



August 10, 2007

## **IVANHOE MINES ANNOUNCES Q2 2007 RESULTS**

**Singapore** — Ivanhoe Mines today announced its results for the second quarter of 2007 (Q2'07). All figures are in US dollars, unless otherwise stated.

### **MONGOLIA**

#### **Oyu Tolgoi Investment Agreement currently being considered by Mongolia's National Parliament**

On April 10, 2007, after several months of negotiations, Ivanhoe Mines and its strategic partner, Rio Tinto, announced that they had reached agreement in principle with the Mongolian Government's Working Group on a draft Investment Agreement designed to stabilize tax and fiscal issues and guide the planned development and long-term operation of the Oyu Tolgoi copper-gold project in Mongolia's South Gobi Region.

Following a Cabinet review in June 2007, the draft Investment Agreement was duly presented to Mongolia's State Great Hural (National Parliament) in July 2007. Consideration and approval by the National Parliament of the Investment Agreement is expected to be the final step in the process being conducted in accordance with the revised Minerals Law enacted by Parliament last year.

The Parliament's Standing Committee on Economics discussed the draft agreement on August 6 and 7. The Parliament has extended its spring session into August, but no date for the adjournment of the current session has been announced. Ivanhoe Mines — with the encouraging public support of its Mongolian employees and suppliers and contractors — has expressed its concern to all the Members of Parliament, the Government's Cabinet and the President about potential adverse impacts on the cost and timing for the project that would result from any further delays in the parliamentary approval process. Ivanhoe will monitor the deliberations of the National Parliament and continue to assess the implications for the Oyu Tolgoi development schedule.

The draft Investment Agreement also remains subject to approvals by the Ivanhoe Mines and Rio Tinto boards of directors.

#### **Oyu Tolgoi Development Activities**

Site preparation continued during the quarter, positioning the project to commence full construction following final approval of the Investment Agreement. Activities on site focussed on the sinking of Shaft No. 1, pre-sinking of Shaft No. 2, excavation for the concentrator building and enlargement of the construction camp facilities.

Shaft No. 1, the first deep underground development project of its type in Mongolia, was below the 1,170-metre mark at the end of July 2007 and sinking is expected to be completed in October 2007. Shaft No. 1, with a planned depth of more than 1,300 metres, will allow for additional exploration of the Oyu Tolgoi high-grade underground deposits and also will provide initial production, and ultimately ventilation, to the underground mine. The expected completion of Shaft No. 1, together with the horizontal exploration tunnels, will provide access to the Hugo Deposit, enabling the company to

complete its geotechnical assessment that is required to advance the underground deposit to a feasibility level, a milestone currently expected to be reached in 2008.

Work continued on Shaft No. 2, which is planned to be the initial primary underground production and service shaft at Oyu Tolgoi. Site work completed this quarter included finishing the pre-sink to a depth of 26 metres and mobilizing the workforce to construct the shaft liner. Engineering work is continuing on schedule. An order was placed for the production hoist for Shaft No. 2 in June 2007.

During the second quarter, the excavation of the concentrator building was completed. Excavation work now is commencing on the thickener site. Concentrator engineering reached 61% completion at the end of June 2007. Nine items of concentrator equipment were released for manufacture on July 1, 2007 to maintain the project's schedule.

Work also continued on the temporary facilities during Q2'07. Two existing accommodation camps were refurbished and are now ready for occupancy by the construction crews. The combined capacity is 1,000 beds, increasing the construction camp capacity to approximately 1,500 beds. Planning for the mobilization of the construction crew continued throughout the quarter.

Infrastructure engineering progressed during Q2'07 as well. Work began on the boiler house and conceptual work continued on the Oyu Tolgoi village and the truck shop. The contract for the road to China was issued to bidders in June 2007.

Discussions are well advanced with a preferred supplier for the open-pit mining equipment to ensure that the equipment is available in time to meet an anticipated late-2009 or 2010 production start.

### **Oyu Tolgoi Strategic Planning**

In Q2'07, the joint Ivanhoe Mines–Rio Tinto mine planning team completed its strategic review of the mining options available in the high-grade Hugo North deposit. It was determined the highest value mine plan would come from mining the Hugo North Deposit in two large block-caving lifts similar to the original plan outlined in the 2005 Integrated Development Plan (2005 IDP). This plan has been further optimized by avoiding early dilution from the large granodiorite dyke that runs through the western edge of the high-grade zone of Hugo North until the second lift, thus keeping the grades higher initially during lift 1 and early lift 2 production. This work, together with the detailed engineering for plant and infrastructure and previous open-pit planning, will be updated and incorporated into the Integrated Development Plan (2007 IDP) that is scheduled to be released in the second half of 2007.

### **Ongoing drilling at Oyu Tolgoi and Javkhlant (Entrée Gold—Ivanhoe Mines' earn-in joint-venture property immediately south of Oyu Tolgoi)**

Ivanhoe Mines completed approximately 15,227 metres of drilling on the Oyu Tolgoi Project during Q2'07, including exploration on the Entrée Gold-Ivanhoe Mines' earn-in joint-venture property, Javkhlant, which adjoins Oyu Tolgoi on the southwest boundary.

On the Oyu Tolgoi property, geotechnical drilling has characterized the East Bat fault on the eastern boundary of the Hugo North Deposit to a pre-feasibility level and currently is testing the northern boundary fault at the northern end of the Hugo North Deposit. Sterilization drilling was completed under the primary infrastructure sites in Q1'07 and now has started under the site of the proposed coal-fired power plant in the southwest corner of the Oyu Tolgoi property.

On the Javkhlant joint-venture property, widely-spaced diamond drilling is ongoing with three rigs at the Sparrow South target, a 3,000-metre-long IP anomaly approximately three kilometres southwest

of the south-western end of South West Oyu. Results indicate similar stratigraphy and copper and gold mineralization distal to the South West Oyu deposits, but starting at greater depths and in a structurally complex environment. Drilling is continuing in search of higher grades and a better understanding of the complex geology.

### **Other copper-gold exploration projects in Mongolia**

Ivanhoe Mines' exploration activities during Q2'07 focused on the Kharmagtai project where a 5,100-metre diamond-drilling program commenced in mid-May. Drill targets were defined by the 65-line-kilometre dipole-dipole IP survey carried out at Kharmagtai in the previous quarter. A 3D-IP program also is underway over the central Kharmagtai deposits. A total of 2,870 metres over seven holes had been drilled by the end of Q2'07; the earlier holes focused on targets in the Basin, Tsagaan Sudal, Duck and West Chun prospects. Drilling in the basin included one hole on a large, circular magnetic anomaly located two kilometres east of the main deposits. The magnetic anomaly is 500 metres in diameter, beneath 30 metres of colluvium cover, and associated with strong chargeability from a depth of 200 metres. The drill hole intercepted 48 metres @ 0.34 g/t gold and 0.13% copper. The alteration and high gold/copper ratio is similar to the main deposits; further drilling is required to test this large anomaly.

BHP Billiton Exploration (BHPB) work on the Falcon JV area included dipole-dipole IP surveys and drilling on various targets, with no significant results to date. BHPB had spent approximately \$8.1 million by the end of May and has met its earn-in commitment of \$8.0 million. Geophysics and drilling by BHPB is on hold in the JV area until the participation terms of the joint venture are finalized.

Reconnaissance exploration by Ivanhoe Mines is also underway on various other targets outside the BHPB joint venture area, including the Maanit Owoo prospect in the Tsagaan Suvarga area.

## **AUSTRALIA**

### **Cloncurry IOCG Project expanding exploration**

Ivanhoe Mines' recent exploration at the Cloncurry project has discovered a series of related iron-oxide-copper-gold (IOCG) systems, with associated uranium. Since January 2007, Ivanhoe Mines has increased its exploration efforts at Cloncurry and early results have been encouraging.

**Swan Prospect.** In Q2'07, 16 diamond core holes were drilled at the Swan Prospect, totalling 10,931 metres. This drilling has continued to expand the northern zone of deep mineralization at Swan. Six drill rigs currently are located at Swan. The next stage of drilling at Swan will continue testing the northwest strike extent, and commence drilling the Swell Elliott mineralization to the east of Swan with a view to establishing the relationship between the Swan and Elliott deposits.

**Amethyst Castle Prospect.** Copper, gold and uranium are hosted in a widespread, large-scale breccia body in the Amethyst Castle area. Ivanhoe Mines has identified the presence of uranium and the IOCG-style of mineralization and has carried out magnetic, conductivity, IP and gravity surveys.

The drill results indicate a large breccia structure containing pods of high-grade gold, copper and uranium that requires further investigation. To explore this prospect, further deep dipole-dipole IP is planned for August, as well as drilling to the northeast.

**Metal Ridge.** Aircore drilling over the western portion of this prospect has identified a zone of higher copper values associated with a gravity feature striking north-easterly from Amethyst Castle across to Metal Ridge. Deep IP is planned in the next quarter.

**Uranium Prospects.** In addition to the IOCG prospects identified above, Ivanhoe's Cloncurry Project hosts a significant number of uranium exploration prospects, including Robert Heg, Elizabeth Anne, Great Wall and Dairy Bore. Drilling on Robert Heg totalled 1,676 metres of diamond coring, with five holes drilled. Uranium was encountered in chloritic shear zones and low-grade, possibly disseminated uranium within sections of the granite and calc silicate country rock. Secondary uranium minerals were seen on many fracture planes as coatings that were easily washed off during core cutting and drilling. This problem will be addressed in future core handling procedures. The drill results re-affirm the results obtained by the early Rio Tinto drilling in 1991.

At Elizabeth Anne, a program of aircore drilling detected anomalous copper, lead and uranium, while rock-chip samples highlighted the presence of strong secondary uranium minerals seen in ironstone outcrops associated with this prospect.

Gravity and aircore drilling was completed over the Dairy Bore prospect, with assay results confirming a correlation between copper magnetics and gravity features. This target is expected to be an IOCG-style of mineralization, with drilling to follow a further detailed mapping program.

Further mapping over the northern tenements will be completed in 2007 and this will define additional drill targets.

Ivanhoe Mines is continuing to assess financing alternatives for Cloncurry.

### **Bakyrchik Gold Project**

The mine facilities remained on care-and-maintenance status during Q2'07. During Q2'07, the main contracts for the construction of the Pilot Roasting Plant were signed and advance payments made.

Ivanhoe Mines continues to work at improving the integrity of the geological information at the Bakyrchik mine in preparation for more detailed studies. As part of this preparation, Ivanhoe Mines recently employed consultants to provide a detailed laser scan digital terrain model of the existing open pits and immediate mine area to enable more accurate planning of any possible future open pit mining.

Ivanhoe Mines is continuing to assess financing alternatives for the project.

### **Ivanhoe Mines' Coal Division merges with SouthGobi Energy Resources**

On May 1, 2007, Ivanhoe Mines and SouthGobi announced that the Government of Mongolia had completed the transfer of all 35 coal exploration licences held by Ivanhoe Mines in the South Gobi region of Mongolia. On May 28, 2007, the coal transaction received final approval from the TSX Venture Exchange. SouthGobi completed the purchase by issuing to Ivanhoe Mines 57.0 million common shares and 25.6 million preferred shares. The common shares issued to Ivanhoe Mines, when aggregated with Ivanhoe Mines' existing holding of common shares, represent approximately 87% of the total number of SouthGobi common shares currently issued and outstanding.

SouthGobi has commenced a major exploration program on six separate coal projects in Mongolia's South Gobi Region. Mobilization of drills, crews and camps was started in May 2007. The programs are a combination of:

- New greenfields exploration at Tavan Tolgoi.
- Determination of structure and quality on identified coal occurrences.

- Infill drilling on defined projects (Ovoot Tolgoi and Tsagaan Tolgoi).
- Additional resource definition at Ovoot Tolgoi Extension and Ovoot Tolgoi Underground.
- Greenfields exploration.

The Ovoot Tolgoi coal resources are contained in two separate fields, the South-East Field and the West Field. On August 8, 2007, SouthGobi announced that it has filed a formal application for a Mining Licence for the development of an open-pit coal mine at Ovoot Tolgoi. The Geological Resource Report for Ovoot Tolgoi was approved by the Mongolian Government's Resource Committee on August 6, 2007. In May 2007, the project's Detailed Environmental Impact Assessment (DEIA) was approved by the Mongolian Government's Ministry of Environment.

SouthGobi has commissioned Norwest Corporation to complete a Pre-Feasibility Study on Ovoot Tolgoi. The study is expected to be completed by the end of Q3'07 and will be an enhancement of two earlier Scoping Studies. This report will be used to fulfill the legal requirement to file a technical and economical study with applicable Mongolian authorities within 60 days of receiving a mining licence. Mining equipment has been evaluated and is ready for order, pending formal mining licence approval. Site facilities have been designed and also are awaiting official licence approval.

Further drilling in the Ovoot Tolgoi Extension will focus on gaining a better geological, structural and quality understanding of the coal resources from identified coal occurrences on two different fields.

In June 2007, Norwest completed a study of Ovoot Tolgoi's underground mining potential in a furtherance of SouthGobi's plans for the potential development of Ovoot Tolgoi's underground coal seams, which has been prompted by increasing demand for high-quality metallurgical and thermal coal from Northern China. The Ovoot Tolgoi Underground project requires further drilling, expected to take place through to December 2007, to establish a basis for resource delineation.

## **CHINA**

### **Inner Mongolia and Northern China exploration**

Reconnaissance field exploration continued in western Inner Mongolia and elsewhere in Northern China during the second quarter of 2007, consisting of existing private tenement and surrounding unlicensed area assessments. The aim of the program is the acquisition of semi-advanced, high-quality projects and licensing of new areas with mineralization potential. The program consists of continuing data compilations, systematic rock-chip and channel sampling and trench re-sampling of existing tenements and new surrounding target areas.

### **Gold Production Commences at Jinshan's 120,000-ounce per year CSH 217 Gold Mine**

On July 31, 2007, Jinshan Gold Mines Inc. (Jinshan) announced the pouring of the first 500-ounce gold doré bar at the CSH 217 Gold Mine in Inner Mongolia, China. The pouring marked the start of production at the mine, which is expected to produce an average of approximately 120,000 ounces per year once full production is achieved over the next few months.

A drilling program at the CSH 217 Gold Mine that commenced in late spring is designed to potentially delineate additional mineralization along strike, to infill zones with Inferred resources and bring them up to the Indicated category, and to expand other mineralized zones that remain open or untested. The drilling program recently has been increased to approximately 8,000 metres, up from the originally planned 5,000 metres. Once this drilling is complete, an updated resource estimate will be commissioned and is expected by the end of 2007.

An expansion study, expected to be completed by the end of 2007, is underway to determine the potential to scale up the mine to approximately 180,000 ounces per year. Ivanhoe Mines owns approximately 44% of the issued shares of Jinshan.

## **REVIEW OF OPERATIONS**

Ivanhoe Mines is engaged primarily in exploration activities, although a significant portion of its expenditures relate directly to development activities at its Oyu Tolgoi Project in Mongolia. Exploration costs are charged to operations in the period incurred and often constitute the bulk of the Company's operating loss for that period. It is expected that the Company will commence capitalizing costs of this nature once an Investment Agreement is finalized with the Government of Mongolia. In Q2'07, Ivanhoe Mines recorded a net loss of \$74.2 million (or \$0.20 per share), compared to a net loss of \$40.3 million (or \$0.12 per share) in Q2'06. The \$33.9 million increase in the loss from 2006 to 2007 was primarily due to a \$35.4 million increase in exploration expenses. Included in exploration expenses are shaft sinking and engineering and development costs for the Oyu Tolgoi Project that have been expensed and not capitalized. Results for the quarter also were affected by a \$1.7 million increase in interest income, a \$2.0 million increase in foreign exchange gains less a \$0.8 million decrease in income from discontinued operations.

Ivanhoe's results for the first six months of 2007 are contained in the unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and Ivanhoe's website at [www.ivanhoemines.com](http://www.ivanhoemines.com).

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## **QUALIFIED PERSONS**

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Disclosure of a scientific or technical nature in this MD&A in respect of each of the following projects of Ivanhoe Mines was prepared by or under the supervision of the "qualified persons" (as that term is defined in NI 43-101) listed below:

Mongolia – other copper and gold exploration projects: Douglas Kirwin, an employee of Ivanhoe Mines.

Australia – Cloncurry Project: James Heape, an employee of a subsidiary of Ivanhoe Mines.

## SELECTED QUARTERLY DATA

(\$ in millions of U.S. dollars, except per share information)

	Quarter Ended			
	Jun-30	Mar-31	Dec-31	Sep-30
	2007	2007	2006	2006
Exploration expenses	(\$79.1)	(\$53.5)	(\$70.4)	(\$67.3)
General and administrative	(\$5.9)	(\$5.2)	(\$8.9)	(\$6.9)
Share of income from investment held for sale	\$0.0	\$0.4	\$7.4	\$9.0
Foreign exchange gains (losses)	\$6.7	\$0.8	(\$3.7)	(\$0.4)
Net (loss) from continuing operations	(\$78.7)	(\$55.4)	(\$73.5)	(\$68.0)
Income from discontinued operations	\$4.6	\$8.6	\$4.8	\$1.5
Net (loss)	(\$74.2)	(\$46.8)	(\$68.7)	(\$66.5)
Net (loss) income per share				
Continuing operations	(\$0.21)	(\$0.15)	(\$0.21)	(\$0.20)
Discontinued operations	\$0.01	\$0.02	\$0.01	\$0.00
Total	(\$0.20)	(\$0.13)	(\$0.20)	(\$0.20)

  

	Quarter Ended			
	Jun-30	Mar-31	Dec-31	Sep-30
	2006	2006	2005	2005
Exploration expenses	(\$43.7)	(\$31.6)	(\$41.7)	(\$30.5)
General and administrative	(\$6.0)	(\$6.4)	(\$4.2)	(\$5.7)
Share of income (loss) from investment held for sale	(\$2.4)	\$4.5	(\$0.5)	\$8.0
Foreign exchange gains (losses)	\$4.7	(\$0.2)	(\$0.4)	\$7.1
Net (loss) from continuing operations	(\$45.7)	(\$31.1)	(\$49.8)	(\$20.6)
Income from discontinued operations	\$5.4	\$7.9	\$7.9	\$6.4
Net (loss)	(\$40.3)	(\$23.2)	(\$41.8)	(\$14.3)
Net (loss) income per share				
Continuing operations	(\$0.14)	(\$0.10)	(\$0.16)	(\$0.07)
Discontinued operations	\$0.02	\$0.03	\$0.03	\$0.02
Total	(\$0.12)	(\$0.07)	(\$0.13)	(\$0.05)

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**Forward-Looking Statements** Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the “safe harbor” provisions of the *United States Private Securities Litigation Reform Act of 1995*. Forward-looking information and statements are typically identified by words such as “anticipate,” “could,” “should,” “expect,” “seek,” “may,” “intend,” “likely,” “plan,” “estimate,” “believe” and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting anticipated business activities; planned expenditures; corporate strategies; proposed acquisitions and dispositions of assets; discussions with third parties respecting material agreements; the expected timing and outcome of Ivanhoe Mines’ discussions with representatives of the Government of Mongolia for an Investment Agreement in respect of the Oyu Tolgoi Project; the estimated timing and cost of bringing the Oyu Tolgoi Project into commercial production; anticipated future production and cash flows; target milling rates; the impact of amendments to the laws of Mongolia and other countries

in which Ivanhoe Mines carries on business; the timing for completion of the 2007 IDP and changes in mine plan contemplated thereunder; the timing of commencement of full construction of the Oyu Tolgoi Project; the completion of an updated mine plan for the Ovoot Tolgoi Project;; and other statements that are not historical facts.