

IVANHOE MINES LTD
Form 6-K
October 26, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
From: October 25, 2006
IVANHOE MINES LTD.

(Translation of Registrant's Name into English)

Suite 654 999 CANADA PLACE, VANCOUVER, BRITISH COLUMBIA V6C 3E1

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F- Form 40-F-

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes: No:

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.)

Enclosed:

Material Change Report

Private Placement Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IVANHOE MINES LTD.

Date: October 25, 2006

By: */s Beverly A. Bartlett*
BEVERLY A. BARTLETT
Vice President and
Corporate Secretary

Form 51-102F3
Material Change Report

1. REPORTING ISSUER

Ivanhoe Mines Ltd. (the Company)

654 999 Canada Place

Vancouver, British Columbia

V6C 3E1

2. DATE OF MATERIAL CHANGE

October 18, 2006

3. PRESS RELEASE

The press release was issued on October 18, 2006 and was disseminated through the facilities of recognized newswire services.

4. SUMMARY OF MATERIAL CHANGE

On October 18, 2006, the Company entered into a private placement agreement (the Private Placement Agreement) with Rio Tinto International Holdings Limited (Rio Tinto), a wholly-owned subsidiary of Rio Tinto plc.

Under the terms of the Private Placement Agreement:

- (a) Rio Tinto agreed to acquire,
- (i) 37,089,883 common shares of the Company (representing, upon completion, 9.95% of the Company s outstanding common shares) at a price of US\$8.18 per share (the First Tranche Private Placement) at a closing scheduled to occur on October 27, 2006, and
 - (ii) 46,304,473 common shares of the Company (representing, upon completion, an additional 9.95% of the Company s outstanding common shares) at a price of US\$8.38 per share (the Second Tranche Private Placement) at a closing to occur after the Company enters into an investment agreement with the Government of Mongolia in respect of the Company s Oyu Tolgoi copper and gold mining project (the OT Project) in Mongolia s South Gobi region that is mutually acceptable to the Company and Rio Tinto (an Approved OT Investment Contract) (provided the agreement is entered into within three years) or such earlier date as Rio Tinto may elect;
- (b) the Company agreed to issue to Rio Tinto, as part of the First Tranche Private Placement, 46,026,522 non-transferable common share purchase warrants (the Series A Warrants) and 46,026,522 non-transferable common share purchase warrants (the Series B Warrants). Each Series A Warrant will entitle the holder to purchase one common share of the Company at a price between US\$8.38 and US\$8.54 for a period (not exceeding four years) ending one year after the Company enters into an Approved
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- OT Investment Contract. Each Series B Warrant will entitle the holder to purchase one common share of the Company at a price between US\$8.38 and US\$9.02 for a period (not exceeding five years) ending two years after the Company enters into an Approved OT Investment Contract. The exercise of the Series A Warrants and the Series B Warrants will be subject to the prior approval of the Company's shareholders;
- (c) Rio Tinto has the right to acquire additional securities and participate in future financings by the Company, so as to maintain its proportional equity interest in the Company;
 - (d) during the first five years, Rio Tinto and its affiliates (collectively, the Rio Tinto Group) may not, except with the approval of the Company's board of directors:
 - (i) directly or indirectly, acquire or hold more than 40% of the Company's outstanding common shares;
 - (ii) make a take-over bid for the Company's outstanding common shares; or
 - (iii) make any solicitation of proxies to vote any of the Company's outstanding common shares.Notwithstanding the foregoing, if a take-over bid is made for the Company's outstanding common shares or the Company publicly announces that its board of directors has approved an agreement which contemplates a change of control of the Company, the Rio Tinto Group will be released from this restriction for the purpose of giving the Rio Tinto Group an opportunity to make a competing take-over bid or to propose to the Company an alternative change of control transaction. Rio Tinto will be similarly released from the 40% aggregate shareholding restriction where it acquires common shares from Robert M. Friedland (Friedland) pursuant to the right of first refusal granted to it under a shareholders' agreement dated October 18, 2006 (the Shareholders Agreement) between Rio Tinto and Friedland if such common shares would otherwise have been sold to any party other than an institutional investor who meets certain prescribed criteria under the Private Placement Agreement;
 - (e) during the first year, Rio Tinto may not sell any common shares of the Company except to an affiliate or with the approval of the Company's board of directors. Notwithstanding the foregoing, Rio Tinto may sell its common shares of the Company pursuant to a take-over bid or a transaction involving a change of control of the Company;
 - (f) after the first year but before the fifth year, if Rio Tinto proposes to sell more than 5% of the Company's outstanding common shares to any person other than an affiliate or an institutional investor who meets certain prescribed criteria under the Private Placement Agreement and not pursuant to a take-over bid or a transaction involving a change of control of the Company, the Company will have the right, for a period of 60 days, to place such common shares with a third party. Rio Tinto and the Company have agreed to enter into a registration rights agreement pursuant to which the Company will agree
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to provide Rio Tinto with registration rights in respect of the common shares of the Company held by Rio Tinto from time to time;

- (g) Rio Tinto has the right to nominate directors to the Company's board of directors in proportion to its shareholdings of the Company. If Rio Tinto is entitled to nominate more than one director, half of such nominees must be independent directors as defined under applicable securities laws. Rio Tinto also has the right to nominate one financially literate, independent director to the audit committee of the Company;
- (h) the Company has agreed to use at least 90% of the proceeds received from the private placement to finance the development of the OT Project;
- (i) subject to the Rio Tinto Group maintaining a minimum shareholding in the Company, the Company has granted to Rio Tinto a right of first refusal in respect of any proposed disposition of an interest in the OT Project;
- (j) Rio Tinto has the right to participate in the negotiations with the Government of Mongolia for an Approved OT Investment Contract;
- (k) subject to the Rio Tinto Group maintaining a minimum shareholding in the Company, a technical committee will jointly development, operate and manage the OT Project. The technical committee will consist of two members from the Company, two members from Rio Tinto and a fifth member who will act as committee chairman and senior manager of the OT Project. A Company nominee will serve as technical committee chairman and senior manager for the first five years. During this period, unanimous consent of all technical committee members will be required for certain material decisions, including acquisitions and commitments exceeding US\$100 million and material amendments to the long-term OT Project mine plan. After five years, subject to the Rio Tinto Group maintaining a minimum shareholding in the Company, Rio Tinto will have the right to appoint the subsequent chairman and senior manager;
- (l) Rio Tinto and the Company have agreed to negotiate in good faith to agree upon one or more technical services agreements pursuant to which Rio Tinto will make available, at cost during the first five years, its engineering, mining and metallurgical staff to assist the Company in the mine planning, engineering, design and construction of the OT Project; and
- (m) the Company has agreed to divest its joint venture interest in the Monywa Copper project in Myanmar (the Myanmar Assets) by February 1, 2007, failing which, Rio Tinto has the right to cause the Company to put the Myanmar Assets to an unrelated trust whose sole purpose will be to sell the Myanmar Assets. Rio Tinto and the Company have acknowledged that the divestiture by the Company of its other non-core assets is also a key objective that the parties intend the Company to pursue.

Following the completion of the First Tranche Private Placement and the Second Tranche Private Placement, Rio Tinto will beneficially own 83,394,356 common shares of the Company (representing, upon completion, 19.9% of the Company's outstanding common shares) and 92,053,044 Series A Warrants and Series B Warrants exercisable (subject to the prior approval

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of the Company's shareholders) to acquire an additional 92,053,044 common shares of the Company. If the Series A Warrants and Series B Warrants were to be fully exercised, Rio Tinto would beneficially own approximately 34.33% of the Company's outstanding common shares (or 33.35% on a fully diluted basis).

On October 18, 2006, Rio Tinto and Friedland, the largest shareholder of the Company, entered into the Shareholders' Agreement pursuant to which Friedland has agreed to vote in favour of all shareholder resolutions envisaged by the Private Placement Agreement, including a resolution authorizing the exercise of the Series A Warrants and Series B Warrants, and has granted to Rio Tinto, for a period of five years, a right of first refusal over, and/or rights of placement with third parties in relation to, the sale by him or any of his affiliates of any common shares of the Company to any person, subject to certain exceptions including sales to permitted transferees or pursuant to a take-over bid or a transaction involving a change of control of the Company.

5. FULL DESCRIPTION OF MATERIAL CHANGE

On October 18, 2006, the Company and Rio Tinto entered into the Private Placement Agreement and Friedland and Rio Tinto entered into the Shareholders' Agreement.

Private Placement Agreement

The material terms and conditions of the Private Placement Agreement are described below.

First Tranche Private Placement

Pursuant to the First Tranche Private Placement, Rio Tinto will subscribe for and purchase from the Company, and the Company will issue and sell to Rio Tinto, 37,089,883 common shares of the Company (the "First Tranche Private Placement Shares") at an issue price per First Tranche Private Placement Share of U.S.\$8.18 for an aggregate subscription price of U.S.\$303.4 million in cash.

In conjunction with, and immediately after, the issue of the First Tranche Private Placement Shares, Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto:

- (a) Series A Warrants exercisable, subject to the prior approval of the Company's shareholders, to purchase an additional 46,026,522 common shares of the Company; and
- (b) Series B Warrants exercisable, subject to the prior approval of the Company's shareholders, to purchase an additional 46,026,522 common shares of the Company;

for an aggregate subscription price of U.S.\$1,000.00 in cash.

The closing of the First Tranche Private Placement will occur on the fifth business day following receipt of the approval of the Toronto Stock Exchange and, to the extent required, the New York Stock Exchange and the NASDAQ Stock Market. Such approval was received on

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October 20, 2006 and, accordingly, the closing of the First Tranche Private Placement is scheduled to occur on October 27, 2006.

Second Tranche Private Placement

Pursuant to the Second Tranche Private Placement, Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto, 46,304,473 additional common shares of the Company (the Basic Second Tranche Private Placement Shares) at an issue price per Basic Second Tranche Private Placement Share of U.S.\$8.38 for an aggregate subscription price of approximately U.S.\$388 million in cash.

If, upon issuance, the Basic Second Tranche Private Placement Shares would represent less than 9.95% of the then issued and outstanding common shares of the Company, Rio Tinto will have the option, exercisable prior to the closing of the Second Tranche Private Placement, to purchase such additional number of common shares of the Company (the Top Up Shares) as would, when aggregated with the Basic Second Tranche Private Placement Shares, represent 9.95% of the then issued and outstanding common shares of the Company. The subscription price per Top Up Share will be the lesser of U.S.\$8.38 and, if Rio Tinto has fully exercised its pre-emptive rights, the closing market price of the Company's common shares on the Toronto Stock Exchange on the date that Rio Tinto gives notice of its intention to purchase Top Up Shares.

Rio Tinto's obligation to complete the Second Tranche Private Placement is subject to the shareholders of the Company having approved Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants. See Series A Warrants and Series B Warrants below.

Rio Tinto's obligation to complete the Second Tranche Private Placement is also subject to the Company, or a subsidiary of the Company, having entered into an Approved OT Investment Contract on or before the third anniversary of the closing date of the First Tranche Private Placement. For the purposes of the Private Placement Agreement, an Approved OT Investment Contract is a legally binding and unconditional investment agreement with the Government of Mongolia under applicable Mongolian law that:

- (a) includes terms granting legal, administrative and tax stability to the stakeholders of the OT Project for a certain period of time and guaranteeing that the legal, administrative and/or tax framework in force in Mongolia when the investment contract is entered into will remain unmodified for the term of the investment contract notwithstanding any modification, either introduced by law or regulations, enacted after the execution of the investment contract;
 - (b) has, to the extent required by applicable Mongolian law, been approved, ratified, consented to or otherwise authorised by all relevant Mongolian governmental authorities;
 - (c) has been approved by the Company's board of directors; and
 - (d) is mutually acceptable to Company and Rio Tinto, acting reasonably.
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Rio Tinto may, by notice given before the third anniversary of the closing date of the First Tranche Private Placement, elect to complete the Second Tranche Private Placement in the absence of an Approved OT Investment Contract.

The closing of the Second Tranche Private Placement will occur on the earlier of:

- (a) the twentieth business day following the date on which the Company, or a subsidiary of the Company, enters into an Approved OT Investment Contract; and
- (b) the tenth business day after Rio Tinto notifies the Company of its election to complete the Second Tranche Private Placement in the absence of an Approved OT Investment Contract.

Series A Warrants and Series B Warrants

Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants is subject to the prior approval of the Company's shareholders (Shareholder Approval) pursuant to a resolution passed by a majority of the votes cast by holders of the Company's common shares (excluding any votes cast by members of the Rio Tinto Group) present, in person or by proxy, at a special meeting of the Company's shareholders to be held on November 30, 2006. If Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants is not so approved, the Series A Warrants and the Series B Warrants will, by their terms, immediately terminate.

If Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants receives Shareholder Approval at the special meeting of the Company's shareholders to be held on November 30, 2006, the Series A Warrants will be exercisable by Rio Tinto at any time thereafter until the 365th day following the date (the Warrant Determination Date) which is the earlier of:

- (a) the date upon which the Company, or a subsidiary of the Company, enters into an Approved OT Investment Contract; and

- (b) the third anniversary of the closing of the First Tranche Private Placement; and the Series B Warrants will be exercisable by Rio Tinto at any time after the date of Shareholder Approval until the 725th day following the Warrant Determination Date.

After the date of Shareholder Approval, each Series A Warrant will, subject to adjustment in accordance with its terms, be exercisable to purchase one (1) common share of the Company at a price of:

- (a) U.S.\$8.38 until the 180th day following the Warrant Determination Date; and

- (b) U.S.\$8.54 after the 180th day until 365th day following the Warrant Determination Date.

After the date of Shareholder Approval, each Series B Warrant will, subject to adjustment in accordance with its terms, be exercisable to purchase one (1) common share of the Company at a price of:

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- (a) U.S.\$8.38 until the 180th day following the Warrant Determination Date;
- (b) U.S.\$8.54 after the 180th day until 365th day following the Warrant Determination Date;
- (c) U.S.\$8.88 after the 365th day until the 545th day following the Warrant Determination Date; and
- (d) U.S.\$9.02 after the 545th day until the 725th day following the Warrant Determination Date.

The Series A Warrants and the Series B Warrants are non-transferable by Rio Tinto except to other members of the Rio Tinto Group.

If all of the Series A Warrants and Series B Warrants were to be exercised, the Company would receive proceeds of between U.S.\$771 million and U.S.\$808 million, depending upon the timing of the exercise of such warrants, and Rio Tinto would own approximately 33.35% of the Company's issued and outstanding common shares, assuming completion of the Second Tranche Private Placement.

Use of Proceeds

The Company has agreed to use at least 90% of the proceeds received from the issuance to Rio Tinto of all common shares of the Company issued, or to be issued, pursuant to the terms of the Private Placement Agreement to finance the development of the OT Project.

Registration Rights

At the closing of the First Tranche Private Placement, the Company and Rio Tinto will enter into a registration rights agreement (the Registration Rights Agreement) pursuant to which the Company will agree to provide Rio Tinto with registration rights in respect of the common shares of the Company held by Rio Tinto from time to time.

At any time after the first anniversary of the closing of the First Tranche Private Placement, the Company will, at Rio Tinto's written request, file a registration statement with the United States Securities and Exchange Commission pursuant to the *United States Securities Act of 1933*, as amended (the U.S. Securities Act) relating to all of the common shares of the Company in respect of which Rio Tinto has requested such registration (a Demand Registration). Rio Tinto is entitled to request up to five Demand Registrations provided that:

- (a) the aggregate sales price of any common shares of the Company to be registered pursuant to a Demand Registration must be equal to or greater than U.S.\$35 million;
 - (b) no more than two Demand Registrations may be requested in any twelve month period; and
 - (c) no request for a Demand Registration may be made within 90 days of the date of effectiveness of any other registration statement filed by the Company pursuant to the Registration Rights Agreement.
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If, at any time, the Company files a registration statement under the U.S. Securities Act, Rio Tinto, will be entitled, subject to certain exceptions, to exercise piggyback registration rights requiring the Company to include in any such registration that number of common shares of the Company held by Rio Tinto as Rio Tinto may request, subject only to certain prescribed limitations provided in the Registration Rights Agreement.

The Company may, on a limited number of occasions, and in certain prescribed circumstances, delay the filing or effectiveness of any registration statement required to be filed pursuant to the Registration Rights Agreement.

Board of Directors

Rio Tinto will be entitled (but not obliged) to nominate a number of qualified individuals for appointment or election, from time to time, to the board of directors of the Company, that is proportionate to the percentage of issued and outstanding common shares of the Company held by the Rio Tinto Group from time to time. Where the number of directors that Rio Tinto is entitled to nominate is not a whole number, such number will be rounded up to the nearest whole number if such number ends with a figure of .5 or greater or rounded down to the nearest whole number if such number ends with a figure less than .5. If at any time Rio Tinto is entitled to nominate more than one director, then not less than one half of such nominees must qualify as independent under applicable securities laws. Rio Tinto will always be entitled to nominate as one of its representatives on the Company's board of directors an individual who does not necessarily qualify as independent. At all times, the board of directors of the Company will consist of at least ten directors.

Rio Tinto is also entitled to nominate one financially literate and independent director to the Company's audit committee.

Pre-emptive Rights

Except in the limited circumstances described below, if the Company proposes, or is required, to issue additional common shares to one or more third parties (a Dilution Event), it will offer to Rio Tinto the option to purchase up to that number of additional common shares that would result in Rio Tinto maintaining the percentage ownership that it held immediately prior to the Dilution Event in all issued and outstanding common shares of the Company at a subscription price (i) where the consideration for the common shares issued pursuant to the Dilution Event is cash, equal to the cash consideration for which the common shares were issued pursuant to the Dilution Event, or (ii) where the consideration for the common shares issued pursuant to the Dilution Event is other than cash, equal to the volume-weighted average trading price of a common share during the ten trading days immediately preceding the date of the public announcement of the Dilution Event or the date upon which the common shares were issued pursuant to the Dilution Event, whichever is earlier.

Rio Tinto's pre-emptive rights will be exercisable quarterly except where a Dilution Event would result in the aggregate percentage interest of the Rio Tinto Group in the total number of issued and outstanding common shares being reduced by more than 1% or where the Dilution Event is publicly announced or completed on or after the public announcement, but before the completion, of a transaction resulting in a person or group of persons acquiring beneficial

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ownership of more than fifty percent of the total number of issued and outstanding common shares of the Company (a Company Control Transaction).

If, before the Series A Warrants and the Series B Warrants are fully exercised or expire, Rio Tinto exercises its right to purchase all or part of the common shares to which it is entitled in respect of its pre-emptive rights under the Private Placement Agreement, Rio Tinto will also be entitled to receive, for no additional consideration, anti-dilution warrants from the Company that would result in Rio Tinto having the right to acquire, pursuant to the exercise of all outstanding Series A Warrants, Series B Warrants and anti-dilution warrants, a number of common shares that, upon issuance, would represent the same percentage of the outstanding common shares of the Company that Rio Tinto would have owned if all of the then outstanding Series A Warrants, Series B Warrants and anti-dilution warrants had been fully exercised before the Dilution Event. Each anti-dilution warrant will entitle Rio Tinto to purchase one common share of the Company at a price equal to the issue price of the common shares issued pursuant to the Dilution Event.

Rio Tinto's pre-emptive rights do not apply to:

- (a) equity incentive securities or equity compensation securities in favour of directors, officers or service providers of the Company pursuant to an equity incentive plan adopted by the Company and approved by its shareholders;
- (b) the exercise of any convertible securities of the Company outstanding as of the date of the Private Placement Agreement; or
- (c) any issuance of securities made to all holders of common shares of the Company on a pro rata basis.

Restrictions on Share Acquisitions and Dispositions

Rio Tinto has agreed that it will not, for a period of one year following the closing of the First Tranche Private Placement, dispose of any of its common shares of the Company, except where such disposition is made with the consent of the Company, pursuant to a Company Control Transaction or to a member of the Rio Tinto Group. Thereafter, until the fifth anniversary of the date of the Private Placement Agreement, if Rio Tinto intends to dispose of common shares of the Company representing 5% or more of the total number of common shares then issued and outstanding to any person other than a member of the Rio Tinto Group or an institutional investor that meets certain prescribed criteria under the Private Placement Agreement, the Company will have the right, for a period of not less than sixty days, to arrange for the sale of such common shares to a third party selected by the Company and acceptable to Rio Tinto, acting reasonably, on the same terms upon which Rio Tinto intended to dispose of such common shares, failing which Rio Tinto may dispose of such common shares.

Rio Tinto has also agreed that, until the fifth anniversary of the date of the Private Placement Agreement, Rio Tinto and its affiliates will not, without the prior written consent of the Company:

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- (a) except as specifically contemplated or permitted by the terms of the Private Placement Agreement, engage in any Specified Activity (as defined below);
- (b) acquire more than 6.65% of the issued and outstanding common shares of the Company before fully exercising the Series A Warrants and the Series B Warrants (other than as provided in the Private Placement Agreement); or
- (c) after having fully exercised all of the Series A Warrants and the Series B Warrants, acquire additional common shares that would result in Rio Tinto and its affiliates holding in excess of 40% of the Company's then issued and outstanding common shares.

A Specified Activity means an action by a member of the Rio Tinto Group to (i) make a takeover bid or a tender offer or participate as a bidder in any takeover bid or tender offer for any or all issued and outstanding common shares or convertible securities of the Company; (ii) otherwise acquire any common shares or convertible securities or any rights or options to acquire any common shares or convertible securities of the Company; (iii) propose any merger, statutory arrangement or business combination between Company and a member of the Rio Tinto Group; (iv) make any solicitation of proxies to vote any common shares of the Company; or (v) form, join or in any way participate in a group within the meaning of Section 13d-3 of the *United States Securities Exchange Act of 1934*, as amended, with respect to any of the foregoing.

The foregoing restrictions will not apply to any share acquisition made pursuant to the exercise by Rio Tinto of its right of first refusal under the Shareholders' Agreement to purchase any common shares of the Company that Friedland elects to sell to any third party other than an institutional investor who meets certain prescribed criteria under the Private Placement Agreement.

If, at any time, a person or persons jointly or in concert (other than a member of the Rio Tinto Group or a person that is not at arm's length to the Rio Tinto Group), publicly announces its intention to commence a Company Control Transaction, or the Company publicly announces that its board of directors has approved an agreement which contemplates a Company Control Transaction, the Rio Tinto Group will be immediately released from the foregoing restrictions but only for the limited purpose of giving the Rio Tinto Group a reasonable opportunity to propose to the Company and/or commence an alternative Company Control Transaction.

OT Project Right of First Refusal

Rio Tinto has been granted a right of first refusal in respect of the Company's interests in the OT Project that is exercisable for a period of sixty days, subject to certain limited exceptions, if the Company intends to dispose of any interest in the OT Project. In respect of any such proposed disposition, the Company must first offer such interest to Rio Tinto at an equivalent price and on equivalent terms and conditions to those available to the third party to whom such proposed disposition is to be made and from whom the Company has received an offer on bona fide arm's length terms. Rio Tinto's right of first refusal is inoperative unless, at the time the Company proposes to make any such disposition, the Rio Tinto Group owns a number of

common shares of the Company at least equal to the number of First Tranche Private Placement Shares and Basic Second Tranche Private Placement Shares.

If the Company proposes to dispose of any interest in the OT Project in respect of which Rio Tinto would be entitled to exercise its right of first refusal but for the fact that the Rio Tinto Group then owns an insufficient number of common shares of the Company, Rio Tinto will nonetheless be entitled to exercise its right of first refusal if it commits to acquire a number of additional common shares of the Company such that it would meet the minimum threshold necessary in order for the right of first refusal to become operative.

The Private Placement Agreement also provides that Ivanhoe and Rio Tinto will consult with one another regarding further opportunities for the Rio Tinto Group to participate in the OT Project.

Technical Committee

Rio Tinto and the Company have agreed to establish a technical committee (the Technical Committee) to manage all aspects of the engineering, construction, development and operation of the OT Project. The Company and Rio Tinto will, through the Technical Committee, cooperatively oversee and supervise all operations in respect of the OT Project. All material activities and operations in respect of the OT Project must be approved by the Technical Committee before they can be undertaken.

The Technical Committee will consist of two members from the Company, two members from Rio Tinto and a fifth member who will act as the chairman of the Technical Committee and as the senior manager of the OT Project. The chairman of the Technical Committee will be an individual reasonably acceptable to both the Company and Rio Tinto. The Company has the right to appoint the chairman of the Technical Committee during the first five years following the closing of the First Tranche Private Placement. The Company's President and Chief Executive Officer, John Macken, will serve as the first chairman of the Technical Committee and senior manager of the OT Project. After five years, Rio Tinto will have the right to appoint the chairman of the Technical Committee and senior manager of the OT Project.

Rio Tinto's right to appoint members and be represented on the Technical Committee will terminate if, at any time during the period from the closing of the First Tranche Private Placement until the earlier of (i) the closing of the Second Tranche Private Placement, and (ii) the third anniversary of the closing of the First Tranche Private Placement, the Rio Tinto Group beneficially owns, in the aggregate, a number of common shares that is less than the number of First Tranche Private Placement Shares. Thereafter, Rio Tinto's right to appoint members and be represented on the Technical Committee will terminate if, at any time, the Rio Tinto Group beneficially owns, in the aggregate, a number of common shares that is less than the aggregate number of First Tranche Private Placement Shares and Basic Second Tranche Private Placement Shares.

Any decision of the Technical Committee in respect of which a consensus cannot be reached among its members will be subject to a vote in respect of which each of the five members of the Technical Committee will have one vote.

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During the five year period following the closing of the First Tranche Private Placement, the unanimous consent of all Technical Committee members will be required for matters involving (i) asset acquisitions or contractual commitments requiring expenditures exceeding U.S.\$100 million, (ii) acquisitions of land or mineralization within the geographical areas comprising the OT Project requiring expenditures exceeding U.S.\$10 million, or (iii) any material amendments to the existing OT Project mine plan or the adoption of any new, long-term mine plan.

Technical Assistance

For as long as Rio Tinto is represented on the Technical Committee, Ivanhoe may request Rio Tinto's assistance with certain matters pertaining to the development and operation of the OT Project including engineering, mine planning and design, metallurgical and process design, procurement of plant and equipment and environmental planning and management. Rio Tinto will provide such services subject to the parties negotiating mutually acceptable agreements. During the five year period following the closing of the First Tranche Private Placement, these services will be provided to the Company at Rio Tinto's out-of-pocket cost and, thereafter, at a cost no less favourable than that charged by any Rio Tinto Group member to any other Rio Tinto Group member.

OT Investment Contract Negotiations

The Company has agreed to keep Rio Tinto fully informed from time to time of the status of the negotiations with the Government of Mongolia for an Approved OT Investment Contract. Rio Tinto, acting reasonably, will have the right to consult with the Company from time to time with respect to all aspects of such negotiations and will be entitled to appoint at least two individuals acceptable to the Company, acting reasonably, to the group of Company representatives participating in such negotiations.

Divestiture of Non-Core Assets

The Company has agreed to dispose of the Myanmar Assets by no later than February 1, 2007. If such disposition does not occur by that date, Rio Tinto has the right to cause the Company to transfer all of the Myanmar Assets to a trust of which none of the Company, Rio Tinto, Friedland, their respective affiliates, any person related to any of them or any person that is a resident of Myanmar or controlled by a resident of Myanmar are trustees or beneficiaries. In consideration for such transfer, the Company would receive a promissory note issued by the trust in an amount not less than U.S.\$ 40 million plus 50% of the cash receivable from the Myanmar Assets at the time of their sale. The Company would be entitled to additional compensation from any future sale of the Myanmar Assets by the trust in an amount to be determined but not less than 50% of the amount by which such sale proceeds exceed the amount outstanding under the promissory note.

The Company has also agreed to consult with Rio Tinto and to use if best efforts to formulate timetables and strategies for the orderly disposition of all of its non-core assets situated outside of Mongolia.

Shareholders Agreement

Under the terms of the Shareholders Agreement, Friedland has agreed to vote all common shares of the Company held directly or indirectly by him (the Friedland Shares) in favour of Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants and, for a period of five years, in favour of any other matter contemplated by the Private Placement Agreement for which the approval of the Company's shareholders is required.

Friedland has also granted to Rio Tinto, for a period of five years or until he ceases to beneficially own any common shares of the Company, a right of first refusal, and/or rights of placement with third parties, in respect of the sale by him or any of his affiliates of the Friedland Shares to any person, subject to certain exceptions including sales to permitted transferees or pursuant to a take-over bid or a transaction involving a Company Control Transaction.

About the Rio Tinto Group

The Rio Tinto Group is a multi-national mining and resources group founded originally in 1873. The Rio Tinto Group consists of Rio Tinto plc (headquartered in London), Rio Tinto Limited (headquartered in Melbourne) and their respective affiliates. Rio Tinto Limited is listed on the Australian Stock Exchange and Rio Tinto plc is listed on the London Stock Exchange and the New York Stock Exchange. The two companies are managed as a single economic unit by a unified board, with a share in either company entitling the owner to the same voting rights and dividend payouts.

The Rio Tinto Group is one of the world's leading mining groups with more than 30,000 employees in 30 businesses that control more than 80 active operations and six exploration regions globally. The Rio Tinto Group's major products include aluminum, copper, diamonds, coal, uranium, gold, industrial minerals (borates, titanium dioxide, salt and talc) and iron ore. The Rio Tinto Group owns or shares an interest in many of the world's largest mineral deposits, including the Grasberg copper-gold mine in Indonesia, the Escondida copper mine in Chile, the Bingham Canyon copper-gold mine and copper smelter in Utah, United States, the Resolution copper-molybdenum development project in Arizona, United States, and other copper mines in Australia and South Africa. The Rio Tinto Group is also a major supplier of minerals into Asian markets.

Following the completion of the First Tranche Private Placement and the Second Tranche Private Placement, Rio Tinto will beneficially own 83,394,356 common shares of the Company (representing, upon completion, 19.9% of the Company's outstanding common shares) and 92,053,044 Series A Warrants and Series B Warrants exercisable (subject to the prior approval of the Company's shareholders) to acquire an additional 92,053,044 common shares of the Company. If the Series A Warrants and Series B Warrants were to be fully exercised, Rio Tinto would beneficially own approximately 34.33% of the Company's outstanding common shares (or 33.35% on a fully diluted basis).

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6. RELIANCE ON SUBSECTION 7.1(2) OR (3) 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:

Beverly Bartlett
654 999 Canada Place
Vancouver, British Columbia
V6C 3E1

Telephone: (604) 688-5755

9. DATE OF REPORT

DATED at Vancouver, British Columbia this 25th day of October, 2006.

PRIVATE PLACEMENT AGREEMENT

THIS AGREEMENT made as of the 18th day of October, 2006.

BETWEEN:

IVANHOE MINES LTD., a corporation continued under the laws of the Yukon Territory and with its registered office at 300 204 Black Street, Whitehorse, Yukon, Canada, Y1A 2M9
(**Ivanhoe**)

AND:

RIO TINTO INTERNATIONAL HOLDINGS LIMITED, a corporation incorporated under the laws of England and Wales and with its registered office at 6 St. James s Square, London, SW1Y 4LD
(**Rio Tinto**)

WHEREAS:

- A. capitalized terms used in these recitals without definition have the meanings assigned to them in Section 1.1 hereof;
- B. Rio Tinto wishes to make the Equity Investment in Ivanhoe; and
- C. the parties are entering into this Agreement to formally document their agreement in respect of the matters referred to in the foregoing recitals and certain ancillary matters.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the premises and the respective covenants and agreements herein contained, the parties hereto covenant and agree as follows:

PART 1

DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Agreement, unless the context otherwise requires, the following terms will have the meanings hereinafter set forth:

Adjustment Event means any of the events provided in Section 10 of the Series A Warrant Certificate that would trigger an adjustment to the number of Ivanhoe Shares and the exercise price for which a Series A Warrant may be exercised;

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Affiliate means, in respect of a party to this Agreement, any person which Controls, is Controlled by, or is under common Control with, such party and, in the case of Rio Tinto, **Affiliate** includes any member of the Rio Tinto Group;

Anti-Dilution Ivanhoe Shares has the meaning assigned to it in Section 5.1;

Anti-Dilution Ivanhoe Warrants has the meaning assigned to it in Section 5.6;

Anti-Dilution Offer Notice means a Quarterly Anti-Dilution Offer Notice or a Special Anti-Dilution Offer Notice, as the context requires;

Anti-Dilution Securities means, collectively, Anti-Dilution Ivanhoe Shares, Anti-Dilution Ivanhoe Warrants and any Ivanhoe Shares issued pursuant to the exercise of Anti-Dilution Ivanhoe Warrants;

Applicable Law means all governmental laws (statutory or common), rules, ordinances, regulations, grants, concessions, franchises, licenses, orders, directives, judgments, decrees, and other governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature, having application, directly or indirectly, to the parties to this Agreement and their respective Affiliates, or the transactions contemplated by this Agreement;

Approved OT Investment Contract means an OT Investment Contract that has been approved by the Ivanhoe board of directors and that is mutually acceptable to Ivanhoe and Rio Tinto, acting reasonably;

Approved OT Investment Contract Date means the date upon which Ivanhoe, or a Subsidiary of Ivanhoe, enters into an Approved OT Investment Contract;

Arbitration Act means the *International Commercial Arbitration Act* of the Province of British Columbia;

Basic Second Tranche Private Placement has the meaning assigned to it in Section 2.3;

Basic Second Tranche Private Placement Shares has the meaning assigned to it in Section 2.3;

Basic Second Tranche Subscription Price has the meaning assigned to it in Section 2.3;

B.C. Securities Act means the *Securities Act* of the Province of British Columbia;

beneficial ownership has the meaning ascribed to such term in Rule 13d-3 promulgated under the U.S. Exchange Act and **beneficially own** shall have a correlative meaning;

Budget means a detailed estimate of all costs to be incurred with respect to a Program, including a schedule describing when such costs are expected to be incurred;

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Business Day means any day upon which banks in Vancouver, British Columbia and London, England are open for business;

Canadian Hold Period has the meaning assigned to it in Section 12.5;

Canadian Securities Laws means, collectively, the B.C. Securities Act and the applicable securities laws of the other provinces and territories of Canada, the regulations made and forms prescribed thereunder together with all applicable published rules, instruments, policy statements and blanket orders and rulings of the Canadian securities regulatory authorities;

Canadian securities regulatory authorities has the meaning assigned to it in National Instrument 14-101 *Definitions* of the Canadian securities regulatory authorities;

Confidential Information means all material information pertaining to the OT Project, the OT Investment Contract Negotiations, the contents of the Ivanhoe Disclosure Letter and all other information, data, knowledge and know-how (including, but not limited to, formulas, patterns, compilations, programs, devices, methods, techniques and processes) disclosed by one party hereunder or any of its Representatives to the other party hereunder or any of its Representatives that derives independent economic value, actual or potential, as a result of not being generally known to, or readily ascertainable by, third parties, and includes all analyses, interpretations, compilations, studies and evaluations to the extent that the same include such information, data, knowledge and know-how generated or prepared by or on behalf of either party but does not include any such information, data, knowledge or know-how that:

- (i) is publicly available at the time of its disclosure under this Agreement; or
 - (ii) becomes publicly available following disclosure under this Agreement (other than as a result of disclosure by the receiving party contrary to the terms of this Agreement); or
 - (iii) was previously disclosed to or otherwise already lawfully in the possession of the receiving party or any of its Affiliates prior to disclosure under this Agreement (as can be demonstrated by written records or other reasonable evidence) from a third party who is not, to the knowledge of the receiving party after due enquiry, under an obligation of confidentiality to the other party to this Agreement in relation to such information, data, knowledge or know-how; or
 - (iv) following disclosure under this Agreement, becomes available to the receiving party or any of its Affiliates (as can be demonstrated by written records or other reasonable evidence) from a third party who is not, to the knowledge of the receiving party after due enquiry, under an obligation of confidentiality to the other party to this Agreement in relation to such information, data, knowledge or know-how; or
 - (v) is independently developed by or on behalf of the receiving party or any of its Affiliates without reference to information, data, knowledge and know-how previously disclosed under this Agreement;
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Constituting Documents means the charter, the memorandum, the articles of association, the articles of incorporation, the articles of continuance, the articles of amalgamation, the by-laws or any other instrument pursuant to which an entity is created, incorporated, continued, amalgamated or otherwise established, as the case may be, and/or which governs in whole or in part such entity's affairs, together with any amendments thereto;

Control used as a verb means, with respect to a body corporate, the right in all circumstances, directly or indirectly, to exercise a majority of the votes which may be cast at a general meeting of the shareholders of the body corporate or the right to elect or appoint, directly or indirectly, a majority of the directors of the body corporate and, when used with respect to any other person, means the actual or legal ability to control the actions of another, through family relationship, agency, contract or otherwise; and **Control** used as a noun means an interest which gives the holder the ability to exercise any of the foregoing powers;

Development Operations means all Operations involving the preparation for the removal and recovery of ores, minerals and mineral resources from the OT Project property, including construction and installation of all mining facilities and any other improvements and related infrastructure, wheresoever situated, to be used for the mining, handling, transportation, milling, processing, or other beneficiation of ores, minerals and mineral resources;

Designated Purchaser has the meaning assigned to it in Section 6.5;

Dilutive Ivanhoe Shares has the meaning assigned to it in Section 5.1;

Eligible Institutional Investor means:

- (i) a bank, loan corporation, trust company, insurance company, credit union or other entity that is predominantly engaged in financial services activities, that is supervised and regulated under Applicable Laws in respect of such activities in its jurisdiction of domicile and that is not Controlled by any person who is not an Eligible Institutional Investor;
 - (ii) a pension fund that is supervised and regulated as such under Applicable Laws in its jurisdiction of domicile and that is not Controlled by any person who is not an Eligible Institutional Investor;
 - (iii) a mutual fund (as that term is defined under Canadian Securities Laws) or an entity, wheresoever domiciled, that is substantially similar to a mutual fund, that is supervised and regulated as such under Applicable Laws in its jurisdiction of domicile and that is not Controlled by any person who is not an Eligible Institutional Investor; or
 - (iv) an investment manager who is registered or licensed to provide investment counselling, portfolio management or similar advisory services in respect of securities or exempt from the requirement to be so registered or licensed, under the Applicable Laws of its jurisdiction of domicile and who, in relation to the securities it manages, exercises discretion to vote, acquire or dispose of such securities without
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the express consent of the beneficial owner, subject to applicable legal requirements, general investment policies, guidelines, objectives or restrictions; who has, for the purposes of Section 6.2 or Section 6.5, as the case may be, certified in writing that it is purchasing Ivanhoe Shares for investment only and not with a view to resale or distribution and not as part of, or in contemplation or support of, an Ivanhoe Control Transaction;

Encumbrance means any mortgage, charge, pledge, hypothecation, security interest, lien, easement, right-of-way, encroachment, covenant, condition, right-of-entry, lease, license, assignment, option or claim or any other encumbrance, charge or any title defect of whatever kind of nature, regardless of form, whether or not registered or registrable and whether or not consensual or arising by law (statutory or otherwise);

Equity Investment means the First Tranche Private Placement and the Second Tranche Private Placement;

Equity Investment Securities has the meaning assigned to it in Section 2.13;

Exchange Approval means the written approval, or the written acceptance of Ivanhoe's notice, of the proposed issuance to Rio Tinto of any Ivanhoe Shares or Ivanhoe Convertible Securities at any time and from time to time pursuant to the terms of this Agreement given, to the extent required, by each of the TSX, NYSE and NASDAQ;

Exempt Ivanhoe Share Transaction has the meaning assigned to it in Section 5.7;

Existing Licenses means, collectively, those mining licenses, the license numbers and coordinates of which are listed in Schedule E, relating to the OT Project issued by the Mineral Resources and Petroleum Authority of Mongolia;

Expansion or Modification Operations means all Operations involving (i) a material increase in mining or production capacity; (ii) a material change in the recovery process; or (iii) a material change in waste or tailings disposal methods and, for the purposes of this definition, an increase or change shall be deemed material if it is anticipated to cost more than twenty per cent (20%) of the original capital costs attributable to the development of the mining or production capacity, recovery process or waste or tailings disposal facility to be expanded or modified;

Feasibility Study Operations means all Operations involving comprehensive studies of the OT Project in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail such that such studies could reasonably serve as the basis for a final decision by a financial institution to finance the development of the OT Project for mineral production;

financially literate has the meaning assigned to it in Multilateral Instrument 52-110 *Audit Committees* of the Canadian securities regulatory authorities, as amended;

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First Closing means the issuance by Ivanhoe to Rio Tinto of those Equity Investment Securities to be issued pursuant to the First Tranche Private Placement and the payment by Rio Tinto to Ivanhoe of the First Tranche Subscription Price and all of the other acts, procedures and deliveries necessary in order to complete and implement the First Tranche Private Placement and all of the other transactions contemplated by this Agreement that are to take effect on the First Closing Date;

First Closing Date has the meaning assigned to it in Section 2.2;

First Closing Deadline means the forty-fifth (45) day following the date of this Agreement or such later date as the parties to this Agreement may agree in writing;

First Tranche Private Placement has the meaning assigned to it in Section 2.1;

First Tranche Private Placement Shares has the meaning assigned to it in Section 2.1;

First Tranche Subscription Price has the meaning assigned to it in Section 2.1;

Governmental Authority means any national, central, federal, provincial, state, municipal, county or other government or regional authority, whether executive, legislative or judicial, and includes any ministry, department, commission, bureau, board, administrative or other agency or regulatory body or instrumentality thereof;

Independent Ivanhoe Director means, in respect of Ivanhoe, a director who is independent within the meaning of Multilateral Instrument 52-110 *Audit Committees* of the Canadian securities regulatory authorities, as amended and who meets the equivalent independence criteria prescribed under U.S. Securities Laws and the listing or marketplace rules of the NYSE and NASDAQ, to the extent applicable to Ivanhoe;

Ivanhoe Change of Control means any person, or group of persons acting jointly or in concert, acquiring beneficial ownership of more than fifty per cent (50%) of the outstanding Ivanhoe Shares;

Ivanhoe Continuous Disclosure Documents means, at any time, the following continuous disclosure documents filed by Ivanhoe (a) pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian securities regulatory authorities, as amended and (b) with the United States Securities and Exchange Commission:

- (i) Ivanhoe's then most recently filed annual information form;
 - (ii) Ivanhoe's then most recently filed audited annual consolidated comparative financial statements, together with the notes thereto and the auditors' report thereon and including management's discussion and analysis of financial condition and results of operations for the periods reported upon;
 - (iii) Ivanhoe's unaudited interim comparative consolidated financial statements, including management's discussion and analysis of financial condition and results of operations for periods to which such financial statements relate, filed
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since the end of the financial year of Ivanhoe to which Ivanhoe's then most recently filed audited annual consolidated comparative financial statements relate;

(iv) all management proxy circulars filed by Ivanhoe during the twelve (12) months preceding such time;

(v) all material change reports filed by Ivanhoe during the twelve (12) months preceding such time; and

(vi) Ivanhoe's then most recently filed annual report on Form 40-F;

Ivanhoe Control Transaction means a transaction which would result, if consummated, in an Ivanhoe Change of Control;

Ivanhoe Convertible Securities means securities of Ivanhoe which are convertible into, exchangeable for or exercisable to acquire Ivanhoe Shares;

Ivanhoe Disclosure Letter means the letter to be delivered by Ivanhoe to Rio Tinto upon the execution of this Agreement in connection with the representations and warranties of Ivanhoe in Part 12 of this Agreement;

Ivanhoe Meeting has the meaning assigned to it in Section 3.5;

Ivanhoe Share means a common share without par value in the capital of Ivanhoe, as presently constituted;

Ivanhoe Shareholder Approval means approval by a majority of the votes cast by holders of Ivanhoe Shares present at the Ivanhoe Meeting in person or by proxy;

Ivanhoe Shareholder Approval Date means the date upon which Ivanhoe obtains Ivanhoe Shareholder Approval for the Ivanhoe Shareholder Approval Matter;

Ivanhoe Shareholder Approval Matter has the meaning assigned to it in Section 3.5;

Manager has the meaning assigned to it in Section 8.3;

managing party has the meaning assigned to it in Section 8.18;

Material Subsidiary means, collectively, the OT Subsidiary and each other Subsidiary of Ivanhoe through which Ivanhoe beneficially owns, directly or indirectly, any interest in the OT Subsidiary, the OT Project or any mineral resource situated in Mongolia;

Mining Operations means all Operations involving the mining, extracting, producing, beneficiating, handling, milling or other processing of ores, minerals and mineral resources from the OT Project;

Myanmar Assets means (i) Ivanhoe's indirect fifty per cent (50%) interest in the Monywa Copper Project, a joint venture between Ivanhoe's wholly owned Subsidiary, Ivanhoe

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Myanmar Holdings Ltd., and Mining Enterprise No. 1, an entity wholly-owned by the Government of the Union of Myanmar, and (ii) any other rights, interests or investments held, directly or indirectly, by Ivanhoe in the Union of Myanmar;

NASDAQ means the NASDAQ Stock Market;

non-managing party has the meaning assigned to it in Section 8.18;

Notice has the meaning assigned to it in Section 18.1;

NYSE means the New York Stock Exchange;

Official means any officer of a political party or candidate for political office or any officer or employee of a Governmental Authority or of a public international organization;

Operations means all material activities undertaken by Ivanhoe or any of its Subsidiaries on the OT Project property or elsewhere in furtherance of the development, operation and management of the OT Project, including Development Operations, Pre-Feasibility Study Operations, Feasibility Study Operations, Mining Operations, Expansion or Modification Operations and Project Financing Operations but does not include the acquisition by Ivanhoe or any Subsidiary of Ivanhoe of:

(i) any securities that are listed or quoted on any stock exchange or securities market or traded on any over-the-counter market; or

(ii) any securities owned, directly or indirectly, by an issuer whose securities are listed or quoted on any stock exchange or securities market or traded on any over-the-counter market;

Ordinary Dilutive Issuance has the meaning assigned to it in Section 5.2;

OT Closing Period has the meaning assigned to it in Section 7.1;

OT Disposal Interest has the meaning assigned to it in Section 7.1;

OT Disposal Notice has the meaning assigned to it in Section 7.1;

OT Disposal Transaction has the meaning assigned to it in Section 7.1;

OT Exercise Period has the meaning assigned to it in Section 7.1;

OT Investment Contract means a legally binding and unconditional investment agreement with the Government of Mongolia pursuant to the Applicable Laws of Mongolia that:

(i) includes terms granting legal, administrative and tax stability to the stakeholders of the OT Project for a certain period of time and guaranteeing that the legal, administrative and/or tax framework in force in Mongolia when the investment contract is entered into will remain unmodified for the term of the investment

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contract notwithstanding any modification, either introduced by law or regulations, enacted after the execution of the investment contract; and

(ii) has, to the extent required by Applicable Law, been approved, ratified, consented to or otherwise authorised by all relevant Governmental Authorities in Mongolia;

OT Investment Contract Negotiations has the meaning assigned to it in Section 10.1;

OT Project means the Oyu Tolgoi copper and gold mineral development project, and all associated infrastructure wheresoever situated, including:

(i) those geographical areas in the Omnigov Aimag of Mongolia that are the subject of the Existing Licenses, a map and schedule of co-ordinates of which is attached as Schedule E ; and

(ii) all geographical areas situated within a fifty (50) kilometre radius of the outer perimeter of the geographical areas that are the subject of the Existing Licenses in which Ivanhoe or any of its Subsidiaries now holds, or hereafter acquires, an interest of any nature whatsoever;

OT Right of First Refusal has the meaning assigned to it in Section 7.1;

OT Subsidiary means Ivanhoe Mines Mongolia Inc. LLC, a wholly-owned Subsidiary of Ivanhoe;

Other Non-Core Assets means those mineral resource interests and assets held, directly or indirectly, by Ivanhoe, other than the Myanmar Assets and the mineral resource interests and assets situated in, or pertaining to mineral resource interests and assets situated in, Mongolia;

Placement Offer has the meaning assigned to it in Section 6.5;

Placement Offer Notice has the meaning assigned to it in Section 6.5;

Placement Offer Period has the meaning assigned to it in Section 6.5;

Placement Shares has the meaning assigned to it in Section 6.5;

Pre-Feasibility Study Operations means all Operations involving comprehensive studies of the OT Project in which the mining method, in the case of underground mining, or the pit configuration, in the case of open pit mining, is established, in which an effective method of mineral processing is determined and which include a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient to determine if all or part of a mineral resource may be classified as a mineral reserve;

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Program means a description in reasonable detail of Operations to be conducted and objectives to be accomplished in respect of the OT Project for any period as determined by the Technical Committee;

Prohibited Payment by a person is any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Official (including to or for the use or benefit of any other person if such person knows, or has reasonable grounds for believing, that the other person would use such offer, gift, payment, promise or authorization of payment for the benefit of any such Official), for the purpose of influencing any act or decision or omission of any Official in order to obtain, retain or direct business to, or to secure any improper benefit or advantage for, the person, its Affiliates or any other person; provided that any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if, in such person's reasonable opinion, it is lawful under Applicable Law which for these purposes includes the laws of Canada, the United States and England;

Project Financing Operations means all Operations involving any financing approved by the Technical Committee for the purpose of placing the OT Project into commercial production;

Proportionate Number of Directors has the meaning assigned to it in Section 4.1;

Quarterly Anti-Dilution Offer Notice has the meaning assigned to it in Section 5.2;

Registration Rights Agreement has the meaning assigned to it in Section 2.11;

Regulation S means Regulation S under the U.S. Securities Act;

Representatives means, in relation to a party to this Agreement, its Affiliates and its and their respective directors, officers, employees and professional advisers;

Rio Tinto Group means Rio Tinto plc (incorporated in England), Rio Tinto Limited (incorporated in Victoria, Australia) and any other corporation wherever situated in which Rio Tinto plc and/or Rio Tinto Limited owns or Controls, directly or indirectly, more than 50 per cent of the shares or stock carrying the right to vote at a general meeting (or its equivalent) of the corporation;

Rio Tinto Representative has the meaning assigned to it in Section 4.1;

Second Closing means the issuance by Ivanhoe to Rio Tinto of those Equity Investment Securities to be issued pursuant to the Second Tranche Private Placement and the payment by Rio Tinto to Ivanhoe of the Second Tranche Subscription Price and all of the other acts, procedures and deliveries necessary in order to complete and implement the Second Tranche Private Placement and all of the other transactions contemplated by this Agreement that are to take effect on the Second Closing Date;

Second Closing Date has the meaning assigned to it in Section 2.8;

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Second Tranche Private Placement means the Basic Second Tranche Private Placement and, if, but only if, Rio Tinto exercises the Top Up Option, the Top Up Private Placement;

Second Tranche Private Placement Shares means the Basic Second Tranche Private Placement Shares and, if, but only if, Rio Tinto exercises the Top Up Option, the Top Up Private Placement Shares which Rio Tinto has by Notice elected to purchase under the Top Up Option;

Second Tranche Subscription Price means the Basic Second Tranche Subscription Price and, if, but only if, Rio Tinto exercises the Top Up Option, the Top Up Subscription Price;

Securities Laws means, collectively, Canadian Securities Laws, U.S. Securities Laws and all other Applicable Laws regulating trading in securities;

Series A Warrants has the meaning assigned to it in Section 2.1;

Series B Warrants has the meaning assigned to it in Section 2.1;

Series A Warrant Certificate means an instrument substantially in the form attached hereto as Schedule A ;

Series B Warrant Certificate means an instrument substantially in the form attached hereto as Schedule B ;

Shareholders Agreement means a shareholders agreement dated as of the date hereof between Rio Tinto and Robert M. Friedland providing for the matters described in Section 2.12;

Special Anti-Dilution Offer Notice has the meaning assigned to it in Section 5.3;

Special Approval Matters has the meaning assigned to it in Section 8.7;

Special Dilutive Issuance has the meaning assigned to it in Section 5.3;

Specified Activity means, in respect of Ivanhoe and, except as specifically contemplated or permitted by the terms of this Agreement, any actions by a member of the Rio Tinto Group to:

- (i) make a takeover bid or a tender offer or participate as a bidder in any takeover bid or tender offer for any or all issued and outstanding Ivanhoe Shares or Ivanhoe Convertible Securities;
 - (ii) otherwise acquire, directly or indirectly, any Ivanhoe Shares or Ivanhoe Convertible Securities or any rights or options to acquire any Ivanhoe Shares or Ivanhoe Convertible Securities;
 - (iii) propose any merger, statutory arrangement or business combination between Ivanhoe and any member of the Rio Tinto Group;
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(iv) make any solicitation of proxies to vote any Ivanhoe Shares; or

(v) form, join or in any way participate in a group within the meaning of Section 13(d)(3) of the U.S. Exchange Act with respect to any of the foregoing;

Subsidiary means, in respect of a party to this Agreement, a person that is Controlled by such party;

Technical Committee has the meaning assigned to it in Section 8.1;

Technical Committee Chair has the meaning assigned to it in Section 8.3;

Top Up Option has the meaning assigned to it in Section 2.4;

Top Up Private Placement has the meaning assigned to it in Section 2.5;

Top Up Private Placement Shares has the meaning assigned to it in Section 2.4;

Top Up Share Price has the meaning assigned to it in Section 2.5;

Top Up Subscription Price has the meaning assigned to it in Section 2.5;

Transfer has the meaning assigned to it in Section 6.4;

TSX means the Toronto Stock Exchange;

United States has the meaning ascribed it in Regulation S;

U.S. Exchange Act means the United States Securities Exchange Act of 1934, as amended;

U.S. Person has the meaning ascribed it in Regulation S;

U.S. Securities Act means the United States Securities Act of 1933, as amended;

U.S. Securities Laws means, collectively, the U.S. Securities Act, the U.S. Exchange Act, the securities laws of the states of the United States, the regulations made and forms prescribed thereunder together with all applicable published rules, instruments, policy statements and blanket orders and rulings of the United States Securities and Exchange Commission;

Warrant Determination Date means the earlier of:

(i) the Approved OT Investment Contract Date; or

(ii) the third (3rd) anniversary of the First Closing Date; and

Warrant Subscription Price has the meaning assigned to it in Section 2.1.

Interpretation

1.2 For the purposes of this Agreement, except as otherwise expressly provided:

- (a) this Agreement means this agreement, including the schedules hereto, and not any particular part, section or other portion hereof, and includes any agreement, document or instrument entered into, made or delivered pursuant to the terms hereof, as the same may, from time to time, be supplemented or amended and in effect;
 - (b) all references in this Agreement to a designated Part , Section , Subsection or other subdivision or to a schedule are references to the designated part, section, subsection or other subdivision of, or schedule to, this Agreement;
 - (c) the words hereof , herein , hereto and hereunder and other words of similar import refer to this Agreement as a whole and not to any particular part, section, subsection or other subdivision or schedule unless the context or subject matter otherwise requires;
 - (d) the division of this Agreement into parts, sections and other portions and the insertion of headings are for convenience of reference only and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
 - (e) unless otherwise provided herein, all references to currency in this Agreement are to lawful money of the United States of America and, for greater certainty, \$ means United States dollars;
 - (f) a reference in this Agreement to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations;
 - (g) the singular of any term includes the plural, and vice versa, and words importing any gender include all genders, and the word including is not limiting whether or not non-limiting language (such as without limitation or but not limited to or words of similar import) is used with reference thereto;
 - (h) words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, Governmental Authorities and other entities;
 - (i) in the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day; and
 - (j) all references to approval , authorization or consent in this Agreement mean written approval, authorization or consent.
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Schedules

1.3 Attached to and forming part of this Agreement are the following Schedules:

- Schedule A Form of Series A Warrant Certificate
- Schedule B Form of Series B Warrant Certificate
- Schedule C Form of Registration Rights Agreement
- Schedule D Agreed Terms for Disposition of Myanmar Assets
- Schedule E Existing Licenses, OT Project Map and Co-ordinates

**PART 2
EQUITY INVESTMENT**

First Tranche Private Placement

2.1 Subject to the terms and conditions of this Agreement, on the First Closing Date,

- (a) Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto, thirty seven million, eighty nine thousand, eight hundred and eighty three (37,089,883) Ivanhoe Shares (the First Tranche Private Placement Shares) at an issue price per First Tranche Private Placement Share of eight dollars and eighteen cents (\$8.18) for an aggregate subscription price (the First Tranche Subscription Price) of three hundred and three million, three hundred and ninety five thousand, two hundred and forty two dollars and ninety four cents (\$303,395,242.94) in cash ; and
 - (b) immediately after the issue of the First Tranche Private Placement Shares, Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto:
 - (iii) share purchase warrants (the Series A Warrants) exercisable, subject to Section 3.5, to purchase an additional forty six million, twenty six thousand, five hundred and twenty two (46,026,522) Ivanhoe Shares in accordance with the terms described in Section 3.1; and
 - (iv) share purchase warrants (the Series B Warrants) exercisable, subject to Section 3.5, to purchase an additional forty six million, twenty six thousand, five hundred and twenty two (46,026,522) Ivanhoe Shares in accordance with the terms described in Section 3.2,for an aggregate subscription price (the Warrant Subscription Price) of one thousand dollars (\$1,000) in cash, (collectively, the First Tranche Private Placement).
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First Closing Date

2.2 Subject to the terms and conditions of this Agreement, the First Tranche Private Placement will be completed and closed on the date (the First Closing Date) which is the fifthth Business Day following Exchange Approval for the issuance of the Equity Investment Securities and any Ivanhoe Shares to be issued pursuant to the exercise the Series A Warrants and the Series B Warrants or such later date as the parties to this Agreement may agree in writing.

Second Tranche Private Placement

2.3 Subject to the terms and conditions of this Agreement, on the Second Closing Date, Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto, (the Basic Second Tranche Private Placement) forty six million, three hundred and four thousand, four hundred and seventy three (46,304,473) Ivanhoe Shares (the Basic Second Tranche Private Placement Shares) at an issue price per Basic Second Tranche Private Placement Share of eight dollars and thirty eight cents (\$8.38) for an aggregate subscription price (the Basic Second Tranche Subscription Price) of three hundred and eighty eight million, thirty one thousand, four hundred and eighty three dollars and seventy four cents (\$388,031,483.74) in cash.

Top Up Option

2.4 For as long as Rio Tinto has the right to complete the Basic Second Tranche Private Placement, Rio Tinto will also have the option (the Top Up Option) exercisable by Notice to Ivanhoe given:

(a) within fifteen (15) Business Days of the Approved OT Investment Contract Date; or

(b) if Rio Tinto gives Notice to Ivanhoe that Rio Tinto is making the election contemplated by Section 2.9, as of the date of the Notice given pursuant to Section 2.9;

to purchase up to that number of additional Ivanhoe Shares, if any (the Top Up Private Placement Shares) which, when aggregated with the Basic Second Tranche Private Placement Shares, represent upon issuance, nine and ninety five-hundredths per cent (9.95%) of the total number of Ivanhoe Shares then issued and outstanding, at an issue price per Top Up Private Placement Share equal to the Top Up Share Price.

Top Up Share Price

2.5 The issue price per Top Up Private Placement Share (the Top Up Share Price) will be:

(a) if, during the period commencing on the First Closing Date and ending on the date that Rio Tinto gives Notice pursuant to Section 2.4, Rio Tinto fully exercises its rights under Part 5 in respect of each issuance of Dilutive Ivanhoe Shares, an amount equal to the lesser of,

(i) eight dollars and thirty eight cents (\$8.38), or

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- (ii) the closing market price of Ivanhoe Shares on the TSX on the date of the Notice given by Rio Tinto to Ivanhoe pursuant to Section 2.4; or
 - (b) in all other circumstances, eight dollars and thirty eight cents (\$8.38);
- for an aggregate subscription price (the Top Up Subscription Price) in cash equal to the product obtained by multiplying the total number of Top Up Private Placement Shares which Rio Tinto has by Notice elected to purchase under the Top Up Option by the Top Up Share Price. Subject to the terms and conditions of this Agreement, on the Second Closing Date, Rio Tinto will subscribe for and purchase from Ivanhoe, and Ivanhoe will issue and sell to Rio Tinto, the total number of Top Up Private Placement Shares which Rio Tinto has by Notice elected to purchase under the Top Up Option in accordance with the terms thereof (the Top Up Private Placement).

Adjustments for Corporate Events

2.6 If an Adjustment Event occurs:

- (a) in the case of the First Tranche Private Placement, during the period commencing on the date hereof and ending on the First Closing Date,
 - (i) the number of First Tranche Private Placement Shares to be issued to Rio Tinto on the First Closing Date and the issue price per First Tranche Private Placement Share; and
 - (ii) the number of Series A Warrants and Series B Warrants to be issued to Rio Tinto on the First Closing Date and the exercise price of the Series A Warrants and the Series B Warrants;
 - (b) in the case of the Second Tranche Private Placement, during the period commencing on the date hereof and ending on the Second Closing Date, the number of Basic Second Tranche Private Placement Shares to be issued to Rio Tinto on the Second Closing Date and the issue price per Second Tranche Private Placement Share;
 - (c) at any time when Rio Tinto is entitled to exercise its pre-emptive rights pursuant to Part 5, during the period commencing on the date that Rio Tinto becomes entitled to exercise its rights under Section 5.2 or Section 5.3, as the case may be, and ending upon the date that Rio Tinto exercises such rights or allows them to lapse, whichever is earlier, the number of Anti-Dilution Ivanhoe Shares and Anti-Dilution Warrants, if any (provided that the Anti-Dilution Notice given to Rio Tinto does not reflect an appropriate adjustment in respect of the Adjustment Event) and the issue price per Anti-Dilution Ivanhoe Share;
 - (d) at any time after the First Tranche Private Placement, the number of First Tranche Private Placement Shares referred to in Sections 7.2 and 8.2; or
 - (e) at any time after the Second Tranche Private Placement, the number of Basic Second Tranche Private Placement Shares referred to in Sections 7.2 and 8.2,
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will be adjusted in accordance with Section 2.7.

Procedure for Adjustments

2.7 Any adjustment required in any of the circumstances described in Section 2.6 with respect to:

- (a) unissued Ivanhoe Shares will be effected by adjusting the number of Ivanhoe Shares, and the price per share at which, Rio Tinto would have been entitled to purchase such Ivanhoe Shares prior to the Adjustment Event (the Original Issuance Terms) to the number of Ivanhoe Shares, and the price per share at which, Rio Tinto would have been entitled to purchase such Ivanhoe Shares if Rio Tinto:
 - (i) had been the holder of a share purchase warrant having the Original Issuance Terms but otherwise having the terms set out in the Series A Warrant Certificate; and
 - (ii) was entitled to fully exercise such share purchase warrant after the Adjustment Event;
- (b) unissued Series A Warrants, Series B Warrants or Anti-Dilution Warrants will be effected by adjusting the number of Series A Warrants, Series B Warrants or Anti-Dilution Warrants, as the case may be, that Rio Tinto would have been entitled to acquire, and the exercise price of such Series A Warrants, Series B Warrants or Anti-Dilution Warrants, as the case may be, prior to the Adjustment Event, to:
 - (i) that number of Series A Warrants, Series B Warrants or Anti-Dilution Warrants, as the case may be, equal to the maximum number of Ivanhoe Shares that such Series A Warrants, Series B Warrants or Anti-Dilution Warrants would be exercisable to acquire after the Adjustment Event; and
 - (ii) the exercise price per Ivanhoe Share at which such Series A Warrants, Series B Warrants or Anti-Dilution Warrants would be exercisable after the Adjustment Event; had such Series A Warrants, Series B Warrants or Anti-Dilution Warrants, as the case may be, been issued and outstanding prior to the Adjustment Event; and
- (c) issued First Tranche Private Placement Shares or Basic Second Tranche Private Placement Shares referred to in Sections 7.2 and 8.2 will be effected by adjusting the number of First Tranche Private Placement Shares or Basic Second Tranche Private Placement Shares, as the case may be, referred to in Sections 7.2 and 8.2 prior to the Adjustment Event to a number of First Tranche Private Placement Shares or Basic Second Tranche Private Placement Shares, as the case may be, that gives effect to the Adjustment Event.

If the application of the adjustment provisions in this Section 2.7 results in any adjustment that is inequitable to either party, the parties will endeavour to agree upon a basis for an alternative

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adjustment mechanism that is equitable to both parties and, in the case of paragraphs (a) and (b) above, results in Rio Tinto receiving a number of Ivanhoe securities for consideration that is equivalent to what Rio Tinto would have received, and for the consideration it would have paid, had the Adjustment Event not occurred. If at any time a dispute arises with respect to any such adjustment and the parties are unable to resolve the dispute through negotiation, such dispute will be resolved in the manner provided in the Series A Warrant Certificate.

Second Closing Date

2.8 Subject to the terms and conditions of this Agreement, the Second Tranche Private Placement will be completed and closed on the date (the Second Closing Date) which is the earlier of:

(a) the twentieth (20th) Business Day following the Approved OT Investment Contract Date; or

(b) the tenth (10th) Business Day following the date upon which Rio Tinto gives Notice to Ivanhoe that Rio Tinto is making the election contemplated by Section 2.9,

or such later date as the parties to this Agreement may agree in writing. Ivanhoe will promptly give Notice to Rio Tinto by fax once it has entered into an Approved OT Investment Contract.

Acceleration of Second Tranche Private Placement

2.9 Rio Tinto may, in its sole discretion, at any time prior to the date which is the earlier of:

(a) the Approved OT Investment Contract Date; or

(b) the third (3rd) anniversary of the First Closing Date;

give Notice to Ivanhoe that Rio Tinto is electing to complete the Second Tranche Private Placement in the absence of an Approved OT Investment Contract.

Termination of Rio Tinto's Obligation to Complete Second Tranche Private Placement

2.10 Rio Tinto's obligation (but not its right) to complete the Second Tranche Private Placement will terminate if Ivanhoe Shareholder Approval for the Ivanhoe Shareholder Approval Matter is not obtained within sixty (60) days of the First Closing Date.

Registration Rights Agreement

2.11 On or before the First Closing Date, Ivanhoe and Rio Tinto will enter into a registration rights agreement in substantially the form attached hereto as Schedule C (the Registration Rights Agreement).

Shareholders Agreement

2.12 The parties acknowledge that Rio Tinto has entered into a Shareholders Agreement with Robert M. Friedland providing for:

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- (a) a covenant by Robert M. Friedland to vote all of the Ivanhoe Shares he beneficially owns, directly or indirectly, at the Ivanhoe Meeting in favour of the Ivanhoe Shareholder Approval Matter;
- (b) a covenant by Robert M. Friedland to refrain from disposing of any Ivanhoe Shares that Robert M. Friedland beneficially owns, directly or indirectly, on or before the First Closing Date; and
- (c) the grant by Robert M. Friedland to Rio Tinto of a right of first refusal to purchase any Ivanhoe Shares that Robert M. Friedland beneficially owns, directly or indirectly, that he or any of his Affiliates intends to sell or otherwise dispose of during the period commencing on the First Closing Date and ending on the fifth (5th) anniversary of the First Closing Date.

Rio Tinto's obligation to complete the First Tranche Private Placement will be subject to the Shareholders' Agreement remaining in full force and effect on the First Closing Date.

Exchange Approval

2.13 Rio Tinto's obligations to purchase, and Ivanhoe's obligation to issue and sell, the Ivanhoe Shares and the Series A Warrants and Series B Warrants representing the Equity Investment (collectively, the Equity Investment Securities) is subject to Exchange Approval for the issuance of the Equity Investment Securities, any Ivanhoe Shares to be issued pursuant to the exercise of the Series A Warrants and the Series B Warrants, the Top Up Option and the Top Up Private Placement Shares that (i) is not conditional on the approval of the holders of the Ivanhoe Shares on any matter except Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants and (ii) does not exclude the vote of any of the Ivanhoe Shares beneficially owned, directly or indirectly, by Robert M. Friedland. Ivanhoe covenants and agrees to promptly apply for, and use its best efforts to expeditiously obtain, Exchange Approval for the issuance of the Equity Investment Securities, any Ivanhoe Shares to be issued pursuant to the exercise of the Series A Warrants and the Series B Warrants, the Anti-Dilution Securities, the Top Up Option and the Top Up Private Placement Shares, provided that if Exchange Approval is not obtained for the issuance of the Anti-Dilution Securities, Ivanhoe may not issue any Dilutive Ivanhoe Shares or Ivanhoe Convertible Securities (other than Ivanhoe Convertible Securities issued pursuant to an Exempt Ivanhoe Share Transaction) at any time during which Rio Tinto is entitled to rights under Part 5 if Ivanhoe is unable to obtain, prior to issuance of such Dilutive Ivanhoe Shares or Ivanhoe Convertible Securities, as the case may be, the written approval, or the written acceptance of Ivanhoe's notice, of the proposed issuance to Rio Tinto of the Anti-Dilution Securities related thereto given, to the extent required, by each of the TSX, NYSE and NASDAQ. Ivanhoe will promptly give Notice to Rio Tinto by fax once it has obtained any such Exchange Approval and/or if any such Exchange Approval is not required and/or not obtained.

Use of Proceeds

2.14 Ivanhoe covenants and agrees that it will use not less than ninety per cent (90%) of the proceeds from the sale of the Ivanhoe Shares hereunder and from the exercise of the Series A Warrants and Series B Warrants to fund expenditures in respect of Operations.

Second Closing Force Majeure

2.15 Without prejudice to Rio Tinto's rights to terminate the Second Tranche Private Placement, the obligations of Rio Tinto to complete the Second Tranche Private Placement will be suspended, and Rio Tinto's rights under this Agreement will be preserved, for the period that Ivanhoe is prevented by any cause, whether foreseeable or unforeseeable, beyond its reasonable control from completing the Second Tranche Private Placement. Ivanhoe will promptly give Notice to Rio Tinto if it is so prevented from completing the Second Tranche Private Placement, stating therein the reasons therefor, and the expected duration thereof. Ivanhoe will resume performance as soon as reasonably possible.

PART 3 THE WARRANTS

Series A Warrants

3.1 Subject to adjustment in accordance with the terms of the Series A Warrant Certificate, each Series A Warrant will be exercisable to purchase one (1) Ivanhoe Share at a price of:

- (a) eight dollars and thirty eight cents (\$8.38) during the period commencing on the Ivanhoe Shareholder Approval Date and ending on the one hundred and eightieth (180th) day after the Warrant Determination Date; and
- (b) eight dollars and fifty four cents (\$8.54) during the period commencing on the one hundred and eighty first (181st) day after the Warrant Determination Date and ending on the three hundred and sixty-fifth (365th) day after the Warrant Determination Date.

The Series A Warrants will automatically terminate if Rio Tinto's right to exercise the Series A Warrants does not receive Ivanhoe Shareholder Approval at the Ivanhoe Meeting. Subject to the foregoing, any Series A Warrants that remain unexercised after the three hundred and sixty-fifth (365th) day following the Warrant Determination Date will immediately expire and be null and void. The terms and attributes of the Series A Warrants are described in the Series A Warrant Certificate.

Series B Warrants

3.2 Subject to adjustment in accordance with the terms of the Series B Warrant Certificate, each Series B Warrant will be exercisable to purchase one (1) Ivanhoe Share at a price of:

- (a) eight dollars and thirty eight cents (\$8.38) during the period commencing on the Ivanhoe Shareholder Approval Date and ending on the one hundred and eightieth (180th) day after the Warrant Determination Date;
 - (b) eight dollars and fifty four cents (\$8.54) during the period commencing on the one hundred and eighty first (181st) day after the Warrant Determination Date and ending on the three hundred and sixty-fifth (365th) day after the Warrant Determination Date;
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- (c) eight dollars and eighty eight cents (\$8.88) during the period commencing on the three hundred and sixty-sixth (366th) day after the Warrant Determination Date and ending on the five hundred and forty-fifth (545th) day after the Warrant Determination Date; and
- (d) nine dollars and two cents (\$9.02) during the period commencing on the five hundred and forty-sixth (546th) day after the Warrant Determination Date and ending on the seven hundred and twenty-fifth (725th) day after the Warrant Determination Date.

The Series B Warrants will automatically terminate if Rio Tinto's right to exercise the Series B Warrants does not receive Ivanhoe Shareholder Approval at the Ivanhoe Meeting. Subject to the foregoing, any Series B Warrants that remain unexercised after the seven hundred and twenty-fifth (725th) day following the Warrant Determination Date will immediately expire and be null and void. The terms and attributes of the Series B Warrants are described in the Series B Warrant Certificate.

Transferability of Warrants

3.3 Notwithstanding any other provision of this Agreement, Rio Tinto will have no right to Transfer any of the Series A Warrants or the Series B Warrants other than to any person who is a member of the Rio Tinto Group who covenants and agrees in writing with Ivanhoe to assume all of Rio Tinto's obligations under this Agreement in respect of the Series A Warrants or the Series B Warrants or any Ivanhoe Shares acquired by it.

Right to Exercise Warrants

3.4 Under no circumstances will any of the Series A Warrants or the Series B Warrants be exercisable unless and until:

- (a) Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants has received Ivanhoe Shareholder Approval; and
- (b) Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants has been approved, to the extent required in the reasonable opinion of Rio Tinto, under the *Investment Canada Act* (Canada).

Ivanhoe Shareholder Approval

3.5 Ivanhoe covenants and agrees to use its best efforts to convene, within forty five (45) days of, but in any event no later than sixty (60) days after, the date of this Agreement, a special meeting of the holders of Ivanhoe Shares (the Ivanhoe Meeting) for the purpose of procuring Ivanhoe Shareholder Approval for Rio Tinto's right to exercise the Series A Warrants and the Series B Warrants (the Ivanhoe Shareholder Approval Matter). Ivanhoe covenants and agrees to solicit proxies for the Ivanhoe Meeting in favour of the Ivanhoe Shareholder Approval Matter and, for that purpose, to prepare and mail to holders of Ivanhoe Shares, as soon as reasonably practicable after the date of this Agreement, a management proxy circular in which the Ivanhoe board of directors will make a written recommendation to holders of Ivanhoe Shares to vote such Ivanhoe Shares at the Ivanhoe Meeting in favour of the Ivanhoe Shareholder Approval Matter. Ivanhoe will provide to Rio

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Tinto and its counsel the reasonable opportunity to review and provide comments in respect of the Ivanhoe management proxy circular to be prepared and mailed in respect of the Ivanhoe Meeting.

PART 4
BOARD OF DIRECTORS

Board Representation

4.1 From and after the First Closing Date, Rio Tinto will be entitled (but not obliged) to nominate that number of individuals who meet the qualification criteria set out in Section 4.3 (each, a Rio Tinto Representative) for appointment or election, from time to time, to the board of directors of Ivanhoe, as a proportion of the board of directors of Ivanhoe (the Proportionate Number of Directors), as is equal to the percentage of issued and outstanding Ivanhoe Shares held by Rio Tinto and its Affiliates at that time (disregarding any unissued Ivanhoe Shares underlying any unexercised Series A Warrants or Series B Warrants). Where such calculation results in the Proportionate Number of Directors not being a whole number, such Proportionate Number of Directors shall be rounded up to the nearest whole number where such calculation ends with a figure .5 or greater and shall be rounded down to the nearest whole number where such calculation ends with a figure less than .5. At all times, Rio Tinto shall be entitled to nominate as one of its Rio Tinto Representatives an individual who is not qualified as an Independent Ivanhoe Director. If at any time Rio Tinto is entitled to nominate more than one Rio Tinto Representative, then not less than one half of such Rio Tinto Representatives must qualify as Independent Ivanhoe Directors. At all times, the board of directors of Ivanhoe shall consist of at least ten (10) directors. Where a matter is specified in this Agreement to require the approval of the board of directors of Ivanhoe, the Rio Tinto Representatives shall be entitled to vote for or against such approval.

Appointment or Election of Rio Tinto Representatives

4.2 Rio Tinto may give Notice to Ivanhoe at any time and from time to time identifying the individuals Rio Tinto intends to nominate as its Rio Tinto Representatives, accompanied by evidence satisfactory to Ivanhoe, acting reasonably, that each such individual meets the requirements of Section 4.3. Ivanhoe will, within thirty (30) days following receipt of such Notice, cause the individuals nominated by Rio Tinto as its Rio Tinto Representatives to be elected or appointed to Ivanhoe s board of directors in any manner permitted by Applicable Law and Ivanhoe s Constating Documents, provided that if such Notice is received by Ivanhoe after the date upon which Ivanhoe delivers a management proxy circular to its shareholders in respect of a meeting of its shareholders at which directors are to be elected but prior to the date upon which the election of directors at such meeting takes place, Ivanhoe will cause the individuals nominated by Rio Tinto as its Rio Tinto Representatives to be elected or appointed to Ivanhoe s board of directors within thirty (30) days following the date of such meeting. Unless and until Rio Tinto gives Notice to Ivanhoe, as provided above, nominating new individuals to replace any incumbent Rio Tinto Representatives on Ivanhoe s board of directors, Ivanhoe will continue to include the incumbent Rio Tinto Representatives among Ivanhoe s management nominees for election to the board of directors at each meeting of the shareholders of Ivanhoe at which directors are to be elected. If, at any time, Rio Tinto ceases to be entitled to nominate a number of Rio Tinto Representatives equal to the number of incumbent Rio Tinto Representatives, Rio Tinto will promptly procure the resignation of such number of incumbent Rio Tinto Representatives as exceeds Rio Tinto s entitlement hereunder.

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Qualifications and Remuneration of Rio Tinto Representatives

4.3 Each Rio Tinto Representative will be an individual who:

- (a) consents in writing to act as a director of Ivanhoe; and
- (b) is not disqualified from acting as a director of Ivanhoe under Applicable Law (except if such disqualification is based on the residency of such individual).

Ivanhoe will compensate the Rio Tinto Representatives on basis no less favourable than the basis upon which it compensates its incumbent Independent Ivanhoe Directors.

Audit Committee Representation

4.4 For as long as Rio Tinto remains entitled to nominate at least one (1) Rio Tinto Representative to Ivanhoe's board of directors, Rio Tinto will be entitled to nominate, and Ivanhoe's board of directors will appoint, a Rio Tinto Representative selected by Rio Tinto to the audit committee of Ivanhoe's board of directors provided that such Rio Tinto Representative is:

- (a) an Independent Ivanhoe Director; and
- (b) financially literate.

PART 5 PRE-EMPTIVE RIGHTS

Pre-emptive Share Rights

5.1 If, at any time after the First Closing Date, Ivanhoe proposes, or becomes obliged, to issue any Ivanhoe Shares (other than an issuance of Ivanhoe Shares pursuant to an Exempt Ivanhoe Share Transaction) (Dilutive Ivanhoe Shares), Ivanhoe will offer, by Anti-Dilution Offer Notice, and Rio Tinto will have the right, exercisable in accordance with the terms of this Part 5, to purchase a number of additional Ivanhoe Shares (the Anti-Dilution Ivanhoe Shares) that would result in Rio Tinto and its Affiliates beneficially owning, after the issuance of the Anti-Dilution Ivanhoe Shares to Rio Tinto and the Dilutive Ivanhoe Shares to each of the other persons to whom Ivanhoe issues such Dilutive Ivanhoe Shares, the same percentage of issued and outstanding Ivanhoe Shares that Rio Tinto and its Affiliates beneficially owned immediately before the issuance of the Anti-Dilution Ivanhoe Shares and the Dilutive Ivanhoe Shares.

Quarterly Anti-Dilution Offer Notices

5.2 If, at any time and from time to time, an issuance of Dilutive Ivanhoe Shares is not a Special Dilutive Issuance (an Ordinary Dilutive Issuance), Ivanhoe will give Notice to Rio Tinto (a Quarterly Anti-Dilution Offer Notice) not later than the earlier of:

- (a) the last day of the calendar quarter in which the Ordinary Dilutive Issuance occurred; or
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- (b) the fifth (5th) Business Day following the date upon which an Ivanhoe Control Transaction is publicly announced during such calendar quarter.

Subject to Section 5.4, the Quarterly Anti-Dilution Offer Notice will describe the number, price and payment terms of all Dilutive Ivanhoe Shares issued pursuant to each Ordinary Dilutive Issuance that occurred during the calendar quarter or period then ended and the Anti-Dilution Ivanhoe Shares offered to Rio Tinto. Upon its receipt of a Quarterly Anti-Dilution Offer Notice, Rio Tinto will have the right, for a period of twenty (20) Business Days, to purchase some or all of the Anti-Dilution Ivanhoe Shares described in the Quarterly Anti-Dilution Offer Notice. The payment terms of the Anti-Dilution Ivanhoe Shares offered to Rio Tinto shall be no less favourable than the payment terms of the Dilutive Ivanhoe Shares described in the Quarterly Anti-Dilution Offer Notice.

Special Anti-Dilution Offer Notices

5.3 If, at any time and from time to time, an issuance of Dilutive Ivanhoe Shares (i) results in the aggregate percentage interest of Rio Tinto and its Affiliates in the total number of issued and outstanding Ivanhoe Shares being reduced by more than one per cent (1%) or (ii) is publicly announced or completed at any time on or after the public announcement, but before the completion, of an Ivanhoe Control Transaction (a Special Dilutive Issuance), Ivanhoe will give Notice to Rio Tinto (a Special Anti-Dilution Offer Notice) as of the date of the public announcement, if any, of the Special Dilutive Issuance or the date upon which the Special Dilutive Issuance occurs, whichever is earlier. Subject to Section 5.4, the Special Anti-Dilution Offer Notice will describe the number, price and payment terms of the Dilutive Ivanhoe Shares issued, or to be issued, pursuant to the Special Dilutive Issuance and the Anti-Dilution Ivanhoe Shares offered to Rio Tinto. Upon its receipt of a Special Anti-Dilution Offer Notice, Rio Tinto will have the right, for a period of twenty (20) Business Days after the date upon which the Special Dilutive Share Issuance occurs, to purchase some or all of the Anti-Dilution Ivanhoe Shares described in the Special Anti-Dilution Offer Notice. The payment terms of the Anti-Dilution Ivanhoe Shares offered to Rio Tinto shall be no less favourable than the payment terms of the Dilutive Ivanhoe Shares described in the Special Anti-Dilution Offer Notice.

Consideration

5.4 If the consideration paid by the persons to whom Ivanhoe issues Dilutive Ivanhoe Shares is:

- (a) cash, the price at which the Anti-Dilution Ivanhoe Shares will be issued to Rio Tinto will be an amount in cash equal to the price for which each such Dilutive Ivanhoe Share was issued; or
 - (b) other than cash, the price at which the Anti-Dilution Ivanhoe Shares will be issued to Rio Tinto will be an amount in cash equal to the volume-weighted average price of an Ivanhoe Share on the TSX or such other stock exchange or securities market on which the majority of the trading volume of Ivanhoe Shares occurs during the ten (10) trading days immediately preceding the date of the public announcement of the Ordinary Dilutive Share Issuance or the Special Dilutive Issuance, as the case may be, or the date upon which the Dilutive Ivanhoe Shares are issued, whichever is earlier.
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Acceptance

5.5 Rio Tinto may accept Ivanhoe's offer as to the full number of Anti-Dilution Ivanhoe Shares offered to it or any lesser number, by Notice given to Ivanhoe prior to the expiration of the period of time within which Rio Tinto may exercise its rights in accordance with Section 5.2 or Section 5.3, as the case may be, in which event Ivanhoe will, within ten (10) Business Days thereafter, sell and Rio Tinto will buy, upon the terms specified, the number of Anti-Dilution Ivanhoe Shares agreed to be purchased by Rio Tinto. Rio Tinto's rights to purchase any Anti-Dilution Ivanhoe Shares offered to it pursuant to an Anti-Dilution Offer Notice will immediately terminate if and when Rio Tinto fails to exercise its rights under this Part 5 to subscribe for and purchase the maximum number of the Anti-Dilution Ivanhoe Shares which it has the right to purchase hereunder and, as a result of the issuance of Dilutive Ivanhoe Shares to persons other than Rio Tinto, Rio Tinto's percentage holding of the issued and outstanding Ivanhoe Shares is reduced. Notwithstanding the foregoing, a failure by Rio Tinto to fully exercise its rights under this Part 5 in respect of any Ordinary Dilutive Issuance or Special Dilutive Issuance is without prejudice to Rio Tinto's right to acquire Anti-Dilution Ivanhoe Shares in respect of any subsequent Ordinary Dilutive Issuance or Special Dilutive Issuance.

Pre-emptive Warrant Rights

5.6 If, at any time prior to the exercise or expiry of all of the Series A Warrants and Series B Warrants, Rio Tinto exercises its right to purchase all or part of the Anti-Dilution Ivanhoe Shares to which it is entitled, Rio Tinto will also be entitled to receive, for no additional consideration, a number of additional share purchase warrants (the Anti-Dilution Ivanhoe Warrants) that would result in Rio Tinto having the right to acquire, pursuant to the exercise of all outstanding Series A Warrants, Series B Warrants and Anti-Dilution Ivanhoe Warrants, a number of Ivanhoe Shares that, upon issuance, would represent the same percentage of the outstanding Ivanhoe Shares that Rio Tinto would have beneficially owned if all of the then outstanding Series A Warrants, Series B Warrants and Anti-Dilutive Ivanhoe Warrants had been fully exercised immediately before the issuance of the Dilutive Ivanhoe Shares and Anti-Dilution Ivanhoe Shares. Each Anti-Dilution Ivanhoe Warrant will entitle Rio Tinto to purchase one (1) Ivanhoe Share at a price equal to the issue price per share of the Anti-Dilution Ivanhoe Shares. If, when the Anti-Dilution Ivanhoe Warrants are issued, any Series A Warrants remain unexercised and outstanding, that number of the Anti-Dilution Ivanhoe Warrants bearing the same proportion as such outstanding number of Series A Warrants bears to the total number of Series A Warrants and Series B Warrants outstanding will have the same terms and attributes as the Series A Warrants and the remainder of the Anti-Dilution Ivanhoe Warrants will have the same terms and attributes as the Series B Warrants.

Exempt Ivanhoe Share Transactions

5.7 Rio Tinto's pre-emptive rights under this Part 5 will not apply to any issuance of Ivanhoe Shares or Ivanhoe Convertible Securities pursuant to any of the following transactions (each, an Exempt Ivanhoe Share Transaction):

- (a) the award or exercise of any bona fide equity incentive securities or equity compensation securities in favour of directors, officers, employees or service providers of Ivanhoe or any of its Affiliates pursuant to any bona fide equity
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- incentive plan adopted by Ivanhoe and approved by the holders of Ivanhoe Shares from time to time;
- (b) the exercise of any Ivanhoe Convertible Securities outstanding as of the date hereof; or
 - (c) any issuance of Ivanhoe Shares or Ivanhoe Convertible Securities made to all holders of Ivanhoe Shares on a pro rata basis.

Termination of Pre-emptive Rights

5.8 If, at any time on or after the fifth (5th) anniversary of the First Closing Date, Rio Tinto and its Affiliates beneficially own, in the aggregate, a number of Ivanhoe Shares representing less than seven and one-half per cent (7.5%) of the total number of Ivanhoe Shares issued and outstanding at such time, Rio Tinto's rights under this Part 5 will immediately terminate and be of no further force or effect.

Specific Performance and Injunction

5.9 Ivanhoe specifically acknowledges that its obligations under this Part 5 are an integral part of the transactions contemplated by this Agreement. Ivanhoe, therefore, specifically acknowledges and agrees that the breach of any of the terms of this Part 5 by it would cause Rio Tinto irreparable harm which may not be compensable in damages. Ivanhoe further acknowledges and agrees that it is essential to the effective enforcement of this Agreement that Rio Tinto be entitled to equitable remedies including, but not limited to, specific performance and injunction without being required to show irreparable harm. Ivanhoe acknowledges and agrees that the terms of this Agreement are just and reasonable having regard to all the circumstances.

**PART 6
IVANHOE SHARE ACQUISITIONS
AND DISPOSITIONS**

Standstill Covenant

6.1 Rio Tinto hereby covenants and agrees that, until the fifth (5th) anniversary of the date of this Agreement, the Rio Tinto Group will not, except with the prior approval of Ivanhoe by way of a resolution passed by Ivanhoe's board of directors acting by simple majority or as provided in Section 6.2 or Section 6.3:

- (a) engage in any Specified Activity;
 - (b) prior to having fully exercised all of the Series A Warrants and the Series B Warrants, directly or indirectly acquire, alone or jointly or in concert with any other person, any Ivanhoe Shares or Ivanhoe Convertible Securities (other than the Equity Investment Securities, Anti-Dilution Securities, Ivanhoe Shares acquired pursuant to the exercise of the Series A Warrants and the Series B Warrants, the Top Up Option, the Top Up Private Placement Shares or Ivanhoe Shares or Ivanhoe Convertible
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Securities acquired through an issuance made to all holders of Ivanhoe Shares on a pro rata basis) representing, in the aggregate, more than six and sixty five-hundredths per cent (6.65%) of the then issued and outstanding Ivanhoe Shares from time to time; or

- (c) after having fully exercised all of the Series A Warrants and the Series B Warrants, directly or indirectly acquire, alone or jointly or in concert with any other person, any Ivanhoe Shares or Ivanhoe Convertible Securities if, following such acquisition, the Rio Tinto Group and all persons with whom the Rio Tinto Group is acting jointly or in concert, would beneficially own or exercise control or direction, or be deemed, under Applicable Law, to beneficially own, or exercise control or direction over, more than forty per cent (40%) of the then issued and outstanding Ivanhoe Shares.

For the purposes of this Section 6.1, the parties to the Shareholders Agreement and their respective Affiliates will not be construed to be acting jointly or in concert with one another in exercising their respective rights and performing their respective obligations thereunder.

Exercise of Rights Under Shareholders Agreement

6.2 Nothing in Section 6.1 will be construed to restrict Rio Tinto from acquiring any Ivanhoe Shares that Robert M. Friedland beneficially owns, directly or indirectly, pursuant to any rights of first refusal in favour of Rio Tinto arising under the Shareholders Agreement by reason of any proposed sale or disposition of Ivanhoe Shares by Robert M. Friedland or any of his Affiliates to any person who is not an Eligible Institutional Investor.

Ivanhoe Control Transaction

6.3 If, at any time and from time to time, a person or persons jointly or in concert (other than the Rio Tinto Group or a person that is not at arm's length to the Rio Tinto Group), publicly announces its intention to commence an Ivanhoe Control Transaction, or Ivanhoe publicly announces that its board of directors has approved an agreement which contemplates an Ivanhoe Control Transaction, the Rio Tinto Group shall be immediately released from the restrictions of Section 6.1 but only for the limited purpose of giving the Rio Tinto Group a reasonable opportunity to propose to Ivanhoe and/or commence an alternative Ivanhoe Control Transaction. Unless an Ivanhoe Control Transaction results in an Ivanhoe Change of Control within seventy-five (75) days after the Rio Tinto Group is released from the restrictions of Section 6.1 or, after the end of such period, Rio Tinto or any of its Affiliates is actively pursuing an alternative Ivanhoe Control Transaction that was commenced during such period, such restrictions will be deemed to have been re-imposed as of the later of the end of such seventy-five (75) day period and the date that Rio Tinto or any such Affiliate completes or ceases actively pursuing its alternative Ivanhoe Control Transaction, pending their expiry or the public announcement of another Ivanhoe Control Transaction as contemplated above. For the purposes of this Section 6.3:

- (a) Rio Tinto or any of its Affiliates will be deemed to be actively pursuing an alternative Ivanhoe Control Transaction at a particular time if, at that time, Rio Tinto or any such Affiliate has made a formal bid (as defined under Canadian Securities Laws) that has not expired (and, for greater certainty, which may be extended), for a
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- sufficient number of Ivanhoe Shares to effect an Ivanhoe Change of Control or Rio Tinto or any such Affiliate is engaged in active negotiations with Ivanhoe with respect to such alternative Ivanhoe Control Transaction; and
- (b) nothing in the Shareholders' Agreement will be construed as creating a non-arm's length relationship between the parties to the Shareholders' Agreement or their respective Affiliates.

Restriction on Disposition of Securities

6.4 Until the first (1st) anniversary of the First Closing Date, Rio Tinto covenants and agrees that the Rio Tinto Group will not, except:

- (a) pursuant to an Ivanhoe Control Transaction; or
- (b) with the prior written consent of Ivanhoe, evidenced by a resolution passed by the Ivanhoe board of directors acting by simple majority; or
- (c) to any person who is a member of the Rio Tinto Group who covenants and agrees in writing with Ivanhoe to assume all of Rio Tinto's obligations under this Agreement in respect of any Ivanhoe Shares or Ivanhoe Convertible Securities transferred to it;

directly or indirectly, offer, sell, contract to sell, grant any option or right to purchase, make any short sale, transfer, assign, gift, enter into any derivative transaction in respect of, or otherwise dispose of, alienate or create any Encumbrance in respect of (or announce any intention to effect the foregoing) (any of the foregoing, a "Transfer") any Ivanhoe Shares or Ivanhoe Convertible Securities (or any voting rights or other rights attributable thereto) beneficially owned, directly or indirectly, by the Rio Tinto Group, whether now owned or hereafter acquired, or in respect of which the Rio Tinto Group exercises control or direction. Rio Tinto agrees that any purported Transfer of any such Ivanhoe Shares or Ivanhoe Convertible Securities by the Rio Tinto Group contrary to the terms of this Section 6.4 will be null and void and of no legal effect and acknowledges that Ivanhoe will be entitled to refuse to recognize any such purported Transfer.

Placement Rights

6.5 If, at any time after the first (1st) anniversary of the First Closing Date but before the fifth (5th) anniversary of the date hereof, Rio Tinto intends to Transfer a number of Ivanhoe Shares representing five per cent (5%) or more of the total number of Ivanhoe Shares then issued and outstanding (the "Placement Shares") to any person who is not:

- (a) a member of the Rio Tinto Group who covenants and agrees in writing with Ivanhoe to assume all of Rio Tinto's obligations under this Agreement in respect of the Placement Shares; or

- (b) an Eligible Institutional Investor;

and the proposed Transfer is not being made pursuant to an Ivanhoe Control Transaction, Rio Tinto will promptly thereafter give to Ivanhoe a Notice (the "Placement Offer Notice") offering to Ivanhoe

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the right to arrange for the sale of the Placement Shares to a third party (a Designated Purchaser) selected by Ivanhoe in its absolute discretion, specifying the asking price for each such Placement Share and the terms of payment in respect of the proposed sale (the Placement Offer). The Placement Offer must be open for acceptance for not less than sixty (60) days (the Placement Offer Period). During the Placement Offer Period, Ivanhoe will have the right to arrange for the sale to a Designated Purchaser of all, but not less than all, of the Placement Shares at the price and on the terms indicated in the Placement Offer Notice. Such right may be exercised by Ivanhoe giving Notice to Rio Tinto within the Placement Offer Period advising of Ivanhoe's intention to arrange for the purchase of the Placement Shares by a Designated Purchaser. The Placement Offer Period will end immediately upon Ivanhoe having given Notice to Rio Tinto that it is waiving its right to arrange for the sale to a Designated Purchaser of the Placement Shares. If Ivanhoe notifies Rio Tinto in accordance with this Section 6.5 of its intention to arrange for the sale to a Designated Purchaser of the Placement Shares, then a binding agreement of purchase and sale will exist between Rio Tinto and Ivanhoe, as agent for the Designated Purchaser with respect to such Placement Shares at and for a cash price equal to that described in the Placement Offer Notice, and on the terms and conditions therein contained, unless, within five (5) Business Days of its receipt of such notice, Rio Tinto, acting reasonably, notifies Ivanhoe that it rejects the sale of shares to the Designated Purchaser. If Ivanhoe fails to so notify Rio Tinto or, provided that Rio Tinto has not rejected the sale of shares to the Designated Purchaser, fails to complete the sale of the Placement Shares to the Designated Purchaser within the Placement Offer Period, then Ivanhoe will be conclusively deemed to have waived its right to arrange for the sale of the Placement Shares under this Section 6.5 and Rio Tinto may, within sixty (60) days after the expiry of the Placement Offer Period sell the Placement Shares at a cash price per Placement Share not less, and on terms and conditions no less favourable to Rio Tinto, than the price per Placement Share and terms and conditions set forth in the Placement Offer Notice. In the event that Rio Tinto does not sell the Placement Shares within the sixty (60) day period referred to above or if the terms of any proposed sale are less favourable to Rio Tinto than those set out in the Placement Offer Notice or if Rio Tinto rejects the sale of shares to the Designated Purchaser, then the provisions of this Section 6.5 will once again apply. Ivanhoe agrees to comply with all Applicable Laws, including applicable Canadian Securities Laws, in connection with the purchase and sale of any Placement Shares.

PART 7

OT PROJECT PARTICIPATION

Right of First Refusal

7.1 Subject to Section 7.2, if, at any time and from time to time after the First Closing Date, Ivanhoe proposes to, directly or indirectly, offer, sell, contract to sell, grant any option or right to purchase, transfer, assign, gift, otherwise dispose of, alienate or create any Encumbrance in respect of any beneficial or legal ownership interest including, without limitation, any participating interest, carried interest, royalty interest or voting interest, in the OT Project (the OT Disposal Interest) to a third party in any transaction other than a transaction contemplated by Section 7.3 (an OT Disposal Transaction), Ivanhoe may only effect such OT Disposal Transaction on *bona fide* arm's length terms and must give Notice (an OT Disposal Notice) to Rio Tinto, identifying the third party offeror and its ultimate beneficial owner(s), if and to the extent reasonably known, and offering the OT Disposal Interest to Rio Tinto on the same (or, as near as is possible, financially equivalent)

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terms and conditions upon which Ivanhoe has received an offer from a third party to convey the OT Disposal Interest to such third party. Upon receiving an OT Disposal Notice, Rio Tinto or, at its direction, an Affiliate of Rio Tinto, will have the right (the OT Right of First Refusal) to acquire all, but not less than all, of the OT Disposal Interest for the consideration stipulated in the OT Disposal Notice (provided that if all or any part of the consideration offered by the third party is non-monetary, Rio Tinto or, at its direction, an Affiliate of Rio Tinto, may elect to furnish the same non-monetary consideration or to pay to Ivanhoe an amount of money equal to the fair market value, as determined by the parties, acting reasonably, of the non-monetary consideration offered by the third party). If the parties, acting reasonably, are unable to agree upon the fair market value of any such non-monetary consideration, such fair market value will be conclusively determined by an internationally recognized investment bank mutually acceptable to the parties, acting reasonably, and that has not been engaged by either of the parties or their respective Affiliates in any capacity during the preceding twelve (12) months. Rio Tinto or, at its direction, an Affiliate of Rio Tinto, may exercise the OT Right of First Refusal by providing Notice to Ivanhoe within sixty (60) days of receipt by Rio Tinto of the OT Disposal Notice (the OT Exercise Period). If Rio Tinto or its Affiliate, as applicable, exercises the OT Right of First Refusal, then a binding agreement of purchase and sale will exist between Rio Tinto or its Affiliate, as applicable, and Ivanhoe with respect to the OT Disposal Interest for the consideration stipulated in the OT Disposal Notice (subject to Rio Tinto's or its Affiliate's, as applicable right to pay cash in lieu of any non-monetary consideration as hereinbefore provided), and on the terms and conditions therein contained. If the OT Right of First Refusal is not exercised prior to the expiry of the OT Exercise Period, Ivanhoe will have the right for a period of sixty (60) days following the OT Exercise Period (the OT Closing Period) to convey the OT Disposal Interest to the third party from whom it received the offer that was specifically named in the OT Disposal Notice for consideration having a value equal to or higher than the value of the consideration for which Ivanhoe offered the OT Disposal Interest to Rio Tinto and on terms and conditions no less favourable to Ivanhoe than those set out in the OT Disposal Notice. If Ivanhoe does not convey the OT Disposal Interest to such third party by the expiry of the OT Closing Period, such OT Disposal Interest will again become subject to the OT Right of First Refusal. Ivanhoe covenants and agrees that it will not, on or before the First Closing Date, enter into any OT Disposal Transaction that would, after the First Closing Date, require Ivanhoe to deliver an OT Disposal Notice to Rio Tinto.

Condition Precedent

7.2 The OT Right of First Refusal will be inoperative unless, at the time that Ivanhoe proposes to enter into an OT Disposal Transaction, Rio Tinto and its Affiliates beneficially own (disregarding any unissued Ivanhoe Shares underlying any unexercised Series A Warrants or Series B Warrants), in the aggregate, a number of Ivanhoe Shares that is equal to or greater than the aggregate of the First Tranche Private Placement Shares and the Basic Second Tranche Private Placement Shares. Notwithstanding the foregoing, if at any time before Rio Tinto and its Affiliates beneficially own (disregarding any unissued Ivanhoe Shares underlying any unexercised Series A Warrants or Series B Warrants), in the aggregate, a number of Ivanhoe Shares that is equal to or greater than the aggregate of the First Tranche Private Placement Shares and the Basic Second Tranche Private Placement Shares, Ivanhoe, or a Subsidiary of Ivanhoe will not enter into any legally binding commitment with a third party to effect an Ivanhoe Disposal Transaction unless:

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- (a) such legally binding commitment is conditional upon the exercise or waiver by Rio Tinto of the OT Right of First Refusal; and
- (b) upon entering into such legally binding commitment, Ivanhoe promptly delivers to Rio Tinto an OT Disposal Notice.

Provided that Rio Tinto gives Notice to Ivanhoe that Rio Tinto is making the election contemplated by Section 2.9 at or before the end of the OT Exercise Period, Rio Tinto will have the right to exercise the OT Right of First Refusal in accordance with the terms of Section 7.1.

Exempt Dispositions

7.3 The disposition of an OT Disposal Interest pursuant to any of the following transactions will be deemed not to be an OT Disposal Transaction to which the OT Right of First Refusal applies:

- (a) any disposition of an OT Disposal Interest by a wholly-owned Subsidiary of Ivanhoe to another wholly-owned Subsidiary of Ivanhoe;
- (b) any disposition or series of dispositions of an OT Disposal Interest to the Government of Mongolia or any entity beneficially owned or Controlled by the Government of Mongolia;
- (c) any disposition or series of dispositions of an OT Disposal Interest to one or more third parties mandated by the Government of Mongolia; or
- (d) an Ivanhoe Control Transaction.

OT Project Participation Discussions

7.4 From and after the date hereof, the parties undertake to consult with one another from time to time with respect to possible opportunities for the Rio Tinto Group to participate in the OT Project on a basis other than, or in addition to, the basis contemplated by this Agreement. Such participation may include, without limitation, a member of the Rio Tinto Group having a direct participating interest in the OT Project. The parties acknowledge that:

- (a) on the date hereof, no member of the Rio Tinto Group is a related party of Ivanhoe for the purposes of Canadian Securities Laws;
 - (b) as a result of the Equity Investment, the members of the Rio Tinto Group may become related parties of Ivanhoe for the purposes of Canadian Securities Laws; and
 - (c) unless exempt, material transactions entered into between Ivanhoe and its related parties (other than any transaction entered into between Ivanhoe and Rio Tinto or an Affiliate of Rio Tinto pursuant to Section 7.1) are subject to special rules under Canadian Securities Laws, including requirements for independent valuations and prior approval by disinterested shareholders. The parties further acknowledge that the OT Right of First Refusal has been negotiated by the parties at arm's length and
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that any exercise by Rio Tinto or any of its Affiliates of the OT Right of First Refusal at a time when Rio Tinto and such Affiliate is a related party of Ivanhoe would not be subject to special rules under Canadian Securities Laws, including requirements for independent valuations and/or prior approval by disinterested shareholders by reason of the application of Section 5.1(h)(iii) of Ontario Securities Commission Rule 61-501 *Insider Bids, Issuer Bids, Business Combination and Related Party Transactions*.

The obligations of the parties in this Section 7.4 are limited to discussing possible opportunities for the Rio Tinto Group to participate in the OT Project on a basis other than, or in addition to, the basis contemplated by this Agreement and nothing in this Section 7.4 is intended to create any legally binding obligations on the part of either Ivanhoe or Rio Tinto to participate in any transaction.

Specific Performance and Injunction

7.5 Ivanhoe specifically acknowledges that the right of first refusal contained in Section 7.1 is an integral part of the transactions contemplated by this Agreement. Ivanhoe, therefore, specifically acknowledges and agrees that the breach of any of the terms of Section 7.1 would cause Rio Tinto irreparable harm that may not be compensable in damages. Ivanhoe further acknowledges and agrees that it is essential to the effective enforcement of this Agreement that Rio Tinto be entitled to equitable remedies including, but not limited to specific performance and injunction without being required to show irreparable harm. Having regard to the significant investment being made by Rio Tinto in Ivanhoe, Ivanhoe acknowledges and agrees that the terms of this Agreement are just and reasonable having regard to all the circumstances.

PART 8 TECHNICAL COMMITTEE

Establishment and Purpose

8.1 As of the First Closing Date, Ivanhoe and Rio Tinto will establish a committee (the Technical Committee) through which Ivanhoe and Rio Tinto will consult with one another in good faith and use reasonable efforts to reach a consensus with respect to the objectives, procedures, methods and actions to be taken in furtherance of the development, operation and management of the OT Project. Ivanhoe and Rio Tinto will, through the Technical Committee, cooperatively oversee and supervise all Operations in respect of the OT Project and, in particular, but without limitation, will:

- (a) define the roles and responsibilities of the Manager;
 - (b) review the conduct of the OT Project by the Manager;
 - (c) receive and discuss reports of the Manager;
 - (d) give general directions as to the manner in which the Manager is to carry out the OT Project;
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- (e) consult with the Manager regarding staffing matters in respect of the OT Project;
- (f) assist the Manager in promoting best practices in matters of health, safety, environment and community relations;
- (g) determine the policies, nature and content of Programs and Budgets for the OT Project;
- (h) consider and approve or reject Programs and Budgets in accordance with the provisions of this Agreement and review and modify any approved Programs and Budgets during their currency;
- (i) review and discuss potential mine optimisation opportunities in respect of the OT Project; and
- (j) have any other functions as are provided in this Agreement.

The parties may, by mutual written agreement, expand, reduce or change the scope of the functions of the Technical Committee hereunder at any time and from time to time.

Composition

8.2 The Technical Committee shall consist of two (2) members appointed by Ivanhoe, two (2) members appointed by Rio Tinto and the Technical Committee Chair. Each of Ivanhoe and Rio Tinto may terminate the appointment of any member appointed by it to the Technical Committee and appoint another person in his or her place. Each of Ivanhoe and Rio Tinto may appoint one or more alternates to act in the absence of one or more of its regular members. Any alternate so acting shall be deemed a member. Appointments by a party (including alternates) may be made or changed by Notice to the other party. Rio Tinto's right to appoint members and be represented on the Technical Committee will immediately terminate if:

- (a) at any time during the period commencing on the First Closing Date and ending on the earlier of,
 - (i) the Second Closing Date, or
 - (ii) the third (3rd) anniversary of the First Closing Date, Rio Tinto and its Affiliates beneficially own (disregarding any unissued Ivanhoe Shares underlying any unexercised Series A Warrants or Series B Warrants), in the aggregate, a number of Ivanhoe Shares that is less than the First Tranche Private Placement Shares; or
 - (b) at any time after the earlier of,
 - (i) the Second Closing Date, or
 - (ii) the third (3rd) anniversary of the First Closing Date,
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Rio Tinto and its Affiliates beneficially own (disregarding any unissued Ivanhoe Shares underlying any unexercised Series A Warrants or Series B Warrants), in the aggregate, a number of Ivanhoe Shares that is less than the aggregate of the First Tranche Private Placement Shares and the Basic Second Tranche Private Placement Shares.

Technical Committee Chair

8.3 The Technical Committee will be chaired by an individual (the Technical Committee Chair) reasonably acceptable to both Ivanhoe and Rio Tinto. The Technical Committee Chair will also act as senior project manager of the OT Project (the Manager) and shall serve in both roles for a fixed period of office as determined by the parties or, if sooner, until he resigns or becomes unable to act.

Ivanhoe Appointment Right

8.4 Subject to Section 8.3, during the period commencing on the First Closing Date and ending on the fifth (5th) anniversary of the First Closing Date, Ivanhoe will have the right to appoint the Technical Committee Chair, who will contemporaneously act as the Manager provided that any such appointee shall cease to act as Technical Committee Chair and Manager on the fifth (5th) anniversary of the First Closing Date. The parties acknowledge that Ivanhoe intends to appoint John Macken as the initial Technical Committee Chair and Manager. Ivanhoe will have the right to appoint one or more successor individuals to act as the Technical Committee Chair and Manager until the fifth (5th) anniversary of the First Closing Date provided that any such appointee shall cease to act as Technical Committee Chair and Manager on the fifth (5th) anniversary of the First Closing Date and further provided that any such successor individual has the professional qualifications, experience, skills and expertise that a reasonable person would consider necessary in order for such individual to effectively act as the Manager and is acceptable to Rio Tinto's members of the Technical Committee, acting reasonably.

Rio Tinto Appointment Right

8.5 Subject to Section 8.3, from the fifth (5th) anniversary of the First Closing Date, and thereafter for an indefinite period of time, Rio Tinto will have the right to appoint the Technical Committee Chair, who will contemporaneously act as the Manager. Any individual appointed by Rio Tinto to act as the Technical Committee Chair and Manager will have the professional qualifications, experience, skills and expertise that a reasonable person would consider necessary in order for such individual to effectively act as the Manager and will be acceptable to Ivanhoe's members of the Technical Committee, acting reasonably. Rio Tinto will have the right to appoint one or more successor individuals to act as the Technical Committee Chair and Manager provided that any such successor individual has the professional qualifications, experience, skills and expertise that a reasonable person would consider necessary in order for such individual to effectively act as the Manager and is acceptable to Ivanhoe's members of the Technical Committee, acting reasonably.

Majority Decisions

8.6 Any decision of the Technical Committee in respect of which a consensus cannot be reached among its members will be subject to a vote by such members. Each member of the Technical

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Committee, including the Technical Committee Chair, shall have one (1) vote. All decisions of the Technical Committee, other than decisions requiring unanimity under Section 8.7, shall be determined by a simple majority vote of the members.

Unanimous Decisions

8.7 During the period commencing on the First Closing Date and ending on the fifth (5th) anniversary of the First Closing Date, any decision of the Technical Committee with respect to any of the following matters (Special Approval Matters):

- (a) the acquisition, or the adoption of any Program and Budget that contemplates the acquisition, of any assets or property or group of related assets and/or properties (or of a financial lease or other similar commitment) at a total cost (or value if leased) of more than one hundred million dollars (\$100,000,000);
- (b) the entry into or the amendment of any contract or legally binding commitment or series of related contracts or commitments (whether at one time or over a period of time) under which Ivanhoe is required to or otherwise may incur expenditures of more than one hundred million dollars (\$100,000,000) over the term of the contract(s) or commitment(s);
- (c) any material amendment to the long term mine plan in respect of the OT Project adopted by Ivanhoe prior to the date of this Agreement or the adoption of any new long term mine plan; or
- (d) the entry into any contract or legally binding commitment or series of related contracts or commitments (whether at one time or over a period of time) involving the direct or indirect acquisition of any interest of any nature whatsoever in any land or mineralization within the geographical area comprising the OT Project for aggregate cash consideration exceeding ten million dollars (\$10,000,000);

shall only be determined by the affirmative vote of each member of the Technical Committee and shall not be referred for resolution to the Ivanhoe board of directors or the Ivanhoe shareholders or to Arbitration pursuant to Part 16 of this Agreement.

Resolutions Contractually Binding on the Parties

8.8 Duly passed resolutions of the Technical Committee within the scope of its functions as set out in this Agreement are contractually binding on each party provided that, under no circumstances will the Technical Committee have the power to create any legally binding obligations in favour of third parties on the part of Ivanhoe, Rio Tinto or any of their respective Affiliates.

Meetings

8.9 The Technical Committee shall hold regular meetings at least quarterly in such places as the Technical Committee may agree. The Technical Committee Chair shall give thirty (30) days Notice of such meetings to each member of the Technical Committee. Notice of a meeting given to the parties in accordance with Section 18.1 will be deemed proper and adequate notice to the members

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of the Technical Committee. Any member of the Technical Committee may call a special meeting upon fourteen (14) days Notice to the other members. In case of an emergency, reasonable