IVANHOE MINES
NEW HORIZONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

DATED: NOVEMBER 13, 2015

INTRODUCTION

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ivanhoe Mines Ltd. ("Ivanhoe" or the "Company"), for the three and nine months ended September 30, 2015, which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and the audited consolidated financial statements of Ivanhoe for the years ended December 31, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures stated herein are in U.S. dollars, unless otherwise specified. References to "C$" mean Canadian dollars.

The effective date of this MD&A is ***November 13, 2015***. Additional information relating to the Company is available on SEDAR. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, including without limitation, the timing and results of: (i) a pre-feasibility study (PFS) at the Kamoa Project in early 2016; (ii) statements regarding the date that construction of the first set of Kamoa twin declines is expected to commence; (iii) statements regarding the declines having been designed to intersect the high-grade copper mineralization in the Kansoko Sud area; (iv) statements regarding further drilling at Kakula; (v) statements regarding the construction of a concrete roadway, drains and de-watering sumps in the Kamoa Project box cut; (vi) statements regarding the projected depth of Shaft 1 at the Platreef Project in 2018 and the timing of the commencement of Shaft 2 development; (vii) statements regarding the operational and technical capacity of Shaft 1; (viii) statements regarding the internal diameter and hoisting capacity of Shaft 2 (ix) statements regarding peak water use of 10 million litres per day at the Platreef Project and development of the Pruissen Pipeline Project; (x) statements regarding the completion of a new resource estimate at the Platreef Project in 2015; (xi) efforts to upgrade historical resource estimates at the Kipushi Project; (xii) the de-watering program at the Kipushi Project; (xiii) statements regarding the completion of the Kipushi Project Environmental, Social and Health Impact Assessment (ESHIA) baseline study and (xiv) statements regarding the timing, size and objectives for completion of drilling and other exploration programs for 2015 and future periods; (xv) statements regarding the completion of installation and repair works at the Mwadingusha power plant in Q4 2015.

Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect the Company's current expectations regarding future events, performance and results and speak only as of the date of this MD&A.

As well, the results of the preliminary economic assessment of the Kamoa Project and the pre-feasibility study of the Platreef Project constitute forward-looking information, and include future estimates of internal rates of return, net present value, future production, estimates of cash cost, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Kamoa and Platreef Projects, the Company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include: (i) the adequacy of infrastructure; (ii) geological characteristics; (iii) metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper, nickel, platinum, palladium, rhodium and gold; (vi) the availability of equipment and facilities necessary to complete development; (vii) the cost of consumables and mining and processing equipment; (viii) unforeseen technological and engineering problems; (ix) accidents or acts of sabotage or terrorism; (x) currency fluctuations; (xi) changes in regulations; (xii) the availability and productivity of skilled labour; (xiii) the regulation of the mining industry by various governmental agencies; and (xiv) political factors.

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the Company's projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that ultimately may prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on: (i) fluctuations in copper, nickel, platinum group elements (PGE), gold or other mineral prices; (ii) results of drilling; (iii) metallurgical testing and other studies; (iv) proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licenses.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risk Factors", as well as unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts with the Company to perform as agreed; social or labour unrest; changes in commodity prices; and the failure of exploration programs or studies to deliver anticipated results or results that would justify and support continued exploration, studies, development or operations.

Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below in the "Risk Factors" section beginning on page 35 and elsewhere in this MD&A.

REVIEW OF OPERATIONS

Ivanhoe Mines is a mineral exploration and development company. The Company's financial performance is primarily affected by ongoing exploration and development activities being conducted at its three material properties. The Company has no producing properties and does not have operating revenues. The Company expects to fund all of its exploration and development activities through debt and equity financing until operating revenues commence. The Company's material properties consist of:

- The Kamoa Copper Project, based on development of a planned mine on the Company's copper discovery in a previously unknown extension of the Central African Copperbelt in the Democratic Republic of Congo. (See "*Kamoa Project*".)

- The Platreef Project, with construction of a planned mine now underway on the Company's discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Complex. The South African beneficiaries of a broad-based, black economic empowerment structure have a 26% stake in the Platreef Project and the remaining 10% is owned by a Japanese consortium of ITOCHU Corporation and its affiliate, ITC Platinum Development Ltd.; Japan Oil, Gas and Metals Corporation; and Japan Gas Corporation. (See "*Platreef Project*".)

- The Kipushi Project, involving the confirmation and expansion of resources at the historic, high-grade Kipushi zinc, copper and germanium mine, also on the Copperbelt in the DRC, which now are being drilled and upgraded by Ivanhoe following its acquisition of a majority interest in the mine in 2011. Kipushi was operated by previous owners between 1924 and 1993. (See "*Kipushi Project*".)

KAMOA PROJECT

The Kamoa Project is a very large, stratiform copper deposit with adjacent prospective exploration areas within the Central African Copperbelt, approximately 25 kilometres west of the town of Kolwezi and about 270 kilometres west of Lubumbashi. Ivanhoe has agreed to sell a 49.5% share interest in Kamoa Holding Limited (Kamoa Holding), the Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, to Zijin Mining Group Co., Ltd (Zijin) for an aggregate consideration of $412 million. The purchase price will be satisfied by an initial payment of $206 million in cash upon the closing of the transaction. The agreements specify that the remaining $206 million will be paid in five equal instalments, payable every 3.5 months from closing.

In addition, Ivanhoe has agreed to sell 1% of its share interest in Kamoa Holding to Crystal River Global Limited (Crystal River) for $8.32 million – which Crystal River will pay through a non-interest-bearing, 10-year promissory note.

A 5%, non-dilutable interest in the Kamoa Project was transferred to the DRC government on September 11, 2012, for no consideration, pursuant to the DRC Mining Code. Ivanhoe also has offered to transfer an additional 15% interest to the DRC government on terms to be negotiated.

Kamoa is the world's largest undeveloped, high-grade copper deposit. On January 17, 2013, an updated mineral resource estimate was issued that increased Kamoa's Indicated Mineral Resources to a total of 739 million tonnes grading 2.67% copper and containing 43.5 billion pounds of copper. This was an increase of 115% over the previous estimate, prepared in September 2011, of 348 million tonnes grading 2.64% copper and containing 20.2 billion pounds of copper. Both estimates used a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

In addition to the Indicated Resources, the updated estimate included Inferred Mineral Resources of 227 million tonnes grading 1.96% copper and containing 9.8 billion pounds of copper, also at a 1.0% copper cut-off grade and a minimum vertical mining thickness of three metres.

At a higher, 2.0% copper cut-off grade, Kamoa's Indicated Resources total an estimated 550 million tonnes grading 3.04% copper and containing 36.9 billion pounds of copper. At the 2.0% cut-off, Kamoa also has 93 million tonnes of Inferred Resources grading 2.64% copper, which contain an estimated 5.4 billion pounds of copper.

Health and safety at Kamoa

Health and safety remain key priorities at the mine site. The Kamoa Project is very proud of the excellent safety record achieved to date. By the end of Q3 2015, 4,396,729 hours had been worked without a lost-time injury.

The Ivanhoe Mines Fionet program was launched during Q3 2015. The first phase of the program will cover two established provincial health zones that provide services to a total of approximately 300,000 residents living in 40 urban centres and 330 villages. The Kipushi Health Zone, in southern Haut-Katanga province, includes Ivanhoe's Kipushi Mine project. The Kanzenze Health Zone, in Lualaba province, includes Ivanhoe's Kamoa Project.

The Fionet™ system, developed by Canada-based Fio Corporation, will be introduced into the DRC through the three-year program being sponsored by Ivanhoe Mines. Fionet combines mobile, intelligent devices and cloud data services to help health workers improve the accuracy of diagnostic testing and quality of care that they provide to patients. The Fionet system also improves the quality and usefulness of the accumulated data, which can be accessed to assist with the monitoring of patient care, research and the planning of future prevention and treatment programs. With support from U.S.-based Chemonics International, DRC health workers will use Fionet to strengthen activities under the country's National Malaria Control Program.

Figure 1: Fio's Deki Reader introduces a new dimension in malaria detection, helping to deliver a rapid, accurate diagnosis and transmitting results to a cloud database.

The program utilizes mobile smart devices to rapidly diagnose infectious diseases in rural settings. The initiative is being implemented by Chemonics International, an organization with extensive experience in managing development projects in the DRC and elsewhere in Africa.

Diamond drilling progress

Limited drilling occurred in Q3 2015, with 725 metres completed in five shallow holes. This brought the total metres drilled to 1,719 for the nine months ended September 30, 2015. One hole was completed in Kamoa Nord to test for shallow mineralization close to the Kamoa Dome, three holes were completed in Kansoko Nord to gain confidence in the high grade mineralization up-dip, and one hole was drilled on one of the regional exploration licences to assist with relinquishment decisions.

The newly purchased deep-drilling Dando rig began drilling in Q3 2015 and is expected to continue drilling through the remainder of 2015. Ivanhoe also is considering mobilizing the two company-owned Landcruiser-mounted rigs. The exploration program will focus on completing the assessment of regional exploration targets to the west of Kamoa, then begin on an exploration drilling program at Kakula where previously high-grade copper mineralization was intersected. Initial drilling at Kakula is planned at 800-metre centres within the previously intersected high-grade zone, with additional, wider spaced drilling to increase the potential size of the mineralized area.

Preparation for construction of first declines

The construction of the box cut for the first access declines to the initial, planned underground mine was completed at the end of 2014. This will enable the construction of the twin declines that have been designed to intersect the high-grade copper mineralization in the Kansoko Sud area, approximately 150 metres below the surface.

Ivanhoe's drilling program in this area has defined a thick, near-surface zone of high-grade copper mineralization, where a recent hole intercepted 15.7 metres (true width) of 7.04% copper, at a 1.5% total copper cut-off.

Byrnecut Underground Congo SARL (BUCS) was selected as the contractor to carry out the permanent support of the box-cut walls and the initial, 1.2 kilometres of development for each of the two declines. Contract negotiations are complete and a letter of award has been issued to BUCS for the permanent support of the box cut. Work is expected to start early in 2016, expected to be followed by the initial development for each of the two declines. In the meantime, Ivanhoe is conducting repair and modification work on the box-cut berms. A geotechnical evaluation report for decline support design has been completed by SRK; the findings have been incorporated into the design.

Figure 2: Box-cut civil works in progress on the sump and roadway.

A local DRC contractor, Tanga Logistics and Mining SA (TLM), recently completed the civil works in the box cut, including the drains, sump and roadway. Ivanhoe is preparing the box-cut site for the mobilization of the decline contractor, which includes upgrading of existing accommodation, the supply of power, diesel fuel, workshops and offices.

Pre-feasibility study progressing

The Kamoa pre-feasibility study (PFS) is progressing and the completed report is expected to be finalized in early 2016. The PFS is based on the project's planned first phase and therefore will be consistent with the phased approach to project development outlined in the 2013 Kamoa preliminary economic assessment. Phase one will see the construction of an underground operation producing three million tonnes a year and feeding an adjacent concentrator.

Metallurgical test work has indicated that copper recoveries averaging 86% and concentrate grades averaging 39% copper are achievable.

Continued focus on community and sustainability

During Q3 2015, the construction of the community office for the Muvunda chiefdom was completed and handed over to the community. A local contractor has been appointed and soon will start work on upgrades and extensions to the Mbwetsi school.

Figure 3: Newly built community office for the Muvunda chiefdom.

Ivanhoe continued with its Livelihood sustainability program. During the quarter, the team focused on vegetable production, establishing new beehives, training village residents on poultry management and harvesting of the 2014/2015 maize (corn) crop. Current community-based activities include the construction of poultry coops in two local villages, the ploughing of maize fields and ongoing training.

A social and environmental management system has been developed to monitor and record environmental and community statistics. The environment team continued with regular monitoring of air quality, ground and surface water and noise during Q3 2015.

Hydroelectric power plant upgrading project

The installation of four new overhead cranes and the repair of turbine number one, under the terms of the pre-financing agreement with SNEL, is progressing well at the Mwadingusha hydroelectric power plant on the Lufira River near the town of Mwadingusha, approximately 250 kilometres northeast of Kamoa. The repairs are required to secure 10 megawatts (MW) of power for the construction of the Kamoa Project. Electrical connection to the national power grid is underway and expected to be completed in Q4 2015.

Tender documents for the implementation of the construction power line and substation are being finalized.

Figure 4: Mechanical installation of four overhead cranes completed at the Mwadingusha hydroelectric plant.

PLATREEF PROJECT

The Platreef Project in South Africa's Limpopo province is 64%-owned by Ivanhoe through its subsidiary, Ivanplats (Pty.) Ltd. (Ivanplats) and 10%-owned by a Japanese consortium of ITOCHU Corporation and its affiliate, ITC Platinum; Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation. The consortium's interest in the Platreef Project was acquired in two tranches for a total investment of $290 million. The remaining 26% interest is held by Ivanhoe's broad-based, black economic empowerment (B-BBEE) partners, which include communities, employees and entrepreneurs. Ivanplats announced in February that it had achieved Level 3 status in its first verification assessment on a B-BBEE scorecard, the highest-ranking platinum-sector mining company in compliance with South Africa's black empowerment laws.

The Platreef Project hosts an underground deposit of thick, platinum-group metals, nickel, copper and gold mineralization in the Northern Limb of the Bushveld Igneous Complex, approximately 280 kilometres northeast of Johannesburg.

On the Northern Limb, such mineralization is hosted primarily within the Platreef, a mineralized sequence that is traced more than 30 kilometres along strike. Ivanhoe's Platreef Project, within the Platreef's southern sector, is comprised of three contiguous properties: Turfspruit, Macalacaskop and Rietfontein. Turfspruit, the northernmost property, is contiguous with, and along strike from, Anglo Platinum's Mogalakwena group of mining operations and properties.

Since 2007, Ivanhoe has focused its exploration activities on defining and advancing the down-dip extension of its original Platreef discovery, now known as the Flatreef Deposit, which is amenable to highly mechanized, underground mining methods. The Flatreef area lies entirely on the Turfspruit and Macalacaskop properties.

Health and safety at Platreef

The Platreef Project achieved more than four years without a lost time injury to the end of Q3 2015, accumulating 4,828,558 Lost-Time-Injury-Free worker hours. However, two unfortunate lost-time injuries occurred in October 2015. The Platreef Project continues to strive toward its workplace objective of an environment that causes zero harm to any employees, contractors, sub-contractors and consultants.

Figure 5: Aerial view of the Platreef Project infrastructure area, October 2015.

Shaft 1 construction

The construction of the large, concrete shaft collar and ventilation intake plenum is complete. Mechanical installations continue on the stage and kibble winders. The pre-sink winder that will be operated during initial sinking down to 60 metres has been commissioned. Initial sinking activities (drilling, blasting and mucking) have begun. Work is complete on the internal electricity substation, which will have a capacity of five-million volt-amperes (MVA). Construction is underway of the power transmission lines from Eskom, the South African public electricity utility, which will be used for the sinking of Shaft 1. Back-up generators have been installed to ensure continuous sinking operations even if the power supply from Eskom is interrupted.

Figure 6: Top of Shaft 1 collar and pre-sink winder installation.

Figure 7: Initial sinking activities at Shaft 1 bottom.

Figure 8: Overall view of Shaft 1 works.

Other on-site work includes the construction of the primary terraces for Shaft 1, storm-water drains and ponds, workshops and stores. A total of 485, or 72% of the 678 permanent and contract workers presently employed by Ivanplats are from the local area.

Platreef implementing a phased approach to a large, underground, mechanized mine

Ivanplats completed a pre-feasibility study (PFS) in January 2015 that covered the first phase of development that is expected to include construction of an underground mine, concentrator and other associated infrastructure to support initial concentrate production by 2019. There will be opportunities to refine and modify the timing and capacities of subsequent phases of production to suit market conditions during the development and commissioning of the first phase. The feasibility study, based on the first phase, began in August 2015.

PFS highlights

- Development of a large, mechanized, underground mine with an initial four-million-tonne-per-year concentrator and associated infrastructure.
- Planned initial average annual production rate of 433,000 ounces of platinum, palladium, rhodium and gold (3PE+Au), plus 19 million pounds of nickel and 12 million pounds of copper.
- Estimated pre-production capital requirement of approximately $1.2 billion, including $114 million in contingencies, at a ZAR:USD exchange rate of 11 to 1.

- Platreef would rank at the bottom of the cash-cost curve, at an estimated $322 per ounce of 3PE+Au, net of by-products.
- The planned Platreef mine is projected to require a workforce of approximately 2,200 within four years of the start of production.
- After-tax Net Present Value (NPV) of $972 million, at an 8% discount rate.
- After-tax Internal Rate of Return (IRR) of 13%.

The development scenarios describe a staged approach structured to provide opportunities to expand the operation based on demand, smelting and refining capacity and capital availability. As the Phase one production scenario is developed and placed into production, there is expected to be an opportunity to modify and optimize the subsequent phases, allowing for changes to the timing of capacity expansions to suit market conditions.

Mineral resources in the Flatreef underground discovery

The Flatreef Mineral Resource, with a strike length of 6.5 kilometres, lies predominantly within a flat to gently dipping portion of the Platreef mineralized belt at relatively shallow depths of approximately 700 to 1,100 metres below the surface.

The Flatreef Deposit is characterized by its very large vertical thicknesses of high-grade mineralization and a platinum-to-palladium ratio of approximately 1:1, which is significantly higher than other recent PGM discoveries on the Bushveld's Northern Limb. The grade shells used to constrain mineralization in the Flatreef Indicated Mineral Resource area have average true thicknesses of approximately 24 metres at a cut-off grade of 2.0 grams per tonne (g/t) of platinum, palladium and gold (2PE+Au). The Indicated Mineral Resource grade at an equivalent 2.0-gram-per-tonne 3PE+Au cut-off is 4.1 g/t 3PE+Au, 0.34% nickel and 0.17% copper. Flatreef's Indicated Mineral Resources of 214 million tonnes contain an estimated 28.5 million ounces of platinum, palladium, gold and rhodium, 1.6 billion pounds of nickel and 0.8 billion pounds of copper. Ivanplats has declared an initial Probable Mineral Reserve of 15.5 million ounces of platinum, palladium, rhodium and gold, using a declining Net Smelter Return (NSR) cut-off of $100/t-$80/t.

Mining methods

The selected mining areas in the current Platreef mine plan occur at depths ranging from approximately 700 metres to 1,200 metres below the surface. The main access to the ore body and ventilation system is expected to be comprised of four vertical shafts. Shaft 2 will host the main personnel transport cage, material and ore-handling systems, while Shafts 1, 3 and 4 will be utilized for ventilation to the underground workings. Shaft 1, now under development, will be used for initial access to the ore body and early underground development.

Mining will be performed using highly productive, mechanized methods, including long-hole stoping, drift-and-bench and drift-and-fill mining methods. The mined out areas within the ore body will be backfilled with a paste mixture that utilizes tailings from the process plant and cement. The ore will be hauled from the stopes to a series of ore passes that connect to a main haulage level, connected to Shaft 2, where it will be crushed and hoisted to surface for further beneficiation.

Metallurgical and processing

Metallurgical test work has focused on maximizing the recovery of platinum-group elements (PGE) and base metals, while producing an acceptably high-grade concentrate suitable for further processing and/or sale to a third party. The three main geo-metallurgical units and composites have produced smelter-grade final concentrates of approximately 85 g/t PGE + Au at acceptable PGE recoveries. Testwork also has shown that the material is amenable to treatment by one stage of mainstream grinding followed by conventional flotation, without the need for concentrate re-grinding. Batch open-circuit and locked-cycle flotation testwork has been performed.

Comminution and flotation testwork has indicated that the optimum grind size is 80% passing 75 µm (micrometres), which is consistent with sizes commonly reported by platinum mines in South Africa. The circuit developed during 2014 and 2015 includes the use of industry-standard reagents and has replaced the previous circuit that included niche flotation reagents.

Platreef ore is classified as ranging from hard to very hard, and thus is not suitable for semi-autogenous grinding. A multi-stage crushing and ball-milling circuit is the preferred option.

A two-phased development approach was used for PFS flow-sheet design. The selected flow sheet is comprised of a four-million-tonne-per-year, three-stage crushing circuit that will feed crushed material to two parallel milling-flotation modules, each with a capacity of two million tonnes per year. Flotation is followed by a four-million-tonne-per-year tailings handling and concentrate thickening, filtration and storage circuit.

Contracts for Shafts 1 and 2

Shaft 1 will have an internal diameter of 7.25 metres; it is projected to intersect the Flatreef deposit at a depth of 777 metres below surface in late 2017 and reach its total depth of 975 metres in 2018. South Africa-based Aveng Mining, the shaft-sinking contractor, also is responsible for the excavation of the box-cut access for the shaft collar and vent plenum. The fabrication of the temporary, sinking head-frame and centre tower was completed during the quarter and delivered to site.

Shaft 2 will have an internal diameter of 10.0 metres and will be capable of hoisting six million tonnes per year. Ivanhoe awarded the contract for the design and engineering of Shaft 2 to South Africa-based Murray & Roberts Cementation in June 2014. Ivanhoe expects to start Shaft 2 early works in 2016, including civil work for the box-cut and hitch-foundation. Designs for the box-cut have been completed and the contract for the early engineering works for the winding equipment has been awarded to South Africa-based FLSmidth.

Bulk water and electricity supply

The Olifants River Water Resource Development Project (ORWRDP) is designed to deliver water to the Eastern and Northern limbs of South Africa's Bushveld Igneous Complex. The project consists of the new De Hoop Dam, the raised wall of the Flag Boshielo Dam and related pipeline infrastructure that ultimately will deliver water to Pruissen, southeast of the Northern Limb. The Pruissen Pipeline Project will be developed to deliver water onward from Pruissen to the municipalities, communities and mining projects on the Northern Limb. Ivanhoe is a member of the ORWRDP's Joint Water Forum. The Minister of Water & Sanitation has directed that the Trans-Caledon Tunnel Authority will serve as the implementing agent for the outstanding phases of the ORWRDP scheme, which include the Phase 2B pipeline from Flag Boshielo Dam to Mokopane.

Participants in the water development scheme are required to indicate their water requirements so that the total water demand may be calculated relative to the scheme's capacity. The Platreef Project's water requirement for the first phase of development is projected to peak at approximately 10 million litres per day. Ivanhoe also is continuing to investigate various alternative bulk water sources.

The Platreef Project's power requirement for a four-million-tonne per year underground mine, concentrator and associated infrastructure has been estimated at approximately 100 million volt amperes (MVA). As power is required for the initial mine development work, including shaft sinking, before the main power supply becomes available, an agreement with Eskom has been reached for the supply of 5MVA of temporary construction power.

Figure 9: Construction of a 5MVA substation at Platreef is complete.

Exploration and resource expansion drilling

There was no exploration diamond drilling undertaken during Q3 2015. Exploration and resource development activities were focused on completing structural and geological interpretations across the property in preparation for a new resource estimate.

Development of human resource and job skills

Work is progressing well on implementation of Ivanplats' Social and Labour Plan, to which the Company has pledged a total of R160 million ($12 million) during the next five years. The approved plan includes R67.2 million ($5 million) for the development of job skills among local residents and R87.7 million ($7 million) for local economic development projects. A total of 134 employees participated in planned internal training that provided members of the current workforce with opportunities to expand their skills.

Adult Basic Education and Training for the communities has begun in four community centres, following a partnership with the Department of Higher Education and Training. Offices were established for facilitator preparation and class attendance is planned to be boosted by an open day in November 2015.

The first 78 students completed their technical training in July 2015 and 225 students now are conducting similar skills programs planned for completion in November and December 2015.

Ivanhoe offered seven local internships in different disciplines from January 2015 and subsequently received five Mine Qualification Authority (MQA) grants supporting the initiative. Five fully paid bursaries were allocated to local university students.

Ivanhoe has initiated a R24 million ($2 million) partnership between South Africa's University of Limpopo and Laurentian University in Canada to develop and equip Limpopo's geology department to improve its curriculum choices for students, conduct research on the Platreef Project and offer post-graduate studies in geology. Ivanhoe will allocate approximately R12 million ($1 million) to the University of Limpopo and R12 million ($1 million) to Laurentian University over the next five years and has committed to renewing the partnership for a further five-year period. The official launch took place in September 2015 and the first students from South Africa are enrolled in M.Sc. studies at Laurentian University.

Local enterprise and supplier development

Ivanhoe embarked on a supplier development initiative with various local businesses following pre-assessments. This resulted in referrals for development and training with various governmental agencies. The Company facilitated the start of three local community businesses: a mine-site kiosk, a manufacturer of personal protective equipment and a mine-site laundry business.

Local economic development

The first year local economic development commitments in the Social and Labour Plan are well advanced. Installation of waterless sanitation units at 36 local schools is progressing well. Six schools were furnished with educational infrastructure, which included new science and computer laboratories, vegetable gardens and educational equipment. Planning for a local multi-purpose community centre and the Lesedi Early Childhood Development Centre also is progressing well. Various special projects were completed during 2015, including sanitation units in public open spaces, refurbishing the Lesedi community centre, and installing rainwater harvesting units at indigent households. Installation of rainwater units and upgrading of a community water reservoir is progressing well. The reservoir upgrade will provide an additional 261 kilolitres of water capacity for village areas surrounding the Platreef Project.

Figure 10: Renovation of a local community care centre.

KIPUSHI PROJECT

The Kipushi copper-zinc-germanium-lead mine, in the Democratic Republic of Congo, is adjacent to the town of Kipushi and approximately 30 kilometres southwest of Lubumbashi. It also is located on the Central African Copperbelt, southeast of Ivanhoe's Kamoa Project, and less than one kilometre from the Zambian border. Ivanhoe acquired its 68% interest in the Kipushi Project in November 2011; the balance of 32% is held by the state-owned mining company, La Générale des Carrières et des Mines (Gécamines).

Health and safety at Kipushi

The Kipushi project achieved a total of 3,612,106 lost-time-injury-free hours (1,505 days) to the end of Q3 2015.

Malaria remains the most frequent health concern at Kipushi, with 21 cases reported for Q3 2015. In an effort to reduce the malaria incidence in the Kipushi community, a Water Sanitation and Health (WASH) program has been initiated in cooperation with the Territorial Administrator and the local community. The main emphasis in the program's first phase is cleaning storm drains in the municipality to prevent the accumulation of ponded water, where malarial mosquitos breed.

The Ivanhoe Mines Fionet Program was rolled-out in the Kipushi Health Zone on August 31, 2015, at the provincial Cinquantenaire Hospital.

Figure 11: Safety meeting for shaft workers taken from top of Shaft #2 headframe.

Project development and infrastructure

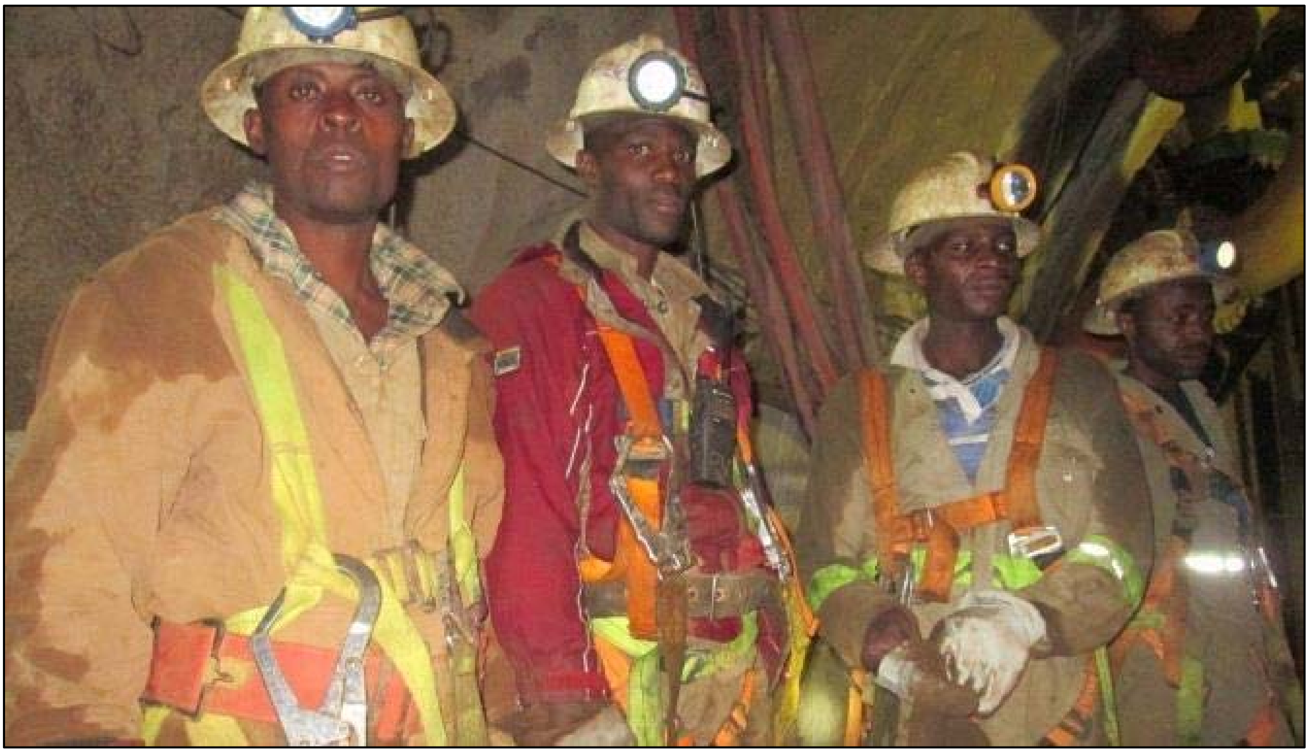
Work began in early March 2014 on the planned underground diamond-drilling program at the Kipushi Project, a major advance made possible by the ongoing dewatering program directed by Ivanhoe during the previous three years following the Company's acquisition of the historic mine in November 2011.

The mine, which had been placed on care and maintenance in 1993, flooded in early 2011 due to a lack of pump maintenance over an extended period. At its peak, water reached 851 metres below the surface level. A major milestone was reached in December 2013 when Ivanhoe restored access to the mine's principal haulage level at 1,150 metres below the surface.

Since then, crews have been upgrading underground infrastructure to permanently stabilize the water levels and support the drilling program. Recent improvements included refurbishment and commissioning of the friction-reeler gearbox in Shaft 5, secondary emergency exit ladders and platforms completed in shafts P2, P3 and P15, emergency hoist installed in Shaft 3 and safety-cage door interlocks installed in shafts P2, P3 and P5 Maryanne.

Water levels have stabilized below the 1,150-metre-level haulway and the 1,272-metre-level hanging-wall drift, enabling access for drilling that has targeted the Série Récurrente, Fault and Big Zinc zones.

Figure 12: Shaft repair workers replacing guide rails and installing emergency escape ladders and platforms.



Environmental studies and sustainability

Golder Associates was engaged in early 2014 to conduct an International Finance Corporation-compliant Environmental, Social and Health Impact Assessment (ESHIA) baseline study to determine the impact of previous mining activities by Gécamines and provide a baseline for the future. Sampling of mine discharge, ground and surface water and air quality is ongoing to meet regulatory requirements.

Current sustainability programs include the continued maintenance and operation of the potable-water pump station and well field supplying the Kipushi municipality, logistical support to the Kipushi Health Zone and small animal husbandry programs.

Figure 13: Community relations officer Olivia Simamba with primary school students in Mukoma Village. Ivanhoe supported renovations at the school after severe wind tore off its roof.

Figure 14: Refurbishment of a borehole pump in the potable water wellfield supplying all of Kipushi municipality.

Confirmatory and exploration drilling

Ivanhoe's underground drilling program at Kipushi is designed to confirm and update the mine's estimated historical mineral resources and to further expand the resources along strike and at depth.

As a result of the success of the exploration program, a decision was made in Q3 to again extend the program of follow-up exploration on previously identified, promising holes on the Fault Zone south of the Big Zinc and at depth on the Nord Riche.

A total of 2,708 metres in six drill holes were completed in Q3 2015 in the Big Zinc, Nord Riche zones and the southern exploration area. By the end of Q3 2015, a total of 24,035 metres of drilling had been completed in 96 holes since Ivanhoe started its drilling program in March 2014. Ivanhoe completed the exploration drill program in October 2015.

Ivanhoe is working with MSA of Johannesburg to finalize an updated Mineral Resource Estimate for the Kipushi Project that will incorporate all of the drill results received to date. The independent estimate, which is being prepared in accordance with 2014 CIM definition standards, is expected to be completed and issued during Q4 2015. A Preliminary Economic Assessment will be undertaken based on the updated resource estimate.

Kipushi's 68 years of production history

Following its start-up in 1924 as the Prince Léopold Mine, available records show that Kipushi produced a total of 6.6 million tonnes of zinc and 4.0 million tonnes of copper – from 60 million tonnes grading 11% zinc and approximately 7% copper – until the suspension of operations in 1993. The mine also produced 278 tonnes of germanium between 1956 and 1978.

In addition to the recorded production of copper, zinc, lead and germanium, Gécamines' mine-level plans for Kipushi also report the presence of precious metals, specifically silver and rhenium. There is, however, no formal record of the production of precious metals on the property.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial information for the prior eight quarters. Ivanhoe had no operating revenue in any financial reporting period and did not declare or pay any dividend or distribution in any financial reporting period.

	3 Months ended			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
	$'000	$'000	$'000	$'000
Exploration and project expenditure *	8,553	9,009	12,918	21,201
General administrative expenditure *	4,430	1,323	5,859	8,987
Share-based payments	1,655	1,736	1,986	2,245
Finance costs	36	48	34	382
Mark-to-market gain on revaluation of warrants	(970)	(1,334)	(4,212)	(2,316)
Deferred tax recovery	-	-	-	(46)
(Gain) loss from subsidiary held for partial sale	(7,958)	2,675	209	4,910
Total comprehensive loss attributable to:				
Owners of the Company	9,420	11,008	15,511	31,649
Non-controlling interest	3,439	3,564	3,498	5,434
Loss per share (basic and diluted)	0.01	0.01	0.02	0.05

	3 Months ended			
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
	$'000	$'000	$'000	$'000
Exploration and project expenditure *	23,388	26,678	26,689	36,918
General administrative expenditure *	8,060	4,879	9,072	11,467
Share-based payments	7,060	85,428	2,561	2,029
Impairment of mineral property, goodwill and other	-	-	-	334,338
Finance costs	377	1,124	358	559
Mark-to-market (gain) loss on revaluation of warrants	(12,360)	5,152	-	-
Deferred tax recovery	-	-	-	(75,701)
Loss from subsidiary held for partial sale	10,129	12,936	10,659	23,820
Total comprehensive loss attributable to:				
Owners of the Company	23,474	129,474	42,750	240,262
Non-controlling interest	15,092	6,280	6,057	92,606
Loss per share (basic and diluted)	0.03	0.21	0.07	0.41

** Prior period amounts have been amended to show the (gains)/losses from subsidiary held for partial sale separately in order to improve comparability.*

DISCUSSION OF RESULTS OF OPERATIONS

Review of the three months ended September 30, 2015 vs. September 30, 2014

The Company's total comprehensive loss for Q3 2015 of $12.9 million was $25.7 million lower than for the same period in 2014 ($38.6 million). The decrease mainly was due to the gain from subsidiary held for partial sale of $8.0 million in Q3 2015 compared to a loss from subsidiary held for partial sale of $10.1 million for the same period in 2014.

On May 26, 2015, Ivanhoe announced that Zijin Mining Group Co., Ltd. had agreed to buy a 49.5% share interest in Kamoa Holding Limited, an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of $412 million. In addition, Ivanhoe agreed to sell 1% of its share interest in Kamoa Holding to Crystal River Global Limited for $8.32 million.

Kamoa Holding and its subsidiaries, which include the Kamoa Project, have been classified as a subsidiary held for partial sale in terms of IFRS 5, in anticipation of the sale. Ivanhoe continues to work with all parties to satisfy the conditions to closing of the purchase and sale of the 49.5% interest in Kamoa Holding to Zijin, prior to the agreement's expiry on November 26, 2015.

The Kamoa Project received $9.1 million from the DRC government relating to an indirect tax refund previously expensed, resulting in a gain in Q3 2015. Exploration expenditure at the Kamoa Project for the three months ended September 30, 2015, amounted to $0.7 million compared to $10.8 million for the same period in 2014. Most of the costs incurred at Kamoa during 2015 have been capitalized as development costs, resulting in the decrease when compared to 2014.

The mark-to-market gain on revaluation of warrants decreased to $1.0 million, compared to $12.4 million in Q3 2014, due to a reduction of the active trading price of these warrants.

Exploration and project expenditures for the three months ending September 30, 2015, were $14.8 million less than for the same period in 2014. With the focus also on development at the Platreef Project during 2015, $8.0 million of the total $8.6 million exploration and project expenditure related to Kipushi, where the drilling program and upgrading of the underground and surface infrastructure continued.

Expenditure at the Kipushi Project decreased by $5.1 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project in Q3 2015 and Q3 2014 are set out in the following table:

	Three months ended September 30, 2015 $'000	Three months ended September 30, 2014 $'000
Kipushi Project		
Salaries and benefits	2,641	4,674
Electricity	1,463	1,118
Drilling	748	2,091
Repair and maintenance	499	1,748
Contracting work	331	304
Site security and safety	111	554
Other expenditure	2,184	2,592
Total project expenditure	7,977	13,081

Review of the nine months ended September 30, 2015 vs. September 30, 2014

The Company's total comprehensive loss for the nine months ended September 30, 2015, of $46.4 million was $176.7 million lower than for the same period in 2014 ($223.1 million). The decrease mainly was due to the share-based payment expense of $88.4 million, recognized in 2014 as a result of the Platreef B-BBEE transaction, as well as the capitalization of development costs in the current period on the Platreef and Kamoa projects of $38.0 million and $23.5 million respectively.

During the nine months ended September 30, 2015 the Company recognized a gain from subsidiary held for partial sale of $5.1 million, while a loss of $33.7 million was recognized in the same period in 2014. The variance resulted from the $9.1 million indirect tax refund received at the Kamoa Project, as well as the capitalization of development costs in the current period. Exploration drilling and related costs of $0.7 million were expensed during the nine months ended September 30, 2015, on the Kamoa Project, compared to $36.5 million for the same period in 2014, while $23.5 million was capitalized as development costs in 2015 to date.

Exploration and project expenditures for the nine months ending September 30, 2015, were $46.3 million less than for the same period in 2014. With the focus on development at the Kamoa and Platreef projects during 2015, $25.0 million of the total $30.5 million exploration and project expenditure related to Kipushi. A total of $4.1 million related to retrenchment costs incurred in the closure of Ivanhoe's regional exploration company in the DRC.

Expenditure at the Kipushi Project decreased by $13.2 million compared to the same period in 2014. The main classes of expenditure at the Kipushi Project for the nine months ending September 30, 2015 and 2014 are set out in the following table:

	Nine months ended September 30, 2015 $'000	Nine months ended September 30, 2014 $'000
Kipushi Project		
Salaries and benefits	8,494	12,500
Electricity	4,717	4,521
Drilling	2,505	4,439
Repair and maintenance	1,413	4,086
Site security and safety	793	1,359
Contracting work	754	2,060
Other expenditure	6,368	9,284
Total project expenditure	25,044	38,249

Financial position as at September 30, 2015 vs. December 31, 2014

The Company's total assets increased by $35.8 million, from $253.1 million, as at December 31, 2014, to $288.9 million as at September 30, 2015. This mainly was due to the increase in assets of subsidiary held for partial sale of $46.8 million and an increase in property, plant and equipment of $21.9 million.

As at September 30, 2015, Kamoa Holding and its subsidiaries, which include the Kamoa Project, continued to be classified as a subsidiary held for partial sale, as Ivanhoe awaits the closure of the transaction with Zijin, after which Ivanhoe will retain 49.5% of Kamoa Holding. As at December 31, 2014, assets of a subsidiary held for sale amounted to $3.0 million that represented the carrying value of Ivanhoe's Australian subsidiaries sold in Q1 2015, while the assets of a subsidiary held for partial sale of $46.8 million as at September 30, 2015, represents the carrying value of assets of Kamoa Holding and its subsidiaries.

The carrying amount of the group is significantly lower than the anticipated fair value, less costs to sell, and therefore no adjustment was made to the carrying value of the Kamoa assets.

The Company utilized $38.0 million of its cash resources in its operations and earned interest income of $1.0 million on cash balances in the nine months ended September 30, 2015. A total of $64.0 million was spent on project development and to acquire other property, plant and equipment. Development costs on the Platreef and Kamoa projects amounted to $38.0 million and $23.5 million respectively.

The Company's total liabilities decreased to $42.4 million as at September 30, 2015, from $50.7 million as at December 31, 2014. This was due to a decrease in trade and other payables of $5.4 million, as well as a $6.5 million decrease in the fair value of the share-purchase-warrant financial liability that arose with the issuance of the purchase warrants in Q2 2014 and had a fair value of $0.4 million at September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $85.4 million in cash and cash equivalents and $55.3 million in short-term deposits as at September 30, 2015. Certain of the Company's cash and cash equivalents and short-term deposits, having an aggregate value of $72.5 million, are subject to contractual restrictions as to their use and are reserved for the Platreef Project.

As at September 30, 2015, the Company had consolidated working capital of approximately $185.4 million, compared to $162.1 million at December 31, 2014. The Platreef Project working capital is restricted and amounted to $65.6 million at September 30, 2015, and $104.3 million at December 31, 2014. Excluding the Platreef Project working capital, the resultant working capital was $119.8 million at September 30, 2015, and $57.8 million at December 31, 2014. The Company believes it has sufficient resources to cover its short-term cash requirements. However, the Company's access to financing always is uncertain and there can be no assurance that additional funding will be available to the Company in the near future.

On May 26, 2015, the Company signed agreements with Zijin to buy a 49.5% share interest in Kamoa Holding, an Ivanhoe subsidiary that presently owns 95% of the Kamoa Project, for an aggregate consideration of $412 million. The purchase price will be satisfied by an initial payment of $206 million in cash upon the closing of the transaction. The agreements specify that the remaining $206 million will be paid in five equal instalments, payable every 3.5 months from closing. The remaining payments are secured.

The Company's main objectives for the remainder of 2015, and early 2016 at the Kamoa Project remain the finalization of the phase one pre-feasibility study; commencement of the phase one feasibility study; the continuation of drilling and starting construction of the twin declines at Kamoa. At Platreef, priorities are the continuation of the phase one feasibility study, as well as the commencement of Shaft 2 early works, subject to funding. At the Kipushi Project, the principal objective is the completion of a current mineral resource statement and a preliminary economic analysis.

The Company has a three-year mortgage bond and a five-year mortgage bond outstanding on its offices in London, United Kingdom, of £2.4 million ($3.6 million) and £0.9 million ($1.3 million) respectively. The first is fully repayable on June 30, 2020, secured by the property and incurs interest at a rate of LIBOR plus 2.25% payable monthly in arrears, with the latter also secured by the property, incurring interest at a rate of LIBOR plus 2.5% payable monthly in arrears. During the first three years, from June 2014 until May 2017, only interest will be payable.

In 2013, the Company became party to a loan payable to ITC Platinum Development Limited, which had a carrying value of $20.9 million as at September 30, 2015, and a contractual amount due of $29.5 million. The loan is repayable once the Platreef Project has residual cashflow, which is defined in the loan agreement as gross revenue generated by the Platreef Project, less all operating costs attributable thereto, including all mining development and operating costs. The loan attracts interest of LIBOR plus 2% calculated monthly in arrears. Interest is not capitalized. The difference of $8.6 million between the contractual amount due and the fair value of the loan is the benefit derived from the low-interest loan.

On March 21, 2014, a financing agreement was entered into between the Company and La Société Nationale d'Electricieé SARL (SNEL) relating to the upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Company's DRC projects. Under the agreement, the Company has agreed to provide a loan relating to the power upgrade, which is estimated to be $141 million (including a $4.5 million pre-finance loan), but is capped at a maximum commitment of $250 million. The term for repayment of the loan and payment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two-year grace period from the signing date of the agreement. The actual repayment period ultimately will depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of the actual bill as per the terms of the loan repayment. The interest rate is six-month LIBOR + 3%. The Company is given a priority electricity right by which SNEL commits to make available to the Company, as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the Company's DRC projects, and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the Company's production and mine expansion scenarios.

The Company has an implied commitment in terms of spending on work programs submitted to regulatory bodies to maintain the good standing of exploration and exploitation permits at its mineral properties. The following table sets forth the Company's long-term obligations:

	Payments Due By Period				
Contractual Obligations as at September 30, 2015	**Total $'000**	**Less than 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**After 5 years $'000**
Debt	34,408	-	683	4,210	29,515
Operating leases	264	264	-	-	-
Advancement of interest * free loan	138,475	17,375	121,100	-	-
Total contractual obligations	**173,147**	**17,639**	**121,783**	**4,210**	**29,515**

***** *Based on indicative disbursement schedules in the financing agreement.*

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements for the periods under review.

TRANSACTIONS WITH RELATED PARTIES

The following tables summarize related party expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or significant shareholders in common. The tables summarize the transactions with related parties and the types of expenditures incurred with related parties:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Global Mining Management Corporation (a)	**525**	756	**1,882**	2,727
Ivanhoe Capital Aviation LLC (b)	**300**	300	**900**	900
Ivanhoe Capital Services Ltd. (c)	**130**	132	**399**	366
Ivanhoe Capital Pte Ltd (d)	**100**	59	**211**	152
Global Mining Services Ltd. (e)	**(1)**	36	**111**	285
HCF International Advisers (f)	**46**	132	**137**	316
Ivanhoe Capital Corporation (UK) Limited (g)	**9**	5	**14**	8
	1,109	1,420	**3,654**	4,754
Salaries and benefits	**655**	926	**2,306**	3,277
Travel	**374**	352	**1,064**	1,040
Office and administration	**22**	6	**92**	94
Consulting	**58**	136	**192**	343
	1,109	1,420	**3,654**	4,754

The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at September 30, 2015, trade and other payables included $0.3 million (December 31, 2014: $0.4 million) with regards to amounts due to related parties related by way of director or officers in common. These amounts are unsecured and non-interest bearing.

(a) Global Mining Management Corporation (Global) is a private company based in Vancouver. The Company holds an equity interest in Global and the Executive Chairman has a significant shareholding in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC (Aviation) is a private company owned indirectly by the Executive Chairman of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.

(c) Ivanhoe Capital Services Ltd. (Services) is a private company owned indirectly by the Executive Chairman of the Company. Services provide for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.

(d) Ivanhoe Capital Pte Ltd. (Capital) is a private company owned indirectly by the Executive Chairman of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.

(e) Global Mining Services Ltd. (Mining) is a private company incorporated in Delaware and is 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.

(f) HCF International Advisers (HCF) is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. Guy de Selliers is the President and co-founder of HCF, which provides financial advisory services to the Company.

(g) Ivanhoe Capital Corporation (UK) Limited (UK) is a private company owned indirectly by the Executive Chairman of the Company. UK provides administration, accounting and other services in London on a cost-recovery basis.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 to the consolidated financial statements for the year ended December 31, 2014. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during said reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) Impairment Analysis of Assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets.

Changes in any of the assumptions used to determine impairment testing could materially affect the results of the analysis.

(ii) *Income Taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statements of financial position and their corresponding tax values, generally using the substantively enacted or enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource-related pools and other deductions. A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

A deferred tax liability is generally recognized for all taxable temporary differences. The Company recognizes net deferred tax liabilities as it believes it does not control the timing of the reversal of these temporary differences even though management has made the judgment that the reversal is not expected to occur in the foreseeable future.

(iii) *Mineral Property and Exploration Costs*

All direct costs related to the acquisition of mineral property interests are capitalized by property or project. Exploration costs are charged to operations in the period incurred, until such time as the Company determines that a property is technically feasible and commercially viable, where after development costs are capitalized. In making this determination, the Company considers whether a proposed project is capable of being developed at a sufficient return to justify the capital and managerial resources that must be committed to the project. The determination is made on a property by property basis and generally coincides with the finalization of a preliminary economic assessment or pre-feasibility study of the property. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

In determining whether an exploration and evaluation property is technically feasible and commercially viable, the Company considers several criteria, including:

- a technical analysis of the basic geology of the project;
- a mine plan for accessing and exploiting the ore body;
- a process flow sheet for processing the ore generated from mining;
- projections as to the capital cost of constructing the project;
- projections as to the cost of operating the project in accordance with the mine plan;
- projections as to revenues from the concentrate or other mineral product to be generated from operations in accordance with the mine plan; and
- an economic analysis of the project based on the projected capital and operating costs and production revenues.

(iv) *Business Combinations*

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. If an acquired set of assets and liabilities includes goodwill, the set of assets and liabilities is presumed to be a business.

(v) *Functional Currency*

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions, which determine the primary economic environment.

(vi) *Subsidiary held for partial sale*

As at September 30, 2015, even though the share sale had not closed, the Company believes that Kamoa Holding meets the criteria to be classified as a subsidiary held for partial sale in terms of IFRS 5. Kamoa Holding is therefore held at the lower of the carrying amount and the fair value, less costs to sell. The carrying amount of Kamoa Holding is significantly lower than the anticipated fair value, less costs to sell, and therefore no adjustment was made to the carrying value of the Kamoa assets.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company adopted these standards in the current period which did not have a material impact on its consolidated financial statements.

- IFRS 7 Financial Instruments: (Amendment): Outlines the disclosures when applying IFRS 9, the new financial instruments standard.
- IFRSs (Amendment) Annual Improvements to IFRSs 2010-2012.
- IFRSs (Amendment) Annual Improvements to IFRSs 2011-2013.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

Accounting standards issued but not yet effective

- IFRS 9 Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets and liabilities. (i)
- IFRS 15 Revenue from contracts with customers: Establishes principles to apply in order to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. (ii)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations: Provides guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. (iii)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. (iii)
- Annual improvements for IFRS 2012 to 2014 cycle. (iii)

(i) The IASB tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9.
(ii) Effective for annual periods beginning on or after January 1, 2017
(iii) Effective for annual periods beginning on or after January 1, 2016

The Company has not yet adopted these new and amended standards and is currently assessing the impact of adoption.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value of financial instruments

The Company's financial assets and financial liabilities are categorized as follows:

Financial instrument	Classification	**September 30, 2015**	December 31, 2014
		$'000	$'000
Financial assets			
Cash and cash equivalents	Loans and receivables	**85,431**	110,983
Short-term deposits	Loans and receivables	**55,265**	55,223
Financial assets	Fair value through profit or loss	**1,204**	-
Trade and other receivables	Loans and receivables	**2,420**	4,115
Financial liabilities			
Trade and other payables	Other liabilities	**10,789**	16,214
Borrowings	Other liabilities	**25,745**	24,789
Share purchase warrants	Fair value through profit and loss	**429**	6,945

IAS 32 - "*Financial Instruments: Presentation*", requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establishes a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;

- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore requires an entity to develop its own assumptions.

The Company's financial instruments include cash and cash equivalents, short-term deposits, publicly traded shares, trade and other receivables, borrowings, share purchase warrants and trade and other payables.

The fair value of borrowings is determined in accordance with generally accepted pricing models based on discounted cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited was originally determined assuming repayment occurs on August 31, 2022 and using an interest rate of LIBOR plus 7%.

The Company's share purchase warrants and financial assets at fair value through profit and loss are valued using quoted prices in active markets and as such are classified as Level 1 of the fair value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. The fair value of the share purchase warrants is determined using quoted prices in active markets. The fair value of the financial assets at fair value through profit and loss is determined using quoted prices in active markets.

The fair value of the Company's remaining financial instruments was estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments and as such are classified as Level 2.

Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations, however, management monitors foreign exchange exposure.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	September 30, 2015	December 31, 2014
	$'000	$'000
Assets		
Canadian dollar	**4,823**	19,659
Australian dollar	**-**	66
South African rand	**23,878**	28,068
British pounds	**1,403**	5,880
Liabilities		
Canadian dollar	**(168)**	(425)
Australian dollar	**(10)**	(249)
South African rand	**(5,391)**	(10,936)
British pounds	**(50)**	(1,255)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Nine months ended September 30	
	2015	2014
	$'000	$'000
Decrease in loss for the period	**67**	1,625

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables and cash equivalents as well as long term loan receivables.

The Company reviews the recoverable amount of their receivables at each statement of financial position date to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Company considers that the credit risk is significantly reduced. The credit risk on cash equivalents is limited because the cash equivalents are composed of financial instruments issued by major banks and companies with high credit ratings assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from prior years.

The following table details the Company's aging of accounts receivable:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	**Total**
	$'000	$'000	$'000	$'000	**$'000**
As at September 30, 2015					
Trade and other receivables	-	2,420	-	-	**2,420**
	-	2,420	-	-	**2,420**
As at December 31, 2014					
Trade and other receivables	-	4,115	-	-	**4,115**
	-	4,115	-	-	**4,115**

Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position with the goal of maintaining adequate sources of funding to finance the Company's projects and operations.

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total undiscounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at September 30, 2015					
Trade and other payables	-	10,789	-	-	**10,789**
Current income tax liabilities	2	-	-	-	**2**
Non-current borrowings	-	-	-	34,408	**34,408**
As at December 31, 2014					
Trade and other payables	-	16,214	-	-	**16,214**
Current income tax liabilities	200	-	-	-	**200**
Non-current borrowings	-	-	-	30,392	**30,392**
Current borrowings	3,656	-	-	-	**3,656**

DESCRIPTION OF CAPITAL STOCK

As at November 13, 2015, the Company's capital structure consists of an unlimited number of Class A common shares without par value (the "**Class A Shares**"), an unlimited number of Class B common shares without par value (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**"), an unlimited number of preferred shares without par value, warrants and options. At this date 6,780,645 Class B Shares, 772,179,162 Class A Shares and nil preferred shares were issued and outstanding.

The Company granted no options in 2015 to date and 14,175,000 options to certain employees during 2014, per the amended and restated employees' and directors' equity incentive plan (the Equity Incentive Plan). Prior to adoption of the Equity Incentive Plan, options were granted to certain directors, officers, employees and consultants pursuant to individual option agreements. As at November 13, 2015, there were 10,930,000 options, from individual stock-option agreements exercisable into 10,930,000 Class A Shares and 23,545,000 options issued in terms of the Equity Incentive Plan exercisable into 23,545,000 Class A Shares.

As at November 13, 115,000,767 warrants, issued on June 10 and July 10, 2014, are outstanding, each of which entitles the holder thereof to purchase equity securities in the capital of the Company at C$1.80 each, exercisable into 115,000,767 Class A Shares. These warrants expire on December 10, 2015, if not exercised by this date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in order to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have each evaluated the design effectiveness of the Company's DC&P and ICFR as of September 30, 2015 and, in accordance with the requirements established under National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, the CEO and CFO have concluded that these controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's CEO and CFO have used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the design of the Company's ICFR as of September 30, 2015 and have concluded that these controls and procedures have been designed effectively to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means design and operation of controls cannot provide absolute assurance that all control issues and instances of fraud will be detected.

During the three and nine months ended September 30, 2015, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

The risk factors are discussed in the Company’s Annual Information Form filed with Canadian provincial regulatory authorities and available at www.sedar.com.

DISCLOSURE OF TECHNICAL INFORMATION

Disclosures of a scientific or technical nature in this MD&A has been reviewed and approved by Stephen Torr, who is considered, by virtue of his education, experience and professional association, a Qualified Person under the terms of NI 43-101. Mr. Torr is not considered independent under NI 43-101 as he is the Vice President, Project Geology and Evaluation. Mr. Torr has verified the technical data disclosed in this MD&A.

Ivanhoe has prepared a current independent NI 43-101-compliant technical report for each of the Kamoa Project, the Platreef Project and the Kipushi Project, which are available under the Company’s SEDAR profile at www.sedar.com. These technical reports include relevant information regarding the effective date and the assumptions, parameters and methods of the mineral resource estimates on the Kamoa Project and Platreef Project cited in this MD&A, as well as information regarding data verification, exploration procedures and other matters relevant to the scientific and technical disclosure contained in this MD&A in respect of the Kamoa Project, Platreef Project and Kipushi Project.