

IVANHOE

MINES
NEW HORIZONS

MAY 2003
SHAREHOLDERS'
UPDATE



**UNLOCKING
THE GOBI'S TREASURE CHEST**

A camel train, a modern-day link with ancient traditions of enterprise, exploration and discovery, treks through winter snow in Mongolia's north-western Gobi region.

The stony plains around TURQUOISE HILL, known regionally as OYU TOLGOI, in Mongolia's Great Gobi region, just north of the border with China, are half a world away from the promontories and icebergs of VOISEY'S BAY, on Canada's Atlantic coast. During the past year, though, a growing number of investors in IVANHOE MINES have come to appreciate parallels between the landmark mineral discoveries at TURQUOISE HILL and VOISEY'S BAY, each of which now is recognized as a giant in the global mining industry's yearbooks.

IVANHOE MINES was founded and infused with capital and ambition in the days of stock market enthusiasm for mining equities that was fuelled in large part by DIAMOND FIELDS RESOURCES' discovery of one of the world's largest nickel deposits at VOISEY'S BAY in the mid-1990s. IVANHOE was launched and guided in part by people who were at the centre of the successful exploration and sale of the VOISEY'S BAY deposit, which produced a CDN\$4.3 billion payday for DIAMOND FIELDS' shareholders in 1996.

To distinguish itself, IVANHOE raised its sights to new horizons in Asia.

**TURQUOISE HILL:
A GOLD AND COPPER GIANT**

The quest eventually led Ivanhoe to Mongolia's largely unexplored southern Gobi region. An exploration initiative to test the deeper zones of the TURQUOISE HILL mineral system produced the spark of initial discovery in July, 2001. In quick succession, a comprehensive exploration program during 2002 drilled more than

200 holes that built success upon success. The result is the establishment of TURQUOISE HILL as one of the world's largest known deposits of gold and copper mineralization.

By early 2003, independent experts had verified that IVANHOE'S discovery at TURQUOISE HILL contains an estimated nine million ounces of gold and 22.3 billion pounds of copper within an inferred resource of 1.6 billion

"We are reviewing a range of options that will accomplish our goals of bringing Turquoise Hill into production and strengthening Ivanhoe's balance sheet."

tonnes grading 0.63% copper and 0.17 grams of gold per tonne at a 0.30% copper equivalent cut-off grade. In addition, the project contains 509 million tonnes of indicated resources grading 0.40% copper and 0.59 g/t gold, containing approximately 9.7 million ounces of gold and 4.5 billion pounds of copper. We are keeping the drills turning 24 hours a day and our discovery keeps getting



larger. By the end of the first quarter of 2003, exploration had revealed a new, extremely high-grade zone that extended the strike length of OYU TOLGOI to greater than five kilometres — and the discovery remains wide open for significant expansion.

**WEIGHING DEVELOPMENT
OPTIONS**

The people and science behind TURQUOISE HILL are making IVANHOE'S founding dream a reality. Exploration advances during the past 18 months have brought our development of the TURQUOISE HILL discovery to the scoping study and pre-feasibility stage.

The scale and significance of our discovery have prompted approaches by the largest international mining companies and Asian government agencies. Many of these parties are keenly interested in participating in, and assisting with, the development of TURQUOISE HILL and the newly recognized Mongolian mineral province.

We are reviewing a range of options that will accomplish our goals of bringing TURQUOISE HILL into production and strengthening IVANHOE'S balance sheet.

We recently established a top-flight international engineering, construction and project management group that gives us the essential expertise we will require if we opt to develop the deposit on our own. The group, directed by Chief Operating Officer Paul Chare, is being assisted by an alliance of AMEC E&C Services Limited, of Canada, and Ausenco Limited, of Australia, and includes GRD Minproc Limited and SRK Consulting, of Australia. The group is based in Perth, a business hub for Australia's advanced mining industry, and is in the same time zone as Central Mongolia — facilitating synchronized work hours for IVANHOE'S project teams in Ulaanbaatar and Perth.

Preliminary internal scoping studies indicate that the project's location is more advantageous than comparable large-scale porphyry projects in other parts of the world.

We are designing the TURQUOISE HILL mine to be world class in every respect, including environmental design and operation. Our work already has created hundreds of skilled jobs in Mongolia, for Mongolians, and community support initiatives will continue to be an extension of our operational planning at all of our projects. We intend to design and build a mine that will qualify for ISO 14001 environmental certification, the same international standard achieved by our joint-venture copper mine in Myanmar.

**CONFIDENCE,
INVESTMENT AND VALUE**

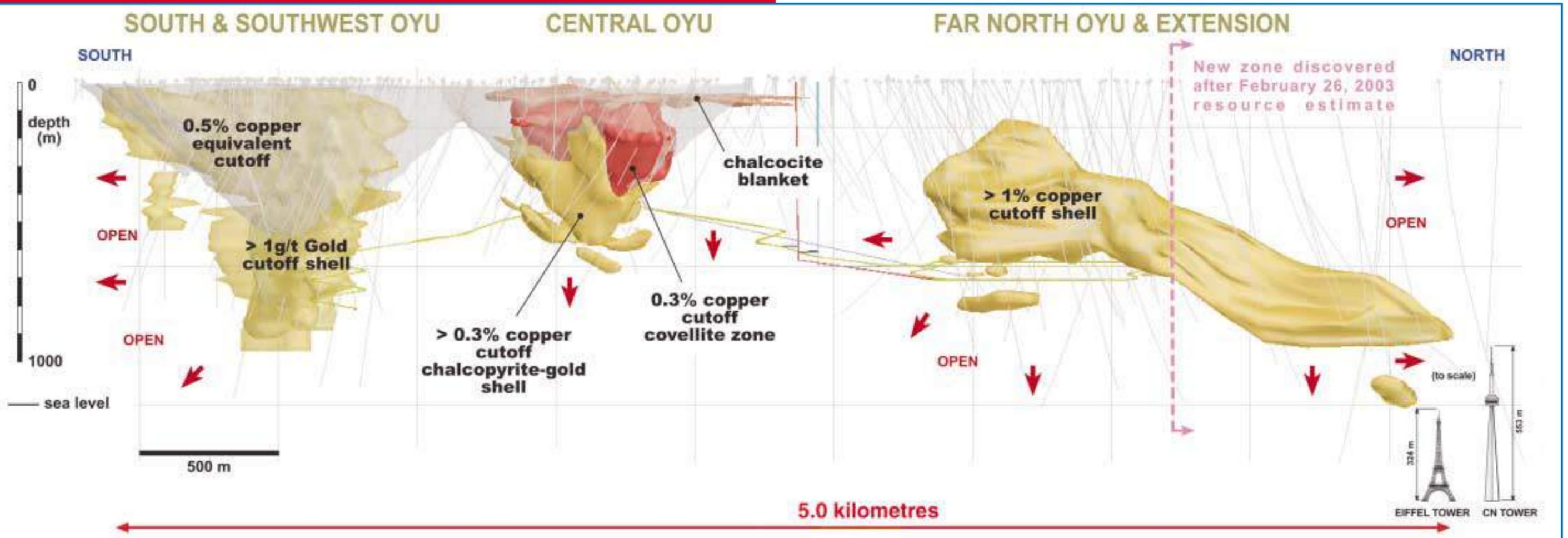
Discoveries of this magnitude are great confidence builders. History has shown that a major mineral discovery can dramatically raise the fortunes of a company and build great value that is shared by the discoverer's investors.

Based on our continuing strong exploration results, we have raised approximately US\$160 million in equity financings since our discovery hole first revealed the gold and copper porphyry system at TURQUOISE HILL in July, 2001. These funds were committed by institutional investors who visited our Mongolian projects and saw first-hand the potential that exists within our company. We are in

IVANHOE'S EXPANDING INTERESTS IN MONGOLIA



NEW INDEPENDENT ESTIMATE OF MINERAL RESOURCES



IVANHOE'S DISCOVERY AT TURQUOISE HILL (OYU TOLGOI) IN MONGOLIA'S SOUTHERN GOBI RANKS AMONG THE WORLD'S LARGEST GOLD AND COPPER DEPOSITS

As reported February 26th, 2003, four co-genetic copper and gold deposits discovered by IVANHOE along a 4.5-kilometre-long zone at TURQUOISE HILL, Mongolia, contain:

- Estimated inferred resources totalling 1.60 billion tonnes grading 0.63% copper and 0.17 grams of gold per tonne, containing approximately 22.2 billion pounds of copper and 9.0 million ounces of gold, at a 0.30% copper-equivalent cut-off grade.
- PLUS 509 million tonnes of indicated resources grading 0.40% copper and 0.59 grams of gold per tonne, containing approximately 4.5 billion pounds of copper and 9.7 million ounces of gold.

Following the release of the updated resource estimate Feb. 26, Ivanhoe announced on March 31 that it had discovered a new zone of high-grade copper-gold mineralization at the Far North Zone, extending the length of the TURQUOISE HILL deposit to more than five kilometres.

Indicated and inferred resources based on a 0.30% copper equivalent cut-off *1

Zone	Tonnes	Gold Grade (g/t)	Copper Grade (%)	Gold (million ounces)	Copper (billion pounds)
Southwest Zone					
Indicated	508,900,000	0.59	0.40	9.69	4.54
Inferred	290,776,000	0.50	0.32	4.70	2.03
South Zone					
Inferred	270,283,000	0.13	0.39	1.10	2.35
Central Zone					
Inferred	236,795,000	0.18	0.67	1.36	3.51
Far North Zone					
Inferred	804,450,000	0.07	0.81	1.80	14.39
Total Indicated	508,900,000	0.59	0.40	9.69	4.54
Total Inferred	1,602,304,000	0.17	0.63	8.96	22.28

*1. Copper equivalent cut-off grades calculated using assumed metal prices (US\$0.80/lb. for copper and US\$350/oz. for gold); %Cu eq. = %Cu + Au (g/t) x (11.25/17.64). Resource classifications conform to CIM Standards on Mineral Resources and Reserves referred to in NI 43-101.

excellent financial shape to fund our ongoing exploration and development programs.

HALLMARKS OF A NEW MINERAL PROVINCE

We believe that we are on the threshold of other new discoveries that could confirm that Mongolia is one of the world's largest natural storehouses of copper and gold.

The rapid unfolding of the TURQUOISE HILL discovery has thrust Mongolia's South Gobi region into the spotlight as the world's most prospective new mineral province.

While our success so far has been tremendously satisfying, we think the best may be yet to come. IVANHOE has key exploration rights within the South Gobi region covering more than 90,000 square kilometres — comparable to the size of Austria, or the great state of Indiana — that will host other major copper-gold discoveries.

Mongolia is a unique country. Visitors returning to Mongolia after absences of a year or more often remark on the positive changes in the country's economic outlook. The people of Mongolia have worked hard to transform their nation into a stable political democracy with a Western-style, free-market system. Foreign investment is growing, encouraged particularly by the introduction of a progressive mining law, based on practices in the U.S., Australia and Canada that provide important incentives and safeguards to new mining investments.

DOORSTEP OF WORLD'S BIGGEST COPPER IMPORTER

The South Gobi is one of the best places in the world to find a copper and gold mine. TURQUOISE HILL is just 80 kilometres

north of the Chinese-Mongolian border, placing it right on the doorstep of the world's biggest copper importer. China has approximately 50 principal copper smelters and the industry now depends heavily on imported concentrate shipped from as far away as Peru, Canada and Australia.

The copper market in China is expected to continue its remarkable growth for the foreseeable future. IVANHOE is ideally positioned to satisfy a significant portion of that demand. Consumer spending and urban growth powered by China's huge

“History has shown that a major mineral discovery can dramatically raise the fortunes of a company and enhance the value that is shared by the discoverer's investors”

population base and demographics are keeping manufacturing plants humming. Infrastructure investment in the transportation, telecommunications and energy sectors also is a key element of China's economic growth. IVANHOE is continuing discussions with senior Chinese government officials who are closely following the progress of our projects.

To further position IVANHOE to capitalize on opportunities available in the mining industry in China, IVANHOE has acquired a major stake in Pacific Minerals, a Canadian company that is exploring several precious and base metals projects in China. IVANHOE has the right to acquire up to 80% of Pacific Minerals' interests in all of Pacific's projects in China, and currently owns approximately 37% of the issued shares of Pacific.

MONYWA COPPER EXPANSION EXPECTED

We are optimistic that expansion at the MONYWA COPPER PROJECT in Myanmar will begin soon.

The expansion, contingent on securing external project financing, will involve a series of staged expansions of the LETPADAUNG DEPOSIT — considered one of the world's best undeveloped copper deposits. When completed, production of LME Grade A cathode copper at MONYWA will increase from the current level of around 28,000 tonnes per year to approximately 130,000 tonnes per year. The current S&K Mine, which has been in production since 1998, recorded a US\$6 million operating profit in 2002. The mine now has repaid approximately two-thirds of its original US\$90 million loan obtained to develop the project.

IVANHOE owns a 50% interest in the MONYWA operation.

SAVAGE RIVER IMPROVES

The SAVAGE RIVER iron ore mine in Australia had an improved performance in 2002, with iron ore pellet production up 6%, to 2.14 million tonnes. Pellet sales rose to 2.27 million tonnes, compared with 1.83 million tonnes in 2001. The iron ore operations recorded a US\$15.7 million net profit in 2002, which included an operating profit of US\$6.6 million — an increase of 81% over the previous year — plus a gain on settlement of debt of US\$32.5 million and an asset write-down of US\$18 million.

The mine's operator, GOLDAMERE PTY. LTD., our indirect, 100%-owned subsidiary, has worked hard during the past two



years to restructure the SAVAGE RIVER mine plan and financing obligations. The restructuring initiatives have positioned the mine to take advantage of an improved global demand for iron ore pellets, which should lead to stronger financial performances in coming years.

IVANHOE's share of sales revenue from its various mining operations throughout Asia and Australia increased to us\$87 million in 2002, up from us\$75 million in 2001.

GETTING IT RIGHT

IVANHOE's most notable achievements during the past year generally can be attributed to our exploration strategy that, results demonstrate, is one of the most successful of its kind in the international mining business. Throughout Asia, we are continuing to discover new mineral deposits that we expect will sustain our growth well into the future.



Robert M. Friedland
CHAIRMAN AND PRESIDENT



R. Edward Flood
DEPUTY CHAIRMAN

We have operating mines that are generating profits and our presence in Mongolia, China, Australia and Myanmar has enabled us to take advantage of growth opportunities in those key markets.

Our progress, and our success at TURQUOISE HILL, could not have been accomplished without the commitment and support of our shareholders, customers, employees, partners and suppliers, and the ongoing encouragement of the governments of Mongolia and China.

Our mission is about creating value for our shareholders and the people of the countries that host our efforts. We will continue to focus on the tasks at hand, expanding our discoveries and building world-scale, low-cost copper and gold production to create wealth. We are determined to do it right.



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IVN TSX & ASX

52-week high / low:
CDN\$3.78 / CDN\$2.00.

Shares issued
as of April 8, 2003:
226.6 million.

Market capitalization:
approx. CDN\$800 million.

NOTE: The information in this Update was current as of April 8, 2003, and should be read in conjunction with the company's financial statements for the year ended December 31, 2002. Statements in this letter that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors identified in Ivanhoe Mines' periodic filings with Canadian and Australian Securities Regulators. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Douglas Kirwin, Ivanhoe Mines' Senior Vice-President, Exploration, and a "Qualified Person" as defined by National Instrument 43-101 of the Canadian Securities Administrators, oversees the company's exploration programs and has reviewed the technical information contained within this Update.