,757	2,348
Repair and maintenance	914	1,138
Site security and safety	643	805
Contracting work	462	2,956
Other expenditure	4,184	6,692
Total project expenditure	<u>17,067</u>	<u>25,168</u>

Financial position as at June 30, 2015 vs. December 31, 2014

The Company's total assets increased by \$47.2 million, from \$253.1 million as at December 31, 2014, to \$300.3 million as at June 30, 2015. This mainly was due to the increase in assets of disposal group classified as held for sale and property, plant and equipment of \$27.8 million and \$13.9 million respectively.

On May 26, 2015, Ivanhoe announced that Zijin – through its subsidiary, Gold Mountains (H.K.) International Mining Company Limited – had agreed to buy a 49.5% share interest in Kamo Holding Limited (Kamo Holding), an Ivanhoe subsidiary that presently owns 95% of the Kamo Project, for an aggregate consideration of \$412 million. In addition, Ivanhoe agreed to sell 1% of its share interest in Kamo Holding to Crystal River Global Limited (Crystal River) for \$8.32 million.

As at June 30, 2015, the transaction had not closed and therefore the transaction was not yet accounted for. However, Kamo Holding meets the criteria to be classified as a disposal group held for sale and a discontinued operation in terms of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). In terms of IFRS 5 at June 30, 2015, the disposal group should be held at the lower of the carrying amount and the fair value, less costs to sell. The carrying amount of the group is significantly lower than the anticipated fair value, less costs to sell, and therefore no adjustment was made to the carrying value of the Kamo assets.

The Company utilized \$27.1 million of its cash resources in its operations and earned interest income of \$0.7 million on cash balances in Q2 2015. A total of \$43.0 million was spent on project development and to acquire other property, plant and equipment. Development costs on the Platreef and Kamo projects amounted to \$25.2 million and \$16.1 million respectively.

The Company's total liabilities decreased to \$42.6 million as at June 30, 2015, from \$50.7 million as at December 31, 2014. This was due to a decrease in trade and other payables of \$6.6 million, as well as a \$5.5 million decrease in the fair value of the share-purchase-warrant financial liability that arose with the issuance of the purchase warrants in Q2 2014 and had a fair value of \$1.4 million at June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$119.7 million in cash and cash equivalents and \$55.2 million in short-term deposits as at June 30, 2015. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of \$84.2 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at June 30, 2015, the Company had consolidated working capital of approximately \$203.9 million, compared to \$162.1 million at December 31, 2014. The Platreef Project working capital is restricted and amounted to \$78.5 million at June 30, 2015, and \$104.3 million at December 31, 2014. Excluding the Platreef Project working capital, the resultant working capital was \$125.4 million at June 30, 2015, and \$57.8 million at December 31, 2014. The Company believes it has sufficient resources to cover its short-term cash requirements. However, the Company's access to financing always is uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

On April 20, 2015, Zijin Mining Group Co., Ltd., acquired a minority interest in the Company through a private placement. The Company issued 76,817,020 common shares to a Zijin Mining Group Co., Ltd. subsidiary, through a private placement at a price of C\$1.36 per share, yielding gross proceeds of approximately C\$105 million (US\$85 million).

On May 26, 2015, the Company signed agreements with Zijin who will buy a 49.5% share interest in Kamoa Holding Limited (Kamoa Holding), an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of US\$412 million. The purchase price will be satisfied by an initial payment of US\$206 million in cash upon the closing of the transaction, and is subject to Zijin's receipt of approvals by the government of the People's Republic of China, and certain other customary closing conditions. The agreements specify that the remaining US\$206 million will be paid in five equal instalments, payable every 3.5 months from closing and continuing through the remainder of 2015 and into 2016. The remaining payments are secured.

The Company's main objectives for 2015 at the Kamoa Project remains the finalization of the Phase 1 pre-feasibility study; commencement of the Phase 1 feasibility study; the continuation of drilling and starting construction of the twin declines at Kamoa. At Platreef, priorities are to commence the feasibility study and complete the Shaft 2 design at the Platreef Project. At the Kipushi Project, the principal objectives are completion the underground drilling program and preparation of a development plan.

The Company has a three-year mortgage bond and a five-year mortgage bond outstanding on its offices in London, United Kingdom, of £2.4 million (\$3.7 million) and £0.9 million (\$1.4 million) respectively. The first is fully repayable on June 30, 2020, secured by the property and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears, with the latter also secured by the property, incurring interest at a rate of LIBOR plus 2.5% payable monthly in arrears. During the first three years, from June 2014 until May 2017, only interest will be payable.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited, which had a carrying value of \$20.5 million as at June 30, 2015, and a contractual amount due of \$29.4 million. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalized. The difference of \$8.9 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricité SARL (SNEL) relating to the upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Company's DRC projects. Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be \$141 million (including a \$4.5 million pre-finance loan), but is capped at a maximum commitment of \$250 million. The term for repayment of the loan and payment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two-year grace period from the signing date of the agreement. The actual repayment period ultimately will depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of the actual bill as per the terms of the loan repayment. The interest rate is six-month LIBOR + 3%. The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

The Company has an implied commitment in terms of spending on work programs submitted to regulatory bodies to maintain the good standing of exploration and exploitation permits at its mineral properties. The following table sets forth the Company's long-term obligations:

Contractual Obligations as at June 30, 2015	Payments Due By Period				
	Total \$'000	Less than 1 year \$'000	1-3 years \$'000	4-5 years \$'000	After 5 years \$'000
Debt	34,423	-	615	4,453	29,355
Operating Leases	391	361	30	-	-
Advancement of interest free loan	250,000	250,000	-	-	-
Total Contractual Obligations	284,814	250,361	645	4,453	29,355

USE OF PROCEEDS

The below table describes how the proceeds from the public offering and concurrent private placement that closed on June 10, 2014, have been used to date, against how the proceeds were expected to be used as disclosed in the final prospectus.

Principal Purpose	Intended \$million	Use of proceeds			Total use to date \$million
		Q2-Q4 2014 \$million	Q1 2015 \$million	Q2 2015 \$million	
Kamoa Project					
Box cut and decline	15	11	4	2	17
Power Supply	15	4	-	3	7
Project studies	11	9	1	2	12
Drilling	9	10	-	-	10
Subtotal	50	34	5	7	46
Kipushi Project					
Site costs (including dewatering)	28	25	4	4	33
Drilling & Studies	10	5	2	2	9
Refurbishing infrastructure	7	5	1	1	7
Subtotal	45	35	7	7	49
Other					
Regional Exploration and General & Administrative Expenses	37	26	8	3	37
Subtotal	37	26	8	3	37
TOTAL (exclusive of Over-Allotment Option and Private Placement Option)					
	132	95	20	17	132
Exploration and pre-development activities of the Projects and general corporate purposes	15	10	2	3	15
TOTAL NET PROCEEDS	147	105	22	20	147

Proceeds from the private placement that closed on April 20, 2015 are intended to be used for working capital and general corporate purposes.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements for the periods under review.

TRANSACTIONS WITH RELATED PARTIES

The following tables summarize related party expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or significant shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Three months ended June 30,		Six months ended June 30,	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Global Mining Management Corporation (a)	612	986	1,357	1,971
Ivanhoe Capital Aviation LLC (b)	300	300	600	600
Ivanhoe Capital Services Ltd. (c)	140	127	269	234
Ivanhoe Capital Pte Ltd (d)	89	61	111	93
Global Mining Services Ltd. (e)	73	106	112	249
HCF International Advisers (f)	46	84	91	184
Ivanhoe Capital Corporation (UK) Limited (g)	-	3	5	3
	1,260	1,667	2,545	3,334
Salaries and benefits	787	1,179	1,651	2,350
Travel	371	29	690	688
Office and administration	30	359	70	89
Consulting	72	100	134	207
	1,260	1,667	2,545	3,334

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2015, trade and other payables included \$0.3 million (December 31, 2014: \$0.4 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

- (a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and the Executive Chairman has a significant shareholding in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.
- (b) Ivanhoe Capital Aviation LLC (Aviation) is a private company owned indirectly by the Executive Chairman of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.
- (c) Ivanhoe Capital Services Ltd. (Services) is a private company owned indirectly by the Executive Chairman of the Company. Services provide for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (d) Ivanhoe Capital Pte Ltd. (Capital) is a private company owned indirectly by the Executive Chairman of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.

- (e) Global Mining Services Ltd. (Mining) is a private company incorporated in Delaware and is 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.
- (f) HCF International Advisers (HCF) is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. Guy de Selliers is the President and co-founder of HCF, which provides financial advisory services to the Company.
- (g) Ivanhoe Capital Corporation (UK) Limited (UK) is a private company owned indirectly by the Executive Chairman of the Company. UK provides administration, accounting and other services in London on a cost-recovery basis.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 to the consolidated financial statements for the year ended December 31, 2014. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during said reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) *Impairment Analysis of Assets*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets.

Changes in any of the assumptions used to determine impairment testing could materially affect the results of the analysis.

(ii) *Income Taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statements of financial position and their corresponding tax values, generally using the substantively enacted or enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource-related pools and other deductions. A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

A deferred tax liability is generally recognized for all taxable temporary differences. The Company recognizes net deferred tax liabilities as it believes it does not control the timing of the reversal of these temporary differences even though management has made the judgment that the reversal is not expected to occur in the foreseeable future.

(iii) *Mineral Property and Exploration Costs*

All direct costs related to the acquisition of mineral property interests are capitalized by property or project. Exploration costs are charged to operations in the period incurred, until such time as the Company determines that a property is technically feasible and commercially viable, where after development costs are capitalized. In making this determination, the Company considers whether a proposed project is capable of being developed at a sufficient return to justify the capital and managerial resources that must be committed to the project. The determination is made on a property by property basis and generally coincides with the finalization of a preliminary economic assessment or pre-feasibility study of the property. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

In determining whether an exploration and evaluation property is technically feasible and commercially viable, the Company considers several criteria, including:

- a technical analysis of the basic geology of the project;
- a mine plan for accessing and exploiting the ore body;
- a process flow sheet for processing the ore generated from mining;
- projections as to the capital cost of constructing the project;
- projections as to the cost of operating the project in accordance with the mine plan;
- projections as to revenues from the concentrate or other mineral product to be generated from operations in accordance with the mine plan; and
- an economic analysis of the project based on the projected capital and operating costs and production revenues.

(iv) *Business Combinations*

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. If an acquired set of assets and liabilities includes goodwill, the set of assets and liabilities is presumed to be a business.

(v) *Functional Currency*

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determine the primary economic environment.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IFRS 7 Financial Instruments: (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard.
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012.
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

Accounting standards issued but not yet effective

- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (i)
- IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (ii)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations: Provides guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. (iii)
- Annual improvements for IFRS 2012 to 2014 cycle. (iii)

(i) The IASB tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9.

(ii) Effective for annual periods beginning on or after January 1, 2017

(iii) Effective for annual periods beginning on or after January 1, 2016

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification	June 30, 2015 \$'000	December 31, 2014 \$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	119,739	110,983
Short-term deposits	Loans and receivables	55,245	55,223
Financial assets	Fair value through profit or loss	1,326	-
Trade and other receivables	Loans and receivables	2,079	4,115
Financial liabilities			
Trade and other payables	Other liabilities	9,576	16,214
Borrowings	Other liabilities	25,550	24,789
Share purchase warrants	Fair value through profit and loss	1,399	6,945

IAS 32 - "*Financial Instruments: Presentation*", requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establishes a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore requires an entity to develop its own assumptions.

The Company's financial instruments include cash and cash equivalents, short-term deposits, publicly traded shares, trade and other receivables, borrowings, share purchase warrants and trade and other payables.

The fair value of borrowings is determined in accordance with generally accepted pricing models based on discounted cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%.

The Company's share purchase warrants and financial assets at fair value through profit and loss are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. The fair value of the share purchase warrants is determined using quoted prices in active markets. The fair value of the financial assets at fair value through profit and loss is determined using quoted prices in active markets.

The fair value of the Company's remaining financial instruments was estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments and as such are classified as Level 2.

Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations, however, management monitors foreign exchange exposure.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	June 30, 2015	December 31, 2014
	\$'000	\$'000
Assets		
Canadian dollar	9,299	19,659
Australian dollar	-	66
South African rand	33,098	28,068
British pounds	1,874	5,880
Liabilities		
Canadian dollar	227	(425)
Australian dollar	43	(249)
South African rand	5,201	(10,936)
British pounds	45	(1,255)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Six months ended June 30,	
	2015	2014
	\$'000	\$'000
Decrease in loss for the period	189	599

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position date to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk on cash equivalents is limited because the cash equivalents are composed of financial instruments issued by major banks and companies with high credit ratings assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

The following table details the Company's aging of accounts receivable:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at June 30, 2015					
Trade and other receivables	-	2,079	-	-	2,079
	-	2,079	-	-	2,079
As at December 31, 2014					
Trade and other receivables	-	4,115	-	-	4,115
	-	4,115	-	-	4,115

Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position with the goal of maintaining adequate sources of funding to finance the Company's projects and operations.

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	Total undiscounted cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
As at June 30, 2015					
Trade and other payables	-	9,576	-	-	9,576
Current income tax liabilities	9	-	-	-	9
Non-current borrowings	-	-	-	34,423	34,423
As at December 31, 2014					
Trade and other payables	-	16,214	-	-	16,214
Current income tax liabilities	200	-	-	-	200
Non-current borrowings	-	-	-	30,392	30,392
Current borrowings	3,656	-	-	-	3,656

DESCRIPTION OF CAPITAL STOCK

As at August 5, 2015, the Company's capital structure consists of an unlimited number of Class A common shares without par value (the "**Class A Shares**"), an unlimited number of Class B common shares without par value (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"), an unlimited number of preferred shares without par value, warrants and options. At this date 6,780,645 Class B Shares, 772,179,162 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted no options in 2015 to date and 14,175,000 options to certain employees during 2014, per the amended and restated employees' and directors' equity incentive plan (the Equity Incentive Plan). Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at August 5, 2015, there were 14,395,000 options, from individual stock-option agreements exercisable into 14,395,000 Class A Shares and 23,545,000 options issued in terms of the Equity Incentive Plan exercisable into 23,545,000 Class A Shares.

As at August 5, 115,000,767 warrants, issued on June 10 and July 10, 2014, are outstanding, each of which entitles the holder thereof to purchase equity securities in the capital of the Company at C\$1.80 each, exercisable into 115,000,767 Class A Shares. These warrants expire on December 10, 2015, if not exercised by this date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design effectiveness of the Company's DC&P and ICFR as of June 30, 2015 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of June 30, 2015 and have concluded that these controls and procedures have been designed effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the three and six months ended June 30, 2015, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

The risk factors are discussed in the Company's Annual Information Form filed with Canadian provincial regulatory authorities and available at www.sedar.com.

DISCLOSURE OF TECHNICAL INFORMATION

Disclosures of a scientific or technical nature in this MD&A has been reviewed and approved by Stephen Torr, who is considered, by virtue of his education, experience and professional association, a Qualified Person under the terms of NI 43-101. Mr. Torr is not considered independent under NI 43-101 as he is the Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this MD&A.

Ivanhoe has prepared a current independent NI 43-101-compliant technical report for each of the Kamoa Project, the Platreef Project and the Kipushi Project, which are available under the Company's SEDAR profile at www.sedar.com. These technical reports include relevant information regarding the effective date and the assumptions, parameters and methods of the mineral resource estimates on the Kamoa Project and Platreef Project cited in this MD&A, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this MD&A in respect of the Kamoa Project, Platreef Project and Kipushi Project.