MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

DATED: MAY 7, 2018

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", "Ivanhoe Mines" or the "Company"), for the three months ended March 31, 2018, 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, 2017 and 2016, 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 and references to "R" mean South African Rands.

The effective date of this MD&A is ***May 7, 2018***. 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. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, its projects, 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.

Such statements include without limitation, the timing and results of: (i) statements regarding Shaft 1 providing initial access for early underground development at the Flatreef Deposit; (ii) statements regarding the station development of Shaft 1 at the 750-, 850- and 950-metre-levels; (iii) statements regarding Shaft 1 expected to intersect the upper contact of the Flatreef Deposit (T1 mineralized zone) at an approximate shaft depth of 783 metres; (iv) statements regarding Shaft 1 reaching the planned, final depth at 980 metres below surface in 2019; (v) statements regarding the timing of Shaft 2 development, including that excavation of the box cut and construction of the tower hitch foundation be completed by the end of the year and that Shaft 2 will be sunk to a final depth of more than 1,100 metres; (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 the Company's plans to develop the Platreef Mine in three phases: an initial annual rate of four million tonnes per annum (Mtpa) to establish an operating platform to support future expansions; followed by a doubling of production to eight Mtpa; and then a third expansion phase to a steady-state 12 Mtpa; (ix) statements regarding the planned underground mining methods of the Platreef Project including long-hole stoping and drift-and-fill mining; (x) statements regarding supply of treated water from the town of Mokopane's new Masodi treatment plant; (xi) statements regarding the timing of the study and construction on the Kipushi-Munama spur line; (xii) statements regarding the timing and completion of a pre-feasibility study for a six Mtpa mine at Kakula; (xiii) statements regarding the timing, size and objectives of drilling and other exploration programs for 2018 and future periods; (xiv) statements regarding exploration on the Western Foreland exploration licenses; (xv) statements regarding completion of the twin declines at Kakula scheduled for completion of the contract by the end of 2018; (xvi) statements regarding the timing of an update to the Kipushi Mineral Resource estimate in Q2 2018; (xvii) statements regarding the timing and completion of a definitive feasibility study at the Kipushi Project in the second half of 2018; and (xviii) statements regarding expected expenditure for 2018 of $52 million on further development at the Platreef Project; $48 million at the Kipushi Project; $10 million on regional exploration in the DRC; and $14 million on corporate overheads for the remainder of 2018 – as well as its proportionate funding of the Kamoa-Kakula Project, expected to be $42 million for the remainder of 2018.

As well, all of the results of the pre-feasibility study of the Kamoa-Kakula Project and preliminary economic assessment of development options for the Kakula deposit, the feasibility study of the Platreef Project and the pre-feasibility study of the Kipushi Project, constitute forward-looking statements or 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, estimates of capital and operating costs and the size and timing of phased development of the projects. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoa-Kakula, Platreef and Kipushi 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, zinc, 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 compliance by joint venture partners with terms of agreements, (xiii) the availability and productivity of skilled labour; (xiv) 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 and Mineral Reserves. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Estimates of Mineral Reserves provide more certainty but still involve similar subjective judgments. 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 or Mineral Reserve estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, zinc, 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/or changes in mine plans; (vi) the possible failure to receive required permits, approvals and licenses; and (vii) changes in law or regulation.

Forward-looking statements and information 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 or information, 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 39 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 are generated. The Company's material properties consist of:

- **The Platreef Project.** Construction of the planned Platreef mine is now underway on the Company's discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Complex. Ivanhoe Mines holds a 64% interest in Platreef, the South African beneficiaries of a broad-based, black economic empowerment structure have a combined 26% stake in the Platreef Project and the remaining 10% is owned by a Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. (See "*Platreef Project*")

- **The Kipushi Project.** The existing Kipushi Mine is located on the Central African Copperbelt in the Democratic Republic of Congo's (DRC) southern Haut-Katanga province, one of Africa's major mining hubs. The mine, which operated between 1924 and 1993, is approximately 30 kilometres southwest of the provincial capital, Lubumbashi, and less than one kilometre from the DRC-Zambia border. Ivanhoe Mines holds a 68% interest in Kipushi; the state-owned mining company, La Générale des Carrières et des Mines (Gécamines), holds the remaining 32% interest. (See "*Kipushi Project*")

- **The Kamoa-Kakula Copper Project.** A joint venture between Ivanhoe Mines and Zijin Mining Group Co., Ltd., ("Zijin" or "Zijin Mining") within the Central African Copperbelt in the Democratic Republic of Congo's southern Lualaba province. Following the signing of an agreement with the DRC government in November 2016 to transfer an additional 15% interest in the Kamoa-Kakula Project to the government of the DRC, Ivanhoe Mines and Zijin Mining each hold an indirect 39.6% interest in the Kamoa-Kakula Project, Crystal River Global Limited ("Crystal River") holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. The Kamoa-Kakula Project is independently demonstrated as the largest copper discovery ever made in the history of mining on the African continent and already ranks as the world's fourth-largest copper deposit. (See "*Kamoa-Kakula Project*")

PLATREEF PROJECT

The Platreef Project is owned by Ivanplats (Pty) Ltd, which is 64%-owned by Ivanhoe Mines. A 26% interest is held by Ivanplats' historically-disadvantaged, broad-based, black economic empowerment (B-BBEE) partners, which include 20 local host communities with a total of approximately 150,000 people, project employees and local entrepreneurs. In April 2018, Ivanplats reconfirmed its Level 3 status in its fourth verification assessment on a B-BBEE scorecard. A Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation and Japan Gas Corporation owns a 10% interest in Ivanplats, which it acquired in two tranches for a total investment of $290 million.

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

On the Northern Limb, platinum-group metals 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 two contiguous properties: Turfspruit and Macalacaskop. Turfspruit, the northernmost property, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of mining operations and properties.

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

Health and safety at Platreef

At the end of Q1 2018, the Platreef Project reached a total of 562,276 lost-time, injury-free hours worked in terms of South Africa's Mine Health and Safety Act and Occupational Health and Safety Act. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to employees, contractors, sub-contractors and consultants.

Positive independent, definitive feasibility study for Platreef's first-phase development; Platreef projected to be Africa's lowest-cost producer of platinum-group metals

On July 31, 2017, Ivanhoe Mines announced the positive results of an independent, definitive feasibility study (DFS) for the planned first phase of the Platreef Project's platinum-group metals, nickel, copper and gold mine in South Africa.

The Platreef DFS covers the first phase of development that would include construction of a state-of-the-art underground mine, concentrator and other associated infrastructure to support initial production of concentrate by 2022. As Phase 1 is being developed and commissioned, there would be opportunities to refine the timing and scope of subsequent phases of expanded production.

DFS highlights include:

- Indicated Mineral Resources containing an estimated 41.9 million ounces of platinum, palladium, rhodium and gold, with an additional 52.8 million ounces of platinum, palladium, rhodium and gold in Inferred Resources.
- Increased Mineral Reserves containing 17.6 million ounces of platinum, palladium, rhodium and gold, following stope optimization and mine sequencing work.

- Development of a large, safe, mechanized, underground mine, with an initial four-Mtpa concentrator and associated infrastructure.
- Planned initial average annual production rate of 476,000 ounces of platinum, palladium, rhodium and gold (3PE+Au), plus 21 million pounds of nickel and 13 million pounds of copper.
- Estimated pre-production capital requirement of approximately $1.5 billion, at a ZAR:USD exchange rate of 13 to 1.
- Platreef would rank at the bottom of the cash-cost curve, at an estimated $351 per ounce of 3PE+Au produced, net of by-products and including sustaining capital costs, and $326 per ounce before sustaining capital costs.
- After-tax net present value (NPV) of $916 million, at an 8% discount rate.
- After-tax internal rate of return (IRR) of 14.2%.

The DFS was prepared for Ivanhoe Mines by principal consultant DRA Global, with economic analysis led by OreWin, and specialized sub-consultants including Amec Foster Wheeler E&C Services (Amec Foster Wheeler), Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental.

Platreef Mineral Resources

The Platreef Project's Mineral Resource estimate was prepared by Ivanhoe Mines under the direction of Dr. Harry Parker, RM SME, of Amec Foster Wheeler. Dr. Parker and Timothy Kuhl, RM SME, also of Amec Foster Wheeler, have independently confirmed the Mineral Resource estimate and are the Qualified Persons for the estimate, which has an effective date of April 22, 2016.

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 500 metres to 1,350 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 Platreef Indicated Mineral Resources for all mineralized zones are 346 million tonnes at a grade of 3.77 grams per tonne (g/t) 3PE+gold (1.68 g/t platinum, 1.70 g/t palladium, 0.11 g/t rhodium, 0.28 g/t gold), 0.32% nickel and 0.16% copper at a 2.0 g/t 3PE+gold cut-off. The average thickness of the 2.0 g/t 3PE+gold grade shell used to constrain the T2MZ resources for the indicated area is 19 metres.

Inferred mineral resources for all mineralized zones are 506 million tonnes at a grade of 3.24 g/t 3PE+gold (1.42 g/t platinum, 1.46 g/t palladium, 0.10 g/t rhodium, 0.26 g/t gold), 0.31% nickel and 0.16% copper. The average thickness of the 2.0 g/t 3PE+gold grade shell used to constrain the T2MZ resources for the inferred area is 12.7 metres.

Shaft 1 has reached a depth of more than 750 metres below surface

On April 23, 2018, Ivanhoe announced that Platreef's Shaft 1 had reached a depth of 750 metres below surface and lateral development of the first mine-access station now is underway.

The station on Shaft 1's 750-metre level will provide initial, underground access to the high-grade orebody, enabling mine development to proceed during the construction of Shaft 2, which will become the mine's main production shaft. The mining zones in the current Platreef Mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below surface. The 750-metre-level station also will allow access for the first raise-bore shaft that will provide ventilation to the underground workings during the mine's ramp-up phase.

Sinking of Shaft 1 will resume after the station is completed. The shaft is expected to intersect the upper contact of the Flatreef Deposit (T1 mineralized zone) at an approximate shaft depth of 783 metres. As shaft sinking advances, two additional shaft stations will be developed at mine-working depths of 850 metres and 950 metres. Shaft 1 is expected to reach its projected, final depth of 980 metres below surface in 2019.

Shaft 1, with an internal diameter of 7.25 metres, will provide access to the Flatreef Deposit and enable the initial, underground development to take place during the development of Shaft 2. Ultimately, Shaft 1 will become the primary ventilation intake shaft during the project's four-Mtpa production case.

Figure 1: Jerry Molongama, a contract employee from Aveng Mining, securing the jumbo drilling rig on surface at Shaft 1. Construction of the station at the 750-metre level now is underway to provide initial mine development access to the orebody.

Shaft 2 early-works construction progressing

Shaft 2, to be located approximately 100 metres northeast of Shaft 1, will have an internal diameter of 10 metres, will be lined with concrete and sunk to a planned, final depth of more than 1,104 metres below surface. It will be equipped with two, 40-tonne, rock-hoisting skips capable of hoisting a total of six million tonnes of ore a year – the single largest hoisting capacity at any mine in Africa.

The headgear for the permanent hoisting facility was designed by South Africa-based Murray & Roberts Cementation. The first three blasts for Shaft 2's box cut were successfully completed in April; three additional blasts are planned. The blasting will enable the excavation of the box cut to a depth of approximately 29 metres below surface and the construction of the concrete hitch (foundation) for the 103-metre-tall concrete headgear (headframe) that will house the shaft's permanent hoisting facilities and support the shaft collar. Excavation of the box cut and construction of the tower hitch foundation is expected to be completed by the end of this year.

Figure 2: Drilling blast holes for the Shaft 2 box-cut construction.

Figure 3: Removal of broken rock after a blast as part of the box-cut construction for Shaft 2.

Underground mining to incorporate highly productive, mechanized methods

Ivanhoe plans to develop the Platreef Mine in phases. The initial annual production rate of four million tonnes per annum (Mtpa) is designed to establish an operating platform to support future expansions. This is expected to be followed by a potential doubling of production to eight Mtpa, and then a third expansion phase to a steady-state 12 Mtpa, which would establish Platreef among the largest platinum-group-metals mines in the world.

The mining zones in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below surface. Primary access to the mining zones will be by way of Shaft 2; secondary access will be via Shaft 1. During mine production, both shafts also will serve as ventilation intakes. Three additional ventilation exhaust raises are planned to achieve steady-state production.

Planned mining methods will use highly productive, mechanized methods, including long-hole stoping and drift-and-fill. Each method will utilize cemented backfill for maximum ore extraction. The ore will be hauled from the stopes to a series of internal ore passes and fed to the bottom of Shaft 2, where it will be crushed and hoisted to surface.

The current mine plan has been improved beyond the earlier projections in the 2015 PFS mine plan by optimizing stope design, employing a declining Net Smelter Return (NSR) strategy and targeting higher-grade zones early in the mine's life. This strategy has increased the grade profile by 23% on a 3PE+Au basis in the first 10 years of operation and by 10% during the life of the mine.

Preliminary expressions of interest received for approximately $900 million of the targeted $1 billion Platreef project financing

During 2017, Ivanhoe announced the appointment of five leading financial institutions to arrange project financing for the development of the Platreef Project. The five Initial Mandated Lead Arrangers (IMLAs) will make best efforts to arrange a total debt financing of up to $1 billion for the development of Platreef's first-phase, four Mtpa mine. Preliminary expressions of interest have been received for approximately $900 million of the targeted $1 billion financing. Negotiation of a term sheet is ongoing. In addition, preliminary discussions have begun with leading financial institutions around the financing of the black economic empowerment partners' contribution to the development capital.

The IMLAs appointed Export Development Canada to direct the technical, environmental and social due diligence phase of the project. Chlumsky, Armbrust & Meyer and IBIS ESG South Africa Consulting were appointed as Independent Technical Consultant and Independent Social and Environmental Consultant, respectively.

Metallurgical test work and processing methods

Metallurgical test work has focused on maximizing recovery of platinum-group metals (PGM) and base metals, mainly nickel, 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 tested produced smelter-grade final concentrates of approximately 85 g/t PGM+Au at acceptable PGM recoveries. Test work also has shown that the material is amenable to treatment by conventional flotation without the need for mainstream or concentrate ultrafine re-grinding. Extensive bench scale test work comprising of open-circuit and locked-cycled flotation testing, comminution testing, mineralogical characterization, dewatering and rheological characterization was performed at Mintek in South Africa, an internationally accredited metallurgical testing facility and laboratory.

Comminution and flotation test work has indicated that the optimum grind for beneficiation is 80% passing 75 micrometres. Platreef ore is classified as being 'hard' to 'very hard' and thus not suitable for semi-autogenous grinding; a multi-stage crushing and ball-milling circuit has been selected as the preferred size reduction route.

Improved flotation performance has been achieved using high-chrome grinding media as opposed to carbon-steel media. The inclusion of a split-cleaner flotation circuit configuration, in which the fast-floating fraction is treated in a cleaner circuit separate from the medium- and slow-floating fractions, resulted in improved PGM, copper and nickel recoveries and concentrate grades.

A two-phased development approach was used for the DFS flow-sheet design. The selected flow sheet comprises a common four-Mtpa, three-stage crushing circuit that feeds crushed material to two parallel milling-flotation modules, each with a nominal capacity of two Mtpa. Flotation is followed by a common concentrate thickening, concentrate filtration, tailings disposal and tailings-handling facility.

Long-term bulk water supply secured for the Platreef Mine

On May 7, 2018, Ivanhoe announced the signing of a new agreement to provide local, treated water to supply most of the bulk water needed for the first phase of production at Platreef. The Mogalakwena Local Municipality has agreed to supply a minimum of five million litres of treated water a day for 32 years, beginning in 2022, from the town of Mokopane's new Masodi Treatment Works.

Ivanplats expects to begin receiving a small quantity of processed wastewater this year, after the Masodi plant has been commissioned. The initial supply will be used in Platreef's ongoing underground mine development and surface infrastructure construction.

Under terms of the agreement, which is subject to certain suspensive conditions, Ivanplats will provide financial assistance to the municipality for certified costs of up to a maximum of R248 million (approximately $19.6 million) to complete the Masodi treatment plant. Ivanplats will purchase the treated wastewater at a reduced rate of R5 per thousand litres for the first 10Ml/day to offset a portion of the initial capital contributed.

Development of human resources and job skills

Work progressed on the implementation of Ivanhoe's Social and Labour Plan (SLP). The Company has pledged a total of R160 million ($13 million) during the first five years, culminating in November 2019. The approved plan includes R67 million ($6 million) for the development of job skills among local residents and R88 million ($7 million) for local economic development projects.

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 is located on the Central African Copperbelt, approximately 250 kilometres southeast of the Kamoa-Kakula 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, Gécamines.

Health, safety and community development

At the end of Q1 2018, the Kipushi Project had achieved a total 905,347 work hours free of lost-time injuries.

The Kipushi Project operates a potable-water station to supply the municipality with water. This includes power supply, disinfectant chemicals, routine maintenance, security and emergency repair of leaks to the primary reticulation. A new overhead powerline to the pump station recently was installed and commisioned.

Kipushi Mineral Resources

The current Mineral Resource estimate for Kipushi was prepared by MSA Group on January 27, 2016. Zinc-rich Measured and Indicated Mineral Resources totalled 10.18 million tonnes at 34.89% zinc, 0.65% copper, 0.96% lead, 19 g/t silver, 15ppm cobalt and 51 g/t germanium at a 7% zinc cut-off, containing 7,833 million pounds of zinc. Zinc-rich Inferred Mineral Resources totalled 1.87 million tonnes at 28.24% zinc, 1.18% copper, 0.88% lead, 10 g/t silver, 15ppm cobalt and 53 g/t germanium at a 7% zinc cut-off containing 1,169 million pounds of zinc.

Copper-rich Measured and Indicated Mineral Resources totalled an additional 1.63 million tonnes at grades of 4.01% copper, 2.87% zinc and 22 g/t silver, at a 1.5% copper cut-off, containing 144 million pounds of copper. Copper-rich Inferred Mineral Resources totalled an additional 1.64 million tonnes at grades of 3.30% copper, 6.97% zinc and 19 g/t silver at a 1.5% copper cut-off, containing 119 million pounds of copper.

Underground drilling program completed in November 2017 with updated Mineral Resource estimate expected in Q2 2018

Ivanhoe initiated a second phase of underground drilling at Kipushi in April 2017 with the goal of upgrading Inferred Mineral Resources on the Southern Zinc and Fault zones to Indicated, expanding Mineral Resources in the Série Recurrent Zone and collecting additional sample material for metallurgical flotation testing.

The drilling program was completed in November 2017, with a total of 9,706 metres drilled in 58 holes. Eight holes were drilled for metallurgy, 31 holes in the Southern Zinc and Big Zinc, five holes in the Nord Riche and 14 holes in the Série Récurrente.

Logging and sampling of the holes was completed at the end of 2017 and the final assays have been received. Geological interpretation of the results is ongoing and a new resource update is planned for release in Q2 2018. The updated Mineral Resource will be used in the preparation of the Kipushi Feasibility Study.

Project development and infrastructure

Ivanhoe completed the upgrading of a significant amount of underground infrastructure at the Kipushi Project, including a series of vertical mine shafts to various depths, with associated head frames, as well as underground mine excavations. A series of crosscuts and ventilation infrastructure still are in working condition. The underground infrastructure also includes a series of pumps to manage the influx of water into the mine.

Shaft 5, the main production shaft for the Kipushi Mine, is eight metres in diameter and 1,240 metres deep. It now has been upgraded and re-commissioned. The main personnel and material winder has been upgraded and modernized to meet international industry standards and safety criteria. The Shaft 5 rock-hoisting winder now is fully operational.

Underground upgrading work is continuing on the crusher and the rock load-out facilities at the bottom of Shaft 5 and on the main haulage way on the 1,150-metre level, between the Big Zinc access decline and Shaft 5.

Figure 4: Pouring concrete for the new roadway on Kipushi's main haulage way at the 1,150-metre level.

Figure 5: The fully-commissioned rock winder. All of the rock winder's safety and drive systems have been successfully tested to international standards.

Pre-feasibility study for Kipushi completed in December 2017; definitive feasibility study underway

On December 13, 2017, Ivanhoe Mines announced the results of a pre-feasibility study for the rebirth of the historic Kipushi Mine. The study anticipates annual production of an average of 381,000 tonnes of zinc concentrate over an 11-year, initial mine life at a total cash cost of approximately $0.48 per pound of zinc.

Highlights of the PFS, based on a long-term zinc price of $1.10/lb, include:

- After-tax net present value (NPV) at an 8% real discount rate of $683 million.
- After-tax real internal rate of return (IRR) of 35.3%.
- After-tax project payback period of 2.2 years.
- Pre-production capital costs, including contingency, estimated at $337 million.
- Existing surface and underground infrastructure allows for significantly lower capital costs than comparable greenfield development projects.
- Life-of-mine average planned zinc concentrate production of 381,000 dry tonnes per annum, with a concentrate grade of 59% zinc, is expected to rank Kipushi, once in production, among the world's largest zinc mines.

Estimated life-of-mine average cash cost of $0.48/lb of zinc is expected to rank Kipushi, once in production, in the bottom quartile of the cash-cost curve for zinc producers internationally.

The definitive feasibility study, to further refine and optimize the project's economics, is underway and is expected to be completed in the second half of 2018.

Agreement to rebuild railway spur line to support the Kipushi Project

On October 30, 2017, Ivanhoe Mines and the DRC's state-owned railway company, Société Nationale des Chemins de Fer du Congo (SNCC), signed a Memorandum of Understanding (MOU) to rebuild 34 kilometres of track to connect the Kipushi Mine with the DRC national railway at Munama, south of the mining capital of Lubumbashi.

Under the terms of the MOU, Ivanhoe has appointed R&H Rail to conduct a front-end engineering design study to assess the scope and cost of rebuilding the spur line from the Kipushi Mine to the main Lubumbashi-Sakania railway at Munama. The study is underway and construction on the Kipushi-Munama spur line could start later this year. Ivanhoe will finance the estimated $32 million (plus contingency) capital cost for the rebuilding, which is included within the overall Kipushi 2017 PFS capital cost.

The proposed export route is to utilize the SNCC network from Kipushi to Ndola, connecting to the north-south rail corridor from Ndola to Durban. The rail corridor to Durban via Zimbabwe is fully operational and has significant excess capacity.

Figure 6: On April 25, 2018, in recognition of World Malaria Day, Pierre Joubert, KICO General Manager (centre, in blue shirt), distributed 1,000 mosquito-proof bed nets to Kipushi community members.

KAMOA-KAKULA PROJECT

The Kamoa-Kakula Copper Project, a joint venture between Ivanhoe Mines and Zijin Mining, has been independently ranked as the largest copper discovery ever made on the African continent, with adjacent prospective exploration areas within the Central African Copperbelt in the Democratic Republic of Congo, approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi.

Ivanhoe sold a 49.5% share interest in Kamoa Holding Limited ("Kamoa Holding") to Zijin Mining in December 2015 for an aggregate consideration of $412 million. At the time, Kamoa Holding held a 95% interest in the Kamoa Project. In addition, Ivanhoe sold a 1% share interest in Kamoa Holding to privately-owned Crystal River for $8.32 million - which Crystal River will pay through a non-interest-bearing, 10-year promissory note. Since the conclusion of the Zijin transaction in December 2015, each shareholder has been required to fund expenditures at the Kamoa-Kakula Project in an amount equivalent to its proportionate shareholding interest in Kamoa Holding.

A 5%, non-dilutable interest in the Kamoa-Kakula Project was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the 2002 DRC mining code. Following the signing of an agreement with the DRC government in November 2016, in which an additional 15% interest in the Kamoa-Kakula Project was transferred to the DRC government, Ivanhoe and Zijin Mining now each hold an indirect, 39.6% interest in the Kamoa-Kakula Project, Crystal River holds an indirect 0.8% interest and the DRC government holds a direct 20% interest. Kamoa Holding holds an 80% interest in the project.

Health and safety at Kamoa-Kakula

Health and safety remain key priorities for all people working at the Kamoa-Kakula Project, which had achieved 9,588,390 lost-time, injury-free hours worked to the end of Q1 2018. This outstanding achievement reflects the dedication and safety-focused culture of the entire Kamoa-Kakula exploration and development teams.

Figure 7: Pre-shift safety meeting in one of the Kakula's underground safety refuge areas.

Updated Mineral Resource estimate announced in February 2018 establishes Kamoa-Kakula as world's fourth-largest copper deposit

On February 26, 2018, Ivanhoe issued an updated Mineral Resource estimate for the Kamoa-Kakula Project. The updated estimate included an update to the Kakula Mineral Resource estimate and was prepared by Ivanhoe Mines under the direction of Amec Foster Wheeler E&C Services Inc., of Reno, USA, in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves. The Qualified Persons for the Kamoa-Kakula Mineral Resource estimate are Dr. Harry Parker, RM, SME and Gordon Seibel, RM, SME, both of Amec Foster Wheeler E&C Services Inc.

The combined Kamoa-Kakula Project's Indicated Mineral Resources now total 1,340 million tonnes grading 2.72% copper, containing 80.7 billion pounds of copper at a 1.0% copper cut-off grade and a minimum thickness of three metres. Kamoa-Kakula also now has Inferred Mineral Resources of 315 million tonnes grading 1.87% copper and containing 13.0 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum thickness of three metres.

The new Kakula estimate, covers a mineralized strike length of 13.3 kilometres. For the first time, the updated estimate incorporates Mineral Resources contained in the Kakula West Discovery area and the saddle area between the main Kakula Discovery area and Kakula West. The updated Mineral Resource estimate is based on results from approximately 151,000 metres of drilling in 271 holes completed by December 31, 2017.

Kakula's Indicated Mineral Resources now total 585 million tonnes at a grade of 2.92% copper, containing 37.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Indicated Mineral Resources total 330 million tonnes at a 4.07% copper grade, containing 29.6 billion pounds of copper. At a 3% copper cut-off, Indicated Mineral Resources total 174 million tonnes at a grade of 5.62% copper, containing 21.5 billion pounds of copper.

Inferred Mineral Resources total 113 million tonnes at a grade of 1.90% copper, containing 4.7 billion pounds of copper at a 1% copper cut-off. At a 2% copper cut-off, Inferred Mineral Resources total 44 million tonnes at a 2.59% copper grade, containing 2.5 billion pounds of copper. At a 3% copper cut-off, Inferred Mineral Resources total nine million tonnes at a grade of 3.66% copper, containing 0.7 billion pounds of copper.

The average true thickness of the selective mineralized zone (SMZ) at a 1% copper cut-off is 10.1 metres in the Indicated Mineral Resources area and 6.7 metres in the Inferred Mineral Resources area. At a higher 3% copper cut-off, the average true thickness of the SMZ is 4.7 metres in the Indicated Mineral Resources area and 3.3 metres in the Inferred Mineral Resources area.

The Kakula Mineral Resources are defined within a total area of 24.9 square kilometres at a 1% copper cut-off. At the same cut-off grade, the areal extent of Indicated Mineral Resources is 19.4 square kilometres and the areal extent of the Inferred Mineral Resources is 5.5 square kilometres. The Kakula Discovery remains open for significant expansion in multiple directions, while the remainder of the southern parts of the Kamoa-Kakula mining-licence area is virtually untested.

Figure 8: Kamoa-Kakula mining licence, showing the Kakula and Kansoko mines, and the Kamoa, Kakula and Kakula West Mineral Resource areas.

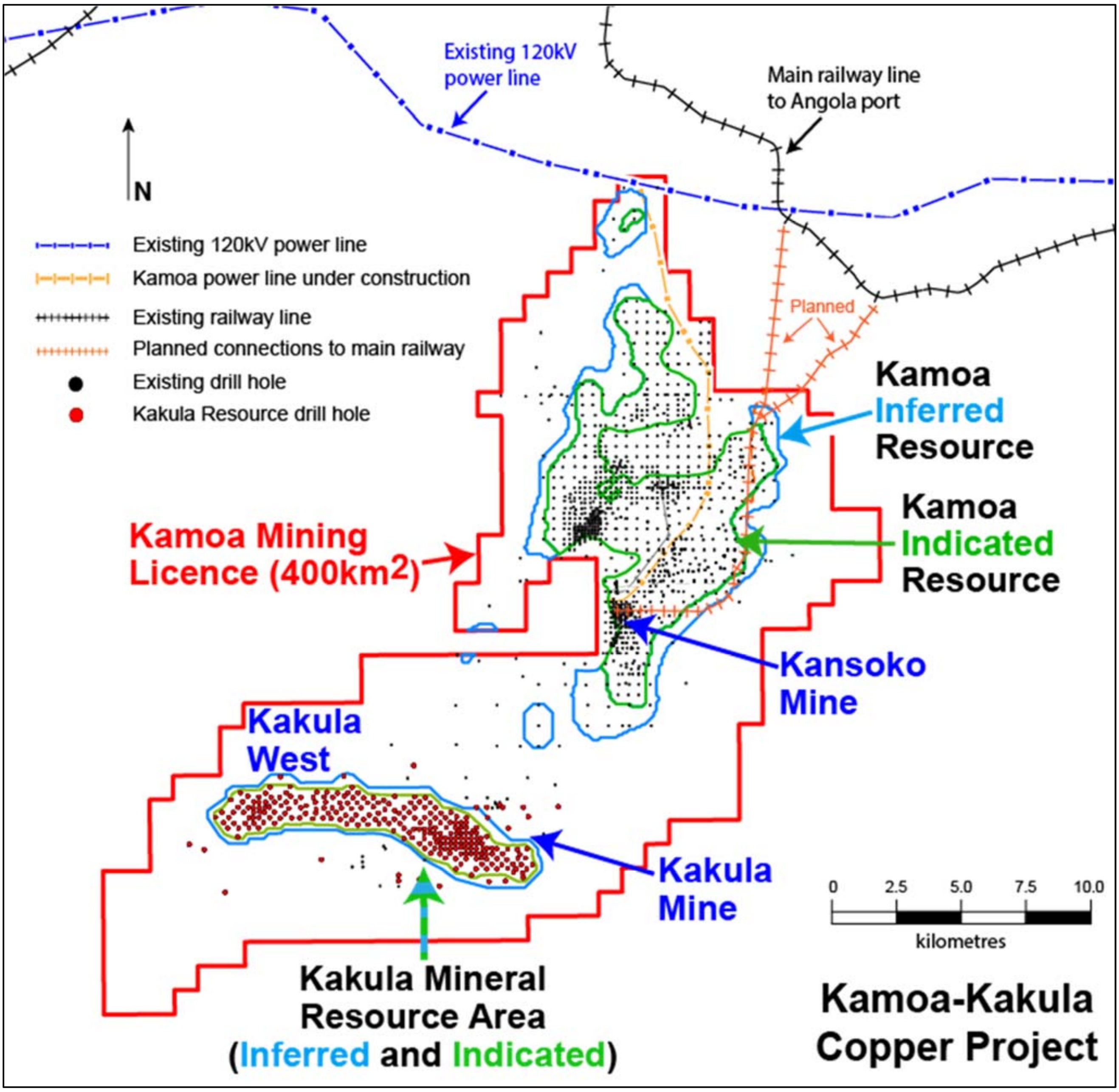
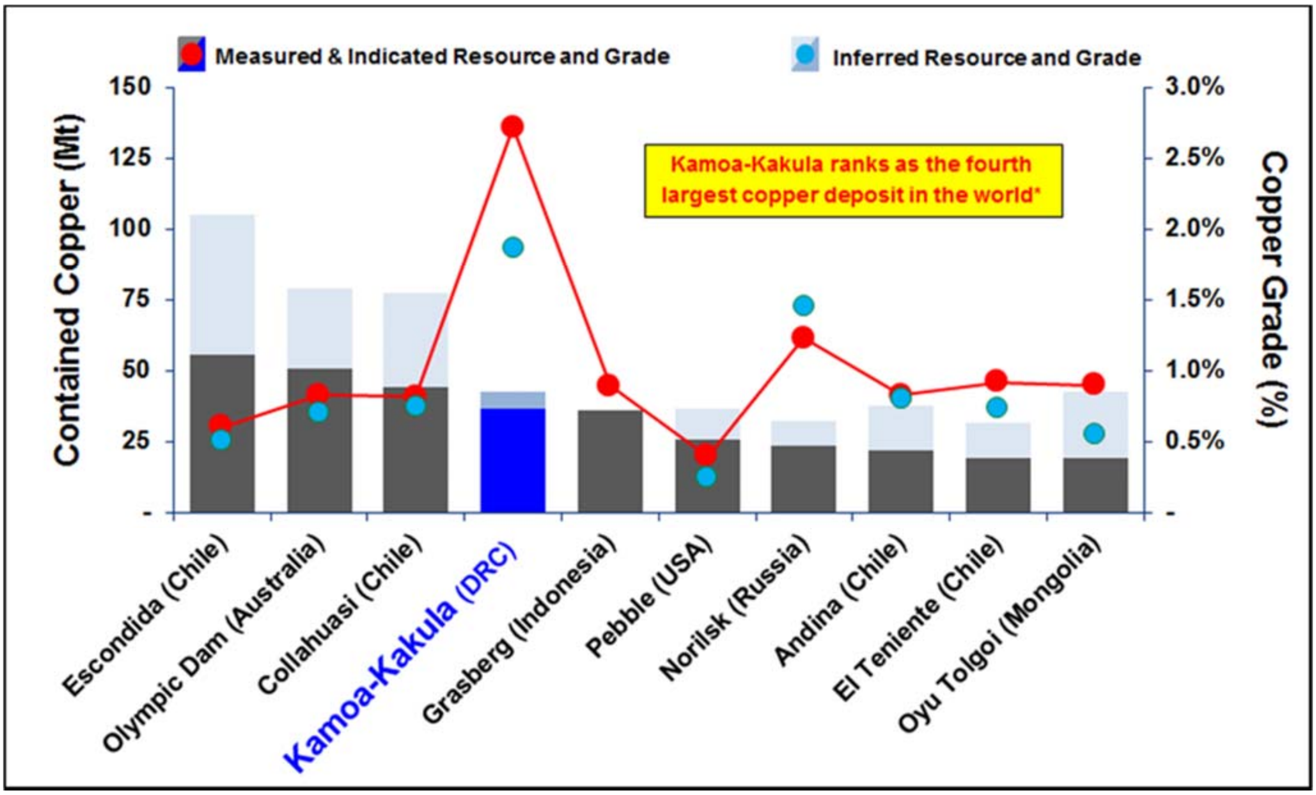


Figure 9: Among the world's largest copper deposits by contained copper, Kamoa-Kakula has the highest copper grades by a wide margin.



Source: Wood Mackenzie
*Note: Selected based on contained copper (Measured & Indicated Mineral Resources, inclusive of Mineral Reserves, and Inferred Mineral Resources), ranked on contained copper in Measured & Indicated Mineral Resources.

Kamoa-Kakula 2017 PEA and Kamoa PFS present three initial development scenarios

On November 28, 2017, Ivanhoe Mines announced positive findings of an expanded, independent, preliminary economic assessment (PEA) for the development of the Kakula Discovery at the Kamoa-Kakula Project. The study was based on the November 2017 Mineral Resource estimate for Kamoa and May 2017 Mineral Resource estimate for Kakula.

Highlights of the three potential development scenarios examined include:

1. *Initial mine development scenario of a six-Mtpa underground mine and surface processing complex at Kakula:*

- For this option, the PEA envisaged an average annual production rate of 246,000 tonnes of copper at a mine-site cash cost of $0.45/lb copper and total cash cost of $1.08/lb copper for the first five years of operations, and copper annual production of up to 385,000 tonnes by year four.
- An initial capital cost of $1.2 billion for this option would result in an after-tax net present value at an 8% discount rate (NPV8%) of $4.2 billion. The internal rate of return of 36.2% and project payback period of 3.1 years confirm the compelling economics for Kamoa-Kakula's initial phase of production.
- Kakula would benefit from an ultra-high, average feed grade of 6.4% copper during the first 10 years of operations, and 5.5% copper on average during a 24-year mine life.

- A six-Mtpa Kakula pre-feasibility study (PFS) is underway, with completion targeted for the second half of 2018. Kakula's surface box cut was completed in October 2017. Development of twin underground declines, similar to those at the nearby Kansoko Mine, has begun and is expected to take about a year to complete. The first blast for the declines was completed in November 2017.

2. *Expanded, two-mine scenario for an integrated, 12-Mtpa, two-stage development, beginning with initial production from Kakula, to be followed by a subsequent, separate underground mining operation at nearby Kansoko, along with the construction of a smelter:*

- Under this option, initial production would occur at a rate of six-Mtpa from the Kakula Mine, before increasing to 12-Mtpa with ore from the Kansoko Mine. As resources at Kakula and Kansoko are mined, the PEA envisages that production would begin at Kamoa North to maintain 12-Mtpa throughput during a 44-year mine life.
- For the two-phase, sequential operation, the PEA envisaged $1.2 billion in initial capital costs. Future expansion at the Kansoko Mine and subsequent extensions could be funded by cash flows from the Kakula Mine, resulting in an after-tax, net present value at an 8% discount rate (NPV8%) of $7.2 billion and an internal rate of return of 33%.
- Under this approach, the PEA also included the construction of a direct-to-blister, flash-copper smelter with an annual capacity of 690,000 tonnes of copper concentrate to be funded from internal cash flows. This would be completed in the fifth year of operations, achieving significant savings in treatment charges and transportation costs.
- The 12-Mtpa scenario would deliver average annual production of 370,000 tonnes of copper at a total cash cost of $1.02/lb copper during the first 10 years of operations and production of 542,000 tonnes by year nine. At this future production rate, Kamoa-Kakula would rank among the world's five largest copper mines.

3. *Kamoa 2017 pre-feasibility study (PFS) development scenario of building the Kansoko Mine as a stand-alone, six-Mtpa underground mine and surface processing complex:*

- Under this scenario, the PFS envisages an average annual production rate of 178,000 tonnes of copper for the first 10 years of operations, and annual copper production of 245,000 tonnes by year seven.

- The initial capital cost of $1.0 billion to develop this mine would result in an after-tax, net present value of $2.1 billion at an 8% discount rate (NPV8%) – an increase of 109% compared to the net present value projected in the March 2016 Kamoa PFS. The internal rate of return is expected to be 24%, with a five-year project payback period.

Potential phased mine developments to 18-Mtpa and above are under evaluation for Kamoa-Kakula. In light of the successful, step-out drilling at Kakula West, as well as the potential to find additional resources in high-priority targets located in the untested parts of the Kamoa-Kakula Project, development plans will be reassessed and amended as the project moves forward.

The Kakula six-Mtpa PFS has begun. The work will be based on an updated Kakula 3-D resource model. The target date for completion is at the end of Q3 2018.

Copper recoveries and concentrate grades confirmed by metallurgical tests on drill core from Kakula

Metallurgical testwork during this period indicated positive results. Two tests achieved the best results to date with recoveries of just above 85% at a concentrate grade in excess of 56% copper. Duplicate confirmatory tests are being conducted to reproduce the results and for detailed final concentrate and mineralogical analysis. The test conditions and results will form the basis of the Kakula PFS design.

Figure 10: New offices at the Kakula Mine site.

Figure 11: Workers scaling loose rock in one of Kakula's twin declines to prepare the working face for drilling. Both declines continue to make steady advancement toward the high-grade copper deposit.

Underground development at the Kakula Deposit progressing

At the end of Q1 2018, each of the twin declines at Kakula had been advanced more than 360 metres from the portal face toward the mineralized zone. The 3,535-metre decline development contract is scheduled to be completed by the end of 2018.

Detailed engineering and design activities to allow equipping of the decline already are at an advanced stage to enable early procurement of conveyors, drives and ancillary equipment to ensure the conveyor decline is fully functional once the high-grade mineralized zone has been intersected.

Underground development at the Kansoko Deposit reached the high-grade mineralization in mid-2017; awaiting finalization of Kamoa-Kakula development plans

Underground development at Kamoa-Kakula's Kansoko Mine, consisting of service and conveyor declines, was completed by Byrnecut Underground Congo SARL in September 2017. The high-grade Kansoko Sud copper mineralization was reached and approximately 13,500 tonnes of development ore was stockpiled at surface. Various development options for Kansoko are being assessed in conjunction with the ongoing mine development activities at Kakula.

Exploration activities focused on development programs at Kakula and Kakula West

Thirteen rigs are drilling at Kakula and surrounding areas. As of the end of Q1 2018, a total of 18,293 metres had been drilled for the year to date. Drilling to delineate an expanded Indicated resource to include Kakula West was completed early in the quarter. Further drilling was directed to infill, step-out and to inform metallurgical, hydrogeological and civil geotechnical studies.

Regional Geophysical Surveys

A seismic survey began early in February to acquire data on a series of seismic lines planned across the Kamoa and Kakula deposit areas. A total of 74 kilometres of lines were surveyed, including a 10-kilometre line done at variable spacing to test near-surface reflectors. The survey was demobilized at the end of the March as the remaining lines were on water-logged grasslands, which are expected to be suitable for work to resume in May. Interpretation of the initial lines appears promising.

Ongoing upgrading work enables Mwadingusha power station to supply 32 megawatts of clean electricity to national grid

In January of this year, Ivanhoe announced that ongoing upgrading work at the Mwadingusha hydropower plant in the DRC had almost tripled the plant's interim power output from 11 to 32 megawatts (MW). This represents 45% of the plant's designed capacity. Three of Mwadingusha's six generators now have been modernized; the remaining three generators are due to be upgraded and fully operational by the end of 2019 – restoring the plant to its installed output capacity of approximately 71 MW of power.

The work at Mwadingusha, part of a program to eventually overhaul and boost output from three hydropower plants, is being conducted by engineering firm Stucky, of Lausanne, Switzerland, under the direction of Ivanhoe Mines and its joint-venture partner, Zijin Mining Group, in conjunction with the DRC's state-owned power company, La Société Nationale d'Electricité (SNEL). Once fully reconditioned, the three plants will have combined installed capacity of approximately 200 MW of electricity for the national grid, which is expected to be more than sufficient for the Kamoa-Kakula Copper Project.

The Kansoko Mine, Kakula Mine and Kamoa camp have been connected to the national, hydroelectric power grid, since the completion of a 12-kilometre, 120kV, dual-circuit power line between Kansoko and Kakula last December.

Continued focus on community and sustainability

The Kamoa-Kakula Sustainable Livelihoods program is committed to sustainable development in the communities within the project's footprint.

The main objective of the Livelihoods program is to enhance food security and the living standards of the people who reside within the project's footprint. The program is mainly implemented through fish farming and agriculture activities, such as maize, vegetable, poultry production, and beekeeping.

Activities for Q1 2018 included the application of fertilizers to community maize fields, milling of maize-mealie meal for distribution to workers, construction of a community fish pond in the Tshimbuji area near Kakula, planting of citrus fruits and vegetables at the Livelihoods demonstration gardens, training communities in vegetable and poultry production, preparation of land for banana production, planting of pineapples, and servicing of the maize milling plant.

Figure 12: Members of the DRC Parliament inspect one of the Livelihood gardens at the Kamoa-Kakula Project, as part of a site visit to the project.

Figure 13: Construction of a new fish pond at one of the local villages, near the Kamoa-Kakula Project, as part of the project's community initiatives.

DRC WESTERN FORELAND EXPLORATION PROJECT

Ivanhoe's DRC exploration group is targeting Kamoa-Kakula-style copper mineralization through a regional drilling program on its 100%-owned Western Foreland exploration licences, located to the west of the Kakula-Kamoa Project.

Ivanhoe successfully continued exploration through the rainy season during Q1 2018 from its new standalone exploration camp. Drilling focused on one of the Company's promising targets utilizing the new, all-weather road that connects the Kamoa-Kakula road network to the Western Foreland exploration licences. Swampy ground conditions and limited access west of the Lufupa River restricted the areas available for drill testing.

Assessment of regional data continued during the quarter to identify priority exploration targets for dry-season drilling programs during Q2 and Q3. High-grade copper trends emanating from Kamoa are expected to be targeted on the licences north and northwest of Kamoa Nord, in addition to a number of targets resulting from the recent gravity survey on the licences west of Kamoa. Target areas identified from the airborne gravity survey are to be initially followed up with detailed ground-based geophysics.

During Q1 2018, Ivanhoe's exploration team completed 6,180 metres in 14 holes of drilling and finalized detailed interpretation of the Makoko high-grade zone. Acquisition of 11 kilometres of 2-D seismic data was completed on the licences west of Kakula; processing is in progress.

Ongoing detailed discussions to resolve issues arising from DRC's 2018 mining code

On March 9, 2018, DRC President Joseph Kabila Kabange signed a new mining code into effect that revises and updates the country's 2002 mining code.

International mining companies that have operations in the DRC, including Randgold Resources, Glencore, Ivanhoe Mines, Gold Mountain International/Zijin Mining Group, MMG, Crystal River Global, China Molybdenum Co. and AngloGold Ashanti, are collectively negotiating with the government to resolve their concerns about impacts on their DRC operations that would result from the new mining code.

The industry group submitted a formal proposal to the DRC's Ministry of Mines on March 29 to address concerns about the new code, notably the stability clauses embodied in the previous code, which included taxation, customs and exchange control. The industry's proposal included a provision for a sliding scale on royalties for copper, cobalt and gold that, in the industry's view, would be a more effective mechanism for the government to share in higher commodity prices than the windfall tax on strategic minerals envisaged in the new mining code.

While the Ministry of Mines has not yet formally responded to the industry's proposal, there has been constructive engagement through the working groups set up to draft the regulations to implement the law, and with the all-important Civil Society leadership, along with other industry and government counterparts. The mining industry group believes a way forward could be found that would be in the best interests of all parties. A mutually acceptable solution would support and encourage the substantial investments the DRC requires for the optimal development of its mineral resources and the growth of its economy.

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.

	Three months ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
	$'000	$'000	$'000	$'000
Exploration and project expenditure	1,436	10,986	11,595	9,626
Share of losses from joint venture	7,200	10,193	6,759	5,035
General administrative expenditure	5,254	3,316	6,039	4,952
Share-based payments	1,412	1,111	1,224	1,201
Reversal of impairment of mineral property and other items	-	(286,283)	-	-
Finance income	(10,357)	(8,986)	(8,032)	(9,167)
Finance costs	343	442	434	355
Total comprehensive (profit) loss attributable to:				
Owners of the Company	(4,916)	(207,991)	15,893	7,477
Non-controlling interest	1,064	(77,336)	5,269	3,885
Basic loss (profit) per share	0.01	(0.25)	0.01	0.01
Diluted loss (profit) per share	0.01	(0.24)	0.01	0.01

	Three months ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	$'000	$'000	$'000	$'000
Exploration and project expenditure	8,296	9,507	7,769	8,233
Share of losses from joint venture	5,518	5,890	6,306	5,320
General administrative expenditure	4,953	7,272	4,213	3,657
Share-based payments	1,372	1,442	1,750	1,312
Finance income	(6,429)	(6,827)	(7,239)	(7,367)
Finance costs	479	471	454	445
Total comprehensive loss (profit) attributable to:				
Owners of the Company	1,749	14,101	(1,860)	6,568
Non-controlling interest	3,273	3,914	2,445	3,483
Loss per share (basic and diluted)	0.01	0.02	0.01	0.01

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended March 31, 2018 vs. March 31, 2017

The Company recorded a total comprehensive profit of $3.9 million for Q1 2018 compared to a total comprehensive loss of $5.0 million for the same period in 2017. The profit mainly was due to a $5.7 million increase in exchange gains on translation of foreign operations, as well as a $6.9 million decrease in exploration and project expenditure.

Exploration and project expenditures for the three months ending March 31, 2018, amounted to $1.4 million and were $6.9 million less than for the same period in 2017 ($8.3 million). The decrease is attributable to the capitalization of costs incurred at the Kipushi Project subsequent to the finalization of its pre-feasibility study in December 2017. With the focus at the Kipushi and Platreef projects being on development and the Kamoa-Kakula Project being accounted for as a joint venture, the total $1.4 million exploration and project expenditure in Q1 2018 related to exploration at Ivanhoe's 100%-owned Western Foreland exploration licences. In Q1 2017, $8.2 million of the total $8.3 million exploration and project expenditure related to the Kipushi Project.

The Company's share of losses from the Kamoa Holding joint venture increased from $5.5 million in Q1 2017 to $7.2 million in Q1 2018. The following table summarizes the Company's share of the comprehensive loss of Kamoa Holding for the three months ending March 31, 2018 and for the same period in 2017:

	Three months ended March 31, 2018	**Three months ended March 31, 2017**
	$'000	**$'000**
Interest expense	12,666	9,183
Exploration costs	5,515	5,415
Foreign exchange loss	21	(102)
Interest income	(620)	(292)
Loss for the period	17,582	14,204
Loss attributable to non-controlling interest	(3,037)	(3,056)
Loss for the period attributable to joint venture partners	14,545	11,148
Company's share of losses from joint venture (49.5%)	7,200	5,518

The costs associated with mine development are capitalized as development costs in Kamoa Holding, while the exploration expenditure is expensed. Capitalization of costs at Kakula commenced during Q2 2017, coinciding with the start of the Kakula box cut. Exploration drilling at Kakula West and in the saddle area between Kakula West and Kakula still is expensed.

The interest expense in the Kamoa Holding joint venture relates to shareholder loans where each shareholder is required to fund Kamoa Holding in an amount equivalent to its proportionate shareholding interest. The Company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

Finance income for the three months ending March 31, 2018, amounted to $10.4 million, and was $4.0 million more than for the same period in 2017 ($6.4 million). The increase mainly was due to interest earned on loans to the Kamoa Holding joint venture to fund operations that amounted to $8.7 million in 2018, as the accumulated loan balance increased.

Financial position as at March 31, 2018 vs. December 31, 2017

The Company's total assets decreased by $1.6 million, from $1,271.3 million as at December 31, 2017, to $1,269.7 million as at March 31, 2018. The Company utilized $10.5 million of its cash resources in its operations and received interest of $1.1 million during Q1 2018.

The Company's investment in the Kamoa Holding joint venture increased by $12.7 million from $552.4 million as at December 31, 2017, to $565.1 million as at March 31, 2018, with each of the current shareholders funding the operations equivalent to their proportionate shareholding interest. The Company's portion of the Kamoa Holding joint venture cash calls amounted to $11.2 million during the three months ending March 31, 2018, while the Company's share of comprehensive loss from the joint venture amounted to $7.2 million.

Property, plant and equipment increased by $34.8 million, with a total of $27.2 million being spent on project development and to acquire other property, plant and equipment, $12.3 million and $14.4 million pertained to development costs and other acquisitions to property, plant and equipment of the Platreef Project and Kipushi Project respectively.

The main components of the additions to property, plant and equipment of the Platreef and Kipushi projects for the three months ending March 31, 2018, and for the same period in 2017, are set out in the following table:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	$'000	$'000
Platreef Project		
Shaft 1 construction	5,833	3,905
Salaries and benefits	1,954	1,799
Administrative and other expenditure	1,701	1,361
Shaft 2 early works	1,297	26
Social and environmental	734	718
Studies and contracting work	408	952
Site costs	275	200
Total development costs	12,202	8,961
Other additions to property, plant and equipment	113	62
Total additions to property, plant and equipment for Platreef	12,315	9,023
Kipushi Project		
Salaries and benefits	3,501	2,711
Electricity	1,520	1,359
Studies and contracting work	1,175	1,064
Depreciation	768	869
Repair and maintenance	521	809
Other expenditure	2,390	1,359
	9,875	8,171
Classified as:		
Capitalized as development cost in property, plant and equipment	9,875	-
Exploration and project expenditure in the loss from operating activities	-	8,171
Other additions to property, plant and equipment	4,498	663
Total additions to property, plant and equipment for Kipushi	14,373	663

The Company's total liabilities decreased by $6.9 million to $52.9 million as at March 31, 2018, from $59.8 million as at December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $134.6 million in cash and cash equivalents as at March 31, 2018. At this date, the Company had consolidated working capital of approximately $138.0 million, compared to $181.9 million at December 31, 2017.

The Platreef Project's restricted cash has been fully utilized and the project's current expenditure is being funded solely by Ivanhoe as the Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation and Japan Gas Corporation have elected not to contribute to current expenditures. Since the Platreef Project's restricted cash was fully utilized, the Company has contributed a total of $6.7 million on behalf of the Japanese consortium.

Since December 8, 2015, each shareholder in Kamoa Holding has been required to fund Kamoa Holding in an amount equivalent to its proportionate shareholding interest. The Company is advancing Crystal River's portion on its behalf in return for an increase in the promissory note due to Ivanhoe.

The Company's main objectives for 2018 at the Platreef Project are the continuation of Shaft 1 construction, securing a bulk-water supply and completion of early-works construction of Shaft 2. At Kipushi, the principal objective is the completion of the feasibility study and continued upgrading of mining infrastructure. At the Kamoa-Kakula Project, priorities are the continuation of decline construction at Kakula and the completion of a pre-feasibility study for Kakula. The Company has budgeted to spend $52 million on further development at the Platreef Project; $48 million at the Kipushi Project; $10 million on regional exploration in the DRC; and $14 million on corporate overheads for the remainder of 2018 – as well as its proportionate funding of the Kamoa-Kakula Project, expected to be $42 million for the remainder of 2018. Of the budgeted amounts, an aggregate of $55 million, which excludes the Company's proportionate funding of the Kamoa-Kakula Project, is committed expenditure with the balance either discretionary or not contractually committed at March 31, 2018.

Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop its projects. Although the Company has been successful in raising funds in the past, 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.

Continuing strategic discussions concerning Ivanhoe Mines and its projects are ongoing with several significant mining companies and investors across Asia, Europe, Africa and elsewhere. Several investors that have expressed interest have no material limit on the provision of capital. There can be no assurance that the Company will pursue any transaction or that a transaction, if pursued, will be completed.

The Company has a mortgage bond outstanding on its offices in London, United Kingdom, of £3.2 million ($4.5 million). The bond is fully repayable on August 31, 2020, secured by the property and incurs interest at a rate of LIBOR plus 1.9% payable monthly in arrears. Only interest will be payable until maturity.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited, which had a carrying value of $25.4 million as at March 31, 2018, and a contractual amount due of $31.6 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 $6.2 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

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:

	Payments Due By Period				
Contractual obligations as at March 31, 2018	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	36,152	-	4,527	-	31,625
Operating leases	1,910	524	1,177	209	-
Shaft 1 construction – Platreef Project	19,055	19,055	-	-	-
Total contractual obligations	**57,117**	**19,579**	**5,704**	**209**	**31,625**

Debt in the above table represents the mortgage bond owing to Citibank and loan payable to ITC Platinum Development Limited, as described above.

The Company is required to fund its Kamoa Holding joint venture in an amount equivalent to its proportionate shareholding interest.

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 income earned and 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 income earned and expenditures incurred with related parties:

	Three months ended	
	March 31, 2018	**March 31, 2017**
	$'000	$'000
Global Mining Management Corporation (a)	**1,062**	451
GMM Tech Holdings Inc. (b)	**817**	731
Ivanhoe Capital Aviation LLC (c)	**625**	499
Ivanhoe Capital Services Ltd. (d)	**128**	88
Ivanhoe Capital Pte Ltd (e)	**101**	146
HCF International Advisers ((f)	**62**	46
Global Mining Services Ltd. (g)	**10**	-
Ivanhoe Capital Corporation (UK) Limited (h)	**1**	-
Kamoa Copper SA (i)	**(895)**	(747)
Ivanhoe Mines Energy DRC Sarl (j)	**(74)**	(79)
	1,837	1,135
Consulting	**1,126**	780
Salaries and benefits	**845**	638
Travel	**736**	433
Office and administration	**99**	110
Cost recovery and management fee	**(969)**	(826)
	1,837	1135

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 March 31, 2018, trade and other payables included $0.4 million (December 31, 2017: $0.9 million) with regards to amounts due to and other receivables of $0.2 million (December 31, 2017: $0.2 million) due from 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 and the Executive Chairman of the Company hold an indirect equity interest in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

(b) GMM Tech Holdings Inc. ("GMM Tech") is a private company incorporated in British Columbia, Canada and is 100% owned by Global. GMM Tech provides information technology services to the Company on a cost-recovery basis.

(c) 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.

(d) Ivanhoe Capital Services Ltd. (Services) is a private company owned indirectly by the Executive Chairman of the Company. Services provides for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.

(e) 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.

(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) 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.

(h) 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.

(i) Kamoa Copper SA (“Kamoa Copper”) is a company incorporated in the DRC. Kamoa Copper is 80% owned by Kamoa Holding Limited (“KHL), a joint venture of the Company. The Company provides administration, accounting and other services to Kamoa Copper on a cost-recovery basis.

(j) Ivanhoe Mines Energy DRC Sarl (“Energy”) is a company incorporated in the DRC. Energy is 100% owned by Kamoa Holding Limited (“KHL), a joint venture of the Company. The Company provides administration, accounting and other services to Energy 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, 2017. 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. Such estimates have a pervasive effect on 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) *Technical feasibility and commercial viability of projects*

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. This 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.

(ii) *Preparation of the financial statements on a going concern basis*

The Company has an accumulated profit of $12.5 million at March 31, 2018. As at March 31, 2018, the Company's total assets exceeds its total liabilities by $1,216.8 million and current assets exceeds current liabilities by $135.2 million. The Company currently has no producing properties and expects to fund all of its exploration and development activities through debt and equity financing until operating revenues are generated. The Company's spending plan for the remainder of 2018 exceeds the cash and cash equivalents as at March 31, 2018, of $134.6 million.

Continuation of the Company as a going concern is dependent upon establishing profitable operations, the confirmation of economically recoverable reserves, and the ability of the Company to obtain further financing to develop properties. Failure to obtain further financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties, which could result in a material uncertainty that may cast significant doubt upon the Company's ability to meet its operational and capital objectives, realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

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, 2018, with earlier application permitted. The Company adopted these standards in the current period, which did not have a material impact on its condensed consolidated interim financial statements.

- IFRS 15 – Revenue from contracts with customers. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue.
- Amendments to IFRS 2 – Share-based payments. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.
- Amendment to IFRS 9 - Financial instruments. The standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The new standard also introduces a single "expected credit loss" impairment model for the measurement of financial assets.
- IFRIC 22, 'Foreign currency transactions and advance consideration. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.
- Annual improvements 2014-2016. IFRS 1,' First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.
- Annual improvements 2014-2016. IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

Accounting standards issued but not yet effective

- IFRS 16 - 'Leases'. The standard requires lessees to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. (i)
- IAS 19 - 'Employee Benefits'. The amendments require an entity to use the updated assumptions from a remeasurement of a net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to a plan. (i)
- IAS 28 - 'Investment in Associates or Joint Ventures'. The amendment provides clarity regarding when an entity should apply IFRS 9 to long term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied. (i)
- IFRIC 23 – 'Uncertainty over Income Tax Treatments'. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. (i)
- Annual improvements 2015-2017 Cycle: IFRS 3 – 'Business Combinations' and IFRS 11 – 'Joint Arrangements' regarding clarification when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interest in that business. (i)
- Annual improvements 2015-2017 Cycle: IAS 12 – 'Income Taxes' provides clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. (i)
- Annual improvements 2015-2017 Cycle: IAS 23 – 'Borrowing Costs' clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. (i)

(i) Effective for annual periods beginning on or after January 1, 2019

The Company is in the process of determining the impact of the adoption of these standards on the consolidated financial statements, if any. The Company has not yet adopted these new and amended standards.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

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

	Level	**March 31, 2018**	December 31, 2017
		$'000	$'000
Financial assets			
Financial assets at fair value through profit or loss			
Investment in listed entity	Level 1	**6,598**	8,563
Loans and receivables			
Promissory note receivable	Level 3	**11,540**	13,610
Financial liabilities			
Borrowings	Level 3	**29,915**	29,204

IFRS 13 - "Fair value measurement", 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 require an entity to develop its own assumptions.

The fair value of the promissory note receivable by the Company from Crystal River was originally determined assuming repayment occurs on December 31, 2017 and was discounted using a rate of 8.3%. The carrying value of the promissory note is not significantly different to the fair value.

The fair value of borrowings are determined in accordance with generally accepted pricing models based on discounted future 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 USD LIBOR plus 7%. The carrying value of borrowings is not significantly different to their fair value.

The fair value of the Company's remaining financial instruments, which include trade and other payables and the financial liability, were estimated to approximate their carrying values, due primarily to their immediate or short-term maturity.

Finance income

The Company’s finance income is summarized as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	$'000	$'000
Interest from loan to joint venture	**(8,685)**	(4,552)
Other interest income	**(1,672)**	(762)
Unwinding discount	**-**	(1,115)
	(10,357)	(6,429)

The interest from the loan to the joint venture is interest earned from the Kamoa Holding joint venture on shareholder loans advanced by the Company where each shareholder is required to fund Kamoa Holding in an amount equivalent to its proportionate shareholding interest. The unwinding discount represents the unwinding of the purchase price receivable from Zijin.

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:

	March 31, 2018	December 31, 2017
	$'000	$'000
Assets		
Canadian dollar	**2,954**	2,597
Australian dollar	**6,598**	8,563
South African rand	**21,929**	46,030
British pounds	**527**	452
Liabilities		
Canadian dollar	**(194)**	(384)
Australian dollar	**(58)**	(57)
South African rand	**(8,635)**	(11,100)
British pounds	**(83)**	(180)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% increase or 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.

	Three months ended	
	March 31, 2018	**March 31, 2017**
	$'000	$'000
Canadian dollar	**137**	86
Australian dollar	**327**	280
South African rand	**(110)**	(47)

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 its receivables at each statement of financial position date to ensure that adequate impairment losses are made for irrecoverable 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 with major banks that have investment grade credit ratings assigned by international credit-rating agencies and have low risk of default. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

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 March 31, 2018					
Trade and other payables	13,004	1,284	905	243	**15,436**
Non-current borrowings	-	-	-	36,152	**36,152**
As at December 31, 2017					
Trade and other payables	21,154	1,452	940	40	**23,586**
Non-current borrowings	-	-	-	35,711	**35,711**

Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings and the loan advanced to the joint venture. The Company's main exposure to interest rate risk arises from the fact that the Company earns and incurs interest on interest rates linked to USD LIBOR.

If interest rates (including applicable USD LIBOR rates) had been 50 basis points higher or lower and all other variables were held constant, the Company's loss for the three months ended March 31, 2018 would have increased or decreased by $2.6 million.

DESCRIPTION OF CAPITAL STOCK

As at May 7, 2018, 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 an unlimited number of preferred shares without par value. At this date 791,347,897 Class A Shares, nil Class B Shares, nil warrants and nil preferred shares were issued and outstanding.

The Company granted no options in 2016 or 2017 and 4,000,000 options in 2018 to date. As at May 7, 2018, there were 23,943,500 options issued in terms of the Equity Incentive Plan exercisable into 23,943,500 Class A Shares.

The Company granted 1,503,509 restricted share units (RSUs) in 2018 to date, 43,683 restricted RSUs in 2017 and 2,013,539 RSUs in 2016 per the Company's restricted share unit plan. As at March 19, 2018, there were 5,275,727 RSUs which may vest into 5,275,727 Class A Shares.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operation 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 March 31, 2018 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 March 31, 2018 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 months ended March 31, 2018, 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 Company has summarized its foreign exchange risk, credit risk, interest rate risk and liquidity risk under the "Financial risk management objectives and policies" sub-heading under the "Financial instruments and other instruments" section in this MD&A. Additional risks and uncertainties 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 have 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 Platreef Project, the Kipushi Project and the Kamoa-Kakula Project, which are available under the Company's SEDAR profile at www.sedar.com:

- The Kamoa-Kakula 2017 Development Plan dated January 10, 2018, prepared by OreWin; Amec Foster Wheeler E&C Services and Amec Foster Wheeler Australia (collectively Amec Foster

Wheeler); MDM (Technical) Africa ; Stantec Consulting International and SRK Consulting (South Africa), covering the Company's Kamoa-Kakula Project;

- The Platreef 2017 Feasibility Study Technical Report dated September 4, 2017, prepared by DRA Global, OreWin , Amec Foster Wheeler, Stantec Consulting, Murray & Roberts Cementation, SRK Consulting, Golder Associates and Digby Wells Environmental, covering the Company's Platreef Project; and

- The Kipushi 2017 Prefeasibility Study Technical Report dated January 25, 2018, prepared by OreWin, The MSA Group, SRK Consulting (South Africa) and MDM (Technical) Africa, covering the Company's Kipushi Project.

These technical reports include relevant information regarding the effective dates and the assumptions, parameters and methods of the mineral resource estimates on the Platreef Project, the Kipushi Project and the Kamoa-Kakula 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 Platreef Project, Kipushi Project and Kamoa-Kakula Project.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.