IVANHOE AUSTRALIA LIMITED

Annual Information Form
For the year ended December 31, 2012

March 21, 2013

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FORWARD LOOKING STATEMENTS

Certain of the statements made and information contained herein are “forward-looking information” within the meaning of applicable Canadian securities legislation. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon by investors as actual results may vary. In particular, this AIF contains forward-looking statements, pertaining to the following:

- the estimates of ore production from the mines and their delivery to the Osborne Facility;
- the estimates of production throughput at the Osborne Facility;
- the potential copper and gold production and the schedule relating to the extraction of the same, from the Osborne Copper-Gold Project and potential integration of the Mount Elliott open pit deposit;
- the potential to achieve planned cost savings;
- the potential for the economic development of the Merlin Project, the Mount Elliott Project and the Company's other projects and production from same;
- the potential for integration of the Osborne Facility into the development of other projects, including, in particular, the Merlin Project;
- market prices for copper, gold, molybdenum, rhenium and other commodities;
- foreign exchange rates;
- anticipated results of exploration and development activities; and
- availability of funding sources including those required for project financing.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF and the following factors: (i) volatility in the market price for commodities; (ii) the inability to obtain the projected production rates at the Osborne Facility (iii) uncertainties associated with estimating resources; (iv) geological, technical, or drilling problems; (v) liabilities and risks, including environmental liabilities and risks, inherent in mineral extraction operations; (vi) fluctuations in currency exchange and interest rates; (vii) unanticipated results of exploration activities; (viii) competition for, amongst other things, capital, undeveloped lands and skilled personnel; and (ix) lack of availability of additional financing and/or joint venture partners.

Forward-looking information contained herein is based on the opinions, estimates and assumptions of management. There are a number of important risks, uncertainties and other factors that could cause actual actions, events or results to differ materially from those described as forward-looking information. In particular, important factors that could cause actual results to differ from this forward-looking information include those described under the heading “Risk Factors” in this AIF.

IAL disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results or otherwise except to the extent required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this AIF is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS AND OTHER INFORMATION

Currency

References to “A$” refer to Australian dollars, references to “US$” refer to United States dollars and references to “CAD$” refer to Canadian dollars.

The Bank of Canada noon buying rate on March 21, 2012 for the purchase of one United States dollar using Canadian dollars was CAD$1.0241 (one Canadian dollar on that date equaled US$0.9765).

The Bank of Canada noon buying rate on March 21, 2012 for the purchase of one Australian dollar using Canadian dollars was CAD$1.0692 (one Canadian dollar on that date equaled A$0.9353).

Definitions

The abbreviations set forth below have the following meanings in this AIF.

“**Act**” means the *Securities Act* (Ontario), as amended, superseded or replaced from time to time;

“**Affiliate**” has the meaning attributed to that term in the Act;

“**Ag**” means Silver;

“**AIF**” means this Annual Information Form;

“**AMC Consultants**” means AMC Consultants Pty Ltd;

“**Arimco**” means Arimco Mining Pty Ltd;

“**ASX**” means the Australian Securities Exchange;

“**Au**” means gold;

“**Barrick**” means Barrick Gold Corporation, including its subsidiaries Barrick (PD) Australia and Barrick (Australia Pacific) Limited;

“**Barrick (PD) Australia**” means Barrick (PD) Australia Limited;

“**BBR**” means Bank Bill Rate, which in turn stands for the average bid rate displayed on the Reuters screen BBSY for a term equivalent to the relevant period. BBSY is based on the wholesale interbank rate within Australia for the country’s top panel banks, although it is a bid rate reference and is generally 5 basis points higher than the mid-rate reference of the wholesale rate;

"BBSY" means bank bill swap bid rate;

“**bcm**” means a bankable cubic meter;

"**Board of Directors**" or the "**Board**" means the board of directors of the Company;

"**°C**" means degrees Celsius;

"**CIM**" means Canadian Institute of Mining, Metallurgy and Petroleum;

"**CIM Definition Standards**" means the CIM Definition Standards on Mineral Resources and Mineral Reserves;

"**Cloncurry Tenements**" means the aggregate collection of mineral property tenements held by the Company and its wholly owned subsidiaries in Queensland, Australia including the tenements that were originally acquired from the receivers of Selwyn (including, but not limited to, the Mount Dore Project, the Merlin Project, the Mount Elliott Project and the Starra Line Project) and the Osborne Operation acquired from Barrick (PD) Australia;

"**Company**", "**Ivanhoe Australia**" or "**IAL**" means Ivanhoe Australia Limited, including its wholly owned subsidiaries Ivanhoe Cloncurry Mines Pty Limited, Ivanhoe Australia Tennant Creek Pty Ltd, Ivanhoe Australia Operations Pty Ltd and Ivanhoe (Osborne) Pty Limited;

"**Cu**" means copper;

"**deposit**" means a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves, until final legal, technical and economic factors have been resolved;

"**DD**" means diamond drilling;

"DERM" means Department of Environment and Resource Management;

"**Emmerson**" means Emmerson Resources Limited;

"**Exco**" means Exco Resources Limited;

"**Exco Tenements**" means the 13 tenements held by Exco in the Cloncurry region that are subject to a joint venture agreement dated 9 May 2007 between Exco and Ivanhoe Cloncurry Mines, consisting of 12 exploration permits for minerals, having a total area of 525 km^2, and one mining lease with an area of 0.04 km^2.

"**Golder**" means Golder Associates Pty Ltd;

"**g/t**" means grams per tonne;

"**Indicated Mineral Resource**" means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed;

"**Inferred Mineral Resource**" means that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

"**IOCG system**" means an iron-oxide-copper-gold system;

"**Ivanhoe Cloncurry Mines**" means Ivanhoe Cloncurry Mines Pty Limited (previously named IVN (Selwyn) Pty Limited), a wholly owned subsidiary of the Company;

"**Ivanhoe (Osborne)**" means Ivanhoe (Osborne) Pty Limited, a wholly owned subsidiary of the Company;

"**IVN**" means Ivanhoe Mines Limited;

"**JORC**" means the Joint Ore Reserves Committee's Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;

"**km**" means kilometres;

"**km^2**" means square kilometres;

"**kt**" means thousand tonnes;

"**l/sec**" means litre per second;

"**Little Wizard**" refers to a mineralised system of extremely high-grade molybdenum and rhenium included as part of the Merlin Project;

"Lycopodium" means Lycopodium Minerals Pty Ltd

"**m**" means metres;

"**MDFZ**" means the Mount Dore Fault Zone;

"**MDSZ**" means the Mount Dore Shear Zone;

"**Measured Mineral Resource**" means that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity;

"**Merlin Plan of Operations**" means Cloncurry Project Replacement Plan of Operations, February 2012;

"**Merlin Project**" means the high-grade molybdenum and rhenium deposit on the mineral property tenements located in Queensland, Australia, which is overlaid by the Mount Dore Project and which includes the Little Wizard;

"**Merlin Technical Report**" means the NI 43-101 Technical Report, entitled "Merlin Project Pre-Feasibility Study, NW Queensland, Australia" and dated October 10, 2011;

"**mm**" means millimetre;

"**MGA**" means the Map Grid of Australia, coordinate system;

"**mineralisation**" means the concentration of metals and their chemical compounds within a body of rock;

"**Mineral Reserve**" means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined;

"**Mineral Resource**" means a concentration or occurrence of diamonds, natural solid inorganic material, or fossilised organic material including base and precious metals, coal, diamonds or industrial minerals in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge;

"**Mo**" means molybdenum;

"**Mount Dore North**" means a mixed copper and polymetallic oxide and sulphide zone in the north of the Mount Dore Project area;

"**Mount Dore Plan of Operations**" means Cloncurry Project Replacement Plan of Operations, February 2012;

"**Mount Dore Project**" means that portion of the mineral property tenements located in Queensland, Australia that host the Mount Dore south deposit and other areas of adjacent prospective mineralisation and which overlays the Merlin Project;

"**Mount Dore South**" means a copper oxide dominant zone in the south of the Mount Dore Project area;

"**Mount Dore Technical Report**" means the NI 43-101 Technical Report, entitled "Mount Dore Copper Heap Leach Project Preliminary Economic Assessment, North West Queensland, Australia" and dated September 30, 2011;

"**Mount Elliott Project**" means the Mount Elliott copper and gold deposits of the Company located in Queensland, Australia;

"**Mt**" means million tonnes;

"**Native Title**" or native title rights and interests mean the communal, group or individual rights or interests of Aboriginal people or Torres Strait Islanders in relation to lands or waters;

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators;

"**OK**" means ordinary kriging;

"**Ordinary Shares**" means the ordinary shares in the capital of the Company;

"**Osborne Deposits**" means, together, the Osborne Open Pit Deposit, the Osborne Underground Deposit and the Kulthor Deposit;

"**Osborne Facilities**" means the two-million tonne per annum copper and gold flotation concentrator, gas and diesel fired power station, camp and underground mining and mobile fleet together with those other mining and processing facilities located on the Osborne Operation, from a prior copper and gold mining operation of Barrick;

"**Osborne Plan of Operation**" means Osborne Project Replacement Plan of Operations, February 2012;

"**Osborne Operations**" means eight granted mining leases and two granted exploration permits for minerals, now in the name of Ivanhoe (Osborne), acquired from Barrick (PD) Australia in 2010.

"**Osborne Copper–Gold operation**" means the production from the Osborne gold and copper operations previously owned by Barrick (PD) Australia located in Queensland, Australia and includes the Osborne Operation, refurbishment and recommissioning of the Osborne Facilities and the Starra 276 Deposit;

"**Osborne Technical Report**" means the NI 43-101 Technical Report, entitled "Osborne Copper-gold Study, North/West Queensland, Australia National Instrument 43-101, Preliminary Economic Assessment" and dated October 27, 2011;

"**ounce**" means a troy ounce;

"**Pb**" means lead;

"**Placer**" means Placer Exploration Limited;

"**ppm**" means parts per million;

"**Quantitative Group**" means, collectively, Quantitative Geoscience Pty Ltd and Quantitative Group Pty Ltd;

"**RC**" means reverse circulation;

"**Rio Tinto**" means Rio Tinto Plc;

"**Re**" means rhenium;

"**Roskill Consulting**" means the Roskill Consulting Group Ltd;

"**Selwyn**" means Selwyn Mines Limited;

"**Snowden Consultants**" means Snowden Mining Industry Consultants;

"**SRG**" means the local Starra Region Grid, co-ordinates system;

"**SRK Consulting**" means SRK Consulting (Australasia) Pty Limited;

"**Starra Line Deposits**" means the deposits on granted tenement to the west of the Mount Dore project that comprises copper-gold mineralisation hosted within a series of magnetite and/or hematite-quartz ironstones.

"**Starra 276 Deposit**" means the copper and gold deposit of the Company located in Queensland, Australia, which comprises one of the Starra Line Deposits;

"**SWAN**" means the South West Anomaly forming part of the Mount Elliott copper and gold deposit, located in Queensland, Australia;

"**tonne**" or "**t**" means 1,000 kilograms;

"**tpa**" means tonnes per annum;

"**TRQ**" means Turquoise Hill Limited (formerly Ivanhoe Mines Limited);

"**TSX**" means the Toronto Stock Exchange;

"**Warrant**" means those options to acquire Ordinary Shares exercisable at A$3.38 per Ordinary Share having expired on September 20, 2011;

"**Xstrata**" means Xstrata plc; and

"**Zn**" means zinc.

Scientific and Technical Information

The scientific and technical information in this AIF regarding the Osborne Copper–Gold operation, Merlin Project and Mount Elliott Project referred to in the "Description of the Business" section is based on the:

- Osborne Copper-Gold Technical Report (effective date 2 November 2012), which was prepared by the following Qualified Persons: (i) Anne-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP) MAIG, who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) Richard Lewis, FAusIMM, with Lewis Mineral Resource Consulting Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;

- Starra 276 Technical Report (effective date 13 July 2012), which was prepared by the following Qualified Persons: (i) Annie-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP) MAIG, who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;

- Merlin Feasibility Study (effective date 16 April 2012), which was prepared by the following Qualified Persons: (i) Neil Lincoln, P.Eng, Study Manager with Lycopodium Minerals Pty Ltd; (ii) Mehmet Yumlu, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; (iv) Gordon McPhail, FSAIMM, Technical Discipline Executive with SLR Consulting Australia Pty Ltd; and (v) Art Ibrado, Ph.D, Project Manager & Metallurgist with M3 Engineering & Technology Corp; and

- Mount Elliott Preliminary Economic Assessment (effective date 17 April 2012), which was prepared by the following Qualified Persons: (i) Edward Gleeson, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (ii) Rodney L Webster, MAusIMM (CP), Principal Geologist with AMC Consultants Pty Ltd; and (iii) Raymond Alfred Cantrell, FAusIMM (CP), Consultant Metallurgist with Alphrai Pty Ltd.

Michael Spreadborough has reviewed and approved the scientific and technical information in this AIF in respect of the Osborne Copper-Gold Project, including Starra 276, the Merlin Project and the Mount Elliott Project. Mr. Spreadborough is considered, by virtue of his education, experience and professional association, a Qualified Person as defined by NI 43-101. He has verified the relevant data disclosed herein during the course of his duties with the Company.

CORPORATE STRUCTURE OF THE COMPANY

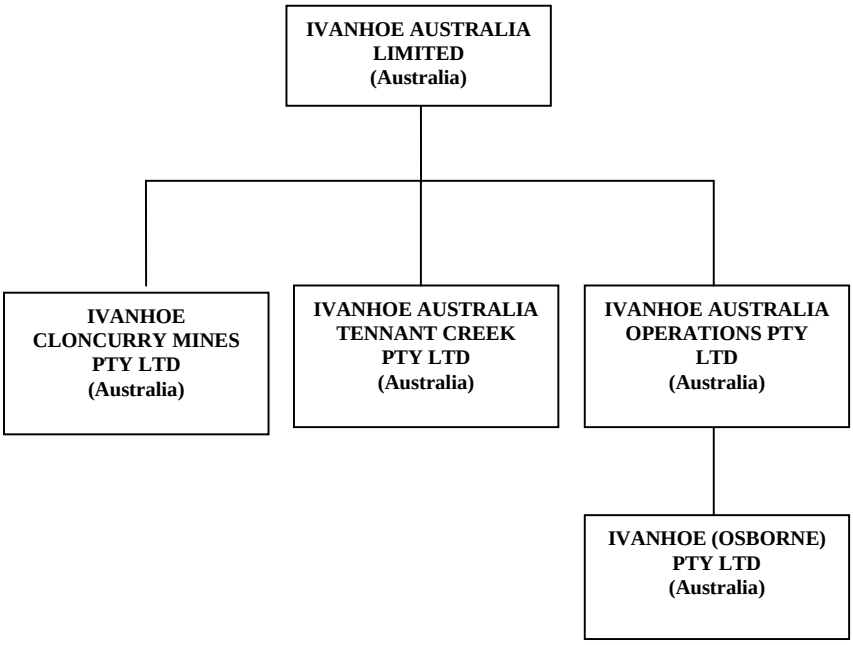
Name, Address and Incorporation

The Company was incorporated under the Australian *Corporations Act 2001* on January 20, 2004 under the name Ivanhoe Australia Newco Pty Limited. The Company changed its name to Ivanhoe Australia Pty Limited on January 30, 2004, and to Ivanhoe Australia Limited on May 10, 2007.

The Company's head office and registered office are located at Level 13, 484 St. Kilda Road, Melbourne, Victoria, Australia, 3004. The Company completed an initial public offering in Australia on August 4, 2008 and its Ordinary Shares commenced trading on each of the ASX and TSX under the Symbol "IVA" on August 6, 2008 and November 12, 2010 respectively.

Intercorporate Relationships

The corporate structure of Ivanhoe Australia and its material operating subsidiaries, along with the relevant jurisdiction of incorporation, is set forth in the following chart. Each subsidiary is wholly-owned and all corporations are incorporated under the *Corporations Act 2001* of Australia.



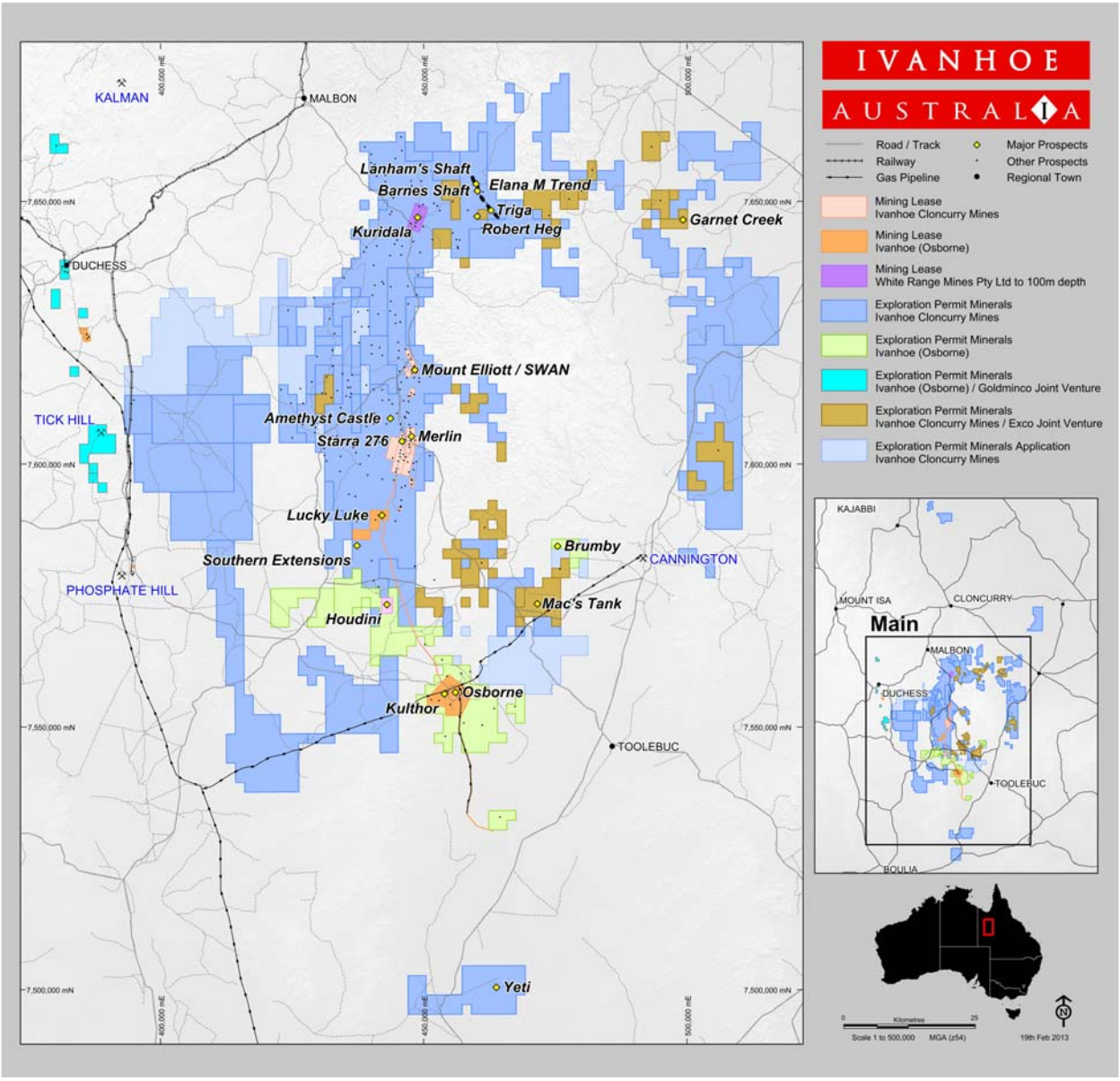
Ivanhoe Australia also holds an equity investment in Emmerson Resources Limited (approximately 8.67% interest) which is listed on the ASX.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Company is an issuer focused on the exploration for, and development of, minerals in northwest Queensland near Cloncurry, Australia. Its key assets are the Osborne Project, a copper-gold project that commenced production of copper concentrate in March, 2012 and the Merlin Project, a high-grade molybdenum and rhenium deposit. The Company also holds an interest in several other prospective mineral properties, including the Mount Elliott Project.

A map illustrating Ivanhoe Australia's tenement holdings, including the Merlin Project, the Osborne Copper–Gold operation and the Mount Elliott Project, is provided below.



The Company was initially a wholly-owned subsidiary of IVN, operating as the Australian exploration arm of that company, whose primary assets were a series of mining and exploration tenements in Australia acquired from the receivers of Selwyn. These tenements host former mining operations and exploration permits situated approximately 160 km southeast of Mount Isa in northwestern Queensland, and include within their boundaries the Merlin and Mount Elliott discoveries. These holdings were supplemented by the 2010 acquisition of the nearby Osborne Deposits and the Osborne Facility.

In 2008, IAL completed an initial public offering of its Ordinary Shares on the ASX, with IVN reducing its interest to 80%, and established its own management and business operations.

On 24 January 2012, Rio Tinto Plc (Rio Tinto) increased its share ownership in IVN to 51%. In 2012, IVN changed its name to Turquoise Hill Limited (TRQ). This increase in ownership and effectively control of TRQ has resulted in Rio Tinto being the new ultimate parent company of Ivanhoe Australia. TRQ still maintains a controlling interest in the Company, presently holding approximately 56.5% of IAL's issued share capital.

Three Year History

2010

In March 2010, SRK Consulting completed a scoping study on the Merlin Project. The mine plan assessed potential underground operations accessed by an underground decline. The mine life was estimated at 14 years, with steady state production targeting 5,300 tonnes of molybdenum and 7.5 tonnes of rhenium per annum for a period of approximately 9 years. The scoping study constituted an assessment that is preliminary in nature, includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as mineral reserves and had a high degree of uncertainty that the preliminary assessment would be realised. In particular, in April 2012 the Company completed a feasibility study on the Merlin Project meaning that the estimates and conclusions in the scoping study are no longer current.

In August 2010, the Company awarded the contract for the immediate start on construction of the underground exploration access at the Merlin Project to Byrnecut Australia Limited. Work commenced in September 2010. Also during the month the Company released a technical report for mineral resources at the Mount Dore Project, including the Merlin Project. The key findings for the Mount Dore Project included an Indicated Mineral Resource of 86 Mt at 0.55% Cu and an Inferred Mineral Resource of 58 Mt at 0.47% Cu, using a 0.25% Cu cut-off and, for the Merlin Project, including Little Wizard, included an Indicated Mineral Resource of 6.5 Mt at 1.3% Mo and 23 ppm Re and an Inferred Mineral Resource of 0.2 Mt at 0.9% Mo and 15 ppm Re, using a 0.3% Mo cut-off.

In September 2010, the Company completed an offering of equity securities by prospectus in Australia. Under the offering, the Company issued units on a 1 for 4 basis consisting of one Ordinary Share and one half of a Warrant, with each full Warrant entitling the holder to acquire one Ordinary Share, for a period until September 20, 2011, at a price of A$3.38. The Company issued an aggregate of 93,458,650 units at a price of A$2.88 per unit, for gross proceeds of A$269 million. The offering was underwritten by UBS AG, Australia Branch, and by Morgan Stanley Australia Securities Limited.

On September 30, 2010, the Company completed an asset acquisition whereby it acquired the Osborne Operation, including the Osborne Facilities, from Barrick (PD) Australia. The Osborne

Facilities and Osborne Deposits are located approximately 50 km from the Mount Dore Project. The Company agreed to pay cash consideration of A$17 million, a 2% net smelter returns royalty on ore extracted from the Osborne tenements (capped at A$15 million) acquired under the transaction and assumed the environmental obligations on the property, which included posting of A$18.4 million as security against these liabilities.

On November 12, 2010, the Company listed the Ordinary Shares on the TSX under the symbol IVA. The Company's Warrants commenced trading on the TSX under the symbol IVA.WT on November 29, 2010. The Warrant's expired on September 20, 2011 and were de-listed concurrently.

2011

In January 2011, IAL approved a A$30 million capital development program at the Osborne Project with a view to resuming copper and gold production at the Osborne Facilities in 2012.

In September 2011, the Company completed the first stage (the "**Institutional Placement**") of a A$180.6 million issuance of Ordinary Shares. The Institutional Placement raised A$87.6 million from the issuance of 63.3 million Ordinary Shares. A further A$92.6 million was raised on November 10, 2011, following receipt by Ivanhoe Australia of shareholder approval, through the issuance of 66.6 million Ordinary Shares to IVN (a related party, which holds its Ordinary Shares through IAL Holdings Singapore Pte. Ltd.). IAL used A$30.6 million of the funds raised by the issue of Ordinary Shares to IVN to repay in full a loan from IVN.

In October 2011, the Company announced that it had fulfilled its requirement under the 2007 joint venture agreement with Exco to spend A$5.5 million on exploratory work, and acquired an 80% interest in some of the Exco Tenements.

In October 2011, the Company released the Merlin Technical Report. The Merlin Technical Report included the following key findings: (i) a probable reserve of 6.7 Mt containing 1.1% molybdenum and 19.1 ppm rhenium; (ii) an initial mine life of more than ten years at a mining rate of 500,000 tonnes of dry ore annually; and (iii) first saleable production scheduled for Q1 2014, with annual production of approximately 5,000 tonnes of molybdenum and 7,200 kilograms of rhenium.

The Mount Dore Technical Report was also completed in September 2011. The key findings from the report include: (i) an Indicated Mineral Resource of 86 Mt at 0.55% Cu and an Inferred Mineral Resource of 58 Mt at 0.47% Cu (0.25% Cu cut-off); (ii) a mine life of more than ten years at a project scale of 3 Mtpa; and (iii) an anticipated annual production of approximately 18,808 tonnes of LME A grade Copper cathode.

In October 2011, the Company released the Osborne Technical Report which surveyed mineralized material to be sourced from the Osborne Deposits and the Starra Deposit for processing at the Osborne Facilities during an initial four-year period. Key features of the Osborne Technical Report include: (i) reported Measured Mineral Resources and Indicated Mineral Resources of 13.1 Mt at 1.4% copper and 0.9 g/t gold and Inferred Mineral Resources of 7.9 Mt at 1.3% copper and 1.0g/t (1.2% eCu cut-off for underground mining and 0.5% eCu cut-off for open cut mining); (ii) an aggregate mining rate of 2.0 Mt from the four applicable deposits; (iii) run-of-mine stockpiling, followed by processing at refurbished Osborne Facilities (6.5 Mt over the four year term), producing copper concentrate; and (iv) an estimated copper concentrate production of approximately 40,000 DMT in 2012, increasing to 90,000 DMT in 2013 and 140,000 DMT in 2014 and 2015.

In December 2011, the Company received an A$30.1 million distribution from Exco, comprised of a capital return and special dividend, following the sale of Exco's Cloncurry Copper Project to Xstrata. As at the date of the distribution, the Company had invested a total of A$31 million in consideration for its current holdings of 22% of the share capital of Exco and an 80% interest in the Exco Tenements.

2012

The Osborne Copper–Gold operation commenced production in March 2012 and performed well during the year producing in excess of 50,000 tonnes of concentrate, with four shipments completed and sufficient closing concentrate inventory at year end for an additional shipment. The processing plant performed in line with plan during 2012 due to a combination of consistent ore feed and uniform blending. Ore milled for the year totalled 788,820 tonnes which was within the initial guidance range of 700,000 to 900,000 tonnes. Recovery rates during 2012 averaged 93.9% for copper and 78.1% for gold. The plant produced 51,619 dry metric tonnes of concentrate for the year containing 12,220 tonnes of copper. Gold production in both concentrate and doré totalled 17,269 ounces for the year.

Sales revenue of A$86.6 million was recognised in 2012 from the Osborne Copper–Gold operation.

A total of 773,928 tonnes of ore was mined from both the Kulthor and Osborne underground mines. The Company also continued to develop the Starra 276 Deposit with first commercial production expected during Q1 2013. The haul road linking the Starra 276 Deposit to the Osborne Facilities was largely finalised with final completion planned for early 2013 to enable transport of ore from the Starra 276 Deposit to the Osborne processing plant. In 2013, the Osborne Copper–Gold operation expects to mine between 1,400,000 and 1,600,000 tonnes of ore from its three mines.

Consolidation of the underground mining and maintenance activities of Kulthor, Osborne and Starra 276 progressed during Q4 2012, with award and finalisation of the contract during the period.

The Company also progressed the Merlin Project and the Mount Elliott Project during the year. The phase-one decline development at the Merlin Project was completed in January 2012. In April 2012 the Merlin feasibility study was completed. The study identified a potential mine life of 15 years with ore throughput estimated at 500,000 tonnes per year with annual production of molybdenum of 5,100 tonnes and rhenium of 7,300 kilograms estimated for the first seven years following ramp up. Initial capital expenditure to first production was estimated to be A$345 million. An independent technical review of the Merlin Project was conducted as part of the Group's strategic and business review that was completed in August 2012. The review supported the outcomes of the feasibility study and the technical and commercial viability of the Merlin Project. It also identified that there are potential opportunities to further enhance the technical and commercial aspects of the project by conducting further metallurgical testwork which has the potential to reduce the capital cost, improve returns and reduce risk.

The Mount Elliott Project is recognised as one of the largest Copper/Gold mineralised systems discovered in Australia with the potential to provide the Company with a long-life production base. A scoping study to evaluate all mining options for this large tonnage ore body was released in April 2012. The study focussed on two elements of the mineralised system being:

- The Mount Elliott open pit, incorporating the original Mount Elliott underground mine; and

- The SWAN high-grade zone.

Drilling to further define the high-grade portions of the SWAN zone within the Mount Elliott Project commenced in early October 2012. The additional drilling combined with further geological analysis is expected to enable an update of the Mount Elliott Mineral Resource model.

During the year the Company completed its earn-in obligations for the acquisition of a 51% interest in certain Emmerson Resources tenements in the Tennant Creek Region in the Northern Territory of Australia. Following this acquisition, the Company has a 51% interest in 30 granted Exploration Licences (ELs) in the Northern Territory with a total area of 2,270 square kilometres.

Exploration during 2012 focused on extending resources at Kulthor and discovering additional Copper/Gold deposits within the Osborne tenements and the Mount Elliott region. Several large scale 3DIP surveys were completed within these areas and targets from these surveys are being defined for follow up in 2013. Top of basement geochemical surveys were conducted over large parts of both the Company's wholly owned and joint venture tenements targeting Copper/Gold and Cannington style deposits under up to 60 metres of Mesozoic cover. These surveys have provided the geological and geochemical context needed for focused drill targeting in 2013.

In November the Company completed the sale of its holding in Exco which realised A$19.1 million. A profit of A$7.3 million was recognised from this sale.

Also during November, the Company announced the launch of a 3 for 10 accelerated non-renounceable rights issue which raised proceeds of approximately A$75,546,000.

In August 2012, TRQ provided a secured, twelve-month working capital facility to the Company of up to US$50 million. The line of credit was intended to provide additional funding for working capital. In August 2012, Ivanhoe Australia drew down US$20 million from the facility and a further US$11 million was drawn in October 2012. Outstanding amounts drawn under the working capital facility were repaid during November 2012 following the Company's equity raising.

2013 to date
In February 2013, the Company commenced stope mining of copper and gold ore at the Starra 276 mine.

The Company successfully placed the shortfall from the pro-rata entitlement offer in February 2013. The shortfall shares from the placement were issued at the entitlement offer price of A$0.48 per share. The Company has issued 9.3 million ordinary shares and received proceeds of A$4.5 million.

Trends and Outlook

On 16 August 2012, Ivanhoe Australia released the results of its strategic and business review. The review confirmed Ivanhoe Australia's objective to build a profitable multi-mine, mid-tier mining company based initially on its tenements in the Cloncurry region. The review identified A$69 - A$74 million of capital expenditure savings over the next two years and A$44 - A$46 million of annual operating and overhead costs savings.

Key outcomes of the review include:

- Osborne Copper–Gold operation: the Osborne Copper–Gold operation would provide the best return by operating for at least the initial planned four year mine life (2012-2015). The Osborne open pit has been deferred from the mine plan pending further resource and economic definition work;
- Exploration: two clear priorities have been established. The first is to discover a new standalone economic copper project with potential for greater than 30 million tonnes and copper grades of over 2%. The second priority is to identify economic deposits close to the Osborne Facilities which would provide low cost mill feed to extend the economic life of the operation;
- Mount Elliott Project: further drilling to define the SWAN high-grade zone;
- Merlin Project: further technical and commercial value engineering work commenced with the aim of reducing the capital and operating costs of the project; and
- Mount Dore Project: to suspend any further work on the project.

The Company's plans for 2013 are centered on operating the Osborne Copper-Gold business safely, reliably and efficiently following the completion of major capital expenditure projects including the completion of the Starra 276 mine development and the haul road linking the mine to the Osborne processing plant. It is anticipated that between 1,400,000 and 1,600,000 tonnes of ore will be processed in 2013 and that ten shipments will be completed for the year, each containing approximately 10,000 DMT of copper concentrate.

The Company will continue to explore for additional resources as a source of feed to extend the life of the Osborne Copper–Gold operation. Exploration is focused on a number of highly prospective target areas, with the goal of extending the mine plans of the Osborne Copper–Gold operation beyond the initial four years detailed in the Osborne Technical Report. The initial target is to identify extensions to existing underground resources at the Osborne Deposits and additional ore sources around the existing Osborne Copper–Gold operation.

Further resources for the Osborne Copper–Gold operation also are being targeted from a number of prospective areas on IAL's tenements within economic trucking distance of the Osborne Facilities.

Risk Factors

An investment in the Company's securities is speculative and subject to a number of risks at any given time. The following is a description of the principal risk factors, both specific to the Company's business and of a general nature, that affect the Company.

Properties may not be developed as planned and the Company may not achieve the intended economic results or commercial viability.

The Company's business strategy depends in large part on discovering and developing mineral deposits within its tenement holdings, including the Osborne Copper–Gold operation, Merlin Project, and the Mount Elliott Project, into commercially viable mines. Whether a mineral deposit, once discovered, will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; commodity prices, which are cyclical; foreign currency exchange rates and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, cultural heritage, the rights of Native Title claimants to negotiate, environmental protection and capital and operating cost requirements.

Whilst the Company has performed initial investigations on some of the identified mineral prospects within each of the Merlin Project and the Mount Elliott Project, the feasibility of mining those and the Company's other prospects has not been, and may never be, established. If the Company is unable to develop all or any of its identified projects, current and future, into commercial working mines, its business and financial condition will be materially adversely affected. In addition, assuming discovery of a commercial ore body, up to several years can elapse from the initial planned drilling until commercial operations are commenced, depending on the type of mining operation involved.

Ivanhoe Australia has not yet achieved profitable operations

As at 31 December 2012, Ivanhoe Australia had accumulated losses of $475.0 million and available cash reserves of A$45.8 million following the completion of the Entitlement Offer in December 2012 and the repayment of the Working Capital Facility to TRQ. In 2012, the Company generated revenues of A$86.6 million from the sale of production from its Osborne Copper/Gold operations.

While the Company has commenced production at the Osborne Facilities, the Company's ability to continue as a going concern remains dependent upon its ability to generate positive cash flows from its Osborne Copper/Gold operations. These cash flows may vary from expectations due to changes in production, costs and external market factors including demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental and weather related issues, labour disruptions, project financing difficulties, equipment shortages, permitting uncertainty, development and construction risks, foreign currency fluctuations and technical problems.

The Company will consider various forms of funding including the sale of project interests, equity issuance and/or debt issuance should operating cash flows be insufficient to meet the liquidity needs of the Company. The Company may also require additional funding to progress its development projects.

Mineral Resources and Mineral Reserves disclosed by the Company are only estimates.

The Company has included Mineral Resource and Reserve estimates that have been made in accordance with JORC and CIM Definition Standards. These mineral resource estimates are classified as "Measured Mineral Resources", "Indicated Mineral Resources" and "Inferred Mineral Resources". Investors are cautioned not to assume that any part or all of those mineral deposits classified as "Measured Mineral Resources" or "Indicated Mineral Resources" will ever be converted into ore reserves. Further, "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and economic feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Investors are cautioned not to assume that part or all of an Indicated Mineral Resource or Inferred Mineral Resource exists, or is economically or legally mineable.

The mineral reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve. A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

In addition, the quantities of minerals ultimately mined may differ from that indicated by drilling results. There can be no assurance that results of laboratory tests will be duplicated under on-site conditions or in production-scale operations. In the event that minerals are present in lower amounts than expected or the product mined is of a lower quality than expected, the demand for, and realizable price of, the Company's products may decrease. Short term factors relating to reserves, such as the need for orderly development of mines or the processing of new or different quality material, may also materially and adversely affect the Company's business and results of operations.

The Company may not be able to maintain an adequate and timely supply of gas, electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.

Cost effective operation of the Osborne Facilities depends, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in the Company's production include chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. The Company sources its auxiliary materials from domestic suppliers and its equipment from suppliers in Australia and other countries. If the Company's supply of auxiliary materials, equipment or spare parts is interrupted or their prices increase, or the Company's existing suppliers cease to supply the Company on acceptable terms, its business, financial condition and results of operations could be materially and adversely affected.

Electricity and water are the main utilities used at the Company's projects. Because the Company's projects are situated in remote locations in Australia, the Company faces a risk of an interruption or shortage in the Company's electricity supply, which could materially and adversely affect the Company's production. The production of electricity by the Company is mainly fuelled by gas provided by and transported by third parties. Any failure to receive gas from third party suppliers will impact the volume and cost of electricity generated. Any increase

in the prices of gas, diesel or water could also materially and adversely affect the Company's financial condition and results of operations.

The Osborne Facilities may not be able to be used to process ores from other projects and the costs associated with the Osborne Facilities and integration with the Company's other activities may be higher than expected.

The current mine plan for the Osborne Copper–Gold operation has a limited mine life of approximately four years (2012-2015), and the Company expects that it will need to integrate ore from further mineral deposits to ensure the long-term viability. No assurance can be given that the ore from the other projects will be identified as economically viable for processing at the Osborne Facilities. Risks exist that higher than anticipated costs or low recoveries may be incurred in adapting the Osborne Facilities to process the material from the Company's other mineral discoveries, such that it is not economically viable. In addition, the environmental obligations assumed by the Company as part of the acquisition of the Osborne Operation may exceed IAL's projections, as may any contractual commitments assumed by Ivanhoe Australia in respect of the Osborne Operation acquisition.

The price of commodities greatly affects the value of the Company and the ability of the Company to develop its properties.

Our operating results and financial condition depend upon the market prices of metals, which are cyclical and which can fluctuate widely with demand for our metals. Demand is affected by numerous factors beyond our control, including the overall state of the economy, general level of industrial production, interest rates, rate of inflation, foreign exchange rates and investment demand for commodities. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

Future price declines may, depending on hedging practices, materially reduce our profitability and could cause us to reduce output at our operations (including, possibly, closing one or more of our mines), all of which could reduce our cash flow from operations resulting in liquidity pressure.

The Company has limited history as a mineral production company

The Company has been in existence since 2004 and it has only commenced generating revenues from mineral production in 2012. The Company's success will depend largely upon its ability to locate and develop additional commercially viable mineral reserves, which may never happen. In addition, putting an additional mining project into production requires substantial planning and expenditures. As a result of these factors, it is difficult to evaluate the Company's prospects, and the Company's future success is more uncertain than if it had a longer or more proven history.

Title Risk

Although the Company has taken steps to verify title to the mineral properties in which it has an interest, these procedures do not guarantee the Company's title to those mineral properties. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Furthermore, the Company could lose title to its tenements if tenement conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise. The Company regularly has tenements up for renewal. There is no assurance that these renewals will be granted. If a tenement is not granted or renewed, the Company may suffer significant damage through loss of the opportunity to discover and develop any mineral resource on that tenement. Additionally, some of the tenement conditions need to be varied to allow the Merlin Project to be mined and processed at the Osborne Facilities. There is no assurance that applications to vary the conditions of tenements will be approved.

Operational Risks

The Company's operations are subject to all of the risks normally incident to the exploration for and the development and operation of mineral properties. The Company has environmental obligations at its properties, including the Osborne Copper–Gold operation, the Mount Elliott Project and the Merlin Project, and has implemented comprehensive safety and environmental measures designed to comply with or exceed government regulations and ensure safe, reliable and efficient operations during all phases of its operations. Nevertheless, mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in mineral exploration and exploitation activities. The Company's assumed environmental obligations may exceed the current forecasts, as may any contractual commitments of the Company in respect of any of its projects and/or business activities.

Production companies face additional risks including the risk of unexpected maintenance or technical problems, periodic interruptions to their mining operations due to inclement or hazardous weather conditions and natural disasters, industrial accidents, power or fuel supply interruptions and critical equipment failure, including malfunction and breakdown of machinery which would require considerable time to replace. These risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damage, business interruption and damage to its business reputation. In addition, breakdowns of equipment, difficulties or delays in obtaining replacement equipment, natural disasters, industrial accidents or other causes could temporarily disrupt the Company's operations, which in turn may also materially and adversely affect its business, prospects, financial condition and results of operations.

Ivanhoe Australia may require additional funding, potentially reducing the Company's ownership holdings in projects, diluting the holdings of existing shareholders or increasing financial risk through debt issuance.

Ivanhoe Australia commenced generating revenues from mineral production in 2012. While Ivanhoe Australia believes future revenue to be generated together with existing funds will be sufficient to meet its immediate capital requirements and operating programs, it may need additional funds in the future to develop opportunities, which may result in the Company engaging in the sale of some or all of the Company's interest in one or more of its projects, the issuance of equity or the incurrence of debt.

There is no assurance that the Company will be able to generate funds from operations or to obtain sufficient financing in the future on terms acceptable to it. The ability of the Company to arrange additional financing will depend, in part, on prevailing capital market conditions as well as the business performance of the Company. Failure to obtain additional financing on a timely basis may cause the Company to postpone, abandon, reduce or terminate its operations and could have a material adverse effect on the Company's future business, results of operations and financial condition. The sale of IAL's interest in a project may affect the Company's control over that project's development. Any additional equity financing may be dilutive to investors, and debt financing, if available, may involve restrictions on future financing and operating activities.

The Company has no history of paying dividends.

Ivanhoe Australia has not paid dividends on its Ordinary Shares since incorporation and the Company anticipates that it will retain future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends is solely at the discretion of the Board of Directors, which will take into account many factors including the Company's operating results, financial conditions and anticipated cash needs.

There is no assurance that the Company will be able to acquire additional suitable mineral properties in the future.

There is no assurance that the Company will be able to acquire other mineral properties of merit, whether by way of option, joint venture or otherwise, should the Company wish to acquire any tenements or properties in the future in addition to its current holdings.

Changes to environmental regulatory requirements could significantly increase the Company's costs.

Ivanhoe Australia must comply with stringent environmental legislation in carrying out work on its properties. Environmental legislation is evolving in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of its proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental legislation could prevent, delay and/or increase the cost of, exploration and development of the properties.

Changes in government regulations may affect the Company's development of the properties.

Government regulations relating to mineral rights tenure, environmental approval requirements, permission to disturb areas involving Native Title and the right to operate and the imposition of increased or further taxes may adversely affect the financial performance of Ivanhoe Australia. The Company may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at its properties. Obtaining the necessary governmental permits is a complex, time consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables that are outside the Company's control. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed the Company's prior estimates. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that the Company would not proceed with the development of the properties. Additionally, the imposition of increased or further taxes may negatively impact the cost of the Company's operations and therefore negatively impact the commercial feasibility of its projects.

The success of the Company is largely dependent on maintaining core capability.

The success of the Company is largely dependent upon the performance of its key officers and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Operating mines and processing facilities also requires key technical skills of the personnel involved. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. Although the Company believes that it will be successful in attracting and retaining qualified personnel to fill new roles, there can be no assurance of such success. The Company has not purchased any "key-person" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

The Company may not be insured against all risks involved in the exploration, development and production of the properties.

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions and other environmental occurrences may happen. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs and a decline in the value of the Company. The Company has taken out business interruption insurance which may mitigate, in certain circumstances, the impact that an incident resulting in a serious disruption to its operations would have on the Company's profitability.

Ivanhoe Australia operates in a highly competitive mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. An issuer requires significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyze a project's potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over Ivanhoe Australia. The Company faces strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than Ivanhoe Australia possesses. As a result of this competition, the Company may be unable to maintain or acquire financing, personnel, technical resources or attractive mining properties on terms it considers acceptable.

The Company's business is affected by fluctuations in currency exchange rates.

Revenues from the sale of mineral products are primarily transacted in US$. Costs incurred by the Company are primarily in Australian currency. The Company's projects operations are located in Australia and most of the property related expenditures, production expenditures and exploration and development costs are denominated in Australian dollars. Movements in exchange rates may have a material impact on the Company's Australian dollar cash balances and reported earnings.

The Company may face opposition to mining projects.

The Company's projects, including each of the Merlin Project and the Mount Elliott Project, like many mining projects, may have opponents. Opponents of other mining projects have, in some cases, been successful in bringing public and political pressure against mining projects. In the event there is opposition to the Company's proposed use of its properties, the Company's development of such properties may be delayed or prevented even if such development is found to be economically viable and legally permissible.

Conflicts of interest may arise and may not be disclosed and dealt with appropriately by certain directors and officers of the Company.

Certain directors and officers of the Company are, or may become, associated with other natural resource companies that may give rise to conflicts of interest. In accordance with the *Corporations Act 2001*, directors, who have a material personal interest in a matter that relates to the affairs of the Company, including a material interest in any person who is a party to a material contract or a proposed material contract with the Company, are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the matter. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of the Company.

The market price of the Company's Ordinary Shares is subject to market volatility.

The market price of a publicly traded stock, including the Ordinary Shares, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of markets for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public markets for the stock. Therefore, investors could suffer significant losses if the market price of the Ordinary Shares is depressed or illiquid when an investor seeks liquidity.

TRQ as controlling shareholder.

TRQ currently owns approximately 56.5% of the outstanding Ordinary Shares. As a result of its ownership, TRQ will continue to have the ability to substantially influence all matters requiring shareholder approval, including the election of Ivanhoe Australia's directors and the approval of significant corporate transactions. Investors are cautioned that the interests of TRQ and its affiliates could conflict with or differ from theirs, as a holder of Ordinary Shares.

Furthermore, the market price of Ordinary Shares could be affected by events at the level of its majority shareholder, TRQ. Additionally, a sale of a substantial number of Ordinary Shares in the future by TRQ could cause the market price of the Company to fluctuate.

TRQ is itself owned 51% by Rio Tinto, which is therefore IAL's ultimate parent company. Rio Tinto may substantially influence the board of directors of TRQ on matters having a material effect on the Company, including:

(i) matters requiring approval from the holders of Ordinary Shares, such as the election of Ivanhoe Australia's directors and the approval of significant corporate transactions; or

(ii) a sale of a substantial number of Ordinary Shares in the Company by TRQ.

DESCRIPTION OF THE BUSINESS

The Company is focused on the exploration for, development of, and production of minerals in northwest Queensland near Cloncurry, Australia. In March 2012 the Company commenced copper and gold production from the Osborne Copper-Gold Operation. Fifty kilometres north of the Osborne processing facility is the Company's Merlin Molybdenum – Rhenium Project. Other Copper - Gold projects include the Mt Elliott/SWAN project and the Mt Dore project.

The Company also explores for minerals within the Cloncurry district and has an exploration joint venture in the Tennant Creek area of the Northern Territory, Australia.

All product revenue earned by the Company has come from the sale of copper-gold concentrates from the Osborne operation following the first product shipment in June 2012.

Osborne Copper–Gold operation

All disclosure in this section relating to the Osborne Copper–Gold operation of a scientific or technical nature is based on the Osborne Copper-Gold Technical Report (effective date 2 November 2012) and Starra 276 Technical Report (effective date 13 July 2012). These reports were prepared by SRK Consulting.

The Company, through its wholly-owned subsidiaries, Ivanhoe Cloncurry Mines and Ivanhoe (Osborne), owns 100% of the Osborne Copper–Gold operation. The Osborne Copper–Gold operation encompasses four mineral deposits plus the Osborne Facilities. For ease of interpretation the description of the four deposits is presented in two groupings: (i) the Osborne Deposits, which includes those deposits known as the "Osborne Open Pit Deposit", the "Osborne Underground Deposit", and the "Kulthor Deposit" (located 2 km west of the Osborne Underground Deposit and connected to it via a decline) which are located on contiguous mining leases that also host the Osborne Facilities; and (ii) the "Starra Line Deposits", which are located approximately 50 km away from the Osborne Facilities and includes in particular, the Starra 276 Deposit.

1. Project Description and Location

The Osborne Project is located in northwest Queensland, Australia. It lies approximately 150 to 195 km southeast of Mount Isa and 700 km west-southwest of Townsville and consists of 5831.46 ha under mining lease.

The Osborne Project area is covered by seven mining leases. There are no excluded surface rights on any of the seven leases. Three of the seven mining leases (MLs 90040, 90057 and 90068) expire in 2014, two expire in 2030 (MLs 90215 and 90217), ML 90158 expires in 2027 and ML 2733 expires in 2029. Five of the mining leases, which are situated wholly over pastoral holding leased by a third party, are governed by compensation agreements. Four of these mining leases are governed by compensation agreements with regard to access to the property. In addition to these compensation agreements, Ivanhoe Australia currently pays a fixed amount of compensation on a yearly basis to the local Native communities. These amounts are not considered material to the Osborne Project.

The Company is obligated to pay a royalty to the Queensland State Government on any minerals mined under the Mineral Resources Act 1989 (Qld) at the applicable rate set for each mineral. Such royalty payments are based on a floating scale depending on the metal produced

and the floating quarterly price of that metal. The royalty for the sale of copper and gold varies between 2.5% and 5.0% based on average metal prices. The variable rates for the quarter ending on 31 December 2012 were 4.28% for Cu and 5.00% for Au.

The Osborne Deposits are covered by ML 90040 and ML 90158. Both mining leases are surrounded by exploration lease EPM 9624, which is held 100% by Ivanhoe (Osborne).

The Starra Line Deposits (as defined herein), including the Starra 276 Deposit, are on mining lease ML 2733, located within the Mount Isa Mining District. The holder is entitled to mine gold, silver, copper, iron ore, lead, zinc and sulphur on this mining lease. The Company has additional neighboring mining leases that cover the nearby Mount Dore Project and Merlin Project to the east and the original Selwyn mines tailings and plant sites. There are no excluded surface rights on any of the leases related to the Starra Line Deposits. The Company holds relevant surface rights to that part of ML 2733 that lies on Starcross Pastoral Holding as the tenure holder of Starcross Pastoral Holding, a pastoral lease and to the remaining part of ML 2733 by means of a compensation agreement with the owner of the neighboring Chatsworth Pastoral Holding.

Mining leases MLs 90215 and 90217 were granted in 2012 for infrastructure purposes for the haul road from the Starra Line Deposits to the Osborne Mill.

The Company also holds an exploration permit (EPM 10783) that overlaps the mining leases which includes significant additional surrounding property. The exploration permit has a term expiring in October 2017.

2. Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Osborne Copper–Gold operation is by chartered aircraft from Brisbane, Mount Isa or Townsville via an all-weather airstrip, via predominantly sealed roads from Mount Isa via Dajarra, or via partly sealed roads from Mount Isa via Duchess, to both the Osborne Deposits and Osborne Facilities and the Starra Line Deposits. At the Starra Line Deposits, there are several river and creek crossings through causeways which can become impassable for relatively short periods of time (days) during the wet season.

Mount Isa is the largest city and main supply centre for the region, while Cloncurry is a smaller, local supply town. The population of Mount Isa and surrounding area is about 35,000 and Cloncurry is about 2,400.

The area has a semi-arid climate with temperatures averaging from 10° to 25°C in the winter and from 25° to 40°C in the summer. Average annual rainfall is 350 mm, with most of the precipitation occurring during the summer months of December to March. The weather is amenable for mining operations year-round. The Osborne Facilities are located on a large residual plateau (mesa) with a topography varying from approximately 280 m on the plateau to 220 m in the surrounding alluvial catchment areas. Vegetation consists of arid spinifex and sparse eucalypt trees.

Electrical power is available at the Osborne Facilities and Osborne Deposits from a single gas fired engine and four diesel/gas engines, capable of supplying a total of approximately 19.5 MW. The Company does not have a permanent power supply for Merlin and the Starra Line Deposits and leases 3.0 MW diesel powered generators.

Work continued throughout the year on the Osborne power station to replace the predominately diesel-powered engines to new diesel/gas engines planned to run on approximately 99% gas. The work involved the replacement of four diesel powered engines with four diesel/gas powered engines, providing substantial ongoing savings to power costs for the processing plant, mines and the village.

The Company is licensed to extract up to 947 million liters of water per year from the Longsight Sandstone aquifer via a pipeline that runs the 25 km south to the bore field. The pipeline and bore field is covered by maintained mining leases. The Company also has access to 1,000 million liters of water per year from the Mount Dore aquifer under the current dewatering license. The Company has a pipeline to the Burke River Bore Field that can supply up to 100 l/sec, and has annual rights to extract 1,000 ML from this field. The Company is not currently operating the pipeline.

The Company has three waste water disposal plants, all of which are aeration type sewerage treatment plants.

The Osborne Facilities, located at the Osborne Operation, include: (i) two tailing storage facilities: (A) a tailing facility composed of three cells, which were initially constructed to take the two separate water streams produced at the plant; and (B) a tailing facility composed of a single cell covering an area of 103 ha; and (ii) a processing plant.

The construction of the Osborne – Mt Dore haul road commenced in May 2012 and was completed in December 2012. During the year, the road design was modified enabling a reduction in the capital cost of construction. The final laying of surface sheeting aggregate was completed in early February 2013, in time to accommodate the start of production from the Starra 276 mine. This haul road is a critical component of infrastructure, providing a transport route from the central and northern areas of Ivanhoe Australia's tenements to the Osborne processing facility.

3. History

Osborne Deposits

Exploration, mining and processing operations have been undertaken in the Osborne region since the mid-1980s. In 1985, CSR Limited entered the area exploring for copper-gold with initial exploration involving airborne and ground geophysics and limited drilling. By the end of 1987, a number of drill holes had been made but no significant economic intersections were encountered. In 1988 Placer acquired CSR Limited and progressively worked towards full ownership of the project from various joint venture partners. In late 1989, a discovery hole was drilled containing a significant economic intersection of copper and gold. Based on these results, Placer undertook more drilling in 1990 to establish a resource in early 1991. Mining at the Osborne Open Pit Deposit and Osborne Underground Deposit commenced in August of 1995. The property was subsequently purchased in early 2006 by Barrick (PD) Australia as part of a takeover of Placer. Production ceased in 2010 with the sale of the Osborne Operation to the Company.

The Kulthor Deposit was originally detected by Placer Dome Asia Pacific Limited in 1994, as a low level basement anomaly on the margin of an aircore basement-sampling grid designed to test the western ironstones. A series of drill holes and testing was conducted between 1995 and 1996, but it was not until April of 2001 that the first ore intercept of 5 m at 3% Cu and 5 g/t Au was made. Since the discovery, 204 holes for 92,782 m have been completed. An underground

drive has been mined from the Osborne Underground Deposit to the Kulthor Deposit in order to complete an underground resource delineation program. Since 2009, an additional 48 drill holes for 11,102 m were completed targeting the resource that is scheduled to be mined first.

Between 1995 and 2010, 24.2 Mt grading approximately at 2.68% Cu and 0.96 g/t of Au were processed from the Osborne Open Pit Deposit with subsequent Osborne Underground Deposit and Trekelano operations yielding 60 Mt Cu and 566 koz Au**.**

In 2010 Ivanhoe Australia acquired the Osborne Operation.

Starra Line Deposits

The Starra Line Deposits have been the subject of exploration and mining activities by a number of companies over the past 100 years. Most recently, ore from the Starra Line Deposits was treated through the Selwyn mill located adjacent to the Starra Line mines.

The Starra Line Deposits mineralization was previously mined from four open pits and five underground mines, referred to as: the “222 Deposit”, the “244 Deposit”, the “251 Deposit”, the “257 Deposit” and the “276 Deposit”, respectively.

In 1978 Cyprus (formerly Amoco) explored the Starra Line Deposits for gold with rock chips defining the 244 Deposit, the 251 Deposit and the 257 Deposit. In 1980 Cyprus undertook a large Airtrack drilling programme at these same deposits. In 1982 Mungana Mines (later Elders Resources Ltd) earned a 25% interest in the Starra Line Deposits through further drilling and definition of the 222 Deposit. In 1984 the Starra 276 Deposit was discovered.

Open cut mining of oxide gold deposits was commenced along the Starra Line Deposits in 1988 by Arimco. Subsequent underground mining produced copper-gold concentrate from sulphide ore. In 1993 Arimco bought out Cyprus’ share in the Starra Line Deposits.

The Starra 276 Deposit, located 4 km northwest of the original Selwyn concentrator, was drilled in 1996.

Mining and milling on the Starra Line Deposits ceased in 1999 as Australian Goldfields went into liquidation. In 2000, the Starra Line Deposits were purchased by Selwyn and in 2002 mining at the 222 Deposit recommenced. In 2003 Selwyn went into receivership and Ivanhoe Cloncurry Mines subsequently acquired the tenements on which the Starra Line Deposits are situated.

Historical Reserves and Resource Estimates

Historic estimates of the copper resource are no longer current and are not supported by the current work programme. These estimates are consequently not repeated here.

4. *Geological Settings*

Regional Geology

The Osborne Copper–Gold operation lies within palaeo-Proterozoic metasediments assigned to the Mount Norna Quartzite of the Soldiers Cap Group in the Eastern Fold Belt of the Mount Isa Inlier. The Eastern Fold Belt comprises an Archaean-Proterozoic basement of metamorphic rocks variably overlain by three cover sequences of sediments and volcanics. Two major tectonic events have been identified in the inlier.

The stratigraphic units are part of the Soldiers Cap Group of the regional Cover Sequence 3. There are two mapped units with distinct metamorphic grades that constitute the Soldiers Cap Group: (i) the psammite-quartzite-ironstone-amphibolite with a metamorphic grade described as sillimanite zone of the amphibolites facies for the Mount Norna Quartzite in the north and west; and (ii) the psammite-pelite with a metamorphic grade described as the sillimanite-K feldspar zone for the Llewellyn Creek Formation in the southeast. The second of the two tectonic events is divided into four deformation events and two metamorphic events. There has also been extensive mafic to felsic granitoid emplacement during that time. These granites are believed to be temporally and spatially associated with the iron oxide copper-gold deposits in the district.

Local Geology – Starra, Mount Dore, Merlin, Mount Elliott

The district geology encompasses an area approximately 10 km (east-west) by 50 km (north-south) within the Selwyn Zone of the Eastern Fold Belt, centered between the Mount Elliott Project and Mount Dore Project. Within the Mount Elliott and Mount Dore district, the Young Australia Group is represented by the Staveley Formation while the Soldiers Cap Group is represented by the Kuridala Formation. The Staveley Formation forms a linear belt greater than 2,000 m thick comprising shallow water, well-bedded to brecciated lithologies that include variably calcareous, metasediments, metasiliciclastics, marbles, conglomerates, banded calc-silicate and banded quartz + hematite ± magnetite rock and minor basalt. The Kuridala Formation is a tightly-folded package greater than 2,000 m in thickness, comprising moderately deep-water turbiditic sediments (schistose greywacke, metasiltstone and metapelite) with quartzite, carbonaceous and pyritic metapelite units. The Staveley and Kuridala Formations have been intruded by common mafic to felsic dykes and sills, and by later granite batholiths.

Up to seven deformational events in the Eastern Fold Belt have been postulated. Four of these impacts on the Starra Line Deposit area comprised of: an early period of thrust faulting, two main periods of tight to open folding and reverse faulting and a period of later brittle faulting and shearing.

Mineralization and alteration in the Mount Elliott and Mount Dore district has been focused along two major north-south trending fault zones: the MDFZ and the Starra Shear Zone. These fault zones are several hundred meters wide and have been reactivated multiple times. Several individual faults and shears within these fault zones have been given specific names. At the Mount Dore Project the MDFZ hosts the MDSZ, a prominent north-south striking silicified ridge that extends for at least 10 km both north and south of the Mount Dore Project. The Starra Shear Zone is located 2 km west of the Mount Dore Project and hosts the Starra Line Deposits. Individual faults within the Starra Shear Zone include the Selwyn Shear Zone, and the intensely alkali-iron-silica-carbonate altered Selwyn Line Deposits.

Regional alterations along these major fault zones have played a fundamental role in the formation of the majority of mineral deposits within the belt, by either being directly associated with mineral forming fluids or by rheologically preparing rocks for brittle fracture or ductile shearing.

5. Mineralization

Osborne, Kulthor and the Starra Line deposits, including Starra 276, are characterized as belonging to the IOCG class of deposits. IOCG deposits are characterized by abundant iron oxides, both magnetite and haematite, and association of the characteristic copper and gold and enrichment with substantial hydrothermal alteration surrounding the orebodies.

Osborne

Mineralization at the Western Domain occurs in the 2M, 2S, 1S and 1SS orebodies. The 2S orebody consists of a folded tabular lens, 10 to 20m thick, which plunges at 50-60° to grid southeast and is located on the silica flooded margins of the Upper Ironstone. The 1S and its southerly extension, the 1SS orebody, are located in the Lower Ironstone and vary from 5 to 20m in true thickness. There is some slight indication of a plunge to the southeast at 50°. The mineralization is semi-continuous for over 2km down-dip and is still continuing at a reduced grade at the lowest level drilled. The maximum strike length is 1100m and the maximum thickness is approximately 30m.

Kulthor

The mineralization is in the form of veins and minor replacement lodes exploiting brittle facture and breccia zones developed along the margins and within the dolomite-quartz pegmatite. Sparse mineralization outside the lodes is localized in shears and is almost exclusively in the form of centimeter-scale dolomite veins within local quartz, pyrite, chalcopyrite, chlorite and calcite overprint. The mineralization occurs in three main lenses which have a horizontal extent of 2,300m and a vertical extended of at least 700m. The width of mineralization is variable (maximum thickness is approximately 40m but usually less than 16m).

The majority of the mineral to be mined at Kulthor will be sourced from the Western Lode (the “M” zone). This is an 85° east-southeast dipping sulphide-rich shear-hosted lode that extends throughout the central sections and beyond for at least 500m. The lode is dominated by stylo-shears with sulphide and stylo-breccias with near massive sulphide that seem to replace fragments of dolomite vein caught up in the structure. High grade intercepts are chalcopyrite blebs and stylo-networks that replace dolomite that has not already been replaced by other sulphides. The intercepts of mineralization and the higher-grade shoots are localized at the intersections of cross vein sets.

Starra Line

Key aspects of the IOCG deposits that are evident at Starra 276 include; Copper mineralization associated with gold, and with a relatively high gold content compared to most IOCG deposits; hydrothermal replacement of magnetite ironstone; and significant structural control and associated breccias.

6. *Mineral Resources and Reserves*

Mineral Reserves were declared for the Osborne, Kulthor and Starra 276 deposits during the June quarter 2012. These are the first Mineral Reserves declared by Ivanhoe Australia for the Osborne Copper-Gold Project.

The Mineral Reserves declared for Osborne and Kulthor deposits are based on the 2011 Mineral Resources reported in October 2011 as part of the Osborne Copper-Gold Study. The Mineral Reserve declared for Starra 276 is based on a July 2012 Mineral Resource update. Measured and Indicated Mineral Resources show a small reduction, from 302 million tonnes at 0.57% copper and 0.31g/t gold published in 2012 to the current 300 million tonnes at 0.58% copper and 0.31g/t gold.

This reflects a reduction in tonnes from Starra 276 due to a change in cut-off grade that was partially offset by the increases at Kulthor after an update of the Mineral Resource model. This resulted in minor increase in total project Measured and Indicated Mineral Resource from 1.727 to 1.732 million tonnes and gold from 2.978 to 2.980 million ounces. Inferred Mineral Resources dropped by 2.3 million tonnes, from 417 million tonnes at 0.43% copper and 0.24g/t gold to 415 million tonnes at 0.43% copper and 0.24g/t gold, primarily due to the reduction of Inferred Resources at Starra.

Osborne

The Osborne processing plant operations commenced in late February 2012. Osborne is characterized as an iron oxide copper gold (IOCG) deposit hosted by silica flooded magnetite. Kulthor mineralization is contained within carbonate rich vein stockwork.

Ore from the Osborne underground mine was mined from the lower three levels in the mine, with minor extraction of remnant pillars from previously mined areas. An in-mine exploratory drill program, completed in early 2012, resulted in no change to Mineral Resource of the Osborne deposit during the year.

The Osborne Mineral Resource was depleted for mine production during 2012 and it is anticipated that primary underground production at Osborne will continue until mid-2013 with potential extraction of remnant pillars continuing thereafter.

Mining at Kulthor focused on developing multiple mining levels and installation of essential infrastructure. The first stope blast at Kulthor occurred in September and production commenced in December 2012.

An updated Kulthor Mineral Resource was issued in September 2012. The continuation of surface and underground drilling saw an upgrade of 60% in contained metal reporting to Measured and Indicated classifications totalling 7.4 million tonnes at 1.6% copper and 1.0 grams per tonne gold. Drilling along strike to the south maintained the level of Inferred Resources at 5.4 million tonnes grading 1.3% copper and 0.9 grams per tonne gold..

Mineral Reserves for Osborne and Kulthor deposits were announced in August 2012.

No mining activity occurred in the Osborne open pit.

Starra Line

The previously mined Starra 276 and 222 deposits are part of a well mineralized and continuous zone of magnetite / hematite hosting a series of IOCG deposits, known as the “Starra line”, of which seven deposit have been exploited by previous owners.

Rehabilitation of the existing Starra 276 decline was completed during the year and development and infrastructure work for new mining areas commenced in 2012, to enable underground production to begin in the first quarter of 2013.

The cut-off grade for Starra 276 was increased from 0.5% eCu to 1.5% eCu to conform to the mining approach and preparation of Mineral Reserves. This change in cut-off grade has reduced the total Mineral Resource base at Starra 276. At this stage a similar adjustment to Starra 222 has not been made as a mine planning study has not been completed to determine the applicable mining strategy.

An updated Starra 276 Mineral Resource which included new surface drilling and updated downhole surveys, was issued in February 2012. This model was the basis of the NI 43-101 Technical Report published in August 2012 for Mineral Reserves.

The Starra 276 resource extension drilling campaign from surface was completed in December 2012, with block model and resource estimation work continuing.

Mineral Reserves

Mineral Reserves breakdown (NI 43-101)

	Cut-off %eCu	Proved			Probable			Total		
		Tonnes	Grade		Tonnes	Grade		Tonnes	Grade	
		Million	Cu %	Au g/t	Million	Cu %	Au g/t	Million	Cu %	Au g/t
Osborne Open-Pit (1)	0.35	2.4	0.83	0.57	0.09	0.72	0.54	2.5	0.82	0.57
Osborne Underground (1)	1.50	0.26	2.0	0.95	-	-	-	0.26	2.0	0.95
Kulthor Underground (1)	1.40	-	-	-	2.5	1.5	0.94	2.5	1.5	0.94
Starra 276 (2)	1.50	-	-	-	1.5	1.2	0.81	1.5	1.2	0.81
Total		**2.7**	**1.0**	**0.61**	**4.0**	**1.4**	**0.88**	**6.7**	**1.2**	**0.77**

(1) The effective date for this Mineral Reserve estimate is November 2, 2012.
(2) The effective date for this Mineral Reserve estimate is July 13, 2012.

Mineral Resources

Mineral Resources breakdown (NI 43-101)

	Cut-off %eCu	Measured and Indicated			Inferred		
		Tonnes	Grade		Tonnes	Grade	
		Million	Cu %	Au g/t	Million	Cu %	Au g/t
Osborne Open-Pit (1)	0.5	2.4	0.74	0.57	0.07	0.61	0.56
Osborne Underground (1)	1.2	2.2	1.3	0.85	0.47	1.2	0.87
Kulthor Underground (1)	1.2	7.3	1.58	0.99	5.3	1.4	0.87
Starra 276 (2)	1.5	3.1	1.6	1.1	1.7	1.4	1.4
Total		**15.**	**1.4**	**0.93**	**7.5**	**1.4**	**0.99**

(1) The effective date for this Mineral Resource estimate is November 2, 2012.
(2) The effective date for this Mineral Resource estimate is July 13, 2012.

7. *Exploration*

Osborne Operation

Exploration programs continued on the Osborne Deeps and Kulthor ore bodies, aimed at further delineating the known resources and finding potential resource extensions.

At Osborne Deeps, results from geophysical surveys indicate the continuity of the ironstone host rock below the current resource, however follow up drilling suggests that the current Mineral Reserves at Osborne Deeps is unlikely to be increased at current commodity prices.

Three separate drilling campaigns were conducted at Kulthor during the early part of 2012. The first campaign consisted of underground drilling within the Indicated Mineral Resource, the second campaign comprised infill drilling from surface to upgrade the Inferred Mineral Resource into mill feed for Osborne; and the third, surface drilling, targeted extensions of the Kulthor deposit towards the south-east.

Assay results for these underground drilling holes included encouraging highgrade intersections.

The third drilling campaign tested the southwest, along-strike, extensions of mineralization at Kulthor, outside the known resource. Seven diamond drill holes targeted an extension of the mineralization 600 meters southwest toward the Peregrine prospect. Copper-gold mineralization was encountered in most holes with both the central and western Kulthor lodes encountered in all of the holes drilled. This highlights the potential for the Kulthor resource to be extended. Osborne area exploration focused on down-hole and surface geophysics.

Down-hole EM was conducted at Kulthor and Peregrine. A large Three Dimensional Induced Polarization (3DIP) survey was conducted over the Avalon, Peregrine and Kulthor area. This survey successfully identified sulphide extensions to Kulthor.

Starra Line Deposits

Three diamond holes were drilled to test the continuity of copper-gold mineralization between Starra 286 and the Starra 276 resource. These holes, totaling 901 meters, intersected weak copper-gold mineralization and demonstrated a continuity of copper-gold mineralization between the two prospects. A review of this data and additional potential work is being conducted in early 2013.

Five diamond holes totaling 1,162 meters were drilled at Starra 232-236 to test the along-strike projection of copper-gold mineralization north of Starra 236. Intersections included weak to moderate gold and weak copper mineralization.

8. Mining Operations

Ivanhoe Australia brought the Osborne Copper-Gold Project into production ahead of schedule in late February 2012. The start of concentrate production from Osborne was an important strategic step for Ivanhoe Australia, moving the Company to producer status. Whilst the Company currently has declared reserves for a mine life of four years (2012-2015), Ivanhoe Australia is investigating a number of prospects identified as potential further ore sources for Osborne across its tenements. Mill feed included in the initial mine plan is being sourced from the Osborne, Kulthor and Starra 276 underground mines.

Underground development work at Kulthor and Osborne continued throughout the year with 5,490 meters advanced, at development rates that consistently exceeded the planned targets.

Osborne stope production commenced in March 2012 with initial stope production from Kulthor starting in July 2012. Development activities in the Osborne underground mine were completed in the September quarter and production from the lower portion of the mine progressed well, with production planned to continue until at least June 2013.

Based on an initial assessment of the August 2012 Mineral Resource upgrade, Kulthor has the potential to continue production to the end of 2016 at 750,000 tonnes per annum – beyond the current production plans.

Starra 276 ore will be a key ore source for production from 2013 onwards. Underground development of the mine commenced with widening of the existing decline and development of a bypass decline in the upper zone. 2,178 meters of new development was completed during the year along with 1,700 meters of decline rehabilitation.

Production from Starra 276 started on schedule in February 2013. Starra 276 resource extension drilling was completed in December 2012 with an initial assessment of the drilling suggesting that production may be extended from Starra 276 to the end of 2015, at similar grades of copper and gold.

Studies to confirm the potential extensions at Kulthor and Starra 276 should be finalized in mid-2013.

Following a comprehensive competitive tendering process, the contract to consolidate the underground mining and maintenance activities at Kulthor, Osborne and Starra 276 was awarded towards the end of 2012 to Pybar Mining Services. Pybar is well known to Ivanhoe Australia as they have been providing mining services at the Osborne mine since 2011. Pybar has had an excellent record with Ivanhoe Australia against a number of benchmarks, including safety, performance and project delivery.

Osborne Open Pit Deposit

The Company previously proposed to extend the current Osborne open pit via a cut back to south-west of the current workings. The open pit contains a reserve of approximately 2.5 Mt of material grading 0.82% copper and 0.57 g/t gold. These reserves are not included in the current mine plan.

9. *Processing*

All mined material is delivered to a ROM stockpile at the Osborne Facilities for processing, which consists of a conventional sulphide flotation concentrator plant. The plant was commissioned in 1995, operated continuously through to mid 2010, and then placed under care and maintenance until re-commissioned in early 2012. As the processing facility is to utilize the ROM stockpile, rather than material sourced directly from the mine, the processing facility capacity is not likely to impact the mine production.

Copper, in the form of sulphide minerals principally chalcopyrite, and gold is recovered by the conventional industry method of: (i) comminution by crushing and grinding; (ii) flotation; and (iii) dewatering of the copper-gold concentrate by thickening and filtration. Flotation recovery of the gold is supplemented by centrifugal gravity concentration to make doré bullion.

The processing plant was successfully commissioned in June 2012, predominately using Osborne and Kulthor development ore. Performance of the processing plant improved over the year reflecting a combination of consistent ore feed, uniform blending and higher grades. The mill throughput, since the processing re-commenced at Osborne in late February, was 788,820 tonnes of ore, within the expected range of 700,000 to 900,000 tonnes, at a grade of 1.67% copper and 0.88 grams per tonne of gold. Recovery rates improved progressively over the year to average 95% for copper and 80.5% for gold during the final quarter. The first shipment of copper-gold concentrate to Asian smelters departed from the port of Townsville on 15 June. In total, four shipments were made in 2012 and ten are planned for 2013.

Following the inclusion of ore from Starra 276, late in the first quarter of 2013, the throughput of the mill is expected to increase to between 1.4 and 1.6 million tonnes of ore in 2013. From mid-2013 onwards, this higher throughput is expected to result in an improvement in C1 cash operating costs per pound of copper produced.

Osborne Production Statistics – 2012

			Annual 2012[1]
Ore Mined	Tonnes		773,928
Ore Milled	Tonnes		788,820
Milled Grade	Copper (%)		1.67
	Gold (g/t)		0.88
Recovery	Copper (%)		93.9
	Gold (%)		78.1
Copper Con. Produced	Dry tonnes		51,619
Concentrate Grade	Copper (%)		23.6
	Gold (g/t)		9.3
Contained Metal in con. Produced	Copper (tonnes)		12,220
	Gold (oz)		15,479
Gold Doré Produced	Ounces		1,790
Total Concentrate Sold	Dry metric tonnes		38,539
Concentrate Inventory on hand[2]	Dry metric tonnes		13,080

1 Annual numbers may not equal the sum of published quarterly figures due to stocktake variations.

2 Includes an additional 1,075 tonnes arising from the year-end concentrate inventory physical stocktake.

10. Markets and Contracts

The Osborne Copper–Gold operation is predominantly a copper project and therefore the business is highly sensitive to the price of copper. During 2012, the Company did not sell any products on long term contracts. The Company tendered individual parcels of approximately 10,000 DMT each and completed four shipments during the year. The key export markets for Osborne copper concentrate in 2012 were China, India and Japan. In 2013 the Company may consider selling product other than on the spot market and to different markets.

11. Environmental conditions

Generally, all approvals and related documents are in place and there is no history of regulatory non-compliance. The amended Cloncurry Project Environmental Authority (MIN100894709) authorizing the full Merlin and Starra 276 underground operations and ancillary activities including dewatering and Osborne haul road construction was issued by DERM on February 10, 2012. The replacement Plan of Operations covering the period December 2011 – November 2014 was lodged with DERM on February 13, 2012.

An amended Osborne Copper–Gold operation Environmental Authority (MIN 100459006) authorizing the ongoing gold copper operation, open pit cutback, molybdenum/rhenium concentrator and associated tailings dam was issued by DERM on February 6, 2012. The replacement Plan of Operations covering the period 1 February 2012 - 20 January 2017 was lodged with DERM in April 2012.

Each environmental authority amendment is assessed by DERM under an Assessment Level Decision to determine if an Environmental Impact Statement (EIS) may be required. The Osborne Copper–Gold operation has no recorded discharges since 2005 despite several above average wet seasons. Aquatic ecosystem studies downstream of the Osborne Facilities indicate no detectable impact from the past 16 years of operation. The new environmental authority is prescriptive and requires increased monitoring efforts and renewed focus on dust control especially from concentrate management areas.

There are no significant known environmental liabilities on the Starra Line Deposits, however the fact that the site is a legacy site (i.e. previously mined area) has resulted in some ongoing maintenance issues related to the old waste dumps and tailing dams, which has the potential to cause contamination to the surrounding environment. Expenditure will be required on upgrading monitoring networks and undertaking rehabilitation of legacy sites to achieve an improved environmental outcome.

The Company is not aware of any significant Native Title or cultural heritage issues that would potentially impact mining operations or impede permitting processes on both project areas.

12. Taxes

GST at a rate of 10% is levied by the Federal Government on purchases by individuals and corporations on non-exempt goods and services. Business can claim back GST on most business inputs. It is assumed that most of the product sales will be to overseas customers, so no GST is applicable. For sales to customers in Australia, GST will be applicable, but would have minimal impact on the timing of the project cash flows.

The Federal Government announced its Policy for a Carbon Tax on July 10, 2011. Operating costs at the Osborne Copper-Gold operation include the impacts of the Carbon Tax.

The Federal Government announced the minerals resource rent tax (MRRT), which applies from 1 July 2012 to certain profits from iron ore and coal extracted in Australia. There has been no current impact of this tax on the Company.

13. Current activities and near term plans

The Company's near term plans are centered on operating the Osborne Copper-Gold business safely, reliably and efficiently following the completion of major capital expenditure projects including the completion of the Starra 276 mine development and the haul road linking the mine to the Osborne processing plant. It is anticipated that between 1,400,000 and 1,600,000 tonnes of ore will be processed in 2013 and that ten shipments will be completed for the year, each containing approximately 10,000 DMT of copper concentrate.

The Company will continue to explore for additional reserves as a source of feed to extend the life of the Osborne Copper–Gold operation. Exploration is focused on a number of highly prospective target areas, with the goal of extending the mine plans of the Osborne Copper–Gold operation beyond the initial four years (2012-2015) detailed in the Osborne Technical Report. The initial target is to identify extensions to existing underground resources at the Osborne Deposits and additional ore sources around the existing Osborne Copper–Gold operation.

Further resources for the Osborne Copper–Gold operation also are being targeted from a number of prospective areas on IAL's tenements within economic trucking distance of the Osborne Facilities.

Merlin Project

All disclosure in this section relating to the Merlin Project of a scientific or technical nature is based on the Merlin Feasibility Study. The Merlin Feasibility Study (effective date 16 April 2012) was prepared by the following Qualified Persons: (i) Neil Lincoln, P.Eng, Study Manager with Lycopodium Minerals Pty Ltd; (ii) Mehmet Yumlu, MAusIMM (CP), Principal Mining Engineer with AMC Consultants; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder; (iv) Gordon McPhail, FSAIMM, Technical Discipline Executive with SLR Consulting Australia Pty Ltd; and (v) Art Ibrado, Ph.D, Project Manager & Metallurgist with M3 Engineering & Technology Corp.

Development of the Merlin Project is currently on care and maintenance. Business and strategic reviews of the Merlin Project are on-going. No further Mineral Resource or Mineral Reserve work was completed during the year.

1. Property Description and Location

The Company's wholly-owned subsidiary, Ivanhoe Cloncurry Mines, holds title to the Merlin Project. The Merlin Project is located in west central Queensland, Australia, approximately 145 km southeast of Mount Isa and 700 km west-southwest of Townsville and consists of 537.51 ha under mining lease. The Merlin Project is overlaid by the Mount Dore Project and as a result leases cannot be identified separately for those two projects.

The project area is covered by five mining leases originally granted in the 1970s. Three of the original mining leases expired in 2011, each of which was renewed until 2029. The remaining two mining leases are valid until 2020. The holder is entitled to mine gold, silver, copper, cobalt, molybdenum, zinc and lead on these mining leases. Rhenium is not listed as a specified mineral for the existing mining leases; Ivanhoe Australia has applied for rhenium to be added to the mining leases and as the amended Environmental Authority has been issued this addition is considered to be a formality.

The Company also holds an exploration permit that overlaps the mining leases that includes significant additional surrounding property. The exploration permit has a term expiring in October 2017, and covers all minerals other than coal.

The Company holds relevant surface rights to the property through Starcross Pastoral Holding, which is a pastoral lease, meaning that Ivanhoe Australia does not need to enter into a separate compensation agreement for mining activities on its mining leases on this holding.

The royalty rates applicable to sales of molybdenum and rhenium are fixed at 2.7% and 2.5% respectively. Royalties will also be payable on the sale of copper and other commodities from the Merlin Project. There is no previous owner royalty or commitments to third parties based on mineral sales from the Merlin Project.

The annual rentals for the Mount Dore Project mining leases 2566, 2688, 2689, 2690 and 2691, for the year beginning September 1, 2012 was A$27,405. Rates totalling A$131,540 were paid to the Cloncurry Shire Council for the 6 month period beginning July 1, 2012 for the contiguous mining leases 2566, 2688, 2689, 2690, 2691, 2692, 2693, 2694, 2733, 2745 and 2746. Cloncurry Shire Council rates are also payable for Starcross Pastoral Holding (A$3,109 for the 6 month period beginning July 1, 2012), and an annual rental ($2,044 for the period July 1, 2012 to June 30, 2013) is also payable for Starcross to the Cloncurry Shire Council. As the leases

comprising the Mount Dore Project and the Merlin Project cannot be identified separately, these amounts reflect the aggregate total payable for the two projects.

There are no significant known environmental liabilities on the Merlin Project mining leases; however there are many historic and more recent workings on surrounding project mining leases that will need to be addressed during the permitting process. IAL is not aware of any cultural heritage issues that would potentially impact mining operations on the property.

Permits currently held for the underlying Merlin Project include: (i) Environmental Authority MIN100894709; (ii) Plan of Operations May 2011, which authorizes the Merlin Exploration Decline, commencement of dewatering from the Mount Dore aquifer and construction of the access road to the Osborne Facilities; (iii) Water Licence number 69411J for 260 ML/year; and (iv) Water Licence number 604203 for dewatering the Mount Dore aquifer. The access/haul road from the Merlin Project and the Starra Line Deposits to the Osborne Facilities has been constructed and is located on granted infrastructure mining leases (ML 90215 and ML 90217).

In order to conduct the work proposed at the Merlin Project, IAL will have to acquire: (i) an amended Merlin Plan of Operations authorizing the full mine development; (ii) an amendment to the Osborne Environmental Authority MIN100459006 to authorize construction of the roaster, concentrator and tailings storage facility; and (ii) an amended Osborne Plan of Operations to authorize construction and operation of the roaster, concentrator and tailings storage facility.

2. Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Merlin Project is by chartered aircraft from Brisbane, Mount Isa or Townsville via an all-weather airstrip located nearby the Osborne Facilities, or by road from the town of Cloncurry, 140 km to the north. Mount Isa is the largest city and main supply centre for the region, while Cloncurry is a smaller, local supply town. The population of Mount Isa and surrounding area is about 35,000 and Cloncurry is about 2,400.

The area has a semi-arid climate with temperatures averaging from 10° to 25°C in the winter and from 25° to 40°C in the summer. Average annual rainfall is 350 mm, with most of the precipitation occurring during the summer months of December to March. The weather is amenable for mining operations year-round. The area forms part of the interior lowlands physiographic region with topography varying between gently-undulating plateau and local hilly terrain. Surface elevations vary between 200 to 400 m above sea level. Vegetation consists of arid spinifex and sparse eucalypt trees on deep soils while grass with scattered scrub is common within flat, open, soil-filled drainages.

Power would be supplied by rental power station, with gas trucked from the Osborne Project. An access road from Osborne to the Mt Dore Project area has been completed. Water would be supplied from nearby boreholes. There is an existing village and aerodrome at the Mt Dore site.

The Company has rights to extract 260 ML of water from the Mount Dore acquifer. IAL has a pipeline to the Burke River Bore Field that can supply up to 100 l/s and has annual rights to extract 1,000 ML from this field; the Company is currently not operating this pipeline.

The Company has a partly filled licensed tails dam that was in use by Selwyn and closed in 2003. Waste rock storage areas are available but have not been included in the current conceptual site layouts. Significant new plant and infrastructure will be established to support the Merlin Project.

3. *History*

As discussed above, the Merlin Project is overlaid by the Mount Dore Project, and shares the five mining leases that comprise the Mount Dore Project which cannot be identified separately for those two projects.

Copper mining begin in the early 1900s in the area at Mount Elliott, which is located 20 km north of Mount Dore. The first modern drilling on the property was conducted in 1957, and only one hole intersected the Mount Dore deposit, returning 1.3% Cu over 8.8 m at a depth of 49.7 m.

Mt Dore was subsequently the subject of a series of company acquisitions, mergers and joint ventures. The tenement was acquired by Amoco, which in 1975, became Cyprus Minerals Australia Company ("Cyprus"). In 1984, Mungana Mines Limited ("Elders Resources Limited") acquired a partial interest in the property, while Cyprus and Sunland Petroleum ("Arimco NL") formed a partnership. In 1990, the lands constituting the Mount Dore Project/Merlin Project became subject to a joint venture between Cyprus (50%), Arimco NL (25%) and Elders Resources Limited (25%) and briefly closed in 1999 before Selwyn purchased the Cloncurry Tenements and recommenced operations on Starra Line and Mount Elliott. This operation failed after an attempt to increase production to 2 million tpa from 700,000 tpa. A fall in the price of copper and gold, and a slow increase in production, resulted in the foreclosure of the property in December 2002.

In late 2003, Ivanhoe Cloncurry Mines acquired the tenements, exploration data and pastoral station from the receivers of Selwyn. Between 2004 and June 2008, Ivanhoe Cloncurry Mines completed 19,273 m of drilling on the Cloncurry Tenements.

In 2008, during a RC drilling campaign, aimed at identifying additional near-surface copper occurrences to the north of the Mount Dore deposit, a hole encountered strong molybdenite mineralisation. As a result, the Company identified a narrow high grade plane of molybdenum mineralisation now referred to as the Merlin Project. Following the discovery, additional analytical work was conducted to investigate the associated rhenium content, which also revealed high values. Exploration since 2009 has concentrated on the definition of mineralisation at the Merlin Project to an even 50 m grid spacing.

IAL reported the following resource estimates for the Merlin Project under JORC and/or CIM (NI 43-101).

4. *Geological Setting*

The Merlin Project lies within the Eastern Fold Belt of the Mount Isa Inlier. The Eastern Fold belt is a strongly mineralised province that hosts a number of copper-gold and lead-zinc-silver mines.

The Proterozoic rocks of the Eastern Fold Belt comprise two main stratigraphic packages (i) the shallow water sediments of the Young Australia Group; and (ii) the deeper water sediments and volcanics of the Soldiers Cap Group. These rocks have been intruded by at least two major granitoids as well as several phases of intermediate and mafic dykes and sills.

Mineralisation in the Eastern Fold Belt is generally hosted in close proximity to: (i) the contact between the Young Australia and Soldiers Cap groups; (ii) regionally extensive north-south

trending shear and fault zones that have been reactivated multiple times and have provided conduits for fluid flow and alteration; and (iii) late north-east and north-west trending structures.

The deposits are associated with regionally extensive zones of strong sodic-calcic and iron alteration that are the expression of large-scale crustal-scale hydrothermal systems and the intrusion of strongly oxidised, alkaline to sub-alkaline A-type granitoids of Williams-Naraku Batholith.

Local Geology

The district geology encompasses an area approximately 10 km (east-west) by 50 km (north-south) within the Selwyn Zone of the Eastern Fold Belt, centred between the Mount Elliott Project and Merlin Project. Within the Mount Elliott and Mount Dore district, the Young Australia Group is represented by the Staveley Formation while the Soldiers Cap Group is represented by the Kuridala Formation. The Staveley Formation forms a linear belt greater than 2,000 m thick comprising shallow water, well-bedded to brecciated lithologies that include variably calcareous, metasediments, metasiliciclastics, marbles, conglomerates, banded cal-silicate and banded quartz + hematite ± magnetite rock and minor basalt.

The Kuridala Formation is a tightly-folded package greater than 2,000 m in thickness, comprising moderately deep-water turbiditic sediments (schistose greywacke, metasiltstone and metapelite) with quartzite, carbonaceous and pyritic metapelite units.

The Staveley and Kuridala Formations have been intruded by common mafic to felsic dykes and sills, and by later granite batholiths.

Up to seven deformational events in the Eastern Fold Belt have been postulated. Four of these impact on the project area: an early period of thrust faulting, two main periods of tight to open folding and reverse faulting, and a period of later brittle faulting and shearing.

Mineralisation and alteration in the Mount Elliott and Mount Dore district has been focussed along two major north-south trending fault zones: the MDFZ and the Starra Shear Zone. These fault zones are several hundred metres wide and have been reactivated multiple times. Several individual faults and shears within these fault zones have been given specific names. At Mount Dore the MDFZ hosts the MDSZ, a prominent north-south striking silicified ridge that extends for at least 10 km both north and south of Mount Dore.

The Starra Shear Zone is located 2 km west of Mount Dore and hosts the Starra copper-gold deposits. Individual faults within the Starra Shear Zone include the Selwyn Shear Zone, and the intensely alkali-iron-silica-carbonate altered Selwyn Line.

Regional alterations along these major fault zones have played a fundamental role in the formation of the majority of mineral deposits within the belt, by either being directly associated with ore forming fluids or by rheologically preparing rocks for brittle fracture or ductile shearing.

Property Geology

Molybdenum-rhenium mineralisation at the Merlin Project is hosted within a tectonised package of metapelites, metasiltstones, schists and phyllites that belong to the Kuridala Formation. This stratigraphic package dips eastward, is overlain to the east by the over-thrust Mount Dore Granite and is underlain to the west by the east-dipping MDSZ.

The Mount Dore Granite forms a hanging wall to the molybdenum mineralisation and conceals the greater part of the molybdenum mineralization. The Mount Dore Granite is part of the extensive Williams-Naraku Batholith.

The uppermost unit of the Kuridala Formation at the Merlin Project is a black metapelite unit located below the faulted contact with the Mount Dore Granite. It is underlain by a thick package of phyllite that broadly follows the geometry of the bounding granite and underlying MDSZ quartzite. The phyllite molybdenum-rhenium mineralisation is hosted within variable proportions of interfingered black carbonaceous metasiltstone, grey micaceous metasiltstone and grey metapelites that are interbedded with thicker beds of phyllite and schist.

The footwall to mineralisation at the Merlin Project is marked by the MDSZ, an easterly dipping, intensely-silicified quartzite. The MDFZ is less than 40 m in true thickness and may mark the boundary between the host Kuridala Formation and the underlying metasiltstones and metapelites units of the Staveley Formation.

5. Exploration

The area for exploration is comprised of a lower grade copper and polymetallic (mainly zinc) mineralisation and the Merlin molybdenum and rhenium veins.

Most exploration work in recent years has been conducted through drilling. Other exploration work by the Company has included geological mapping on-site rock-chip geochemistry and termite mound geochemistry, seismic, gravity, magnetotellurics and down-hole EM.

Exploration by previous companies included drilling, sediment and soil sampling and numerous airborne and ground magnetic radiometric surveys. Selwyn conducted controlled source audio frequency magnetotellurics over the entire area and refined data processing techniques revealed a broad north-north-easterly trending anomaly that roughly coincides with the Merlin Project.

6. Mineralization

The Merlin Project contains molybdenum and rhenium mineralisation largely restricted to the Kuridala Formation and its internal and bounding structures. These roughly dip at 50° to the east and can be as steep as 70° or as shallow as 30°.

The near surface mineralisation has been extensively oxidised such that the copper-rich zones outcrop as copper oxides above a thick zone of chalcocite mineralisation. The underlying primary zone consists of chalcopyrite, sphalerite, galena and molybdenite as the visible ore minerals. Chalcocite extends into the primary zone and may also be hypogene in nature (i.e. original mineralization). Molybdenite is more resistant to oxidation and a massive molybdenite has recently been discovered in a clay zone. High molybdenum assays without rhenium and sulphur are used to mark the transition zone between the supergene and hypogene zones if visual logging is no longer available.

Fracture-controlled and breccia-matrix molybdenite mineralisation is hosted within K-feldspar altered and albitised black metapelite and siltstone, which lie above and below the foliated schist and phyllite. The footwall structure at the base of the foliated phyllite and schist appears to have the strongest molybdenum and is inferred to have developed good open structures due to competency contrast. This basal contact also appears to have acted as a good barrier for the molybdenum-rich fluids, thus resulting in ponding of the metals in the favourable structures just

below the contact. The mineralised matrix-breccias contain sub-rounded fragments of K-feldspar and clay-altered metasiltstone, with molybdenite partially to completely replacing the breccia matrix. The molybdenite breccias are between several centimetres to several metres thick but most commonly less than one metre.

The style of mineralisation can vary from a few narrow zones of massive molybdenite to broader zones of mixed fracture-controlled and breccias-matrix mineralisation. Molybdenite also occurs as stylolitic fracture fill, disseminations and preferential infill of folded bedding planes. Molybdenite mineralisation in this form is often one to over 10 m thick and is considered continuous between holes 25-50 m apart.

Uncertainty in the short range continuity remains until there is more detailed closely-spaced drilling. The stope-scale continuity and interconnection of the molybdenite mineralization is unknown. Exploration plans currently include an exploration decline with further underground drilling to prove up mineable units.

Molybdenum-rhenium mineralization's are very strongly correlated which reflects the latter metal's affinity to be incorporated within the molybdenite crystal structure.

High-grade molybdenum mineralisation was encountered close to the surface during geotechnical drilling for the positioning of the Merlin decline at the southern end of the Merlin Project. This zone became known as Little Wizard.

The Little Wizard mineralisation appears to be the up-dip extension to the Merlin mineralisation and as such repeat pods of Little Wizard style mineralisation may occur elsewhere between the current limits of drilling at Merlin and the surface where strong geochemical anomalism has been identified.

7. Drilling

As a result of its location, underlying the Mount Dore Project, all exploration drilling at the Merlin Project intersects the Mount Dore Project and cannot be separated for the purposes of discussion.

The most common form of drilling undertaken at the Mount Dore Project is DD. Most drill holes are vertical or are inclined up to 60° to the west. This results in oblique intersections due to the dip of the mineralisation at approximately 50° to the east. Prior operators completed numerous drill holes in the Mount Dore area. This includes 32 DD holes by Cyprus between 1976 and 1980 and 16 DD holes from 1989 to 2000. This was followed by major programs conducted by Arimco NL between 1999 and 2000, comprised of numerous air track, rotary air blast and RC holes, along with eight DD holes and seven RC water holes. All drilling was focussed on the southern portion of Mount Dore.

The Company commenced drilling in 2004, relying mainly on DD. Ivanhoe Australia has completed approximately 290 DD holes and RC drill holes relevant to the Mount Dore – Merlin resources, amounting to approximately 91,000 m. The bulk of the samples used for resource estimation were derived from these drill holes. Collar and down-hole surveys were performed for all drilling. IAL also conducted systematic bulk density analysis from 2007 to 2009.

Since the discovery of the Merlin Project in late 2008, drilling has focused on diamond core definition of the Merlin molybdenum-rhenium mineralisation at regular 50 m spacing. The Merlin Project is entirely defined by IAL drilling, with only some older historic drilling contributing to the

overlying Mount Dore North copper resource. The Mount Dore South copper resource is less regularly drilled and dominated by historical drilling and IAL RC drilling imparts.

8. Sampling and Analysis

As a result of its location, underlying the Mount Dore Project, all exploration drilling at the Merlin Project intersects the Mount Dore Project and cannot be separated for the purposes of describing sampling and analysis for the Merlin Project.

All sampling conducted on the Mount Dore Project was done using half DD core or RC cuttings. Ivanhoe Australia has completed a total of 329 drill holes, 290 of which are relevant to the Mount Dore resource, of which 131 were DD, 119 were DD with RC pre-collars and 40 were RC holes. Most of the holes are targeted at Merlin on a regular 50 m spacing with some close spaced drilling at the smaller Little Wizard zone. The IAL drilling at Mount Dore includes 36,700 samples of which 35,000 were included in the Mount Dore – Merlin resource estimate and the remainder at nearby prospects. These samples were taken from HQ core (77%), PQ core (10%), and RC cuttings (12%) and NQ (1%). DD core was split along the long axis and one half of the core over 2 m intervals made up each sample.

All sampling of Ivanhoe Australia DD core and RC cuttings as conducted by Ivanhoe Australia personnel at the Company's Mount Dore core processing facility several kilometres from the drill sites. Core recovery within near-surface oxide zones at Mount Dore can be quite poor; below the oxide zone, overall core recovery was excellent, and only a few broken zones were encountered that could impact accuracy and reliability of results.

The Company used a variety of methods as part of its sampling procedure, including standard reference material, field blanks and duplicates. Additional quality control measures are employed in the sampling and assay process, and the sampling procedures are adequate and no DD or core recovery factors are evident that suggest sample bias for competent rocks below the oxide zone. It was noted that RC drill samples used for early drilling displayed evidence of some low bias.

Samples were assayed at the Australian Laboratory Services Pty Ltd ("ALS"). Check assays were sent to Activation Laboratories, Genalysis and Becquerel in Australia and Canada. All facilities are accredited.

All bulk bags for shipping samples were sealed with individually numbered tamper-proof security tags and transported by IAL vehicle to the ALS laboratory in Mount Isa. SSMs, corresponding to the shipment dispatches, were sent electronically to the laboratory; shipments were examined upon arrival at the laboratory; and the SSMs were returned back to the Company, marked with a confirmation of the state of the security seals on boxes, the presence of all samples comprising each batch, and laboratory report numbers assigned to each batch. Following completion of assaying, samples were stored at the laboratory and then transported back to the work site by IAL vehicle for long-term storage.

Quality control and quality assurance samples to monitor assays and sample preparation performance includes 23% of the assays submitted and includes standard reference material, field blanks and duplicates, pulp duplicates, crusher duplicates, core duplicates and check analyses.

9. *Mineral Resources*

The Merlin high-grade molybdenum domain is defined by a significant grade contrast and the narrow continuous structural location. It comprises narrow zones of massive molybdenite carrying high-grade molybdenum and rhenium either as a single narrow zone or a closely spaced cluster of narrower intercepts. Little Wizard represents a small, higher grade domain that is treated separately due to its potential economic influence on the project and the bonanza grades present.

Domaining based on molybdenum grade is based on a single nominal cut-off of 0.5% Mo to define the discrete mineralizing structure that constitutes Merlin. This comprises narrow zones of massive molybdenite carrying high grade molybdenum and rhenium grades, either as a single narrow zone or a closely spaced cluster of narrower intercepts.

The Merlin mineralization consists of a distinct molybdenite rich narrow breccias zone with grades typically greater than 10% molybdenum over short intervals. The regular 2 m core sampling that was adopted for copper mineralization and used throughout the Merlin drilling campaign up until 2010, has resulted in non-selective sampling and produced a range of molybdenum grades from the typical rich intercepts to more moderate grades in 2 m samples. This has contributed to considerable edge dilution and the smoothing of the grade distribution. Despite this dilution the Merlin resource is sufficiently high grade that a cut-off of 0.5% molybdenum offers excellent discrimination of the high grade molybdenum zone into four defined narrow structural domains that display sufficient continuity to warrant separate consideration.

The Merlin deposit is a series of narrow (3 – 8 m thick) molybdenum veins interconnected on shears and fractures. These zones have a variable dip from 40 to 80 degrees from the horizontal.

Previous estimates have domained zinc separate to copper and molybdenum and there are good indications that zinc mineralization is different in many respects. Similarly low-grade molybdenum mineralization surrounds the Merlin Project predominantly extending into the footwall as a mixed molybdenum occurrence with lower grade and less continuity other than on a broad scale, which was previously defined at a 0.01% molybdenum cut-off.

The block model has 1,145,602 blocks created using Maptek Vulcan Software V8.02 using multiple parent/maximum block sizes for different domains. These parent block sizes correlate to the parent block size used for grade estimation with OK.

Estimation by OK was performed for all domains. The predominant parent cell size of 5 x 12.5 x 5 m was used to limit the maximum size of the blocks, reflecting the mineralization type and anticipated mining method.

Indicated Mineral Resource classification is based on the completion of 50 m grid drilling. Extrapolation of interpreted mineralization is limited to 25 m beyond existing drilling.

The Merlin Project's high-grade molybdenum zone is, on average, 3.9 m in width and defined largely on a 50 m spaced square grid. Overall, the Merlin vein(s) displays good continuity. However, there are no close spaced drilled areas at Merlin to demonstrate the short-range continuity of the vein (i.e. if the vein is dislocated or pinches and swells). It is unlikely that this can be feasibly done until underground development allows the next phase of infill drilling from a more direct angle and in a more cost effective manner.

These Mineral Resource estimates are compliant with Canada's NI 43-101 Standard, the Qualified Person: John Horton is a full time employee of Golder, an independent consultant.

The Merlin and Little Wizard total Mineral Resource estimate at a 0.3% Mo cut-off is:

- 6.7 Mt at 1.4% Mo and 23 ppm Re Indicated Mineral Resource (representing contained metal of approximately 93,000 tonnes of molybdenum and approximately 160 tonnes of rhenium).

- 0.18 Mt at 0.78% Mo and 13 ppm Re Inferred Mineral Resource (representing contained metal of approximately 1,400 tonnes of molybdenum and approximately 2.4 tonnes of rhenium).

This represents a 2.5% tonnage increase from the previous estimate in 2010. The Mineral Resource is inclusive of any Mineral Reserve statement.

The following table provides a breakdown of the Mineral Resource.

Merlin – Mineral Resource (NI 43-101) breakdown[(1)(2)]

Cut-off	Region	Classi-fication	mt/kt	Mo %	Re ppm	Cu %	Zn %	Pb %	Ag ppm	Au ppm	Co ppm	Density t/m^3
Mo ≥ 0.3	Lt Wizard	Indicated	**15 kt**	**6.51**	**84.2**	2.26	0.00	0.01	25.0	0.47	21	2.4
	Merlin	Indicated	**6.7mt**	**1.37**	**23.3**	0.33	0.15	0.02	8.3	0.08	81	2.6
		Inferred	**0.2mt**	**0.78**	**13.2**	0.43	0.24	0.02	7.8	0.13	89	2.7

(1) The effective date for this Mineral Resource estimate is 5 December 2011.
(2) Mineral Resources reflects material in stockpiles.

The Mineral Resources for the Merlin deposit were not updated during 2012. Underground drilling was carried out at Merlin to provide close spaced data to be incorporated into on-going grade control models. The additional information is not considered material and as a consequence no update of the Mineral Resources was completed.

Mining at the Merlin Project was restricted to the decline development and five hundred and thirty-one tonnes (531t) of resource material was mined from development at Little Wizard. This material was stockpiled underground at Merlin and has not been depleted from the Mineral Resource because the quantity is not significant and is still available for processing.

10. *Mineral Reserves*

The Mineral Reserve estimates were prepared after selection of the mining methods described below under the heading "Merlin Project – *Mining O perations*". For the two main mining methods selected (underhand drift and fill ("**DAF**") and long-hole open stoping ("**LHOS**")) the following minimum mining units apply:

- DAF mining using mechanised mining with 2-boom jumbos requires a profile of 5.0 m wide x 5.0 m high, with a variable length of drift.
- LHOS mining using mechanised mining with uphole drilling from 20 m spaced levels and applying a minimum stope excavation width of 3.5 m, before unplanned over break.

The Datamine Mineable Shape Optimiser ("**MSO**") process was used to apply mineable shapes to the resource model. The shapes include 0.5 m of dilution on the footwall and 1.5 m of dilution on the hanging wall of the ore body. The mining inventory was prepared using the mineralized inventories as follows:

- Development inventories from the development design wireframes were evaluated against the resource block model.
- DAF inventories from the MSO inventories inclusive of dilution, with a 97% recovery of the Mineral Resource applied.
- LHOS inventories from the MSO inventories inclusive of dilution, net of development, with a 95% recovery of the Mineral Resource applied.

After rounding the results to appropriate significant figures, the Mineral Reserve estimate using Indicated Mineral Resources is set forth in the following table:

Merlin – Mineral Reserves breakdown (NI 43-101) (1)

Category	Mt	Mo t	Re kg	Mo %	Re ppm
Proven	-	-	-	-	-
Probable	**7.11**	**77,797**	**128,881**	**1.09**	**18.12**
Total	**7.11**	**77,797**	**128,881**	**1.09**	**18.12**

(1) The effective date for this Mineral Reserve estimate is April 16, 2012.

No further Mineral Reserve work was completed during the year.

11. *Mining Operations*

Following an initial high level review and site visits, AMC Consultants conducted further work to provide parameters for use in preliminary mine design. The work was primarily based on information in the geotechnical drill hole database and used in the construction of the December 2011 resource model. The data related the four high grade molybdenum ore bodies. Information in the database was reviewed and basic checks made to gain an understanding of the level and quality of data prior to inclusion in geotechnical analyses.

DAF mining was chosen as the preferred method for mining in very poor ground and in flatter sections of the high grade ore body. Small-scale LHOS with cemented fill was chosen as the preferred method of mining in fair to good ground at moderate to steep dips. The LHOS may be longitudinal in narrow sections and change to transverse orientation in wide sections of the ore body. An underhand mining sequence (from top-down) was chosen as the default sequence.

Accordingly, approximately 60% of the Merlin orebody (by ore tonnes) will be mined by DAF, with the balance (approximately 40% by ore tonnes) will be mined by LHOS.

12. *Processing*

Ore will be hauled 53 km from the Merlin mine to the Osborne Facilities for processing. This pathway will allow synergies between the proposed molybdenum processing operations and the copper-gold production and processing activities centralized at the Osborne Facilities.

The ore processing circuit is designed to treat 500,000 tonnes of dry ore annually, with expected recoveries of 88% molybdenum (and 88% rhenium) to produce a target concentrate grade of 30% Mo in molybdenum concentrate. There is no design margin applied to the mill design capacity.

The roaster circuit includes a molybdenum multi-hearth roaster, roaster off gas handling system, wet gas plant and recovery of molybdenum and rhenium products for sale (pure chemical molybdenum oxide and ammonium perrhenate (APR) (NH_4ReO_4)). The process design for the roaster is based on throughput of 35,000 lb/day (16 t/d) of molybdenum in concentrate, with target recoveries of 98% molybdenum and 85% rhenium.

Based on key ROM feed grades and the estimated overall molybdenum and rhenium recoveries, the Company has estimated the Merlin Project to comprise:

- a mine life of 15 years; and
- average production of 5,100 tonnes of molybdenum and 7,300 kilograms of rhenium per year for the first seven years following ramp-up, as molybdenum trioxide (MoO_3) and APR, respectively.

13. *Markets*

The Company has not currently entered into any contractual agreements for the sale of production. It is anticipated that IAL will market its production, if any, offshore with a primary focus on the Chinese markets.

14. Environmental

The environmental studies, permitting and social or community impact by IAL relate primarily to the Merlin Project but are also applicable more broadly to the Cloncurry Tenements. The proposed Merlin Project operations have a low probability of causing any significant environmental liabilities. The current Plan of Operations identifies a total rehabilitation liability for the Merlin Project, in the aggregate, of A$9.5 million, of which A$3.7 million is for rehabilitation of legacy sites associated with previous operations which Ivanhoe Australia has a legal responsibility to resolve.

Further assessments of surface and ground water quality are being undertaken along with acid producing potential of waste rock and ore which will further define these liabilities and the potential controls. Whilst these legacy sites are separate from the Merlin Project, they are part of the overall Cloncurry Tenements.

15. Current activities and near term plans

The Phase 1 decline development at Merlin was completed on time and on budget in January 2012. The north decline face progressed to 1,682 meters while the south decline progressed to 531 meters. Decline development will recommence following project approval.

An independent technical review of the Merlin Project, conducted as part of the strategic and business review in mid-2012, reaffirmed the outcomes of the feasibility study and the technical and commercial viability of the Merlin Project. The review also identified potential opportunities to further enhance the technical and commercial aspects of the Merlin Project:

- Metallurgical testwork is examining the fundamental surface characteristics of the ore with the aim of improving the flotation performance of the molybdenite. This work is targeting an increase in the grade of the molybdenum concentrate produced to levels that should allow a reduction in the capital cost of the Merlin Project. This technical and commercial work is expected to be completed during the first quarter of 2013.

- Optimization of the proposed mining methods is also being examined, with a focus on increasing the production rate and reducing the operating cost through an improved understanding of the expected geotechnical conditions. Further underground development and diamond drilling will be required to confirm these improvements.

- A sales and marketing study has also been commissioned through a leading international molybdenum and rhenium consultancy company.

An update on the Merlin Project remains on track for delivery late in the second quarter of 2013.

Other Projects

1. *Mount Elliott Project*

Ivanhoe Australia, through its wholly-owned subsidiary Ivanhoe Cloncurry Mines, holds 100% title to the Mount Elliott Project. The Mount Elliott Project is located on the Cloncurry Tenements, around 13 km to the north of the Mount Dore Project.

The Mount Elliott Project area is covered by six mining leases, comprising approximately 6.47 km^2 of land, and is within a pastoral lease, Starcross Pastoral Holding, which is also owned by Ivanhoe Cloncurry Mines. One of the mining leases expires in 2025 and the remaining five mining leases were renewed in 2011 and expire in June 2031.

The region has a long history of mining and several operating and historical mines are located within close proximity to the Mount Elliott Project site.

Mount Elliott is a large copper-gold mineralised system located in Queensland, Australia with the potential to provide Ivanhoe Australia with a long life production base. The Mount Elliott Project hosts three principal zones of copper-gold mineralization: Mount Elliott, SWAN and SWELL.

Mount Elliott was discovered in the late 1880s and mining commenced in 1901 as a small open cut operation. From 1909 to 1919 the smelter at Mount Elliott produced around 24,800 tonnes of copper and 34,000 ounces of gold, after which the field lay dormant, with some limited exploration drilling undertaken by different owners, until the Mount Elliott mine was reopened as a modern decline in 1993. From commissioning in 1994 to closure in 2003, Mount Elliott mined approximately 5.06 Mt of ore at 2.90% copper and 1.45 g/t gold. Ivanhoe Cloncurry Mines acquired the Mount Elliott Project in 2003 from the receivers of Selwyn.

The Mount Elliott Project resides in a single large IOCG system and is located within the Proterozoic Kuridala and Stavely Formations of the Mount Isa Inlier.

A mineral resource estimate has been completed at Mount Elliott as follows:

Mount Elliott Mineral Resource [(1)(2)]

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	CuEq (%)	Fe (%)	U (ppm)
Total Indicated	**210.5**	**0.52**	**0.32**	**0.75**	**12**	**35**
Total Inferred	**358**	**0.40**	**0.22**	**0.56**	**12**	**36**

(1) The effective date for this Mineral Resource estimate is 17 April 2012.
(2) Mineral Resource reported above 0.3% CuEq cut off, where CuEq= Cu(%) + Au(g/t) * 0.7 + U(ppm) * 0.0017 (where U>100 ppm).

The Mount Elliott site comprises historical mine workings, waste dump and slag heap. The site also includes a historical smelting plant and infrastructure and the Selwyn town site, which are being assessed by the Queensland government to determine their significance as a heritage or archaeological site. Plans have been prepared to allow the removal of significant features to allow mining to proceed if required by the government.

The geology of the higher grade SWAN zone of the Mount Elliott project requires further definition to provide confidence in grade continuity. Three diamond drill holes were completed late in 2012 to test the higher grade (>0.8% copper equivalent) zone continuity within the SWAN deposit. Additional drilling combined with further geological analysis is planned to enable an update of the SWAN resource model in the second quarter of 2013.

The Mount Elliott Project is based on one of the largest copper-gold mineralised systems discovered in Australia. A scoping study was completed in the first quarter 2012 and the results were used in the NI 43-101 Preliminary Economic Assessment technical report that significantly progressed the development options.

The key findings of the scoping study were:

• The original Mount Elliott underground mine could potentially be mined via an open pit and processed at the Osborne complex, increasing the mine life at Osborne; and

• The SWAN mineralisation zone had the potential to be developed through two options:

− A 3 million tonne per annum underground mine could be developed, mining the SWAN High-Grade Zone (SWAN zone) using sub-level open-stoping; or

− A large-scale 12 million tonne per annum block cave could be established for mining the SWAN zone.

Each option has significant upside, given the exploration potential at depth in the Mount Elliott system and regionally to the north. The study also indicated that, to extend the resources and increase the resource quality and continuity of the SWAN zone, additional drilling would be required.

During the December quarter, three diamond drill holes were completed to test the higher-grade zones at SWAN. Significant intersections from two of the holes provide support for the current resource model. The third hole was drilled at the periphery of the high-grade zone and did not report extension of the zone. An additional drilling program commenced late in the December quarter with results to be used in a Mineral Resource update planned for the June 2013 quarter and an update to the scoping study in the September quarter, 2013.

Further investigations to be undertaken in 2013 include resource definition drilling to increase resource confidence and continuity and to define the extent of the higher-grade zones and further studies to investigate and assess the technical and commercial options for the project.

2. Exploration Properties

Ivanhoe Australia, in the Cloncurry region of northwestern Queensland, has 44 granted Exploration Permits for Minerals (EPMs) with a total area of 5,686 km2 including joint ventures, and 3 EPM applications with a total area of 601 km2. The granted EPMs include 12 EPMs in the Ivanhoe Australia / Exco JV (423 km2), and two EPMs in the Goldminco / Ivanhoe (Osborne) JV (70 km2).

Ivanhoe Australia's long-term exploration goal is to discover the next world-class ore body within IAL's extensive Cloncurry exploration tenements.

A comprehensive review of previous exploration data and works was carried out during the year and is ongoing. The review is focused on both identifying new targets and evaluating previously explored targets in light of the corporate exploration strategy that was adopted during the year.

Ivanhoe Australia is consequently now re-focusing its exploration effort on areas prospective for mid-size (20-30 Mt) base metal systems, which include:

• selected areas within economic trucking distance of Osborne, such as the Southern Extensions of the Starra Line; and

• the northern areas of our leases where high grade copper mineralisation has already been identified close to surface, such as Barnes Shaft, Lanham's Shaft and Kuridala.

Work on a number of high-priority prospects other than key projects discussed previously, which have emerged from the review, are addressed in the following sections.

Exploration on the Mount Dore - Mount Elliott Trend

Exploratory drilling on the Mount Dore – Mount Elliott trend focused on the Little Arch, Metal Ridge West and Schiller prospects.

Two diamond holes drilled at Little Arch, totaling 454 meters, targeted anomalous copper-molybdenum ground survey results. Narrow sections with weak copper mineralization were received from assays.

Ten diamond holes totaling 2,701 meters, at Metal Ridge West and located eight kilometers south of Mount Elliott, targeted the northern portion of a coincident magnetic, gravity and geochemical anomaly. Some encouraging copper-molybdenum results were received and further analysis is being undertaken.

At Schiller, located sixteen kilometers north of Mount Elliott, eighteen RC holes totaling 2,484 meters, and two diamond holes totaling 432 meters, were drilled to test structures associated with copper-gold mineralized gossanous quartz-carbonate veins and altered meta-dolerite. Several mineralized structures with strike lengths of up to 1.5 kilometers were identified.

Six RC holes were drilled at Lady Ella West, totaling 880 meters, to test the down-dip and along-strike extensions of identified surface copper-gold-molybdenum mineralization. Weak copper mineralization associated with brecciated host rocks was returned.

The Amethyst Castle prospect is located approximately 60 kilometers from Osborne, adjacent to the Mount Dore-Mount Elliott haul road. Extensive geological investigations and reinterpretations were completed for the Amethyst Castle prospect mid-year. A diamond drill program was developed to test geophysical targets and the extensions of strongly mineralized hydrothermal breccias observed from surface and prior drill hole intersections.

Mount Elliott Region

At the Jock prospect, 600m south east of Mount Elliott, three RC holes were drilled targeting geochemical anomalies coincident with mapped geological structures extending from the Mount Elliott deposit. These holes encountered broad zones of highly anomalous copper-gold associated with alteration similar to the alteration at Mount Elliott. A down-hole EM survey is being prepared to test off-hole mineralization at Jock. Results of this survey will be reported in Q2, 2013.

At the Central Leases Prospect, two kilometers north of Mount Elliott, a single diamond drill hole, targeting coincident geological, geochemical and geophysical anomalies, was drilled.

Drilling encountered magnetite, pyroxene sulphide veins identical to those seen at Mount Elliott. The results of this drilling will be reported in early 2013.

At the Confucius prospect, rock chips with high-grade gold results were tested with two shallow diamond drill holes. Further planning will be conducted to develop the work program for Confucius to test strike length and review the likelihood of Confucius representing a much larger granite related gold system.

Exploration within the Exco JV

Ivanhoe Australia sold its interest in Exco shares to Washington H Soul Pattinson & Company Limited for a total cash consideration of $19.2 million. This sale was completed and final proceeds were received during the December quarter.

Prior to this sale, Ivanhoe Australia held a 22.6% equity interest in Exco Resources Limited ("Exco") and an 80% joint venture interest on various Exco-held tenements with a total area of 525 km2. Following the sale of its equity interest Ivanhoe Australia continues to retain the 80 % joint venture interest.

Work on the Exco joint venture exploration ground included the completion of a large top of basement sampling program at the Mac's Tank (approximately 23 km northeast of Osborne and 22 km from BHP's Cannington mine), and Killer Bore prospects. Compilation of results from 7,991 meters of air-core drilling, covering 30 km2 was completed. This drilling discovered an eight kilometer long by one kilometer wide copper-gold anomaly.

Additional to this copper-gold anomaly, a two kilometer long coherent silver anomaly has been discovered some three kilometers to the west. These anomalies are under 20 to 40 meters of cover and are interpreted from geophysics and basement geology to lie on significant regional structures. A drilling proposal has been designed to test these silver anomalies for Cannington-style mineralization and drilling is planned to commence after the wet season, in the second quarter of 2013.

At the Garnet Creek prospect, 3,289 meters of diamond drilling and 708 meters of RC drilling were completed, targeting three separate anomalies. Assay results were disappointing with only a single significant intercept encountered. These results will be compiled and interpreted but further work will be contingent on a yet to be completed geological re-evaluation.

3. Emmerson Resources

Emmerson Resources Limited (Emmerson) is an Australian mineral exploration company listed on the ASX with a current market value of approximately A$20.8 million (CAD$22.2 million). In April 2009, the Company purchased an initial 10% equity stake in Emmerson, and had the right, which expired on June 1, 2011, to increase the Company's stake up to 19.9%. In November 2011, Emmerson undertook an equity placement raising approximately A$7.5 million, the Company elected not to participate in the placement which resulted in dilution of the Company's equity stake in Emmerson.

Ivanhoe Australia holds an 8.67% equity interest in Emmerson and also entered into a joint-venture agreement covering all of Emmerson's tenements in the Tennant Creek Mineral Field. Ivanhoe Australia was required to spend $18 million over a three-year period to earn a 51% equity interest. Completion of this requirement was confirmed in November 2012.

Following this earn-in, Ivanhoe Australia now has a 51% interest in 30 granted Exploration Licences (ELs) with a total area of 2270 km2, three EL applications (129 km2), 121 granted Mineral Claims (23 km2), 224 granted Mineral Leases (61 km2), six Mineral Lease applications (1.5 km2) and two Mineral Authorities (19 km2).

These tenements are highly prospective for copper-gold deposits as attested by the results from Emmerson's drilling in the 100% Emmerson Gecko Sole Fund Area, where drilling at the Goanna prospect returned a number of highgrade copper-gold intersections.

During the year, RC drilling was carried out at the Horner 2 prospect, located within the Emmerson JV ground, 700 meters along-strike east from the Goanna prospect. Two more holes were drilled at the Horner 2 prospect, in the September quarter, but no significant results were returned.

Human Resources

As at December 31, 2012, the Company had approximately 234 employees working at various locations.

DESCRIPTION OF CAPITAL STRUCTURE

Ordinary Shares

Under the *Australian Corporations Act 2001* and its constitution, the Company is authorised to issue an unlimited number of Ordinary Shares. However, under the ASX listing rules, in order for a corporation listed on the ASX to issue in any 12 month period an amount of shares (or other equity securities) greater than 15% of the total number of existing shares issued and outstanding at the beginning of the 12 month period, the corporation must seek separate shareholder approval. At the date of this AIF, Ivanhoe Australia has an aggregate of 724,339,661 fully paid Ordinary Shares issued and outstanding. No other shares in the capital of Ivanhoe Australia of any other classes are issued and outstanding.

The holders of Ordinary Shares are entitled:

(a) except in certain circumstances, to vote at all meetings of shareholders of Ivanhoe Australia;

(b) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Ivanhoe Australia, any dividends declared by Ivanhoe Australia; and

(c) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Ivanhoe Australia, the remaining property of Ivanhoe Australia upon the liquidation, dissolution or winding-up of Ivanhoe Australia, whether voluntary or involuntary.

DIVIDENDS

Ivanhoe Australia has not, since the date of its incorporation, declared or paid any dividends on its Ordinary Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Ivanhoe Australia anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and the financial condition of the Company and such other factors as the directors of Ivanhoe Australia consider appropriate.

MARKET FOR SECURITIES

Market

The Ordinary Shares are traded on each of the ASX and TSX under the symbol "IVA". The Ordinary Shares commenced trading on the ASX on August 6, 2008 and subsequently began trading on the TSX on November 12, 2010. The closing price of the Company's Ordinary Shares on March 21, 2012 was A$0.30 on the ASX and CDN$0.35 on the TSX.

The Company's Warrants commenced trading on the ASX under the Symbol "IVAO" on September 13, 2010 and on the TSX on November 29, 2010 under the symbol "IVA.WT". The Warrants expired on September 20, 2011 and were de-listed concurrently.

Trading Price and Volume

The following sets forth the high and low market prices and the volume of the Ordinary Shares traded during each month of 2012 on both ASX and TSX:

	ASX			TSX		
Month	**High A$**	**Low A$**	**Volume**	**High CDN$**	**Low CDN$**	**Volume**
January	1.743	1.656	7,741,406	2.095	1.491	35,376
February	1.818	1.755	7,554,246	1.997	1.910	1,436
March	1.816	1.752	8,654,885	1.851	1.754	5,233
April	1.403	1.333	4,910,565	1.617	1.150	3,131
May	0.925	0.856	9,761,716	1.169	1.169	1,026
June	0.622	0.569	11,908,958	0.887	0.516	42,813
July	0.562	0.524	3,335,589	0.604	0.458	7,698
August	0.451	0.417	5,606,264	0.477	0.458	11,289
September	0.570	0.517	8,062,268	0.721	0.682	82,218
October	0.741	0.693	7,609,656	0.730	0.721	5
November	0.606	0.574	4,955,866	0.682	0.450	7,214
December	0.448	0.427	18,776,516	0.500	0.380	23,800

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The name, province or state of residence, position with and principal occupation within the five preceding years for each of the directors and officers of the Company are set out in the following table:

Name, Residence and Position[1]	Principal Occupation or Employment for the Last Five Years	Appointed	Resigned
Directors			
Peter G. Meredith British Columbia, Canada *Non-Executive Director*	Member of Office of Chairman Of Turquoise Hill Resources Limited, from October 2010 to April 2012; Deputy Chairman of Turquoise Hill Resources Limited, from May 2006 to present; Director of Turquoise Hill Resources Limited from 2005 to present; Chief Executive Officer of South Gobi Resources Limited, from June 2007 to October 2009, and Chairman and Director, from October 2009 to September 2012; Chief Financial Officer of Ivanhoe Capital Corporation, from 1996 to March 2009.	8 November 2006	12 April 2012
Peter D. Reeve Victoria, Australia *Chief Executive Officer and Managing Director*	Chief Executive Officer and Managing Director, Ivanhoe Australia Limited, from February 2007 to June 2012; Director of Exco, from May 2008 to June 2012; Director of Emmerson from April 2009 to June 2012; Mining Executive — Corporate Development of Newcrest Mining Limited, from April 2001 to February 2006.	21 February 2007	8 June 2012
Robert M. Friedland Singapore *Chairman and Non-Executive Director*	Chief Executive Officer of Turquoise Hill Resources Limited, from October 2010 to April 2012 and Executive Chairman, from March 1994 to May 2011; Chairman of Potash One Inc., from May 2009 to January 2011; Chairman and President of Ivanhoe Capital Corporation, from January 1991 and July 1988 respectively, to present; Executive Co-Chairman and Chief Executive Officer, from May 2008 to present, and President, from May 2008 to May 2010, of Ivanhoe Energy Inc.	7 November 2007	19 April 2012
John A. Macken Florida, USA *Non-Executive Director*	President of Turquoise Hill Resources Limited, from November 2003 to April 2012; Director of Turquoise Hill Resources Limited, from November 2003 to February 2011; Chief Executive Officer of Turquoise Hill Resources Limited, from May 2006 to October 2010; Chairman of South Gobi Resources Limited, from June 2007 to October 2009.	7 November 2007	12 April 2012
Sam Riggall Victoria, Australia *Non-Executive Director*	Executive Vice President – Business Development and Member of Office of Chairman of Turquoise Hill Resources Limited, from October 2010 to April 2012; Executive General Manager, Commercial, of Ivanhoe Australia Limited, from February 2010 to February 2011; Director of Ivanhoe Australia, from May 2010 to April 2012; various positions with Rio Tinto, including Mining Executive, GM Exploration and General Manager – Business Evaluation, from September 2000 to January 2010.	27 May 2010	19 April 2012

Name, Residence and Position[1]	Principal Occupation or Employment for the Last Five Years	Appointed	Resigned
Inés Scotland [2] Victoria, Australia *Interim Chief Executive Officer and Managing Director*	Interim Chief Executive Officer and Managing Director of Ivanhoe Australia Limited from June 2012 to January 2013 and Independent Non-Executive Director from June 2011 to June 2012; Director and Chief Executive Officer of Citadel Resources Group Limited, from 2007 to December 2010.	22 June 2011	14 January 2013
Ian R. Plimer [3] South Australia, Australia *Independent Non-Executive Director*	Director of Lakes Oil NL, from January 2013 to present; Director of Niuminco Group Limited, from May 2011 to present; Director of Silver City Minerals Limited, from February 2011 to present; Professor of Mining Geology at the University of Adelaide, from 2006 to present; Director of Kefi Minerals Plc, from 2006 to present; Director of Ormil Energy Limited, 2010 to November 2011; Director of CBH Resource Limited, from 1998 to October 2010.	7 November 2007	-
Kyle Wightman [3] [4] Victoria, Australia *Independent Non-Executive Director*	Director of Indophil Resources NL, from 2006 to present; Managing Director of Tait Capital Pty Ltd., from 2003 to present.	7 July 2008	-
James Askew [3] [4] Denver, USA *Independent Non-Executive Director*	Director of Asian Mineral Resources Corp, from 2011 to present; Director of Evolution Mining Limited, from 2010 to present; Director of OceanaGold Corporation, from 2006 to present, including periods as Executive Chair; Director of Gold Star Resources Limited, from 1999 till 2013; Director of Conquest Mining, from 2009 to 2010; Director of Eldorado Gold Corp, from 2007 to 2008; Director of Ausdrill Limited, from 1993 to 2010.	28 June 2011	-
Peter McMahon [4] Queensland, Australia *Chairman and Independent Non-Executive Director*	Chairman of Ivanhoe Australia Limited, from May 2012 to present; Director of Energy Resources Australia, from November 2012 and Chairman from February 2013 to present; Head of Business Evaluation of Rio Tinto Global, from September 2007 to September 2009.	7 May 2012	-
Stephen McIntosh [2] Singapore, Singapore *Non-Executive Director*	Global Head of Exploration of Rio Tinto Exploration Pty Limited, from July 2011 to present; Exploration Director of the Project Generation Group of Rio Tinto Exploration Pty Limited, from June 2006 to June 2011.	7 May 2012	-
Stewart Beckman[2] Vancouver, Canada *Non-Executive Director*	Senior Vice President – Operations & Technical of Turquoise Hill Resources Limited, from April 2012 to present; Regional General Manager Americas (Technology and Innovation) of Rio Tinto T&I Salt Lake City, from April 2010 to April 2012; General Manger Operations Greater Tom Price of Rio Tinto Iron Ore WA, from 2007 to April 2012.	7 May 2012	-
Neville Henwood Vancouver, Canada *Non-Executive Director*	General Counsel – Copper of Rio Tinto, from June 2010 to present; Senior Vice President – Legal and Corporate Secretary of Turquoise Hill Resources Limited from May to December 2012; Chief Counsel - Global Business Services of Rio Tinto, from October 2007 to June 2010.	7 May 2012	-
Robert Vassie Queensland, Australia *Chief Executive Officer and Managing Director*	Chief Executive Officer and Managing Director of Ivanhoe Australia Limited, from January 2013 to present; Managing Director – Strategic Optimisation of Rio Tinto, from November 2011 to January 2013; Global Practice Leader – Mining Technology of Rio Tinto Technology and Innovation, from July 2008 to November 2011; Global Practice Leader – Strategic Production Planning of Rio Tinto Technology and Innovation, from July 2007 to July 2008.	14 January 2013	-

Name, Residence and Position[1]	Principal Occupation or Employment for the Last Five Years	Appointed	Resigned
Senior Officers			
Darren Millman Victoria, Australia *General Manager Finance and Company Secretary*	General Manager Finance and Company Secretary of Ivanhoe Australia, from September 2007 to January 2013; Director of Kangan Institute, from November 2011 to present; Senior Manager of KPMG Canada, from April 2006 to May 2007; Manager, RSM Bird Cameron, from September 2005 to March 2006.	20 September 2007	14 January 2013
J E Eltham Victoria, Australia *Executive General Manager - Projects*	Executive General Manager – Projects of Ivanhoe Australia Limited, from October 2009 to June 2012; Principal Consultant of AJE Project Development Consultancy Pty Ltd, from 2008 to 2009; Project Director - Daytal Resources Spain of Heemskirk Consolidated Limited, from January 2007 to April 2008; General Manager of Sino Guizhou Jinfeng Mining Limited, from July 2006 to September 2006.	October 2009	28 June 2012
Neal Valk Queensland, Australia *General Manager - Operations*	General Manager – Operations of Ivanhoe Australia Limited, from December 2010 to present; General Manager of Operations at Porgera Gold Mine, PNG for Barrick Gold, from March to Sept 2010; General Manager -Osborne Mines of Barrick Gold, from January 2006 to March 2010.	7 December 2010	-
Mike Spreadborough Victoria, Australia *Chief Operating Officer*	Chief Operating Officer of Ivanhoe Australia, from May 2011 to present; General Manager – Coastal Operations – Iron Ore of Rio Tinto Limited, from 2006 to 2011; General Manager – Vice President Mining - Olympic Dam Operations of BHP Billiton, from 2000 to 2006.	2 May 2011	-
Stephen Nossal Victoria, Australia *Senior Vice President Corporate and Markets*	Senior Vice President Corporate Development at Ivanhoe Australia Limited, from July 2011 to present; Director Corporate Finance at Austock Corporate Finance Limited, from 2009 to 2011; Division Director, Macquarie Capital Limited (Investment Banking Division of Macquarie Bank Limited), from 2004 to 2008.	27 July 2011	-
Brendan Gill Victoria, Australia *Chief Financial Officer*	Chief Financial Officer of Ivanhoe Australia Limited, from October 2011 to present; Chief Financial Officer of Energy Developments, from 2008 to 2010; various positions with BHP, including Chief Financial Officer of Stainless Steel Materials, Chief Financial Officer of Nickel and Global Lead Risk Management & Audit, from 1980 to 2006.	3 October 2011	-
Annabelle Brooks Victoria, Australia *Company Secretary and Corporate Counsel*	Corporate Counsel & Company Secretary of Ivanhoe Australia, from January 2013 to present; General Counsel and Joint Company Secretary of MHM Metals Limited, from February 2011 to December 2012; Corporate Counsel for Reflections Cleaning Pty Ltd, from June 2004 to October 2010.	14 January 2013	-

(1) The information as to country of residence and principal occupation has been furnished by the respective directors and officers individually.
(2) Member of the Safety Committee.
(3) Member of the Nomination Committee.
(4) Member of the Audit Committee.

Retirement of directors occurs on a three year rotational basis so that generally one third of the directors retire (plus any director who has held office without election for three or more annual general meetings) at each annual general meeting of the Company.

Shareholdings of Directors and Senior Officers

As of the date of this AIF, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 11,485,500 Ordinary Shares representing approximately 1.6% of the issued and outstanding Ordinary Shares. Directors and officers as a group also hold 2,000,000 performance rights issued pursuant to a director and officer incentive plan of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, except as otherwise noted in this AIF, there are no existing or potential conflicts of interest among the Company, its directors, officers, or other members of management of the Company except that certain of the directors, officers and other members of management serve as directors, officers and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer or member of management of such other companies and their duties as a director, officer or member of management of the Company.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' or officers' conflicts of interest or in respect of any breaches of duty to any of its directors and officers.

The Company has adopted a Code of Conduct that applies to all directors, officers and employees of the Company and its subsidiaries a copy of which is posted on the Company's website www.ivanhoeaustralia.com.

Committees of the Board

The committees of the Board consist of an Audit and Finance Committee (the "**Audit Committee**"), a Nomination, Governance and Remuneration Committee (the "**Nomination Committee**") and a Safety, Health, and Environment Committee (the "**Safety Committee**"). Information concerning the three Committees of the Board can be found below.

Audit and Finance Committee

Role

The Board has established the Audit Committee. The role of the Audit Committee is to advise on internal controls and appropriate standards of IAL or the management of the Company. The Audit Committee also confirms the quality and reliability of IAL's financial information, working on behalf of the Board with the Company's external auditor, PricewaterhouseCoopers. The Audit Committee reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external auditor independence.

The Audit Committee provides advice to the Board and reports on the status of the business risks to the Company through its risk management processes aimed at ensuring risks are identified, assessed and properly managed.

The Audit and Finance Committee Charter is attached in Schedule A to this Annual Information Form.

Composition

The Audit and Finance Committee consists of three Independent Non-Executive Directors Kyle Wightman (Chairman), James Askew and Peter McMahon.

Based on their business and educational experiences, each Audit Committee member has a reasonable understanding of the accounting principles used by the Company; an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting. Each of the members of the Audit Committee has had several years of experience as a senior executive and a member of the board of directors of significant business enterprises in which he has assumed substantial financial and operational responsibility. In the course of these duties, the members have gained a reasonable understanding of the accounting principles used by the Company; an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience analysing and evaluating financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Audit Committee has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board of Directors.

Audit Fees

The following tables set forth the fees paid by the Company and its subsidiaries to PricewaterhouseCoopers, the current auditors, for services rendered during the financial year ending December 31, 2012. Deloitte Touche Tomhatsu were the auditors during the year ended December 31, 2011:

	2012	**2011**
Audit fees[(1)]	A$135,500	A$56,000
Audit-related fees[(2)]	A$23,000	A$70,515
Tax fees[(3)]	N/A	N/A
All other fees	$2,000	$18,300
Total	**A$160,500**	**A$144,815**

(1) The aggregate audit fees billed by the Company's auditor (or accrued).

(2) The aggregate fees billed (or accrued) for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees", including for quarterly reviews.

(3) The aggregate fees billed (or accrued) for professional services rendered for tax compliance, tax advice and tax planning.

Nomination, Governance and Remuneration Committee

The Nomination Committee is responsible for advising the Board on the composition of the Board and its Committees, reviewing the performance of the Board and individual Directors, and developing succession plans.

In making recommendations to the Board regarding the appointment of Directors, the Nomination Committee periodically assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Nomination Committee is also responsible for ensuring that the Directors and management are remunerated fairly, and for overseeing the remuneration and human resources policies and practices of the Company. In addition, the Nomination Committee is responsible for the implementation and management of the employee share option plan (under which performance rights have been issued).

The Nomination Committee is also responsible for ensuring the Board is aware of and complies with corporate governance best practices, and has responsibility for legal and regulatory risk and overseeing disclosure and reporting. The Nomination Committee may obtain information from, and consult with, management and external advisers, if it considers it appropriate.

The Nomination, Governance and Remuneration Committee consists of two Independent Non-Executive Directors, James Askew (Chairman), Ian Plimer and one Non-Executive Director, Neville Henwood.

Safety, Health and Environment Committee

The role of the Safety Committee is to ensure that the Company has established appropriate practices in the areas of safety, health and environmental management in all of its activities and appropriate compliance and reporting systems in these areas.

The Safety Committee consists of two Non-Executive Directors, Stewart Beckman (Chairman), Stephen McIntosh and one Executive Director, Robert Vassie.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to, nor are any of the Company's properties subject to, any pending legal proceedings or regulatory actions the outcome of which would have a material adverse effect on the Company. The management of the Company is not aware of any material legal proceedings in which the Company may be a party which are contemplated by governmental authorities or otherwise.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Company is not aware of any material interest, direct or indirect, of any insider of the Company, or any associate or Affiliate of any such person, in any transaction during the Company's last three completed financial years, or during the current financial year, that has materially affected or is reasonably expected to materially affect the Company, except as set out elsewhere in this AIF or as described below.

- On June 17, 2008, the Company entered into a loan agreement providing a non-revolving line of credit for up to A$91 million with IVN. The advance under this Line of Credit incurred interest at a rate of BBR plus 2.5% per annum**.** The loan was repayable in full on June 17, 2013. The Company repaid A$38 million from proceeds raised in the August 2008 IPO and an additional A$27 million with proceeds raised in the September 2010 equity offer. The Company's loan balance of A$30.6 million (CAD$ 31.7 million) was repaid in full from the proceeds of the issuance of Ordinary Shares to IVN in November 2011.

- On November 10, 2011, the Company issued 66.6 million Ordinary Shares to IVN (through IAL Holdings Singapore Pte. Ltd.) at a price of A$1.39 for total consideration of A$92.6 million. As a result of IVN being a related party to Ivanhoe Australia, prior to the issuance the Company sought and received disinterested shareholder approval. A$30.6 million of the subscription price was used in satisfaction of a loan from IVN noted above (resulting in the net proceeds from IVN of A$62 million).

- On 10 August 2012, a "Graduated Working Capital Facility" was signed with TRQ (formerly IVN), whereby a total facility amount of US$50 million was to be provided in three tranches (US$20 million, US$20 million and US$10million). During 2012, Ivanhoe Australia drew down a total of US$31 million on this facility. Total fees and interest paid on the facility during the year totalled to US$2.46 million. As at the end of 2012, the draw down on the working capital facility was fully repaid.

- On 27 November 2012, the Company issued 83.3 million Ordinary Shares to TRQ (through IAL Holdings Singapore Pte. Ltd) as part of an Entitlement Offering, at a price of A$0.48 for total consideration of A$40.0 million. A$30.3 million of the subscription proceeds was used to repay the working capital facility from TRQ noted above.

REGISTRARS AND TRANSFER AGENTS

The Company's registrars and transfer agents are:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
Australia

Computershare Investor Services Inc

Toronto:
100 University Avenue
Toronto, Ontario, M5J 2Y1
Canada

Vancouver:
510 Burrard Street
Vancouver, British Columbia, V6C 3B9
Canada

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts since the beginning of its most recently completed financial year, or before the most recently completed financial year but still in effect.

INTERESTS OF EXPERTS

The Company's auditors are PricewaterhouseCoopers, who certified the auditors' report on the Company's annual financial statements for the fiscal year ended December 31, 2012.

The scientific and technical information in this AIF regarding the Osborne Copper–Gold operation, Merlin Project and Mount Elliott Project is based on the:

- Osborne Copper-Gold Technical Report (effective date 2 November 2012), which was prepared by the following Qualified Persons: (i) Annie-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP) MAIG, who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) Richard Lewis, FAusIMM, with Lewis Mineral Resource Consulting Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;

- Starra 276 Technical Report (effective date 13 July 2012), which was prepared by the following Qualified Persons: (i) Annie-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP) MAIG, who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;

- Merlin Feasibility Study (effective date 16 April 2012), which was prepared by the following Qualified Persons: (i) Neil Lincoln, P.Eng, Study Manager with Lycopodium Minerals Pty Ltd; (ii) Mehmet Yumlu, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; (iv) Gordon McPhail, FSAIMM, Technical Discipline Executive with SLR Consulting Australia Pty Ltd; and (v) Art Ibrado, Ph.D, Project Manager & Metallurgist with M3 Engineering & Technology Corp; and

- Mount Elliott Preliminary Economic Assessment (effective date 17 April 2012), which was prepared by the following Qualified Persons: (i) Edward Gleeson, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (ii) Rodney L Webster, MAusIMM (CP), Principal Geologist with AMC Consultants Pty Ltd; and (iii) Raymond Alfred Cantrell, FAusIMM (CP), Consultant Metallurgist with Alphrai Pty Ltd.

To the knowledge of the Company, as at the date hereof, none of PricewaterhouseCoopers, SRK Consulting (Australasia) Pty Ltd, Lewis Mineral Resource Consulting Pty Ltd, Mineralurgy Pty Ltd, Golder Associates Pty Ltd, Lycopodium Minerals Pty Ltd, AMC Consultants Pty Ltd, M3 Engineering & Technology Corp, Alphrai Pty Ltd, nor any of their "designated professionals" as defined in NI 51-102 – *Continuous Disclosure Obligations*, holds any registered or beneficial interest in any securities or other property of the Company when the experts prepared their respective reports.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options (performance rights) to purchase Ordinary Shares is contained in the Company's audited financial report for the fiscal year ended December 31, 2012, a copy of which has been filed on the ASX website at www.asx.com.au. The company is obligated to deliver to shareholders each year a management proxy circular in connection with its annual general meeting, and such circular will include disclosure that addresses each of these matters and will be filed on the Company's profile on SEDAR at www.sedar.com.

For copies of documents, please contact the Company's Corporate Secretary at Level 13, 484 St. Kilda Road, Melbourne, Victoria, Australia 3004.

SCHEDULE A – AUDIT AND FINANCE COMMITTEE CHARTER

Audit and Finance Committee charter

Ivanhoe Australia Limited ACN 107 689 878 (**Company**)

MinterEllison
LAWYERS

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Audit and Finance Committee charter

1. Introduction

1.1 The Audit and Finance Committee is a committee of the board of directors of Ivanhoe Australia Limited (**Company**).

1.2 The board established the Audit and Finance Committee under the Company's constitution.

1.3 This charter sets out the scope of the Audit and Finance Committee's responsibilities in relation to the Company and its controlled entities (**Group**).

1.4 The role of the Audit and Finance Committee is not an executive role.

2. Objective

The objectives of the Audit and Finance Committee are to:

(a) help the board achieve its objective in relation to:

(i) financial reporting;

(ii) the application of accounting policies;

(iii) business risks, policies and practices;

(iv) financial compliance; and

(v) internal control and risk management systems;

(b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);

(c) promote a culture of compliance;

(d) encourage and promote communications between the board and the senior financial compliance manager;

(e) provide a forum for communication between the board and senior financial compliance management;

(f) maintain and improve the effectiveness of the internal and external group audit functions and communication between the board and the external and internal auditors; and

(g) maintain and improve the effectiveness of financial compliance strategies and financial compliance functions.

3. External financial reporting

The Audit and Finance Committee is responsible for:

(a) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;

(b) obtaining an independent judgment from the external auditor about:

(i) the acceptability and appropriateness of accounting policies and principles put forward by management; and

(ii) the clarity of current or proposed financial disclosure practices as put forward by management;

(c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:

(i) querying management as to how they were made; and

(ii) querying the external auditors as to how they concluded that those estimates were reasonable;

(d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001* (Cth);

(e) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);

(f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):

(i) the compliance of accounts with accounting standards and the *Corporations Act 2001* (Cth); and

(ii) the nature and impact of any changes in accounting policies during the applicable period;

(g) discussing any draft audit opinion letter with the external auditors before it is finalised;

(h) receiving any management letter from the external auditors;

(i) recommending for adoption by the board interim and final financial reports and the annual report;

(j) reviewing documents and reports to regulators and recommending to the board for their approval or amendment; and

(k) following up on any matter raised by the board regarding financial reports, audit opinions and management letters.

4. Risk management and internal control

The Audit and Finance Committee is responsible for:

Risk management and internal compliance and control systems

(a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems; and

(b) approving and recommending to the board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:

  (i) identifying, assessing, monitoring and managing risk; and

  (ii) disclosing any material change to the risk profile;

(c) regularly reviewing and updating the risk profile;

(d) assessing the adequacy of the internal risk control system with management and internal and external auditors;

(e) monitoring the effectiveness of the internal risk control system;

(f) ensuring the risk management system takes into account all material risks, including but not limited to risks arising from:

  (i) implementing strategies (strategic risk);

  (ii) operations or external events (operational risk);

  (iii) legal and regulatory compliance (legal risk);

  (iv) changes in community expectation of corporate behaviour (reputation risk);

  (v) a counterparty's financial obligations within a contract (credit risk);

  (vi) changes in financial and physical market prices (market risk); and

  (vii) being unable to fund operations or convert assets into cash (liquidity risk);

(g) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

Key financial risk

(h) assessing and prioritising the areas of greatest potential financial risk, including:

  (i) safeguarding assets;

  (ii) litigation and claims;

  (iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;

  (iv) important judgments and accounting estimates; and

  (v) maintenance of proper accounting records;

(i) assessing the internal process for determining areas of greatest potential financial risk;

(j) assessing and monitoring the management of areas of greatest potential financial risk;

(k) reporting to the board on the adequacy of the financial risk management;

Disclosure and reporting

(l) ensuring management establishes a comprehensive process to capture financial information that must be disclosed to ASX;

(m) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);

(n) assessing internal control systems relating to the release of potentially adverse financial information; and

(o) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

5. External audit

The Audit and Finance Committee is responsible for:

(a) approving and recommending to the board for acceptance, the terms of engagement with the external auditor at the beginning of each year;

(b) regularly reviewing with the external auditor:

  (i) the scope of the external audit;

  (ii) identified risk areas; and

  (iii) any other agreed procedures;

(c) approving and recommending to the board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:

  (i) technical and professional competency;

  (ii) adequacy of resources; and

  (iii) experience, integrity, objectivity and independence;

(d) recommending to the board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);

(e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph (c);

(f) recommending to the board the remuneration of the external auditor;

(g) regularly reviewing the effectiveness and independence of the external auditor taking into account:

  (i) the length of appointment;

  (ii) the last dates lead engagement partners were rotated;

  (iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and

  (iv) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;

(h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;

(i) recommending to the board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;

(j) meeting periodically with the external auditors and inviting them to attend Audit and Finance Committee meetings to:

(i) review their plans for carrying out internal control reviews;

(ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and

(iii) make recommendations to the board;

(k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;

(l) monitoring and reporting to the board on management's response to the external auditor's findings and recommendations;

(m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate; and

(n) receiving and reviewing the reports of the external auditor.

6. Internal audit

The Audit and Finance Committee is responsible for:

(a) ratifying the engagement and dismissal by management of any chief internal audit executive;

(b) ensuring the internal audit team reports directly to the Audit and Finance Committee.

(c) ensuring any chief internal audit executive is independent of the external auditor;

(d) ensuring the external auditor does not provide internal audit services;

(e) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources;

(f) reviewing and approving the scope of the internal audit plan and work programme;

(g) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment;

(h) monitoring and reporting to the board on management's responsiveness to internal audit findings and recommendations;

(i) evaluating the process for monitoring and assessing the effectiveness of the internal audit function;

(j) overseeing the liaison between the internal audit team and the external auditor; and

(k) receiving and reviewing the internal audit team's reports.

7. Group audit committees

The Audit and Finance Committee is responsible for:

(a) reviewing and approving the charter of any committee dealing with audit, risk management and compliance within the Group; and

(b) receiving and reviewing reports from any such committee.

8. Other responsibilities

The Audit and Finance Committee is responsible for:

(a) assessing and recommending to the board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, special accident and trustees liability;

(b) if it considers appropriate, investigating any complaint or allegation made to it;

(c) reporting to the board on any industry development affecting the control environment;

(d) reviewing and monitoring any related party transaction and recommending its approval; and

(e) ensuring the audit, risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

9. Audit and Finance Committee composition

9.1 The Audit and Finance Committee must comprise:

(a) at least three directors;

(b) all non-executive directors; and

(c) a majority of independent directors.

9.2 The Audit and Finance Committee will appoint its chairperson. The chairperson must be an independent director and may not be the chairperson of the board.

9.3 The Audit and Finance Committee will appoint a recording secretary.

9.4 The Audit and Finance Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.

9.5 Each member of the Audit and Finance Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.

9.6 Each member of the Audit and Finance Committee should have an understanding of the industry in which the Group operates.

9.7 The board will decide appointments, rotations and resignations within the Audit and Finance Committee having regard to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

9.8 A member may act by their alternate.

10. Audit and Finance Committee meetings

10.1 The Audit and Finance Committee will meet as often as it considers necessary.

10.2 A quorum for an Audit and Finance Committee meeting is two Audit and Finance Committee members.

10.3 Audit and Finance Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

10.4 The Audit and Finance Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001* (Cth).

10.5 The Audit and Finance Committee may invite other persons it regards appropriate to attend Audit and Finance Committee meetings.

11. Minutes of Audit and Finance Committee meetings

11.1 The Audit and Finance Committee must keep minutes of its meetings.

11.2 Minutes of each Audit and Finance Committee meeting must be included in the papers for the next full board meeting after each meeting of the Audit and Finance Committee.

11.3 Minutes must be distributed to all Audit and Finance Committee members, after the Audit and Finance Committee chairperson has approved them.

11.4 Minutes, agenda and supporting papers are available to directors upon request to the Audit and Finance Committee recording secretary, except if there is a conflict of interest.

12. Reporting to the board

The Audit and Finance Committee chairperson must report the Audit and Finance Committee's findings to the board after each Audit and Finance Committee meeting.

13. Access to information and independent advice

13.1 The Audit and Finance Committee may seek any information it considers necessary to fulfil its responsibilities.

13.2 The Audit and Finance Committee has access to:

(a) management to seek explanations and information from management; and

(b) internal and external auditors to seek explanations and information from them, without management being present.

13.3 The Audit and Finance Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost. The Audit and Finance Committee may meet with these external advisers without management being present.

14. Review and changes to this charter

14.1 The Audit and Finance Committee will review this charter annually or as often as it considers necessary.

14.2 The board may change this charter from time to time by resolution.

15. Approved and adopted

This charter was approved by the board on 4 July 2008 and adopted by the Audit and Finance Committee on 4 July 2008.