

**Notice of Annual Meeting of the Shareholders
and
Management Proxy Circular
of
IVANHOE MINES LTD.**

DATED: APRIL 16, 2004

IVANHOE MINES LTD.

Notice of Annual General Meeting of Shareholders

June 10, 2004

NOTICE IS HEREBY GIVEN that an Annual General Meeting of shareholders of Ivanhoe Mines Ltd. (the "Corporation") will be held on Thursday, June 10, 2004, at 9:00 a.m. local time, in the Terminal City Club, Ferguson/Atkins Rooms, 837 West Hastings Street, Vancouver, British Columbia for the following purposes:

1. to receive the annual report of the directors to the shareholders;
2. to receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2003 and the auditors' report thereon;
3. to ratify amendments to By-law No. 1 of the Corporation, which amendments (a) increase the quorum requirements for meetings of shareholders in accordance with Nasdaq Stock Market Inc. requirements; and (b) set the number of positions, within the minimum and maximum number of directors prescribed by the articles of the Corporation, that are open for election at an annual meeting of the shareholders of the Corporation;
4. to approve issuance of up to 50 million Equity Securities (in addition to any other securities issuable without shareholder approval in compliance with the Australian Stock Exchange ("ASX") Listing Rules) to such allottees and at such issue price(s) determined by the directors as set out in the Management Proxy Circular, such issue(s) to take place, subject to any applicable ASX waiver, during the period from the date of the Meeting until the date of the Corporation's annual general meeting in 2005;
5. to approve the amendment to the articles of the Corporation to increase the maximum number of directors to 12 directors;
6. to elect directors for the ensuing year;
7. to appoint auditors for the ensuing year and to authorize the directors to fix the auditors' remuneration;
8. to transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed April 21, 2004 as the Record Date for the determination of shareholders entitled to notice of, and to vote at, this Annual General Meeting and at any adjournment thereof.

A Management Proxy Circular, Form of Proxy, and return envelope accompany this Notice of Meeting.

A shareholder, who is unable to attend the Meeting in person and who wishes to ensure that such shareholder's shares will be voted at the Meeting, is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile to (604) 688 4301 or (416) 363 9524, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular.

Dated at Vancouver, British Columbia, this 16th day of April, 2004.

BY ORDER OF THE BOARD

"Beverly A. Bartlett"

Corporate Secretary

IVANHOE MINES LTD.
World Trade Centre
Suite 654 – 999 Canada Place
Vancouver, British Columbia, V6C 3E1

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the common shareholders ("shareholders") of IVANHOE MINES LTD. (the "Corporation") by management of the Corporation in connection with the solicitation of proxies to be voted at the Annual General Meeting (the "Meeting") of the shareholders to be held at 9:00 a.m., local time, on June 10, 2004 in the Terminal City Club, Ferguson/Atkins Room, 837 West Hastings Street, Vancouver, British Columbia, and at any adjournment thereof, for the purposes set forth in the Notice of Meeting. Unless otherwise stated, this Management Proxy Circular contains information as at April 16, 2004.

SOLICITATION OF PROXIES

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation.

All costs of this solicitation will be borne by the Corporation.

APPOINTMENT OF PROXYHOLDERS

A shareholder entitled to vote at the Meeting may, by means of proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be shareholders, to attend and act at the Meeting for the shareholder and on the shareholder's behalf.

The individuals named in the accompanying form of proxy are directors and/or officers of the Corporation. **A shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the accompanying form of proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the accompanying form of proxy or by completing another suitable form of proxy.**

An appointment of a proxyholder or alternate proxyholders will not be valid unless a form of proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, (a "Proxy") is deposited with CIBC Mellon Trust Company, by facsimile (604) 688-4301 or (416) 363-9524, by mail to P.O. Box 1900, Vancouver, British Columbia, V6E 3X1, or 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9, or by hand, to Suite 1600, The Oceanic Plaza, 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used.

REVOCAION OF PROXIES

A shareholder who has given a Proxy may revoke the Proxy

- (a) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing
 - (i) with CIBC Mellon Trust Company, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used,
 - (ii) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the Proxy is to be used,
 - (iii) with the chairman of the Meeting on the day of the Meeting or an adjournment thereof, or
- (b) in any other manner provided by law.

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

EXERCISE OF DISCRETION

On a poll, the nominees named in the accompanying form of Proxy will vote or withhold from voting the shares represented thereby in accordance with the instructions of the shareholder. The Proxy will confer discretionary authority on the nominees named therein with respect to

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the nominees named in the accompanying Proxy will vote shares represented by the Proxy at their own discretion for the approval of such matter.

As of the date of this Management Proxy Circular, management of the Corporation knows of no amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying Proxy intends to vote thereon in accordance with the nominee's best judgment.

VOTES NECESSARY TO PASS RESOLUTIONS

Under the *Yukon Business Corporations Act* (the "YBCA") a majority of the votes cast by shareholders at the Meeting is required to pass an ordinary resolution and a majority of two-thirds of the votes cast at the Meeting is required to pass all special resolutions.

The Corporation's by-laws were recently amended by the directors of the Corporation to provide that a quorum for the transaction of business at the Meeting consists of at least

one individual present and holding, or representing by Proxy the holder(s) of, shares carrying in the aggregate not less than thirty three and one-third percent (33^{1/3}%) of the shares entitled to vote at the Meeting. The by-laws were also amended to include a provision clarifying the number of positions, within the minimum and maximum number of directors prescribed by the articles, that are open for election at an annual meeting of shareholders of the Corporation are the number of nominees for election named in the Management Proxy Circular sent to the Corporations shareholders by management in connection with management's solicitation of proxies in respect of such annual meeting. At the Meeting, shareholders will be asked to ratify these amendments to the by-laws (the "By-law Amendment Resolution"). A complete description of the reasons for these amendments and the full text of the proposed ordinary resolution to ratify such amendments are set out under "Particulars of Matters to be Acted Upon – By-law Amendment Resolution".

The By-law Amendment Resolution is an ordinary resolution and, as such, requires approval of a majority of the votes cast by shareholders at the Meeting.

At the Meeting, shareholders will also be asked to consider and, if deemed warranted, to pass an ordinary resolution, the full text of which is set out under "Particulars of Matters to be Acted Upon – Share Issue Resolution" (the "Share Issue Resolution"), authorizing the Corporation to approve issues of equity securities in connection with Australian Stock Exchange listing rules for the period from the date of the Meeting until the date of the Corporation's annual general meeting in 2005, expected to be in June 2005.

The Share Issue Resolution is an ordinary resolution and as such, requires approval by a majority of the votes cast by shareholders at the Meeting.

At the Meeting, shareholders will also be asked to consider, and, if deemed warranted, pass a special resolution to amend the Corporation's articles to increase the maximum number of directors from 9 to 12, the full text of which is set out under the heading "Particulars of Matter to be Acted Upon – Articles of Amendment Resolution" (the "Articles Amendment Resolution").

The Articles of Amendment Resolution is a special resolution and, as such, requires approval by a majority of at least two-thirds of the votes cast by shareholders at the Meeting.

Shareholders will also be asked to elect directors and appoint auditors for the ensuing year. If there are more nominees for election as directors or appointment as the Corporation's auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

VOTING SHARES

The Corporation has an authorized capital consisting of an unlimited number of Common Shares without par value and an unlimited number of Preference Shares without par value.

As of April 16, 2004, the Corporation had issued 271,706,478 fully paid and non-assessable Common Shares without par value, each carrying the right to one vote. As of such date, no Preference Shares were issued or outstanding.

A holder of record of one or more Common Shares on the securities register of the Corporation at the close of business on April 21, 2004 (the "Record Date") who either attends the Meeting personally or deposits a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have such share or shares voted at the Meeting, except to the extent that

- (a) the shareholder has transferred the ownership of any such share after the Record Date, and
- (b) the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred shares and makes a demand to CIBC Mellon Trust Company no later than 10 days before the Meeting that the transferee's name be included in the list of shareholders in respect thereof.

NOTICE TO HOLDERS OF CHESS UNITS OF FOREIGN FINANCIAL PRODUCTS OVER COMMON SHARES TRADED ON THE AUSTRALIAN STOCK EXCHANGE

In Australia the "holders" of the Corporation's Common Shares traded on the Australian Stock Exchange may not actually hold the shares but rather CHESS Units of Foreign Financial Products ('CUFS'), a form of depositary receipt. The shares are held by the Corporation's depositary nominee, CHESS Depositary Nominees Pty Ltd ('CDN').

If you are a holder of CUFS, you may direct CDN on how it should vote on the resolutions described in the Notice of Meeting and Management Proxy Circular. If you do so, CDN will cast proxy votes in accordance with your directions. You are also permitted to attend the Meeting.

If you wish to direct CDN on how it should vote on the resolutions you should complete the attached 'Direction to CDN Form' and return it to Advanced Share Registry Services ("ASRS"), Level 7, 200 Adelaide Terrace, Perth, Western Australia, 6000, Australia (Telephone: +61 8 9221 7288, Facsimile: +61 8 9221 7869). You must complete the form and return it to ASRS by 5 p.m. (Perth time) on June 3, 2004.

Please note that as a CUFS holder you must complete the 'Direction to CDN Form', not the Proxy form.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many holders of Common Shares as a substantial number of holders of Common Shares do not hold their Common Shares in their own name.

Holders of Common Shares who do not hold their Common Shares in their own name (referred to in this Information Circular as "Beneficial Holders") should note that only proxies deposited by holders of Common Shares whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If the Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the name of the shareholder on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of shares are registered under the name of CDS & Co. (the registration name for The Canadian Depositary for

Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, Beneficial Holders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Holders in order to ensure that their Common Shares are voted at the Meeting. The purpose of the Proxy or other form of proxy supplied to a Beneficial Holder by its broker (or agent of the broker) is limited to instructing the registered holder of Common Shares (the broker or agent of the broker) how to vote on behalf of the Beneficial Holder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically mails a special proxy form to the Beneficial Holders and asks Beneficial Holders to return such proxy forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Holder receiving a proxy form from ADP cannot use that proxy to vote Common Shares directly at the Meeting – the proxy must be returned to ADP well in advance of the Meeting in order to have the Common Shares voted at the Meeting.

Although a Beneficial Holder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Holder may attend at the Meeting as proxyholder for the registered holder of Common shares and vote the Common Shares in that capacity. Beneficial Holders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for the registered holder of Common Shares should enter their own names in the blank space on the proxy form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

PRINCIPAL HOLDERS OF SECURITIES

To the knowledge of the directors and senior officers of the Corporation, the only persons who beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to the outstanding Common Shares of the Corporation, the approximate number of Common Shares so owned, controlled or directed and the percentage of voting shares of the Corporation represented by such shares and the share ownership by the current directors and senior officers of the Corporation as a group are:

Name and Address	Number of Shares Owned, Controlled or Directed	Percentage of Shares Outstanding
Robert M. Friedland Hong Kong	100,834,334 ⁽¹⁾	37%
Directors and Officers as a group ⁽²⁾	103,114,612 ⁽³⁾	37.6%

(1) Common Shares are held indirectly through Newstar Securities SRL and Goldamere Holdings SRL, companies controlled by Mr. Friedland.

- (2) The directors and senior officers, as a group, hold 5,516,500 Common Shares issuable upon exercise of incentive stock options.
- (3) Includes 100,834,334 Common Shares held directly and indirectly by Robert M. Friedland.

EXECUTIVE COMMITTEE

The Corporation does not have an Executive Committee of the board of directors.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or officer of the Corporation at any time since the beginning of its last completed financial year, any proposed nominee for director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

PARTICULARS OF MATTERS TO BE ACTED UPON

BY-LAW AMENDMENT RESOLUTION

By-law No. 1 of the Corporation formerly provided that “a quorum for the transaction of business at any meeting of the shareholders is at least one individual present at the commencement of the meeting holding, or representing by proxy the holder or holders of, shares carrying in the aggregate not less than five percent of the votes eligible to be cast at the meeting.”

To provide the Corporation with greater access to the capital markets in the United States, in November of 2003, the Corporation applied to the Nasdaq Stock Market Inc. for listing on Nasdaq National Market (“Nasdaq”). One of the pre-requisites for listing on Nasdaq was a quorum requirement in the Corporation’s by-laws for any meeting of the holders of its Common Shares to be not less than 33 1/3 percent of the issued and outstanding shares of the Corporation’s common voting shares.

The directors of the Corporation passed a resolution to amend item 9.6 of By-law No. 1 of the Corporation to remove “five percent (5%)” and replace it with “thirty three and one third percent (33 1/3%)” and, in accordance with the YBCA requirements, the directors are submitting this amendment to the shareholders for ratification.

The directors also passed a further amendment, as Item 9.20 of the By-laws, to clarify that the number of positions within the minimum and maximum number of directors prescribed by the articles that are open for election at an annual meeting of shareholders will be equal to the number of nominees for election named in the management proxy circular sent to the shareholders by management in connection with management’s solicitation of proxies in respect of such meeting provided that such number is not less than the minimum number, nor greater than the maximum number, of directors prescribed by the articles.

Text of Resolutions

At the Meeting, the shareholders will be asked to approve the By-law Amendment Resolution, the text of which is as follows:

“RESOLVED AS AN ORDINARY RESOLUTION THAT:

- A. The amendment to item 9.6 of By-law No. 1, by deleting the reference to “five percent (5%)” and replacing it with the reference to “thirty-three and one-third percent (33^{1/3}%)” is hereby ratified; and
- B. The inclusion of the following new provision 9.20 as an amendment to the By-law No. 1 is ratified:

“Election of Directors

9.20 For as long as the articles prescribe a minimum and maximum number of directors, the number of directors to be elected at an annual meeting of shareholders will be equal to the number of nominees for election named in the management proxy circular sent to the shareholders by management in connection with management’s solicitation of proxies in respect of such annual meeting provided that such number is not less than the minimum number, nor greater than the maximum number, of directors prescribed by the articles.”

The By-law Amendment Resolution is an ordinary resolution and, in order to be considered approved, requires the affirmative vote of shareholders holding a majority of the Common Shares of the Corporation voted at the Meeting.

SHARE ISSUE RESOLUTION

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, pass a resolution authorizing the issue by the Corporation of up to 50 million Equity Securities (in addition to any other securities issuable without shareholder approval in compliance with the Australian Stock Exchange (“ASX”) Listing Rules) to such allottees and at such issue price(s) determined by the directors as set out in this Management Proxy Circular, such issue(s) to take place, subject to any applicable ASX waiver, during the period from the date of the Meeting until the date of the Corporation’s annual general meeting in 2005, expected to be in June, 2005.

This resolution is to be effective if and to the extent the Corporation is not otherwise fully exempt from ASX listing rule 7.1 (or its successor provisions) during such period by virtue of the grant by the ASX of applicable waiver(s) or otherwise. This resolution will only constitute effective shareholder approval for the purposes of ASX Listing Rule 7.1 if ASX grants the Corporation an applicable waiver from ASX Listing Rule 7.1 and/or 7.3. For the purposes of this resolution, an “Equity Security” is a Common Share or a security or other right convertible into or exchangeable for a Common Share including a Common Share Purchase Warrant or a Special Warrant or Convertible Debt.

Toronto Stock Exchange Requirements in Respect of Share Issues

The Corporation’s Common Shares have been listed on the Toronto Stock Exchange (“TSX”) since June 1996, and, accordingly, the Corporation is subject to regulation under the rules and policies of the TSX Company Manual (the “TSX Code”), including TSX Code restrictions on the number of equity securities that may be issued pursuant to private placement transactions.

The TSX Code provides that the aggregate number of listed securities which are issued (or made subject to issuance) pursuant to a “private placement” transaction during any six month period may not exceed 25% of the number of securities of the issuer which

are outstanding (on a non-diluted basis) prior to giving effect to such transaction without both TSX and shareholder approval. A “private placement” transaction is the issuance of treasury securities of a listed class (or convertible into a listed class) without Canadian prospectus disclosure in reliance on the exempting provisions of Canadian provincial securities legislation. Private Placement securities may not be issued at more than a 15% discount to the current market price (for companies with listed securities having a market price over \$2.00). Shareholder approval may also be required where a placement materially affects control of a listed company or where the placement has not been negotiated at arm’s length. Public offerings of securities by prospectus are not limited by any percentage restriction under the TSX Code.

The TSX has recently proposed amendments to the TSX Code which have been published for comment and have been undergoing review and consideration by Canadian securities regulators. One of the proposals would reduce certain of the restrictions relating to limits on private placement transactions and the requirements for shareholder approval. Under the proposal, shareholder approval would be mandated where private placement transactions are priced at a discount to market and where such placement involves the issue of greater than 25% of the issuers outstanding listed securities at the time of the private placement. A maximum discount of 15% would continue to apply for companies having listed securities trading at greater than a \$2.00 market price, and security holder approval would continue to be required for material changes of control and for specified non-arm’s length transactions. At the date of the Circular, the proposals have not been adopted and there can be no assurance that the proposed amendments to the TSX Code will be adopted in their current form or at all.

Australian Stock Exchange Requirements in Respect of Share Issues

Since its conversion from an ASX Foreign Exempt Listing to a Full ASX Listing on July 1, 2002, the Corporation has been subject to the ASX listing rules applicable to all non-exempt listed companies, including a specific limitation on the ability of listed companies to raise equity capital without shareholder approval.

ASX listing rule 7.1 restricts the ability of the Corporation to issue certain equity securities during any twelve month period to 15% of the outstanding Common Shares at the beginning of such period (subject to certain adjustments). This restriction will not apply to an issue of Equity Securities if the Corporation has received shareholder approval of the transaction or a specific exemption or waiver is applicable. Shareholder approval can be either prospective or, provided an issuance of shares is in compliance with the 15% limitation, in the form of a subsequent ratification. Unlike the TSX Code, the ASX listing rule restrictions include all issuances of “equity securities” of the Corporation, including public offerings by prospectus, unless a specific exemption is available under listing rule 7.2 or a waiver is received from the ASX.

In October 2003, ASX released an exposure draft of amendments to Chapter 7 of the Listing Rules which were originally proposed to take effect on 30 January 2004. As of the date of this Circular, ASX has only proceeded with some of the amendments, which took effect on 31 March 2004, and has deferred others for further consideration. One of the key proposed amendments was the proposal to amend Listing Rule 7.1 and insert a new Listing Rule 7.3A to give shareholders the capacity to confer a general mandate on management to issue securities for a thirteen month period for the date of the mandate. ASX has deferred this proposal for further consideration.

The text of listing rules 7.1 through 7.5 is set out in Schedule A to the Management Proxy Circular.

Waiver of ASX Listing Rules in Respect of Share Issues

The principal exemption relevant to capital raising under the listing rule is a rights issue whereby new equity securities to be issued must first be offered pre-emptively to existing shareholders on a pro-rata basis. Because North American capital raising practices do not typically involve pre-emptive offers to existing shareholders, but rely instead on rapid financing techniques designed to accelerate the completion of offerings to third parties, the effect of listing rule 7.1 is to oblige the Corporation to obtain prospective shareholder approval of issues of equity securities or waivers from the ASX in order to take advantage of market windows to raise equity capital.

On December 9, 2002 following application and appeal procedures, the ASX granted the Corporation a waiver from listing rule 7.1 for the period ending on December 9, 2003. As a result of that waiver, the Corporation was not required to obtain shareholder approval for issues of Equity Securities exceeding the 15% limit in listing rule 7.1 during such period. During the period from December 9, 2002 until expiry of the waiver the Corporation raised CDN\$284,686,280 and U.S.\$49,996,800 through the issue of 61,356,080 Common Shares issued directly or issued or issuable upon exercise of a right of conversion of Equity Securities (exclusive of any securities issued under the Corporation's Employees' and Directors' Equity Incentive Plan).

At the annual meeting of the shareholders on June 12, 2003, the shareholders of the Corporation authorized the Corporation to issue up to 50 million Equity Securities (in addition to any other securities issuable in compliance with ASX listing rules) during the period between December 9, 2003 and June 10, 2004, the date of the Corporation's annual general meeting (the "2003 Shareholder Authorization"). The resolution approved by the shareholders was to be effective if the Corporation is not otherwise exempt from ASX listing rule 7.1 (or its successor provisions). Since December 9, 2003 until the date of this Circular, the Corporation has not raised any additional funds through the issue of Common Shares or Equity Securities convertible into Common Shares.

Reasons for Seeking Shareholder Approval at the Meeting

Management of the Corporation believe that it is important for the Corporation to continue to have flexibility in its ability to raise capital and to be in a position to quickly respond to favorable equity capital market funding opportunities, particularly since the Corporation is currently and expects to continue to be, engaged in capital-intensive exploration and development projects in Mongolia and elsewhere.

Management has applied to the ASX for (i) a waiver of the requirements of listing rule 7.1 such that the Corporation be exempt from the requirements of Listing Rule 7.1; or (ii) a new waiver of the requirements of listing rule 7.1 and/or 7.3 such that (a) the 2003 Shareholder Authorization will constitute effective shareholder approval for purposes of listing rule 7.1; and (b) the authorization, if approved by the Corporation's shareholders at the Meeting, for the issue of up to 50 million Equity Securities during the period from June 10, 2003 (in addition to any other securities issuable in compliance with ASX Listing Rules) until the date of the Corporation's annual general meeting in 2005 will constitute effective shareholder approval for the purposes of listing rule 7.1.

Accordingly, the Corporation is proposing that at the Meeting the shareholders, by passing the share issue resolution, approve a general mandate for the Corporation to issue up to 50 million Equity Securities (in addition to any other securities issuable in

compliance with ASX listing rules) during the period from the date of the Meeting to the date of the Corporation's annual general meeting in 2005, expected to be in June 2005.

Particulars in Respect of Proposed Resolution

The following particulars relate to the proposed Share Issue Resolution:

- (i) The maximum number of Common Shares issuable either directly by the Corporation or upon exercise of a right of conversion of Equity Securities will be 50 million Common Shares;
- (ii) Any Equity Securities issued pursuant to the Share Issue Resolution will be issued between the date of the Meeting and the date of the Corporation's annual general meeting in 2005, expected to be in June, 2005;
- (iii) The minimum issue price for each whole Common Share or underlying Common Share will not be less than \$4. As a practical matter, under current TSX Rules, Equity Securities issued by way of a private placement will not be issued for less than a 15% discount to market price as determined by applicable TSX Rules. Equity Securities issued by public offering would be determined by the Corporation based on prevailing market conditions and, if applicable, negotiation with underwriters.
- (iv) Equity Securities issued under a private placement will be issued to institutional or sophisticated investors in accordance with applicable North American or other securities laws. Equity Securities may also be issued to investors under an underwritten or best efforts public offering. Equity Securities may also be issued to a vendor of assets in connection with an acquisition by the Corporation. The persons to whom securities will be issued have not been identified or selected and will be determined by the directors of the Corporation. The names of the allottees are not known, with the directors of the Corporation to use their absolute discretion in respect of any allotment. It is not anticipated that any director or their associates would participate in any such allotment in the absence of appropriate approvals;
- (v) Equity Securities issuable would be Common Shares, or a security or other right convertible into, or exchangeable for, Common Shares including Common Share Purchase Warrants or Special Warrants or Convertible Debt.
 - Any Common Shares issued would be fully paid Common Shares ranking in parity to the other outstanding Common Shares of the Corporation.
 - A Common Share Purchase Warrant is a right exercisable by the holder to acquire a Common Share upon payment of a minimum exercise price of \$4, and may be issued for no additional consideration at the time of issue.
 - A purchaser of Common Share Purchase Warrants would be entitled upon exercise to no more than one Common Share per Common Share Purchase Warrant, subject to adjustment provisions which would entitle the purchaser to adjust the number of Common Shares issuable in order to account for the effect of a stock dividend, share split, share consolidation or other capital structure change affecting the Common Shares of the Corporation.

- Special Warrants would be issued by private placement and subject to a minimum \$4 issue price per underlying Common Share. Special Warrants grant the holder (of Special Warrants) Common Shares upon exercise or deemed exercise of the Special Warrants, upon clearance of a prospectus with respect to the distribution of securities, without payment of additional consideration by the holders of the Special Warrants.
 - Convertible Debt would be issued by private placement or public offering and would be subject to a minimum conversion rate of \$4 per underlying Common Share.
 - The Equity Securities may be issued in one or more transactions. The Corporation may, at the request of a purchaser or as required by applicable securities laws, prepare and file in British Columbia and other applicable jurisdictions a prospectus in connection with an issuance of Equity Securities.
 - The Equity Securities, or some of them, may be sold through underwriters or licensed brokers and the Corporation may pay negotiated underwriting or brokers commissions or finder's fees in accordance with applicable securities laws.
- (vi) The intended use of proceeds raised is to fund exploration and development expenditures in respect of the Corporation's properties in Mongolia, to fund exploration and development activities in respect of the Corporation's other existing properties and properties acquired in the future, to fund the acquisition of additional properties or assets and for working capital and general corporate and administrative purposes.
- (vii) Allotments of Equity Securities would be likely to occur progressively (in one or more transactions).

Text of Resolution

At the Meeting, the shareholders will be asked to approve the Share Issue Resolution, the text of which is as follows:

“RESOLVED that the Corporation is authorized to issue up to 50 million Equity Securities (in addition to any other securities issuable without shareholder approval in compliance with Australian Stock Exchange (“ASX”) Listing Rules) to such allottees and at such issue price(s) determined by the directors as set out in this Management Proxy Circular, such issue(s) to take place, subject to any applicable ASX waiver, during the period between the date of the Meeting and the date of the Corporation's annual general meeting in 2005. This resolution is to be effective to the extent that the Corporation is not exempt from ASX Listing Rule 7.1 (or its successor provisions) during such period by virtue of the grant by the ASX of a waiver from the requirements of 7.1 or otherwise. For purposes of this resolution, an “Equity Security” is a Common Share or a security or other right convertible into or exchangeable for a Common Share, including a Common Share purchase warrant, a special warrant or convertible debt”.

Voting Exclusion – The Corporation will disregard any votes cast on this resolution by (i) persons who may participate in the proposed issue and (ii) persons who might obtain a

benefit if this resolution is passed, except a benefit solely in the capacity of a holder of Common Shares, and (iii) any associates of those persons. However, the Corporation need not disregard a vote if it is cast by the person as proxyholder for a person who is entitled to vote, in accordance with the directions on the Proxy form; it is cast by the person chairing the meeting as proxyholder for a person who is entitled to vote, or it is cast in accordance with a direction on the Proxy form to vote as the proxyholder decides.

ARTICLES OF AMENDMENT RESOLUTION

It is proposed that the Corporation's Articles be amended to increase the maximum number of directors from 9 to 12. The shareholders of the Corporation will be asked to consider and approve at the Meeting a special resolution as follows:

"SPECIAL RESOLUTIONS TO AMEND THE CORPORATION'S ARTICLES

RESOLVED THAT:

1. the Corporation's Articles be amended by deleting the existing Article 4 thereof and replacing it with the following:

"4. the number of Directors shall not be less than three (3), nor more than twelve (12)."
2. Any one director of the Corporation is authorized and directed to file with the Registrar of Corporations (Yukon) Articles of Amendment to reflect such Amendment."

The Corporation's articles currently provide that the number of directors of the Corporation is subject to a minimum of 3 directors and a maximum of 9 directors. Management has proposed 9 nominees for election at the Meeting as directors of the Corporation. The amendment to the Corporation's articles to increase the maximum number of directors of the Corporation from 9 to 12 will afford a degree of flexibility for additional directors to be added to the board of directors of the Corporation in the future as suitable candidates are identified.

ELECTION OF DIRECTORS

The term of office of each of the current 9 directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the YBCA, each director elected will hold office until the conclusion of the next annual meeting of the Corporation or, if no director is then elected, until a successor is elected.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at April 16, 2004.

Name and Position	Principal Occupation, Business or Employment ⁽¹⁾	Period as a Director of the Corporation	Shares Beneficially Owned, Controlled or Directed ⁽¹⁾⁽²⁾
ROBERT M. FRIEDLAND Chairman and Chief Executive Officer and Director	Chairman and President, Ivanhoe Capital Corporation; Chairman and Chief Executive Officer, Ivanhoe Mines Ltd. (March 1994 – present)	March 1994	100,834,334
R. EDWARD FLOOD Deputy Chairman and Director	Deputy Chairman of the Corporation (May 1999 – present); Senior Analyst, Haywood Securities (May 2000 – November 2001)	March 1994	72,450
GORDON L. TOLL Deputy Chairman and Director	Senior Vice-President, Ivanhoe Capital Corporation (December 1995 - present)	March 1996	1,157,328
JOHN MACKEN President and Director	President, Ivanhoe Mines Ltd. (January, 2004 – present) Senior Vice President of Freeport, McMoran, Copper & Gold (1996 – 2000)	January 2004	NIL
JOHN WEATHERALL ^{(3) (5)} Director	President, Scarthingmoor Assets Management Inc. (January, 1996 - present)	June 1996	50,500
KJELD THYGESEN ^{(3) (4) (5)} Director	Managing Director of Lion Resource Management (1989 – present)	February 2001	NIL
ROBERT HANSON ^{(4) (5)} Director	Chairman of Hanson Capital Limited (February 1998 – present); Chairman of Hanson Transport Group (1996 to present); Chairman of Hanson Pacific Limited (March 1994 – 1997); Director, Hanson PLC (1990-1997)	February 2001	NIL
MARKUS FABER ⁽³⁾ Director	Managing Director, Marc Faber Ltd. (1990 to present)	February 2002	NIL
DAVID HUBERMAN ^{(4) (5) (6)} Director	President, Coda Consulting Corp. (1999 – present)	September 2003	NIL

(1) The information as to principal occupation, business or employment and shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Corporation and has been furnished by the nominee.

(2) Does not include unissued common shares issuable upon the exercise of incentive stock options. See "Voting Shares".

- (3) Indicates members of the Audit Committee.
- (4) Indicates members of the Compensation and Benefits Committee.
- (5) Indicates members of Nominating and Corporate Governance Committee.
- (6) Indicates Lead Director.

APPOINTMENT OF AUDITORS

Deloitte & Touche, Chartered Accountants, will be nominated at the Meeting for re-appointment as auditors of the Corporation at a remuneration to be fixed by the directors. Deloitte & Touche have been the Corporation's auditors since January 1995.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this Management Proxy Circular, no insider, director nominee or associate or affiliate of any such insider or director nominee, has any material interest, direct or indirect, in any material transaction since the commencement of the Corporation's last financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect the Corporation.

The Corporation is a party to cost sharing agreements with other companies in which Robert M. Friedland has a material direct or indirect beneficial interest. Through these agreements, the Corporation shares office space, furnishings, equipment and communications facilities in Vancouver, Singapore and London and an aircraft on a cost recovery basis. The Corporation also shares the costs of employing administrative and non-executive management personnel in these offices. During the year ended December 31, 2003, the Corporation's share of these costs was US\$6,100,000. The companies with which the Corporation is a party to the cost sharing agreements, and Mr. Friedland's ownership interest in each of them, are as follows:

<u>Company Name</u>	<u>R.M. Friedland Ownership Interest</u>
Ivanhoe Energy Inc.	32.17%
Ivanhoe Capital Corporation	100.00%
Ivanhoe Nickel & Platinum Ltd.	54.58%
Pacific Minerals Inc.	(1)
Asia Gold Corp.	(1)

- (1) Mr. Friedland owns 37% of the Common Shares of the Corporation, which owns 35.41% of the common shares of Pacific Minerals Inc. and 51.08% of the common shares of Asia Gold Corp.

EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided as at December 31, 2003, in respect of the Chief Executive Officer and each of the Corporation's four most highly compensated executive officers (collectively, the "Named Executive Officers") whose annual compensation exceeded Cdn. \$100,000 in the year ended December 31, 2003. During the year ended December 31, 2003, the aggregate compensation paid to all officers of the Corporation who received more than Cdn.\$40,000 in aggregate compensation during such period was US\$1,260,267.

Summary Compensation Table

The following table sets forth a summary of all compensation paid during the years ending December 31, 2001, 2002 and 2003 to each of the Named Executive Officers:

Name and Principal Position*	Annual Compensation				Long Term Compensation			
	Year	Salary (US\$)	Bonus (US\$)	Other Annual Compensation (US\$) ⁽¹⁾	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (US\$)	LTIP Payout (US\$)	All Other Compensation (US\$) ⁽²⁾
ROBERT FRIEDLAND ⁽³⁾ Chairman and Chief Executive Officer	2003	-	-	10,841 ⁽⁴⁾	-	-	-	877
	2002	-	-	6,402 ⁽⁴⁾	-	-	-	521
	2001	-	-	5,514 ⁽⁴⁾	1,500,000	-	-	654
DANIEL KUNZ ⁽⁵⁾ President	2003	33,333 ⁽⁵⁾	-	2,884 ⁽⁶⁾	-	-	-	1,623
	2002	200,000	-	-	-	-	-	9,740
	2001	250,000	-	-	1,578,000	-	-	9,740 ⁽⁷⁾
GORDON TOLL Deputy Chairman	2003	200,246	-	52,112 ⁽⁸⁾	-	-	-	9,047
	2002	201,267	-	-	-	-	-	3,330
	2001	202,593	-	-	-	-	-	3,330 ⁽⁷⁾
EDWARD C. ROCHETTE Senior Vice-President Legal and Administration	2003	159,212	-	25,695 ⁽⁹⁾	-	-	-	4,735
	2002	160,102	-	17,092 ⁽⁹⁾	-	-	-	3,300
	2001	156,619	-	15,471 ⁽⁷⁾⁽⁹⁾	682,500	-	-	3,300 ⁽⁷⁾
DOUGLAS KIRWIN Senior Vice-President Exploration	2003	177,443	46,429 ⁽¹⁰⁾	53,047 ⁽¹²⁾	-	-	-	928
	2002	150,000	65,000 ⁽¹¹⁾	44,877 ⁽¹²⁾	-	-	-	6,718
	2001	150,000	-	39,773 ⁽⁷⁾⁽¹²⁾	182,500	-	-	4,750 ⁽⁷⁾
PAUL CHARE Executive Vice President	2003	170,242	-	43,099 ⁽¹³⁾	-	-	-	-
	2002	84,308	-	22,490 ⁽¹³⁾	-	-	-	-
	2001	-	-	-	-	-	-	-

- (1) Perquisites and benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for any of the Named Executive Officers except where numbers are disclosed in this column.
- (2) Includes share purchase plan contributions and life insurance premiums.
- (3) Mr. Friedland was acting President from March 1, 2003 to January 1, 2004.
- (4) Mr. Friedland's other annual compensation included medical premiums of \$10,841 (2003), \$6,402 (2002) and \$5,514 (2001).
- (5) Mr. Kunz resigned from the Corporation on March 1, 2003 and his salary for 2003 represents a pro rata share of a \$200,000 annual salary.
- (6) Mr. Kunz's other annual compensation in 2003 included medical premiums of \$3,340.
- (7) Reflects adjustment from previous disclosure.
- (8) Mr. Toll's other annual compensation in 2003 included a rental allowance of \$43,707 and medical premiums of \$8,405.
- (9) Mr. Rochette's other annual compensation included medical and dental premiums of \$13,695 (2003), \$13,096 (2002), and \$11,388 (2001), and a rental allowance of \$12,000 (2003).
- (10) Mr. Kirwin was granted a bonus consisting of 20,000 Common Shares, valued at C\$3.25 (approximately \$2.32) per Common Share.
- (11) Mr. Kirwin received a bonus in 2002 of \$65,000 which was applied to repay a loan from the Corporation to pay the mortgage on his home. The loan was forgiven in 2002 although for accounting purposes the amount was booked in 2001.
- (12) Mr. Kirwin's other annual compensation includes a housing allowance of \$36,000 in each of 2003, 2002, and 2001, medical premiums of \$11,757 (2003) and a tax gross up allowance of \$5,290 (2003).
- (13) Mr. Chare's other annual compensation included a rental allowance of \$43,099 (2003) and a housing allowance of \$22,490 (2002).

Long Term Incentive Plan

The Corporation does not presently have a long-term incentive plan for its executive officers.

Options/SAR Grants During The Most Recently Completed Financial Year

There were no options or SAR grants made to the Named Executive Officers during the most recently completed financial year:

Aggregated Option Exercises

Other than as described below, no options or stock appreciation rights were exercised during the year ended December 31, 2003 by the Named Executive Officers.

Name	Securities Acquired on Exercise	Aggregate Value Realized (Cdn\$)	Unexercised Options at December 31, 2003 (Exercisable/Unexercisable)	Value of Unexercised in the Money Options at December 31, 2003 (Exercisable/Unexercisable) (Cdn\$)
Daniel Kunz	362,400	\$3,279,840	0/0	0/0
Edward Rochette	210,000	\$1,898,500	233,500/131,500	\$2,028,950/\$1,175,400
Doug Kirwin	92,000	\$824,700	0/26,500	0/\$241,150
Gordon Toll	1,250,000	\$11,350,000	0/300,000	0/\$2,730,000

Option and SAR Repricings

No options or stock appreciation rights were repriced during the year ended December 31, 2003.

Defined Benefit and Pension Plans

The Corporation does not presently provide any defined benefit or pension plan to its directors, executive officers or employees.

Employment Contracts

The Corporation does not have an employment contract with any of the Named Executive Officers. As of November 1, 2003, the Corporation entered into an employment contract with Mr. John Macken for employment as President of the Corporation commencing on January 1, 2004 with no fixed term of employment and providing for a base salary of \$300,000 per year, a housing benefit for accommodation in Singapore and the same benefit entitlements available to the Corporation's other executive officers. The Corporation may terminate Mr. Macken's employment for cause, or without cause on payment of 12 month's base salary. In the event of a change of control under the contract and if the contract is terminated by the Corporation within twelve months thereafter, Mr. Macken would be entitled to receive payment of 12 month's base salary and a vesting of all unexercised stock options which will thereafter remain exercisable for six months. Under the terms of the contract, Mr. Macken was granted an initial incentive stock option to acquire 1,000,000 common shares which vest over three years and expire on January 1, 2011. Mr. Macken was granted a further option on March 10, 2004 to acquire an additional 1,000,000 common shares,

which options vest as to 20% in March, 2004 and, as to the balance, 20% in March, 2005, 30% in March 2006 and 30% in March 2007, subject in each case to earlier vesting upon specified corporate goals identified by the board of directors being met.

Composition of the Compensation and Benefits Committee

On December 31, 2003, the Compensation and Benefits Committee was comprised of Messrs David Huberman, Kjeld Thygesen and Robert Hanson. Mr. Flood, as Deputy Chairman of the Corporation, resigned from the Compensation and Benefits Committee on November 21, 2003 and was replaced by Mr. David Huberman, who is an outside, unrelated director. Messrs Thygesen and Hanson are also both outside, unrelated directors of the Corporation.

Directors who were officers or employees of the Corporation during the financial year ended December 31, 2003, were: Mr. Robert M. Friedland – Chairman, Mr. R. Edward Flood - Deputy Chairman, Mr. Gordon L. Toll – Deputy Chairman. Mr. John Macken, who commenced duties as President of the Corporation on January 1, 2004 is also a director of the Corporation.

Report on Executive Compensation

The Corporation's executive compensation program is administered by the Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are all outside unrelated directors. Following review and approval by the Committee, decisions relating to executive compensation are reported to and approved by the full board of directors. The Compensation Committee has directed the preparation of this report and has approved its contents and its submission to shareholders.

The basic philosophy underlying the Corporation's executive compensation program is that the interests of the Corporation's executive officers should be aligned as closely as possible with the interests of the Corporation and its shareholders as a whole. Compensation for the Corporation's senior executive officers is, accordingly, designed to reflect the following considerations: to provide a strong incentive to management to achieve the Corporation's corporate long term and short term goals; to ensure that the interests of management and of the Corporation's shareholders are aligned; and to enable the Corporation to attract, retain and motivate executives of the highest caliber in light of the strong competition in our industry for qualified personnel. Our approach in considering compensation for senior executives and other management is designed to recognize both individual and corporate performance, and the fact that, insofar as competition for highly skilled employees is intense, the levels of compensation we offer should be comparable to those offered elsewhere in our industry.

The compensation that the Corporation's executive officers receive generally consists of cash, equity and equity incentives. Typically, base salary comprises the entire cash component of each senior executive officer's compensation. The Corporation does not maintain a pension plan or other long term compensation plan for its executive officers and, generally, does not pay cash bonuses. Compensation over and above base salary usually takes the form of incentive stock options but can also include bonus awards of fully paid Common Shares of the Corporation.

The relative emphasis on the various compensation components is variable and tends not to be comparable year over year. Although the cash component of overall compensation tends to remain relatively consistent, the equity and equity incentive component, being entirely within the discretion of the board of directors, can fluctuate

significantly from one year to another. Factors influencing the nature and scope of equity compensation and equity incentives awarded in a given year include: awards made in previous years and, particularly in the case of equity incentives, the number of stock options that remain outstanding and exercisable from grants in previous years and the exercise price and the remaining exercise term of those outstanding stock options. During 2003, the Corporation did not grant any incentive stock options to its executive officers, except for the grants of options to Mr. John Macken as described under "Employment Contracts" above. Accordingly, the relative emphasis in 2003 was entirely on cash compensation.

The Corporation's compensation policy is based on the proposition that some element of the compensation for the Corporation's executive officers should be tied to the risks and rewards of owning the Corporation's Common Shares and that stock options can create a strong incentive to build shareholder value. The Compensation and Benefits Committee oversees and sets the general guidelines and principles for the compensation packages for senior management. As well, the Compensation and Benefits Committee assesses the individual performance of the Corporation's senior executive officers and makes recommendations to the board of directors. Based on these recommendations, the board of directors makes decisions concerning the nature and scope of the compensation to be paid to the Corporation's senior executive officers over and above their base salaries. Although the base salaries of executive officers may be reviewed from time to time on an ad hoc basis, the Compensation and Benefits Committee does not, as a matter of course, review base salaries on an annual basis.

The specific relationship of corporate performance to executive compensation under the Corporation's executive compensation program is created exclusively through equity compensation mechanisms. Incentive stock options, which vest and become exercisable with the passage of time, link the bulk of the Corporation's equity-based executive compensation to shareholder return, measured by increases in the market price of the Corporation's Common Shares. Through the Compensation and Benefits Committee, the Corporation continues to review performance-based criteria in connection with equity-based compensation with a view to moving toward performance related vesting for such compensation if and to the extent possible. A recent grant of 1,000,000 options to Mr. Macken, the Corporation's new President, in March 2004 contained accelerated vesting provisions upon the achievement by the Corporation of specified corporate objectives. From time to time, the board of directors also makes discretionary bonus awards of Common Shares to the Corporation's employees, including the Corporation's executive officers. Such awards are intended to recognize extraordinary contributions to the achievement of corporate objectives or the fulfillment of defined business development goals and milestones tied to pre-determined equity incentives.

The compensation paid to the Corporation's former Chief Executive Officer (whose employment ended on March 31, 2003) and in prior periods was based on the same basic factors and criteria used to determine executive compensation generally. The cash compensation reflected the Compensation and Benefits Committee's views as to what constituted a fair and reasonable base salary for an executive with his skills, expertise and experience having due regard to the nature and stage of development of the Corporation's business. In assessing the cash compensation paid to the Chief Executive Officer, the members of the Compensation and Benefits Committee drew primarily upon their collective experience in the mining and mining finance industries. As a source of comparison, the Compensation and Benefits Committee reviewed the rates of publicly reported cash compensation paid to other chief executive officers of intermediate mining development and exploration companies considered by the

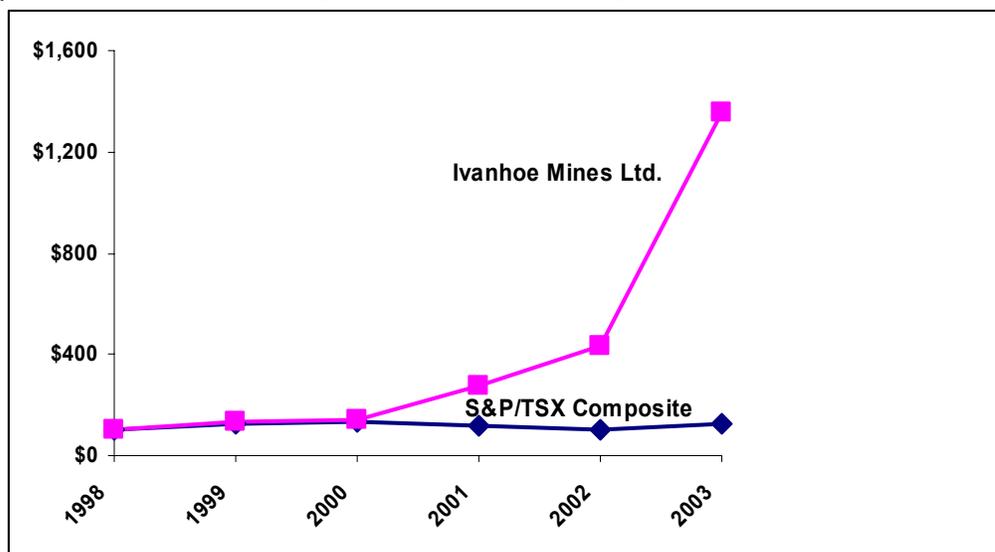
Compensation and Benefits Committee to be the Corporation's industry peers. These companies included Bema Gold Corporation, Breakwater Resources Ltd., First Quantum Minerals Ltd. and Southern Era Resources Limited. The cash compensation paid to our former Chief Executive Officer was in the median range of cash compensation paid to chief executive officers among the members of the Corporation's industry peer group. The Compensation and Benefits Committee did not use a peer comparison in assessing equity compensation. The Corporation's current Chief Executive Officer, who is also the Corporation's largest shareholder, does not receive a salary or any other cash compensation for acting as such. He is, however, eligible to receive equity compensation and equity incentives.

Submitted on behalf of the Compensation and Benefits Committee:

Robert Hanson
Kjeld Thygesen
David Huberman

Performance Graph

The following graph and table compares the cumulative shareholder return on a \$100 investment in common shares of the Corporation to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 1998 to December 31, 2003.



	<u>Dec. 31,</u> <u>1998</u>	<u>Dec. 31,</u> <u>1999</u>	<u>Dec. 31,</u> <u>2000</u>	<u>Dec. 31,</u> <u>2001</u>	<u>Dec. 31,</u> <u>2002</u>	<u>Dec. 31,</u> <u>2003</u>
Ivanhoe Mines Ltd.	Cdn. \$100	Cdn. \$130	Cdn. \$138	Cdn. \$119	Cdn. \$102	Cdn. \$127
S&P TSX Composite Index	Cdn. \$100	Cdn. \$136	Cdn. \$138	Cdn. \$275	Cdn. \$430	Cdn. \$1,355

COMPENSATION OF DIRECTORS

Currently no fixed compensation is paid to directors of the Corporation for acting as such, except for Mr. David Huberman, who receives Cdn \$50,000 per annum for acting as the Lead Director of the board of directors. All directors have been granted stock options. The directors may be reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Other than “routine indebtedness” as that term is defined in applicable securities legislation, no director, senior officer or proposed nominee as a director of the Corporation, or associate or affiliate of any such director, senior officer or proposed nominee as a director, is or has been indebted to the Corporation since the beginning of the last completed financial year of the Corporation.

CORPORATE GOVERNANCE

The board of directors considers good corporate governance practices as an important factor in the continued and long term success of the Corporation by helping to maximize shareholder value over time.

The rules and policies of the TSX require corporations listed on the TSX to disclose their corporate governance practices with reference to a series of guidelines adopted by the TSX for effective corporate governance (the “Existing TSX Guidelines”).

The ASX Corporate Governance Council has issued best practice recommendations for corporate governance practices (the “ASX Recommendations”). Effective for reports on fiscal years commencing on and after January 1, 2004, the Corporation will be required by the ASX Listing Rules to disclose its corporate governance practices with reference to the ASX Recommendations. While the Corporation is not required to report by reference to the ASX Recommendations until it reports on its financial year commencing 1 January 2004, it has reviewed the ASX Recommendations and has broadly implemented such recommendations.

Recent Developments

Following the enactment in the United States of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), the TSX initiated a review of its proposed standards in light of new U.S. legislation and published for public comment proposed amendments to the Existing TSX Guidelines. However, in September 2003 the TSX announced that it would be relinquishing responsibility for setting corporate governance standards to Canadian securities regulators.

In January 2004, the Canadian Securities Administrators (the “CSA”) announced new rules governing (among other things) the independence, competence and responsibility of audit committees, which rules are substantially similar to those adopted in the United States. These rules are set out in Multilateral Instrument 52-110 (the “CSA Audit Committee Rules”) and came into force on March 30, 2004. The rules (with which the Corporation must be in compliance by no later than the Corporation’s next annual meeting) require:

- a minimum three-member audit committee comprised solely of independent directors;
- an audit committee charter that specifies certain specific audit committee responsibilities and authority, including, among other things:
 - the pre-approval of all audit services and permissible non-audit services;
 - and

- the sole authority to appoint, determine funding for and oversee the outside auditors.

The CSA also published for comment in January 2004 Proposed Multilateral Policy 58-201 and Proposed Multilateral Instrument 58-101 (collectively, the "CSA Proposals"), which are intended to replace the Existing TSX Guidelines in most Canadian jurisdictions. These proposals are substantially consistent with the revised corporate governance listing standards of the New York Stock Exchange. The TSX intends to revoke its existing guidelines and related disclosure requirements when the CSA Proposals become effective. The comment period expired on April 15, 2004.

During 2003, the board of directors implemented several changes in its corporate governance procedures to comply with Existing TSX Guidelines, the proposed amendments to those guidelines published by the TSX in 2002, the ASX Recommendations and U.S. corporate governance standards. As part of those changes the board:

- i. approved and adopted a new mandate for the board, effective April 19, 2003;
- ii. appointed an outside unrelated director as "lead director", effective April 9, 2003, with specific responsibility for maintaining the independence of the Board and ensuring the Board carries out its responsibilities contemplated by applicable statutory and regulatory requirements and stock exchange listing standards;
- iii. appointed a Nominating and Corporate Governance Committee, effective April 9, 2003, consisting solely of outside and unrelated directors;
- iv. changed the membership of the Compensation and Benefits Committee, effective November 21, 2003, to consist solely of outside unrelated directors instead of a majority of outside unrelated directors;
- v. approved charters for each of the Corporation's board committees, being the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee, effective November 21, 2003, formalizing the mandates of those committees;
- vi. established a management Disclosure Committee for the Corporation effective April 9, 2003, with the mandate to oversee the Corporation's disclosure practices;
- vii. formalized the Corporation's Corporate Disclosure, Confidentiality and Securities Trading Policy effective November 21, 2003; and
- viii. adopted a formal Code of Business Conduct and Ethics effective November 21, 2003 for the Corporation that governs the behaviour of directors, officers and employees.

The Corporation has undertaken a review of its corporate governance practices against the proposed guidelines set forth in the CSA Proposals. The board intends to consider additional changes to its corporate governance practices during 2004 with a view to furthering its compliance with the CSA Proposals.

The Corporation's Common Shares are also quoted on Nasdaq and the Corporation is subject to applicable provisions of U.S. securities laws and regulations relating to corporate governance, which have been the subject of sweeping changes over the last three years. The Sarbanes-Oxley Act was enacted on July 30, 2002 and, both as part of the Sarbanes-Oxley Act and independently, the SEC has enacted a number of new regulations relating to corporate governance standards for listed companies. In addition, Nasdaq has recently implemented numerous rule changes (the "Nasdaq Corporate Governance Rules") that revise the corporate governance standards for Nasdaq-listed companies.

The CSA Proposals recommend that a board should be comprised of a majority of independent directors. In addition, there is a heightened independence requirement for members of the Audit Committee under the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules and the CSA Audit Committee Rules. The Corporation must be in compliance with these requirements by no later than its next annual general meeting. "Independence" is defined under the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules, the CSA Audit Committee Rules and the CSA Proposals differently from, and such definitions may be more onerous than, the relevant standards under the Existing TSX Guidelines.

The Corporation intends to fully comply with all of the applicable corporate governance requirements of the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules and the CSA Audit Committee Rules, as well as any new requirements that may be implemented by the CSA, the TSX and the ASX, by the date of their effectiveness or earlier.

Board Composition

The Existing TSX Guidelines recommend that a majority of the directors of a corporation be "unrelated" directors. An "unrelated" director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.

A total of nine persons have been nominated for election as directors at the Meeting. The board has determined that if all such nominees are elected, the board will consist of five unrelated directors in David Huberman, John Weatherall, Markus Faber, Robert Hanson and Kjeld Thygesen and four related directors in Robert Friedland, R. Edward Flood, John Macken and Gordon Toll, applying the definitions in the Existing TSX Guidelines. Each of Messrs. Friedland, Flood, Macken and Toll are related directors in their capacities as senior officers of the Corporation and/or one or more of its subsidiaries and members of management.

The Existing TSX Guidelines provide that if an issuer has a significant shareholder, which the Existing TSX Guidelines define as "a shareholder with the ability to exercise a majority of the votes for the election of the board of directors", in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the Corporation or the significant shareholder and which fairly reflects the investment in the Corporation by shareholders other than the significant shareholder.

The Corporation does not have a "significant shareholder", as defined in the Existing TSX Guidelines. However, the Chairman and Chief Executive Officer of the

Corporation holds approximately 37% of the Corporation's voting securities as of the date of this Management Proxy Circular. The board has determined that the Corporation currently has five of nine directors in David Huberman, John Weatherall, Markus Faber, Robert Hanson and Kjeld Thygesen, who are unrelated (as such term is defined under the Existing TSX Guidelines) to both the Corporation and its Chairman and Chief Executive Officer. Accordingly, if the shareholders elect the individuals proposed for election in the Management Proxy Circular, five of the nine members of the board shall be unrelated.

The directors of the Corporation are satisfied with the size and composition of the board and believe that the current board composition results in a balanced representation on the board of directors among management, unrelated directors, and the Corporation's major shareholder. While the board functions effectively given the Corporation's stage of development and the size and complexity of its business, the board, through its Nominating and Corporate Governance Committee, will continue to seek qualified candidates to augment its experience and expertise and to enhance the Corporation's ability to effectively develop its business interests.

Mandate of the Board

Under the YBCA, the directors of the Corporation are required to manage the Corporation's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Corporation. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The board of directors is responsible for supervising the conduct of the Corporation's affairs and the management of its business. The board's mandate includes setting long term goals and objectives for the Corporation, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the board delegates the responsibility for managing the day to day affairs of the Corporation to senior management personnel, the board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Corporation and its business.

The board's mandate requires that the board be satisfied that the Corporation's senior management will manage the affairs of the Corporation in the best interest of the shareholders, in accordance with the Corporation's principles, and that the arrangements made for the management of the Corporation's business and affairs are consistent with their duties described above. The board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligation of the board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the board may have to assume a more direct role in managing the affairs of the Corporation.

In discharging this responsibility, the board's mandate provides that the board oversees and monitors significant corporate plans and strategic initiatives. The board's strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one board meeting per year is to be devoted to a comprehensive review of strategic corporate plans proposed by management.

As part of its ongoing review of business operations, at each board meeting the board reviews the principal risks inherent in the Corporation's business, including financial

risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the board, the board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without board approval, on all ordinary course matters relating to the Corporation's business.

The mandate provides that the board also expects management to provide the directors, on a timely basis, with information concerning the business and affairs of the Corporation, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the board to discharge its stewardship obligations effectively. The board expects management to efficiently implement its strategic plans for the Corporation, to keep the board fully apprised of its progress in doing so and to be fully accountable to the board in respect to all matters for which it has been assigned responsibility.

The board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the board of any major concerns expressed by shareholders.

Each Committee of the board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Corporation provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

Meetings of the Board

The board holds regular annual and quarterly meetings. Between the quarterly meetings, the board meets as required, generally by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the independent directors also have the opportunity to meet separate from management. Management also communicates informally with members of the Board on a regular basis, and solicits the advice of the board members on matters falling within their special knowledge or experience.

Board Committees

The Corporation has an Audit Committee, Compensation and Benefits Committee and Nominating and Corporate Governance Committee.

Audit Committee

The mandate of the Audit Committee is to oversee the Corporation's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Corporation's financial statements, monitoring the independence and performance of the Corporation's external auditors and acting as a liaison between the board and the Corporation's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, management discussion

and analysis and earnings press releases before they are publicly disclosed, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders. Other responsibilities include reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Corporation's auditors. The Audit Committee communicates directly with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate.

The Audit Committee currently consists of Messrs. Faber, Weatherall and Thygesen. The Existing TSX Guidelines provide for audit committees to consist solely of outside directors. All of Messrs. Faber, Weatherall and Thygesen are outside unrelated directors.

Compensation and Benefits Committee

The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Corporation's Employees' and Directors' Equity Incentive Plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.

The Compensation and Benefits Committee currently consists of Messrs. Huberman, Thygesen and Hanson, who are all outside, unrelated directors.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for making recommendations to the board with respect to developments in the area of corporate governance and the practices of the board. The Nominating and Corporate Governance Committee has expressly assumed responsibility for developing the Corporation's approach to governance issues. The Committee is also responsible for reporting to the board with respect to appropriate candidates for nominations to the board, for overseeing the execution of an assessment process appropriate for the board and its committees and for evaluating the performance and effectiveness of the board.

The Nominating and Corporate Governance Committee of the board currently consists of Messrs. Huberman, Weatherall, Hanson, and Thygesen of which Mr. Huberman is chairman of the committee, in addition to being the Corporation's lead director. All of such directors are outside unrelated directors.

Alignment with the Existing Guidelines of the TSX

The Corporation's statement of corporate governance practices with reference to each of the Existing TSX Guidelines is set out in Schedule "B" to this Management Proxy Circular.

OTHER BUSINESS

Management of the Corporation is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of the Meeting.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the board of directors of the Corporation.

DATED at Vancouver, British Columbia, as of the 16th day of April, 2004.

BY ORDER OF THE BOARD

"BEVERLY A. BARTLETT"
CORPORATE SECRETARY

Schedule "A"

Section 7.1 to 7.5 of ASX Rules

Issues exceeding 15% of capital

7.1 Without the approval of holders of ordinary securities, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula.

(AxB) - C

A = The number of fully paid ordinary securities on issue 12 months before the date of issue or agreement,

- plus the number of fully paid ordinary securities issued in the 12 months under an exception in rule 7.2,
- plus the number of partly paid ordinary securities that became fully paid in the 12 months,
- plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under this rule,
- less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of issue or agreement to issue *but not* under an exception in rule 7.2 or with approval under this rule.

7.1.1 –

7.1.3 **[Repealed]**

7.1.4 In working out the number of equity securities that an entity may issue or agree to issue, and the number of equity securities in "C", the following rules apply.

- (a) If the equity securities are fully paid ordinary securities, each security is counted as one.
- (b) If the equity securities are partly paid securities, each security is counted as the maximum number of fully paid ordinary securities into which it can be paid up.
- (c) In any other case, each security is counted as ASX decides.

7.1.5 The following rules apply regarding issues of equity securities or agreements to issue equity securities.

- (a) An agreement to issue equity securities that is conditional on holders of ordinary securities approving the issue before the issue is made is not

treated as an agreement. If an entity relies on this rule it must not issue the equity securities without approval.

- (b) In working out if there is an issue of equity securities the sale or reissue of forfeited equity securities is treated as an issue of equity securities.

7.1.6 In working out the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement in “A”, if first quotation of the entity’s securities occurred less than 12 months before the date of issue or agreement, the number of securities is the number of fully paid ordinary securities on issue on the date of first quotation.

Exceptions to rule 7.1

7.2 Rule 7.1 does not apply in any of the following cases.

Exception 1 An issue to holders of ordinary securities made under a pro rata issue and to holders of other equity securities to the extent that the terms of issue of the equity securities permit participation in the pro rata issue.

Exception 2 An issue under an underwriting agreement to an underwriter of a pro rata issue to holders of ordinary securities if the underwriter receives the securities within 15 business days after the close of the offer.

Exception 3 An issue to make up the shortfall on a pro rata issue to holders of ordinary securities. The entity must make the issue within 3 months after the close of the offer, and the directors of the entity (in the case of a trust, the responsible entity or management company) must have stated as part of the offer that they reserve the right to issue the shortfall at their discretion. The issue price must not be less than the price at which the securities were offered under the pro rata issue.

Exception 4 An issue on the conversion of convertible securities. The entity must have issued the convertible securities before it was listed or complied with the listing rules when it issued the convertible securities.

Exception 5 An issue under an off-market bid that is required to comply with the Corporations Act or under a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act.

Exception 6 An issue to fund the cash consideration in any of the following circumstances if the terms of the issue are disclosed in the takeover or scheme documents.

- An off-market bid that is required to comply with the Corporations Act, when the offer becomes unconditional.
- A market bid that is required to comply with the Corporations Act, when the market bid is announced under section 635 of the Corporations Act.
- A merger by way of scheme of arrangement under Part 5.1 of the Corporations Act, when the arrangement is approved by the court under section 411(4) of the Corporations Act.

Exception 7 An issue under a dividend or distribution plan, excluding an issue to the plan's underwriters. Exception 7 is only available where a dividend or distribution plan does not impose a limit on participation.

(a) **[Repealed]**

(b) **[Repealed]**

Exception 8 **[Repealed]**

Exception 9 An issue under an employee incentive scheme if within 3 years before the date of issue one of the following occurred.

(a) In the case of a scheme established before the entity was listed – a summary of the terms of the scheme were set out in the prospectus, Product Disclosure Statement or information memorandum.

(b) Holders of ordinary securities have approved the issue of securities under the scheme as an exception to this rule. The notice of meeting must have included each of the following.

- A summary of the terms of the scheme.
- The number of securities issued under the scheme since the date of the last approval.
- A voting exclusion statement.

(c) **[Repealed]**

Exception 10 An issue of preference shares which do not have any rights of conversion into another class of equity security. The preference shares must comply with chapter 6.

Exception 11 The reissue or sale of forfeited shares within 6 weeks after the day on which the call was due and payable.

Exception 12 An issue on the exercise of options to an underwriter of the exercise. Exception 12 is only available if each of the following applies.

(a) The entity complied with the listing rules when it issued the options.

(b) The underwriter receives the underlying securities within 10 business days after expiry of the options.

(c) The underwriting agreement was disclosed under rule 3.11.3.

Exception 13 An issue under an agreement to issue securities. The entity must have complied with the listing rules when it entered into the agreement to issue the securities.

Exception 14 An issue made with the approval of holders of ordinary securities under listing rule 10.11. The notice of meeting must state that if approval is given under listing rule 10.11, approval is not required under listing rule 7.1.

Exception 15 An issue of securities under a security purchase plan, excluding an issue to the plan's underwriters, making offers not exceeding \$5,000 in value to existing security holders which do not require the issue of a disclosure document or Product Disclosure Statement in accordance with relief granted by ASIC. Exception 15 is only available once in any 12 month period and if both of the following apply.

- The number of securities to be issued is not greater than 30% of the number of fully paid ordinary securities already on issue.
- The issue price of the securities is at least 80% of the average market price for securities in that class. The average is calculated over the last 5 days on which sales in the securities were recorded, either before the day on which the issue was announced or before the day on which the issue was made.

Exception 16 An issue of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

Notice requirements for approval under rule 7.1 and 7.1.5(a)

- 7.3 For the holders of ordinary securities to approve an issue or agreement to issue, the notice of meeting must include each of the following.
- 7.3.1 The maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue.
- 7.3.2 The date by which the entity will issue the securities. The date must be no later than 3 months after the date of the meeting. However, if court approval of a reorganization of capital (in the case of a trust, interests) is required before the issue, the date must be no later than 3 months after the date of court approval.
- 7.3.3 The issue price of the securities, which must be either:
- A fixed price; or
 - A minimum price. The minimum price may be fixed or a stated percentage that is at least 80% of the average market price for securities in that class. The average is calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue was made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date the prospectus, Product Disclosure Statement or offer information statement is signed.
- 7.3.4 The names of the allottees (if known) or the basis upon which allottees will be identified or selected.
- 7.3.5 The terms of the securities.
- 7.3.6 The intended use of the funds raised.
- 7.3.7 The dates of allotment or a statement that allotment will occur progressively.

7.3.8 A voting exclusion statement. This does not apply if securityholders are to receive priority entitlement as part of a public offer and the notice of meeting states each of the following.

- (a) The priority entitlement is at least 10% of the offer or in another way, in ASX's opinion, that is fair and reasonable in all the circumstances.
- (b) The entity will limit the number of securities it issues to a holder of ordinary securities to the higher of 5% of all the securities being offered under the priority entitlement and the number the holder would be entitled to under a pro rata issue of all those securities.

7.3.9 In the case of an agreement for the allotment of securities which is part of a public offer, a voting exclusion statement in relation to a party to the agreement, and an adequate summary of the agreement.

Subsequent approval of an issue of securities

7.4 An issue of securities made without approval under rule 7.1 is treated as having been made with approval for the purpose of rule 7.1 if each of the following apply.

7.4.1 The issue did not breach rule 7.1.

7.4.2 Holders of ordinary securities subsequently approve it.

7.5 For the holders to approve the issue subsequently, the notice of meeting must include each of the following.

7.5.1 The number of securities allotted.

7.5.2 The price at which the securities were issued.

7.5.3 The terms of the securities.

7.5.4 The names of the allottees or the basis on which allottees were determined.

7.5.5 The use (or intended use) of the funds raised.

7.5.6 A voting exclusion statement.

SCHEDULE “B”

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation’s Statement of Corporate Governance Practices with reference to the Existing TSX Guidelines is set out below.

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
1. <i>Mandate of the Board</i>		
The board of directors of every corporation should explicitly assume responsibility for stewardship of the corporation.	Yes	The Board of Directors has assumed responsibility for the stewardship of the Corporation and has adopted a formal mandate (as described above) setting out its stewardship responsibilities.
<p>As part of the overall stewardship responsibility, the Board should assume responsibility for the following matters:</p> <p>(a) adoption of a strategic planning process;</p>	Yes	<p>In April 2003, the Board adopted a strategic planning process which involves, among other things, the following:</p> <p>(a) at least one meeting per year will be devoted substantially to review of strategic plans that are proposed by management;</p> <p>(b) meetings of the Board, at least quarterly, to discuss strategic planning issues, with and without members of management;</p> <p>(c) the Board reviews and assists management in forming short and long term objectives of the Corporation on an ongoing basis;</p> <p>(d) the Board also maintains oversight of management’s strategic planning initiatives through annual and quarterly budget reviews and approvals.</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		The strategic planning process adopted by the Board takes into account, among other things, the opportunities and risks of the business.
<p>(b) the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;</p> <p>(c) succession planning, including appointing, training and monitoring senior management;</p> <p>(d) a communication policy for the corporation;</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>In order to ensure that the principal business risks borne by the Corporation are identified and appropriately managed, the Board receives periodic reports from management of the Corporation's assessment and management of such risks. In conjunction with its review of operations which takes place at each Board meeting, the Board considers risk issues and approves corporate policies addressing the management of the risk of the Corporation's business.</p> <p>The Board takes ultimate responsibility for the appointment and monitoring of the Corporation's senior management. The Board approves the appointment of senior management and reviews their performance on an ongoing basis.</p> <p>The Corporation has a disclosure policy addressing, among other things, how the Corporation interacts with analysts and the public, and contains measures for the Corporation to avoid selective disclosure. The Corporation has a Disclosure Committee responsible for overseeing the Corporation's disclosure practices. This committee consists of the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and senior Corporate Communications and Investor Relations Department personnel,</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		and receives advice from the Corporation's outside legal counsel. The Disclosure Committee assesses materiality and determines when developments justify public disclosure. The committee will review the disclosure policy annually and as otherwise needed to ensure compliance with regulatory requirements. The Board reviews and approves the Corporation's material disclosure documents, including its annual report, annual information form and management proxy circular. The Corporation's annual and quarterly financial statements, Management's Discussion and Analysis and other financial disclosure is reviewed by the Audit Committee and recommended to the Board prior to its release.
(e) the integrity of the corporation's internal control and management information systems.	Yes	The Audit Committee has the responsibility to monitor and assess the integrity of the Corporation's internal controls and management information systems, review them with management and the Corporation's external auditors, and report to the Board with respect thereto.
<i>2/3. Composition of the Board</i>		
The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors.	Yes	At the date of this Circular, five of the nine members of the Board of Directors are "unrelated", as that term is defined in the Existing TSX Guidelines. The definitions under the Existing

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		<p>TSX Guidelines are as follows:</p> <p>- a director who is independent of management and is free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the directors ability to act with a view to the best interest of the company, other than interests and relationships arising from shareholding.</p> <p>A “related director” is a director who is not an unrelated director or is a member of management.</p>
<p>If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder.</p>	<p>Yes</p>	<p>The Existing TSX Guidelines define “significant shareholder” to mean a shareholder with the ability to exercise a majority of the votes for the election of the board of directors. The Corporation does not have a “significant shareholder” as so defined. However, the Chairman and the Chief Executive Officer of the Corporation holds approximately 37% of the Corporation’s voting securities as at the date of this Circular. The Corporation has five of nine directors who are “unrelated” (as defined under the Existing TSX Guidelines) to both the Corporation and its Chairman and Chief Executive Officer.</p>
<p>Disclose for each director whether he or she is related, and how that conclusion was reached.</p>		<p>Messrs. Friedland, Flood, Toll and Macken, as senior officers of the Corporation and/or one or more of its subsidiaries and members of management, are considered to be related directors.</p> <p>Messrs. Huberman, Weatherall, Faber, Hanson and Thygesen</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		<p>are considered to be unrelated directors, as defined in the Existing TSX Guidelines. The Board has determined that they are not members of and independent of management, and are free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with their ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from shareholdings. In addition, they are not currently and have not been within the last three years, officers, employees or material service providers to the Corporation or any of its subsidiaries or affiliates, or officers, employees or controlling shareholders of an entity that has a material business relationship with the Corporation.</p>
<p>4. <i>Nominating/Corporate Governance Committee</i></p>		
<p>The board of directors of every corporation should appoint a committee of directors composed exclusively of outside (i.e. non-management) directors, with the responsibility of proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.</p>	<p>Yes</p>	<p>The Board has a Nominating and Corporate Governance Committee consisting of Messrs. Huberman, Hanson, Weatherall and Thygesen, all of whom are outside unrelated directors. Mr. Huberman has been appointed as Chairman of the committee, in addition to being the Corporation's lead director. The full Board will determine, in light of the opportunities and risks facing the Corporation, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Corporation. Based on this framework, the Nominating and Corporate Governance Committee has</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		responsibility for approaching and proposing to the full Board new nominees to the Board, and for assessing directors on an ongoing basis.
5. <i>Board Assessment</i>		
<p>Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board, as a whole, the committees of the board and the contribution of individual directors.</p>	Yes	<p>The Nominating and Corporate Governance Committee is charged with the responsibility for developing and recommending to the Board, and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, on an annual basis. The Nominating and Corporate Governance Committee is continuing to develop an assessment process appropriate for the Board and each of its committees.</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
6. <i>Orientation and Education</i>		
<p>Every corporation, as an integral element of the process of appointing new directors, should provide an orientation and education program for new recruits to the board.</p>	<p>Yes</p>	<p>The Corporation takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including in particular the commitment of time and energy that the Corporation expects of its directors. New directors are provided with a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Corporation's business. Directors are provided with the opportunity to make site visits to the Corporation's properties. Management and outside advisors provide information and education sessions to the Board and its committees on a continuing basis as necessary to keep the directors up-to-date with the Corporation, its business and the environment in which it operates as well as with developments in the responsibilities of directors.</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
7. <i>Size and Composition of the Board</i>		
<p>Every board of directors should examine its size and undertake, where appropriate, a program to establish a board size which facilitates effective decision-making.</p>	<p>Yes</p>	<p>The directors of the Corporation have reviewed the size of the Board and believe that the current Board composition results in a balanced representation on the Board of Directors among management, unrelated directors and the Corporation's major shareholder. While the Board functions effectively, given the Corporation's stage of development and the size and complexity of its business, the Board, through its Nominating and Corporate Governance Committee, will continue to seek additional qualified candidates to augment its experience and expertise and to enhance the Corporation's ability to effectively develop its business interests. The Nominating and Corporate Governance Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continue to be of a size that facilitates effective decision-making.</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
8. <i>Compensation</i>		
<p>The board of directors should review the adequacy and form of compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.</p>	Yes	<p>Currently no fixed compensation is paid to directors of the Corporation for acting as such, except for Mr. David Huberman, who receives Cdn \$50,000 per annum for acting as the Lead Director of the board of directors. Directors of the Corporation are compensated primarily through the grant of stock options.</p> <p>The Board acts through its Compensation and Benefits Committee to review the adequacy and form of compensation of the directors and ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director. The members of the Compensation Committee are Messrs. Huberman, Thygesen and Hanson, who are all outside, unrelated directors.</p>
9. <i>Composition of Committees</i>		
<p>Committees of the board of directors should generally be composed of outside (i.e. non-management) directors, the majority of whom are unrelated directors, although some board committees may include one or more inside directors.</p>	Yes	<p>The Board of Directors has established three standing committees of directors (the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee), each of which is comprised entirely of outside unrelated directors.</p>
10. <i>Governance Committee</i>		
<p>Every board of directors should assume responsibility for, or assign to a committee of directors, the general responsibility for, developing the corporation's approach to governance issues.</p>	Yes	<p>The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board relating to the Corporation's approach to corporate</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
This committee would, among other things, be responsible for the corporation's response to the TSX Guidelines.		governance and the Corporation's response to the Existing TSX Guidelines.
11. Position Descriptions		
<p>The board of directors, together with the CEO, should develop position descriptions for the Board and for the CEO, including the definition of limits to management's responsibilities.</p> <p>In addition, the board should approve or develop the corporate objectives, which the CEO is responsible for meeting.</p>	<p>Yes</p> <p>Yes</p>	<p>The Board of Directors has adopted a formal mandate for the Board, as stated in Item 1, and is developing a formal position description for the CEO. The Board of Directors requires management to obtain the Board of Directors' approval for all significant decisions, including major financings, acquisitions, dispositions, budgets and capital expenditures. The Board of Directors expects management to keep it aware of the Corporation's performance and events affecting the Corporation's business, including opportunities in the marketplace and adverse or positive developments. The Board of Directors retains responsibility for any matter that has not been delegated to senior management or to a committee of directors.</p> <p>The Board of Directors is developing specific financial and business objectives for the Corporation, which will be used as a basis for measuring the performance of the CEO.</p>
12. Procedures to Ensure Independence		
Every board of directors should implement structures and procedures which ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) assign this responsibility to an	Yes	Mr. Friedland, the Corporation's Chief Executive Officer, currently serves as Chairman of the Board of Directors. The Board of Directors is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Corporation with the benefit of

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
<p>outside director, sometimes referred to as the “lead director”. The chair or lead director should ensure that the board carries out its responsibilities effectively which will involve the board meeting on a regular basis without management present and may involve assigning the responsibility for administering the board’s relationship to management to a committee of the board.</p>		<p>having a Chairman of the Board with extensive experience and knowledge of the Corporation’s business.</p> <p>The Board has created the position of lead director, with specific responsibility for maintaining the independence of the Board and ensuring that the Board carries out its responsibilities. Mr. Huberman, who also serves as chair of the Nominating and Corporate Governance Committee, serves as the Corporation’s lead director.</p> <p>The Nominating and Corporate Governance Committee also provides a forum without management being present to receive any expression of concern from a director, including a concern regarding the independence of the Board from management.</p> <p>The Board sets aside a portion of each regularly scheduled meeting to discuss any issues without management directors being present. In addition, all committees meet without management or related directors being present at the request of any directors.</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
13. <i>Composition of the Audit Committee</i>		
<p>The audit committee of every board of directors should be composed only of outside directors.</p>	Yes	<p>The Audit Committee is composed only of outside directors (as required by the Existing TSX Guidelines), all of whom are also unrelated directors.</p> <p>The Board has determined that all members of the Audit Committee are financially literate since each member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.</p>
<p>The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.</p>	Yes	<p>The mandate of the Audit Committee includes the overseeing of the Corporation's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Corporation's financial statements, monitoring the independence and performance of the Corporation's external auditors and acting as a liaison between the Board and the Corporation's auditors. The activities of the Audit Committee include reviewing the Corporation's interim financial statements and annual financial statements and Management's Discussion and Analysis, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
		<p>disseminated to shareholders, reviewing the results of audits and any change in accounting procedures or policies, and evaluating the performance of the Corporation's auditors.</p> <p>The Corporation has adopted an Audit Committee charter which codifies the mandate of the Audit Committee to, and specifically defines its relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Board will review and reassess the adequacy of the Audit Committee charter on an annual basis.</p>
<p>The audit committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate.</p>	<p>Yes</p>	<p>The Audit Committee has regular access to the Chief Financial Officer of the Corporation. The external auditors regularly attend all meetings of the Audit Committee. At each meeting of the Audit Committee, a portion of the meeting is set aside to discuss matters with the external auditors without management being present. In addition, the Audit Committee has the authority to call a meeting with the external auditors without management being present, at the Committee's discretion.</p>
<p>Audit Committee duties should include oversight responsibility for</p>	<p>Yes</p>	<p>The Audit Committee oversees management reporting on the</p>

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.		Corporation's internal controls and annually reviews management's system of internal control to ensure that it is effective.
15. External Advisors		
The board of directors should implement a system which enables individual directors to engage an outside advisor, at the expense of the company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.	Yes	Each committee is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Corporation provided that such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.