

## **IVANHOE MINES ANNOUNCES Q1 2007 RESULTS**

### **Agreement in principle reached on draft Investment Agreement for Oyu Tolgoi. Mongolian coal transaction nears finalization**

**Singapore** — Ivanhoe Mines today announced its results for the first-quarter of 2007 (Q1'07). All figures are in US dollars, unless otherwise stated.

The principal event to date in 2007 for Ivanhoe Mines occurred on April 10 when 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 for the development of the Oyu Tolgoi copper-gold project in Mongolia's South Gobi Region.

The draft agreement remains subject to review and approval by the Cabinet of the Mongolian Government and the National Parliament and the settlement of definitive documentation. The draft agreement also is subject to review and approval by the boards of directors of Ivanhoe Mines and Rio Tinto.

Detailed information will be released when appropriate, subject to approval of the draft agreement by the Mongolian Government's Cabinet.

### **Oyu Tolgoi Development Activities**

Site preparation during the quarter continued, ensuring that the project will be in a position to commence full construction in July 2007. Activities on site are focussed on the sinking of Shaft No. 1, preliminary work on Shaft No. 2, excavation for the concentrator building and development of the water-supply bore field.

Shaft No. 1, the first deep underground development project of its type in Mongolia, passed the 1,000-metre milestone mark in early May 2007. Shaft No. 1, with its planned depth of more than 1,300 metres, will allow for additional exploration of the Oyu Tolgoi underground mine and also will provide initial production, and ultimately ventilation, to the underground mine. The completion of Shaft No. 1 will provide the key geotechnical information required to advance the underground deposit to a feasibility level, a milestone currently expected to be reached in 2008.

Work is well underway on Shaft No. 2, which is planned to be the initial primary underground production and service shaft at Oyu Tolgoi. Work completed in 2006 involved shaft engineering and surface infrastructure. Work now has commenced on pre-sinking and a decision to mobilize crews for collar construction is expected shortly. Engineering work is continuing on schedule. An order was placed for the auxiliary hoist for Shaft No. 2 in January, 2007, and bids are being sought for the main friction hoists to allow for the expected start of full construction in July 2007.

The joint Ivanhoe Mines–Rio Tinto mine planning team completed a significant amount of study work on the Hugo North ore body during the first quarter of 2007 to ascertain the best base case for the development of this high-grade resource. This work, together with the detailed engineering for plant

and infrastructure and previous open-pit planning, will be updated and incorporated in the Integrated Development Plan (2007 IDP) to be released in the second half of 2007.

### **Oyu Tolgoi resources expanded with ongoing drilling program**

Ivanhoe Mines completed approximately 20,650 metres of drilling on the Oyu Tolgoi Project during Q1'07, including exploration on the adjoining Entrée Gold-Ivanhoe Mines earn-in joint venture properties, Shivee Tolgoi and Javkhlant. Significant geotechnical drilling is being conducted to bring the geotechnical characterization to a pre-feasibility level in the Hugo Dummett North Deposit, as well as for a starter block cave or a sub-level cave. Sterilization drilling was completed under the primary crusher site, the route of the conveyor system and the water supply pipeline across the Shivee Tolgoi property. Drilling also was conducted on the Southern Oyu Wedge Deposit to follow up previously discovered high-grade copper-gold mineralization located on the east side of the zone. By the end of the quarter, two drill rigs were operating on the Javkhlant concession, exploring a 3,000-metre-long gradient array IP anomaly referred to as the Sparrow South target. A third rig will be added to the Javkhlant program soon.

Drilling at the Sparrow South target, located approximately three kilometres southwest of the southwestern end of South West Oyu, has intersected stratigraphy similar to the late-Devonian host rocks of South West Oyu, including conglomeratic formations with highly mineralized, rounded clasts and late-stage chalcopyrite mineralization cutting the matrix of the conglomerate. This suggests that a high-grade, copper-gold deposit existed in the proximity of the IP target that had been exposed to erosion late in the mineralization period. Drilling will continue in Q2'07, with the objective being the location of the source of the high-grade cobbles and the IP chargeability anomaly.

Geotechnical drilling intended to further define the geotechnical characteristics of the Hugo North Deposit and the Northwest Boundary Fault was completed in Q1'07. Two geotechnical holes are being drilled on the eastern side of Hugo North to assess the geotechnical characteristics of the East BAT fault, which parallels the eastern margin of the deposit and may influence future development decisions on the Hugo North Deposit.

## **COAL PROJECTS**

### **Ivanhoe Mines' Coal Division being merged with Asia Gold**

In the second quarter of 2006, Ivanhoe Mines announced a plan to transfer the Company's Mongolian Coal Division to Asia Gold Corp. in exchange for approximately 82.6 million shares of Asia Gold. This transaction was approved by the minority shareholders of Asia Gold on August 8, 2006. Closing of the transaction is subject to the fulfillment of certain conditions precedent, including completion of the transfer of certain mineral exploration licences in Mongolia.

On May 1, 2007, Ivanhoe Mines and Asia Gold announced that the Government of Mongolia had completed the transfer of all 35 coal exploration licences held by Ivanhoe Mines in the South Gobi area of Mongolia. All of the material conditions precedent to the closing now have been satisfied. The transaction is expected to close after Asia Gold's Annual General Meeting on May 25, 2007, at which time Asia Gold's shareholders will be asked to authorize a change of Asia Gold's corporate name to SouthGobi Energy Resources Ltd. to more accurately reflect Asia Gold's strategic focus of integrated coal and energy development in Mongolia's South Gobi region. The proposed name change is subject to regulatory approval. If the name change is approved, SouthGobi Energy Resources will trade on the TSX Venture Exchange under the trading symbol SGQ.

Ivanhoe Mines is Asia Gold's largest shareholder, currently owning approximately 44% of Asia Gold's outstanding shares. Upon the closing of the transaction, Ivanhoe Mines will own approximately 90% of the issued and outstanding shares of Asia Gold.

### **Mining Licence Application Process Underway for Ovoot Tolgoi Project**

The Nariin Sukhait coal project has been renamed Ovoot Tolgoi to differentiate Ivanhoe Mines' coal exploration and development project in Mongolia's South Gobi Province from the adjoining Nariin Sukhait coal mine owned by a Mongolian-Chinese joint venture company, MAK/Qinhua.

In April 2007, Ivanhoe Mines initiated the formal process for obtaining a Mining Licence for development of a surface open-pit coal mine at Ovoot Tolgoi. As required by the Minerals Law of Mongolia, Ivanhoe Mines filed a Detailed Environmental Impact Assessment (DEIA) and a Geological Resource Report for the Ovoot Tolgoi property.

In May 2007, the DEIA for the Ovoot Tolgoi coal project was approved by the Mongolian Government's Ministry of Environment and, following receipt of the Government approval of the Geological Resource report, Ivanhoe Mines will formally file for a mining licence to commence development and operation.

According to the Minerals Law, mining licences in Mongolia are granted for a 30-year term, with accompanying rights to two 20-year extensions. Such mining licenses provide broad-based rights to the licensee, including the rights to mine and conduct further exploration within the mining claim, sell mineral products at international market prices, transfer all or part of the mining licence, construct necessary structures to carry out mining activities, pass through adjacent land and land owned or possessed by other persons and use land and water in compliance with applicable laws.

## **AUSTRALIA**

### **Ivanhoe Australia Enters into Investment Agreement with Exco Resources**

On May 9, Ivanhoe Mines' 100%-owned subsidiary, Ivanhoe Australia, announced that it had entered into a private placement investment in, and a joint-venture agreement with, Exco Resources NL. Exco is an Australian mineral exploration company listed on the Australian Stock Exchange. Exco holds extensive exploration tenements in the Cloncurry copper, uranium and gold region in northwest Queensland and the White Dam gold project in South Australia.

Ivanhoe Australia's investment and joint venture with Exco significantly expands Ivanhoe Mines' exploration presence in the highly prospective Cloncurry region in the Mt. Isa District.

The private placement consists of 26.4 million Units at a price of A\$0.30 per Unit, for a cost of A\$7.9 million. Each Unit consists of one common share and 0.8 share purchase warrants. One full share purchase warrant allows Ivanhoe Australia to purchase, subject to Exco shareholders' approval, one Exco common share at a price of A\$0.35 on, or before, June 1, 2008. If all the warrants are exercised, the total investment will be \$A15.3 million and will result in Ivanhoe Australia holding approximately 19.9% of Exco's common shares.

The second part of the investment is an exploration joint venture on approximately 785 square kilometres of Exco's 100%-owned tenements located south of the Kuridala tenements, which form the northern part of Ivanhoe Australia's 2,140-square-kilometre Cloncurry copper, uranium and gold project. The terms of the joint venture call for Ivanhoe Australia to spend A\$5 million over three years to earn an 80% interest in Exco's tenements. The joint venture expands and consolidates Ivanhoe Australia's exploration land position around its current Cloncurry Project.

## **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, some of which have associated uranium. Since January 2007, Ivanhoe Mines has increased its exploration efforts at Cloncurry and early results have been encouraging.

**Swan Prospect.** In Q1'07, 11 holes were drilled at the Swan Prospect, totalling 5,000 metres. This drilling has continued to expand the northern zone mineralization at Swan. In addition, drilling into the western footwall has located a new mineralization branch trending to the northwest. The outlines of the Swan, Swell, Elliott and Corbould mineral zones demonstrate a relationship between the gravity data results and the copper, uranium and gold mineralization. Future target areas, interpreted from gravity data results, have not been previously drilled and open up a large area for potential mineralization.

**Amethyst Castle Prospect.** Copper, gold and uranium are hosted in a widespread, large-scale breccia body in the Amethyst Castle area. Ivanhoe Mines identified the presence of uranium and the IOCG-style of mineralization and has carried out magnetic, conductivity, IP and gravity surveys. In 2006, 14 reverse-circulation (RC) drill holes and six diamond drill (DD) holes were completed. In 2007, a further three DD holes tested intersections discovered in 2006. In January 2007, 1,250 metres were completed, with Holes 7, 8 and 9 testing previous intersections in Holes 6 and 3.

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, as well as drilling to the northeast.

**Metal Ridge and Metal Ridge North.** The diamond and RC drill program that commenced in late 2006 was completed in January 2007. Thirteen holes were drilled, totalling 4,560 metres, with 660 metres of diamond drilling and 400 metres of RC completed to date in 2007.

No large intersections of mineralization were located during this drilling; however copper, lead, zinc and uranium values were scattered through the core, with traces of molybdenum. The uranium is present as a high background with a strong presence in several holes.

**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 has begun on Robert Heg and Elizabeth Anne. Additional drilling programs are planned in 2007 on the Dairy Bore, Elizabeth Anne, Great Wall and Robert Heg prospects. An additional 20 targets that were defined by the airborne survey completed in November 2006 are awaiting ground survey inspection prior to drilling.

## **ASSETS HELD FOR SALE**

As part of the negotiation of the Rio Tinto strategic partnership that was announced in October 2006, Ivanhoe Mines agreed to divest all of its business interests and assets in Myanmar, including its indirect interest — held through its Monywa subsidiary — in the Monywa Copper Project. On February 27, 2007, Ivanhoe relinquished ownership of the Monywa subsidiary to an independent third-party trust (the Trust), pending their sale. The sole purpose of the Trust is to sell the assets to one or more arm's-length third parties. Ivanhoe Mines has divested itself of ownership in the Monywa Copper Project and Ivanhoe's only interest in the Trust is as an unsecured creditor under a promissory note

— issued by the Trust on the transfer of the Myanmar assets — that is to be repaid once the assets are sold.

Upon transfer of the Myanmar assets to the Trust in February 2007, Ivanhoe Mines ceased accounting for its investment in the Monywa Copper Project under the equity method due to an inability to exercise significant influence. The investment now is accounted for under the cost method.

## **EXECUTIVE CHANGES**

Bret Clayton, Rio Tinto's Chief Executive Copper, was appointed to Ivanhoe's board of directors at the company's Annual General Meeting on May 11, 2007.

Mr. Clayton is Chief Executive of Rio Tinto Copper, based in London. Mr. Clayton provides management oversight to the Copper group, which comprises Kennecott Utah Copper and Kennecott Minerals Company in the US, and interests in the copper mines of Escondida in Chile, Grasberg in Indonesia, Northparkes in Australia and Palabora in South Africa, as well as the Oyu Tolgoi copper-gold partnership with Ivanhoe Mines in Mongolia, the Resolution copper project in the US and the La Granja copper project in Peru.

During his 13-year career with the Rio Tinto Group, Mr. Clayton has held numerous senior management positions, including Head of Financial Planning and Reporting for Rio Tinto plc in London and General Manager, Commercial, and Chief Financial Officer for Hamersley Iron and Rio Tinto Iron Ore in Perth, Australia. He also was President and CEO of Rio Tinto Energy America, based in Gillette, Wyoming, where he was responsible for all North American energy-related business of Rio Tinto Energy, with a primary focus on coal. Mr. Clayton spent nine years at PricewaterhouseCoopers auditing and consulting to the U.S. mining industry before he joined the Rio Tinto group.

Mr. Clayton succeeds Tom Albanese as Rio Tinto's representative on the Ivanhoe Board. Mr. Albanese, who served on Ivanhoe's board since November, 2006, was recently appointed as Rio Tinto's Chief Executive.

## **REVIEW OF OPERATIONS**

In Q1'07, Ivanhoe Mines recorded a net loss of \$46.8 million (or \$0.13 per share), compared to a net loss of \$23.2 million (or \$0.07 per share) in Q1'06. The \$23.6 million increase in the loss from 2006 to 2007 was primarily due to a \$21.9 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. Exploration costs are charged to operations in the period incurred and often constitute the bulk of the Company's operations loss for that period. It is expected that the Company will commence capitalizing costs of this nature once an Investment Agreement is finalized. Results for the quarter also were affected by a \$3.4 million increase in interest income, a \$1.0 million increase in foreign exchange gains, a \$0.7 million increase in income from discontinued operations, less a \$1.2 million decrease in general and administrative costs and a \$4.0 million decrease in share of income from investment held for sale.

Ivanhoe's results for the first three 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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**SELECTED QUARTERLY DATA**


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

	Quarter Ended			
	Mar-31 2007	Dec-31 2006	Sep-30 2006	Jun-30 2006
Exploration expenses	(\$53.5)	(\$70.4)	(\$67.3)	(\$43.7)
General and administrative	(\$5.2)	(\$8.9)	(\$6.9)	(\$6.0)
Share of income (loss) from investment held for sale	\$0.4	\$7.4	\$9.0	(\$2.4)
Foreign exchange gains (losses)	\$0.8	(\$3.7)	(\$0.4)	\$4.7
Net (loss) from continuing operations	(\$55.4)	(\$73.5)	(\$68.0)	(\$45.7)
Net income from discontinued operations	\$8.6	\$4.8	\$1.5	\$5.4
Net (loss)	(\$46.8)	(\$68.7)	(\$66.5)	(\$40.3)
Net (loss) income per share				
Continuing operations	(\$0.15)	(\$0.21)	(\$0.20)	(\$0.14)
Discontinued operations	\$0.02	\$0.01	\$0.00	\$0.02
Total	(\$0.13)	(\$0.20)	(\$0.20)	(\$0.12)

	Quarter Ended			
	Mar-31 2006	Dec-31 2005	Sep-30 2005	Jun-30 2005
Exploration expenses	(\$31.6)	(\$41.7)	(\$30.5)	(\$35.5)
General and administrative	(\$6.4)	(\$4.2)	(\$5.7)	(\$4.2)
Share of income (loss) from investment held for sale	\$4.5	(\$0.5)	\$8.0	\$7.8
Foreign exchange gains (losses)	(\$0.2)	(\$0.4)	\$7.1	\$1.7
Net (loss) from continuing operations	(\$31.1)	(\$49.8)	(\$20.6)	(\$31.1)
Net income from discontinued operations	\$7.9	\$7.9	\$6.4	\$5.9
Net (loss)	(\$23.2)	(\$41.8)	(\$14.3)	(\$25.2)
Net (loss) income per share				
Continuing operations	(\$0.10)	(\$0.16)	(\$0.07)	(\$0.10)
Discontinued operations	\$0.03	\$0.03	\$0.02	\$0.02
Total	(\$0.07)	(\$0.13)	(\$0.05)	(\$0.08)

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**Forward-Looking Statements:** This document includes forward-looking statements. Forward-looking statements include, but are not limited to statements concerning the timing of commencement of full construction on the Oyu Tolgoi Project, statements concerning estimates of the planned development and engineering at the Oyu Tolgoi Project, statements concerning 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, statements relating to the completion of licence transfers and the closing of the sale of the Mongolian Coal Division to Asia Gold, statements relating the name change of Asia Gold to SouthGobi Energy, statements relating to mine planning and exploration on the Mongolian coal projects, statements relating to future exploration at the Cloncurry Project, statements relating to the continued advancement of Ivanhoe Mines' projects and other statements which are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Ivanhoe believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are disclosed under the heading "Risk Factors" and elsewhere in the company's periodic filings with Canadian and US securities regulators.