
CIC INVESTMENT

On November 19, 2009, we issued a convertible debenture (the “Convertible Debenture”) to CIC Subco. The major terms of the Convertible Debenture are described in the chart below.

Transaction:	US\$500 million principal amount of senior debentures convertible into Shares (US\$485 million net of advisory fees).
Maturity:	30 years.
Interest:	<p>The Convertible Debenture carries interest of 8.0% per annum made up of:</p> <ul style="list-style-type: none"> • a cash coupon of 6.4% per annum; and • additional interest of 1.6% per annum payable in our Shares to be issued on each anniversary of the issue. Share value shall be calculated based on the 50 business day volume weighted average price (“VWAP”) prior to each anniversary of the issue.
Conversion Price:	<p>C\$11.88 shall be considered the “Base Conversion Value” and ordinarily, the conversion price will be set at the Base Conversion Value, subject to the adjustments set out below.</p> <p>At the time of conversion, the VWAP of the Shares for the 50 business days prior to the conversion date will be calculated (the “Conversion Date Value”).</p> <p>In the event the Conversion Date Value is lower than the Base Conversion Value, then the conversion price will be the Conversion Date Value.</p> <p>The conversion price will be subject to a “Floor Price” of C\$8.88.</p> <p>The conversion price determined as per this section is referred to as the “Conversion Price” in this summary of key investment terms.</p>

Dilution:

	Ownership Interest — Before CIC Conversion ⁽¹⁾	Ownership Interest — After the Offerings ⁽²⁾	Ownership Interest — After the Offerings and CIC Conversion ⁽³⁾
Ivanhoe	78.6%	65.5%	48.1%
Public Shares	21.4%	34.5%	25.3%
CIC	0.0%	0.0%	26.6%
Total ownership	100.0%	100.0%	100.0%

Notes

- (1) The ownership interests before the CIC conversion are based on Shares outstanding as at January 5, 2010.
- (2) Assumes the issuance of 27 million Shares in the Offerings and assuming the Over-allotment Options and the Options granted under the EIP are not exercised.
- (3) Assumes a conversion price of C\$8.88, an exchange rate of 1.0372 C\$/US\$ and the issuance of 27 million Shares in the Offerings and assuming the Over-allotment Options and the Options granted under the EIP are not exercised, and before completion of CIC Subco’s investment as Cornerstone Investor.

CIC INVESTMENT

CIC's Conversion Right:	<p>Convertible by CIC Subco into our common shares at any time after 12 months from closing at the Conversion Price.</p> <p>There are no lock-up arrangements on Shares to be issued to CIC Subco upon conversion. There are no early redemption rights granted to CIC Subco.</p>
Our Early Conversion Right:	<p>After the earlier of two years from closing or the time of the Qualified Float (as defined below), we will have the right to require conversion of up to 50% of the initial principal amount of US\$500 million at the Conversion Price.</p> <p>Our early conversion right cannot be exercised if the VWAP of the Shares for the 50 business days prior to the conversion is less than 20% higher than the Floor Price.</p>
Our Normal Conversion Right:	<p>After 60 months from closing, at any time the VWAP of the Shares for 50 consecutive business days is 20% higher than the Floor Price, we will be entitled to require conversion of the entire Convertible Debenture at the Conversion Price.</p>
Qualified Float:	<p>A transaction achieving the listing of the Shares on the TSX or the Stock Exchange and that meets the following three criteria, shall be considered a "Qualified Float": (i) not less than 25% of the issued and outstanding Shares (on a non-diluted basis, except including the initial principal amount of the Convertible Debenture on an as-converted basis) are held by persons who are not our insiders (i.e. insider holdings cannot exceed 75%); (ii) the offering price of the Shares issued to achieve the public float is not less than the Base Conversion Value unless CIC consents; and (iii) the Shares are listed on the Stock Exchange.</p>
Ivanhoe Support:	<p>Ivanhoe will vote in favour of the issuance of the Convertible Debenture, to support any shareholder vote required on conversion, and for the nominee, if any, of CIC Subco to the Board.</p>
Right to Nominate Director:	<p>While the Convertible Debenture is outstanding, or while CIC Subco has a 15% direct or indirect shareholding interest in us, CIC Subco has the right, but not the obligation, to nominate one person to the Board. When CIC Subco nominates a person, the Board is not obliged to appoint such nominee as a Director. The election of a nominee to the Board is subject to Shareholders' approval. Furthermore, the CIC Subco cannot require that its nominee be employed by or participate as our executive or manager, and the sole entitlement of the nominee is to act in the capacity of Director. The nominee would be a non-independent, non-executive Director. A person may be appointed to fill a casual vacancy. For information on the Canadian rules surrounding the election of directors, see "Appendix VI — Summary of the Articles of Our Company, Certain TSX Listing Policies, Certain British Columbia Laws and Canadian Federal Laws, and Shareholder Protection Matters — Summary of Key British Columbia Corporate Laws and the Articles — Election of Directors" as well as "Appendix VI — Summary of the Articles of the Company, Certain TSX Listing Rules, Certain British Columbia Laws and Canadian Federal Laws, and Shareholder Protection</p>

CIC INVESTMENT

Matters — Summary of Key British Columbia Corporate Laws and the Articles — Number of Directors”.

Voting Restriction:

CIC or any transferee will be entitled to one vote per Share held on matters to be voted on by Shareholders. However, if conversion results in CIC Subco, or its affiliates, directly or indirectly owning more than 29.9% of the fully diluted Shares outstanding, CIC Subco’s voting rights will be capped at 29.9% of the Shares outstanding. This cap in CIC’s voting rights is a contractual agreement between CIC and us and will not extend to third party transferees of all or a part of any common shares issued to CIC and thereafter sold to a third party. The cap does include shares held by CIC affiliates, and Shares beneficially owned by CIC, so affiliate transferees are part of the aggregate summation to determine the 29.9%. Further, if CIC transfers its interest, in the Convertible Debenture or the ancillary agreements, the latter being the securityholders agreement and the registration rights agreement made in connection with the Convertible Debenture financing, to an affiliate, the transferee of the interest would be bound by the contractual voting limitation. We note that any transfer by CIC will be subject to the rules of the TSX and Canadian Securities Law regarding control block transfers, and after the transfers, would also be subject to the rules of the Stock Exchange. See “Appendix VI — Summary of the Articles of Our Company, Certain TSX Listing Policies, Certain British Columbia Laws and Canadian Federal Laws, and Shareholder Protection Matters — Takeover Regulation” for a summary of these requirements.

Use of Proceeds:

In addition to repaying the Ivanhoe credit facility, the proceeds from the Convertible Debenture are to be used mainly for the continuing development and expansion at the Ovoot Tolgoi Mine, the development of the Soumber Deposit, the development of infrastructure to support current and future coal mining and related projects, and for exploration activities, as set out in the agreement. The majority of the funds from the financing are expected to be used within the next three years.

Security:

The Convertible Debenture is secured by a first charge over our assets and certain subsidiaries (SGQ Coal Investment Pte. Ltd. and SGS). Standard loan restrictive covenants regarding incurring additional debt and granting additional security to third parties (with standard carve-outs and grace periods for issues of this type) apply to us and our direct and indirect subsidiaries.

Pre-emptive Right:

While the Convertible Debenture is outstanding, or while CIC Subco has a 15% direct or indirect shareholding interest in us, the CIC Subco has a pre-emptive right on a pro rata basis to subscribe for any new Shares issued during the period which the Convertible Debentures remain outstanding. The pre-emptive right will not apply to new Shares issued pursuant to pro-rata public equity offerings made to all shareholders, or the exercise of stock options. The International Offering is exempt from the pre-emption rights to the extent necessary to ensure that not less than 25% of the Shares (on a non-diluted basis, except including the initial principal amount of the Convertible

CIC INVESTMENT

	Debenture on an as-converted basis) of the Company are held by persons who are not insiders of the Company.
Right of First Offer:	While the Convertible Debenture is outstanding, or while CIC Subco has a 15% direct or indirect shareholding interest in us, CIC Subco has a right of first offer for any direct or indirect sale of Ivanhoe's stake in the Company.
Liquidity Rights:	CIC Subco has registration rights for common shares received upon conversion of the Convertible Debenture.
Regulatory Approval:	The TSX-V granted final approval for the issuance of the Convertible Debenture on November 20, 2009.
Advisors:	Citi served as the financial advisor to CIC with respect to the Convertible Debenture. Macquarie served as the Company's financial advisor and Projects Investment Group (H.K.) Limited provided us with additional advisory services.

In addition, on November 19, 2009, we entered into a mutual co-operation agreement with CIC. The agreement is on normal commercial terms consistent with industry practices. Under the terms of the agreement, CIC will provide advice and services to us on matters that include sales to China, procurement and logistics, and will receive a customary commercial payment for such services based on product sales from Mongolia to China. If cumulative coal sales are less than 10 million tonnes during an initial five-year period (an average of two million tonnes per year), we would be obliged to pay CIC a compensatory payment, less any amount previously paid under the mutual co-operation agreement. This amount would be payable at our option in cash or common shares valued on the basis of a 50-day VWAP.