

Form 51-102F3

Material Change Report

1. **REPORTING ISSUER**

Ivanhoe Energy Inc.
Suite 654, 999 Canada Place
Vancouver, British Columbia
V6E 3E1

2. **DATE OF MATERIAL CHANGE**

May 18, 2011

3. **PRESS RELEASE**

The press release was issued on May 18, 2011 and was disseminated through the facilities of recognized newswire services. A copy of the press release was filed on SEDAR.

4. **SUMMARY OF MATERIAL CHANGE**

Ivanhoe Energy Inc. (the “**Company**”) announced that it has entered into an agreement to sell, on a bought deal basis to a syndicate of underwriters led by TD Securities Inc., \$50,000,000 principal amount of 5.75% convertible unsecured subordinated debentures (the “**Debentures**”) at a price of \$1,000 per Debenture (the “**Public Offering**”). The Company has also granted the underwriters an over-allotment option to purchase up to an additional \$7,500,000 aggregate principal amount of Debentures at the same price exercisable in whole or in part at any time for a period of 30 days following closing.

The Company intends to sell, on a private placement basis, up to \$25,000,000 principal amount of additional Debentures to certain directors, officers and insiders of the Company and selected financial institutions and other accredited investors on the same terms as the Public Offering. These Debentures will be subject to a four month hold period.

5. **FULL DESCRIPTION OF MATERIAL CHANGE**

The Company announced that it has entered into an agreement to sell, on a bought deal basis to a syndicate of underwriters led by TD Securities Inc., \$50,000,000 principal amount of Debentures by way of a Public Offering at a price of \$1,000 per Debenture. The Company has also granted the underwriters an over-allotment option to purchase up to an additional \$7,500,000 aggregate principal amount of Debentures at the same price exercisable in whole or in part at any time for a period of 30 days following closing.

The Company intends to sell, on a private placement basis, up to \$25,000,000 principal amount of additional Debentures to certain directors, officers and insiders of the Company and selected financial institutions and other accredited investors on the same terms as the Public Offering. These Debentures will be subject to a four month hold period.

The Debentures will mature on June 30, 2016 and will bear interest at an annual rate of 5.75% payable semi-annually on the last day of June and December of each year, commencing December 31, 2011. At the holder’s option, the debentures may be converted into common shares of the Company (“**Shares**”) at any time prior to the close of business on the earlier of June 30, 2016 and

the business day immediately preceding the date specified by the Company for redemption of the Debentures. The conversion price will be \$3.36 per Share (the “**Conversion Price**”), subject to adjustment in certain circumstances, including the declaration of dividends.

The Debentures will not be redeemable before June 30, 2014. On and after June 30, 2014 and prior to the maturity date, the Debentures may be redeemed in whole or in part from time to time at the Company’s option, provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price.

The Company will use the net proceeds of the offerings for repayment of the \$40 million Convertible Promissory Note due to Talisman Energy Canada on July 11, 2011 and for general corporate purposes.

The offerings are expected to close on or about June 9, 2011 and are subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals.

6. **RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102**

Not applicable.

7. **OMITTED INFORMATION**

No information has been intentionally omitted from this form.

8. **EXECUTIVE OFFICER**

The name and business number of the executive officer of the Company who is knowledgeable of the material change and this report is:

Jerry Schiefelbein
19th Floor, 101 – 6th Avenue SW
Calgary, Alberta
T2P 3P4

Telephone: (403) 263-8088

9. **DATE OF REPORT**

DATED at Calgary, Alberta this 3rd day of June, 2011.