

Mongolian government's approval process for Ivanhoe Mines' Oyu Tolgoi copper-gold project falsely and misleadingly represented in Globe and Mail story July 28, 2005

Statement by Ivanhoe Mines' Chairman Robert Friedland

ULAANBAATAR, MONGOLIA — In what appears to be becoming an annual event, newspaper reporter Geoffrey York, of the Toronto-based Globe and Mail, again has ignored the truth and misrepresented events associated with Ivanhoe's Oyu Tolgoi copper-gold mine development project in Mongolia's South Gobi region.

The selective inclusion and omission of information related to the ongoing review and approval process established by the Mongolian government, errors of fact and gratuitous innuendo in Mr. York's story published in The Globe and Mail's Report on Business on July 28 cannot help but misinform and mislead investors.

The following examples are based on a preliminary review of The Globe story:

- The Globe account falsely characterizes the Mongolian government's appointment of a review committee of independent experts as a "new challenge" to Ivanhoe's plans to develop the Oyu Tolgoi mine. The World Bank already has completed one review of a model-form stability agreement. Ivanhoe would welcome the role of informed advisers. It is absurd and alarmist for The Globe to portray this review as a "roadblock" that will "impose further delays" in the approval process.
- Ivanhoe believes that if the government feels it is necessary to obtain independent evaluation of the stability agreement the document will be seen to be fair and balanced and conforming with the present framework of the law.
- I specifically advised Mr. York: "I have been saying for approximately two years that we are in a long-term effort to get everything right about the project. The project has continued to grow as a living organism. We have not yet submitted our Integrated Development Plan to the Mongolian Government."
- The Globe falsely claimed that I stated in an Ivanhoe news release on July 5 that the stability agreement "could be completed by the end of the summer." I said no such thing. The Ivanhoe release "noted" that Mongolian Prime Minister Elbegdorj had been quoted in a Bloomberg news report as stating that the agreement could be finalized by the end of summer. The Globe knew the truth, but conveniently ignored the fact that the statement was made by Mongolia's Prime Minister, not Ivanhoe.

- The Globe knew, and failed to report, that a statement was issued this week by the Mongolian government, through its Mineral Resources and Petroleum Authority, which declared that the government did not agree with a July 22 Dow Jones news report that claimed that a delay in concluding a stability agreement would postpone the start of mining at Oyu Tolgoi. The Globe had a copy of the MRPAM statement, which said, in part, that the Dow Jones report “does not reflect the views of the Government of Mongolia, which considers the said Stability Agreement to be concluded as a benchmark, model text for all large-scale mining projects in Mongolia, and which requires serious and earnest consideration in on-going negotiations.”
- The Globe knew, and failed to report, that one month ago the cabinet of the Mongolian government rejected a suggestion that mineral royalty rates be sharply increased. Contrary to the Globe report, the finance ministry did not submit a draft tax bill.
- The Globe falsely suggests that demands for 50% state ownership of Oyu Tolgoi and other mining projects were supported by a consequential number of members of parliament. The notion of nationalization has no credible support in Mongolia today — and it was never even a consideration before the government’s cabinet.

Again, The Globe ignored the government statement issued earlier this week that said, in part: “The Government of Mongolia views that the mining sector plays a primary role in boosting the economic growth of the country, and wishes to emphasize that the preservation of a stable and predictable legal environment is essential to creating a favorable environment to attract foreign direct investment.”

- The Globe misleadingly claimed that the extent of the copper and gold resources at Oyu Tolgoi are a matter of my belief. The truth, ignored by the Globe, is that the resources are independently verified by the internationally respected AMEC engineering group. AMEC’s reports, complying with the requirements of National Instrument 43-101, are a matter of public record. It is AMEC’s findings, based on its detailed examination of Ivanhoe’s exploration drilling results, which I accept.
- The Globe falsely claimed that Ivanhoe is planning to spend US\$3 billion to “develop” the Oyu Tolgoi mine. The truth, a matter of public record, is that the mine will require an initial capital investment of approximately \$1 billion to put into production. Even with overheads, contingencies and associated owner’s costs, the figure will be only approximately \$1.25 billion. It is ridiculous, for example, to count \$1 billion in sustaining investment projected over the 40-year life of the mine as a development cost.

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