



IVANHOE
MINES

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**EXPLORATION DRILLING ENCOUNTERS STRONG PORPHYRY
GOLD AND COPPER MINERALIZATION AT KHARMAGTAI PROJECT
IN MONGOLIA**

ULAANBAATAR, MONGOLIA --- Ivanhoe Mines' Chairman Robert Friedland and Executive Vice-President, Exploration, Douglas Kirwin announced today that the company's exploration drilling has intercepted strong gold and copper porphyry mineralization at the Kharmagtai project in Mongolia's South Gobi region. The drilling confirms the discovery of high-grade, porphyry-hosted, gold and copper mineralization similar in style to the high-grade zones at the company's Turquoise Hill Discovery, 120 kilometres to the south.

Ivanhoe has completed two diamond-drill holes at the Kharmagtai copper-gold porphyry target.

KH001 was drilled to a depth of 426.4 metres (dip 45°) and intersected a broad zone of porphyry-style alteration and halo mineralization within and adjacent to the host monzodiorite intrusive.

KH002 was subsequently drilled to a depth of 182.4 metres (dip 45°). It intersected 64 metres grading 2.49 g/t gold and 1.21% copper at a down-hole depth of between 76 and 140 metres, including 12 metres grading 4.41 g/t gold and 1.62% copper.

A third hole, KH003, located approximately 160 metres from KH002 and sited over one of many magnetic and induced polarization (IP) anomalies at Kharmagtai, is currently beyond 270 metres in depth. **KH003 has intersected significant widths of altered and mineralized monzodiorite intrusive beginning at a down-hole depth of 7.5 metres. Mineralization consists of quartz veining with visible chalcopyrite, pyrite and rare native copper with associated strong magnetite, secondary biotite and tourmaline alteration similar to that encountered in KH002.** KH003 is targeting the extension of the mineralization intercepted in KH002 and is intended to give some indication of the geometry of the mineralized body.

Kharmagtai is part of a highly mineralized area that includes the Turquoise Ridges (Ovoot Hyar) licence. Within these licences four copper-gold porphyry targets --- Kharmagtai, Stockwork Hill, Chun and Turquoise Ridges (Ovoot Hyar) --- and a sediment-hosted gold target --- OV3 --- have been defined. A map showing the location of the targets is on Ivanhoe's website at www.ivanhoemines.com. Recent trench sampling

has encountered visible gold in altered sediments and jasperoid mineralization at the OV3 prospect. Visible gold also has been observed within quartz stockwork mineralization at the Stockwork Hill and Chun prospects. It is anticipated that further porphyry targets will be identified as field mapping and trenching continues and the geophysical data is further interpreted.

"Our exploration program has confirmed three high-priority, porphyry quartz-stockwork gold/copper mineralized intrusive systems within a 20-square-kilometre area at the Kharmagtai district," Mr. Kirwin said. "All three targets have alteration and style of mineralization that are the same as those we've observed in the Southwest Oyu Zone at Turquoise Hill. The very high gold-to-copper ratios encountered in KH002 are typical of those at Turquoise Hill's Southwest Oyu high-grade zone."

Kharmagtai's gold and copper/gold targets were initially identified by earlier Mongolian, Russian and Japanese geological expeditions. These targets were further delineated in a preliminary drilling and trenching program conducted in the mid- to late 1990s by Quincunx Gold Exploration (now named QGX Ltd.). QGX's exploration included 18 widely-spaced diamond holes totalling 3,730 metres, 9,000 rock samples, 4,000 soil samples, 19 kilometres of trenching and 240 kilometres of magnetic surveying, all of which clearly defined the anomalous and widespread nature of the porphyry system being evaluated today.

Ivanhoe acquired the project last year and has subsequently identified several new targets. In March, 2002, Ivanhoe acquired all of QGX's exploration data in exchange for a 10% interest in the Kharmagtai exploration licence.

Ivanhoe's exploration work within the Kharmagtai and Turquoise Ridges licences includes detailed geological mapping and rock chip sampling, more than 5,400 line kilometres of ground magnetics and 1,900 line kilometres of induced polarization. The company also has completed approximately 8,000 metres of excavator trenching at Kharmagtai, Turquoise Ridges and OV3.

Ivanhoe recently discovered potentially significant, sediment-hosted gold mineralization, within an alteration system measuring approximately 3.0 kilometres by 1.5 kilometres and associated with a large induced polarization anomaly, at OV3, approximately 15 kilometres west of the current drilling at the Kharmagtai prospect. Mechanical trenching at OV3 is ongoing and drilling is expected to begin in the second half of July. A detailed update on the company's exploration results on this promising gold prospect will be issued shortly.

Ivanhoe has planned a multi-rig drilling program to explore its vast land holdings within Mongolia's South Gobi porphyry belt, which compares favourably in size and style of mineralization to several of the world's most productive copper-gold porphyry districts. Ivanhoe holds mineral rights to more than 51,600 square kilometres (19,900 square miles) in Mongolia, most of which is within the South Gobi porphyry belt. Other high-priority targets within the belt that Ivanhoe plans to drill-test this year include Shuteen,

Oyut Ulaan, Chandman Uul, Oyut Ovoo and Saran Uul. Given the size and strength of these targets, and given that porphyry deposits often occur in clusters, Ivanhoe is optimistic that its exploration will lead to additional gold and copper discoveries.

Successful results from the planned drilling program could lead to the development of a world-scale mining province. One of the key advantages of the South Gobi is its flat terrain and close proximity to China, the world's largest copper importer.

TURQUOISE HILL -- EXPLORATION DRILLING ONGOING

At the Turquoise Hill Project, Ivanhoe's exploration program is continuing to delineate and expand this significant gold and copper porphyry discovery. Six rigs are currently drilling and 12 additional rigs will begin arriving later this month, leading to 18 rigs being employed by Ivanhoe in the Gobi. An update on the drilling progress being made on the large Central Zone, located approximately 1,000 metres north of the Southwest Discovery Zone, is planned for late-July.

As announced on May 29, 2002, the inferred resource in the Southwest Oyu Zone, at a cut-off grade of 0.50% copper equivalent, is 469 million tonnes grading 0.70 grams of gold per tonne and 0.48% copper, containing 10.6 million ounces of gold and almost 5.0 billion pounds of copper. The updated inferred resource estimate was prepared by AMEC E&C Services Limited, in accordance with Canadian regulatory requirements set out in National Instrument 43-101. Ivanhoe will continue to update the resource estimate at Turquoise Hill on approximately a quarterly basis as exploration progresses and results are analyzed.

Douglas Kirwin, a qualified person as defined by National Instrument 43-101, supervised the preparation of the technical information in this release. All samples were analyzed by SGS Analabs Pty. Ltd. at its facility in Ulaanbaatar, Mongolia.

Ivanhoe shares are traded on the Toronto and Australian stock exchanges under the symbol IVN.

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Forward-Looking Statements:

Statements in this release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risk Factors" and elsewhere in the corporation's periodic filings with Canadian Securities Regulators. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The company does not assume the obligation to update any forward-looking statement.