

IVANHOE MINES LTD.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation's Statement of Corporate Governance Practices with reference to the Existing TSX Guidelines is set out below.

TSX Corporate Governance Guideline	Does the Corporation Align?	Comments
1. <i>Mandate of the Board</i>		
<p>The board of directors of every corporation should explicitly assume responsibility for stewardship of the corporation.</p>	<p>Yes</p>	<p>The Board of Directors has assumed responsibility for the stewardship of the Corporation and has adopted a formal mandate (as described above) setting out its stewardship responsibilities.</p>
<p>As part of the overall stewardship responsibility, the Board should assume responsibility for the following matters:</p> <p>(a) adoption of a strategic planning process;</p>	<p>Yes</p>	<p>In April 2003, the Board adopted a strategic planning process which involves, among other things, the following:</p> <p>(a) at least one meeting per year will be devoted substantially to review of strategic plans that are proposed by management;</p> <p>(b) meetings of the Board, at least quarterly, to discuss strategic planning issues, with and without members of management;</p> <p>(c) the Board reviews and assists management in forming short and long term objectives of the Corporation on an ongoing basis;</p> <p>(d) the Board also maintains oversight of management's strategic</p>

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		<p>planning initiatives through annual and quarterly budget reviews and approvals. The strategic planning process adopted by the Board takes into account, among other things, the opportunities and risks of the business.</p>
<p>(b) the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;</p> <p>(c) succession planning, including appointing, training and monitoring senior management;</p> <p>(d) a communication policy for the corporation;</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>In order to ensure that the principal business risks borne by the Corporation are identified and appropriately managed, the Board receives periodic reports from management of the Corporation's assessment and management of such risks. In conjunction with its review of operations which takes place at each Board meeting, the Board considers risk issues and approves corporate policies addressing the management of the risk of the Corporation's business.</p> <p>The Board takes ultimate responsibility for the appointment and monitoring of the Corporation's senior management. The Board approves the appointment of senior management and reviews their performance on an ongoing basis.</p> <p>The Corporation has a disclosure policy addressing, among other things, how the Corporation interacts with analysts and the public, and contains measures for the Corporation to avoid selective disclosure. The Corporation has a Disclosure Committee responsible for overseeing the Corporation's disclosure practices. This committee consists of the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and senior Corporate Communications and Investor Relations Department</p>

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		<p>personnel, and receives advice from the Corporation's outside legal counsel. The Disclosure Committee assesses materiality and determines when developments justify public disclosure. The committee will review the disclosure policy annually and as otherwise needed to ensure compliance with regulatory requirements. The Board reviews and approves the Corporation's material disclosure documents, including its annual report, annual information form and management proxy circular. The Corporation's annual and quarterly financial statements, Management's Discussion and Analysis and other financial disclosure is reviewed by the Audit Committee and recommended to the Board prior to its release.</p>
(e) the integrity of the corporation's internal control and management information systems.	Yes	<p>The Audit Committee has the responsibility to monitor and assess the integrity of the Corporation's internal controls and management information systems, review them with management and the Corporation's external auditors, and report to the Board with respect thereto.</p>
<i>2/3. Composition of the Board</i>		
<p>The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors.</p>	Yes	<p>At the date of this Circular, six of the eleven members of the Board of Directors are "unrelated", as that term is defined in the Existing TSX Guidelines.</p> <p>The definitions under the Existing TSX Guidelines are as follows:</p> <ul style="list-style-type: none"> - a director who is independent of management and is free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the directors ability to

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		<p>act with a view to the best interest of the company, other than interests and relationships arising from shareholding.</p> <p>A “related director” is a director who is not an unrelated director or is a member of management.</p>
<p>If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder.</p>	<p>Yes</p>	<p>The Existing TSX Guidelines define “significant shareholder” to mean a shareholder with the ability to exercise a majority of the votes for the election of the board of directors. The Corporation does not have a “significant shareholder” as so defined. However, the Chairman and the Chief Executive Officer of the Corporation holds approximately 34.33% of the Corporation’s voting securities as at the date of this Circular. The Corporation has six of eleven directors who are “unrelated” (as defined under the Existing TSX Guidelines) to both the Corporation and its Chairman and Chief Executive Officer.</p>
<p>Disclose for each director whether he or she is related, and how that conclusion was reached.</p>		<p>Messrs. Friedland, Flood, Meredith and Macken, as senior officers of the Corporation and/or one or more of its subsidiaries and members of management, are considered to be related directors.</p> <p>Messrs. Huberman, Weatherall, Faber, Hanson, Thygesen and Bruk are considered to be unrelated directors, as defined in the Existing TSX Guidelines. The Board has determined that they are not members of and independent of management, and are free from any interest and any business, family or other relationship which could, or could reasonably be perceived to,</p>

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		<p>materially interfere with their ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from shareholdings. In addition, they are not currently and have not been within the last three years, officers, employees or material service providers to the Corporation or any of its subsidiaries or affiliates, or officers, employees or controlling shareholders of an entity that has a material business relationship with the Corporation. By virtue of an agreement for consulting services between the Corporation and a company beneficially owned by Mr. Balloch and his spouse, pursuant to which the Corporation paid compensation in excess of Cdn.\$75,000 in each of the last two years, Mr. Balloch is presently considered to be a related director. Payments pursuant to such agreement terminated in October 2004.</p>
<p>4. <i>Nominating/Corporate Governance Committee</i></p>		
<p>The board of directors of every corporation should appoint a committee of directors composed exclusively of outside (i.e. non-management) directors, with the responsibility of proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.</p>	<p>Yes</p>	<p>The Board has a Nominating and Corporate Governance Committee consisting of Messrs. Huberman, Hanson, Weatherall, Thygesen, Faber and Bruk all of whom are outside unrelated directors. Mr. Huberman has been appointed as Chairman of the committee, in addition to being the Corporation's lead director. The full Board will determine, in light of the opportunities and risks facing the Corporation, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Corporation. Based on this framework, the Nominating and Corporate Governance Committee has responsibility for approaching and</p>

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		proposing to the full Board new nominees to the Board, and for assessing directors on an ongoing basis.
5. <i>Board Assessment</i>		
<p>Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board, as a whole, the committees of the board and the contribution of individual directors.</p>	Yes	<p>The Nominating and Corporate Governance Committee is charged with the responsibility for developing and recommending to the Board, and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, on an annual basis. The Nominating and Corporate Governance Committee has developed and is continuing to refine an assessment process for the Board and each of its committees. In addition, the Committee is developing an appropriate process to assess the contribution of individual directors.</p>
6. <i>Orientation and Education</i>		
<p>Every corporation, as an integral element of the process of appointing new directors, should provide an orientation and education program for new recruits to the board.</p>	Yes	<p>The Corporation takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including in particular the commitment of time and energy that the Corporation expects of its directors. New directors are provided with a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Corporation's business. Directors are provided with the opportunity to make site visits to the Corporation's properties.</p> <p>Management and outside advisors</p>

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		provide information and education sessions to the Board and its committees on a continuing basis as necessary to keep the directors up-to-date with the Corporation, its business and the environment in which it operates as well as with developments in the responsibilities of directors.
7. <i>Size and Composition of the Board</i>		
Every board of directors should examine its size and undertake, where appropriate, a program to establish a board size which facilitates effective decision-making.	Yes	The directors of the Corporation have reviewed the size of the Board and believe that the current Board size and composition results in a balanced representation on the Board of Directors among management, unrelated directors and the Corporation's major shareholder. While the Board functions effectively, given the Corporation's stage of development and the size and complexity of its business, the Board, through its Nominating and Corporate Governance Committee, will continue to seek additional qualified candidates to augment its experience and expertise and to enhance the Corporation's ability to effectively develop its business interests. The Nominating and Corporate Governance Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continue to be of a size that facilitates effective decision-making.

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8. <i>Compensation</i>		
<p>The board of directors should review the adequacy and form of compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.</p>	Yes	<p>Outside unrelated directors currently receive Cdn. \$15,000 per annum for acting as such. Mr. David Huberman receives an additional Cdn. \$60,000 per annum for acting as the Lead Director of the board of directors. Mr. John Weatherall, as Chair of the Audit Committee, receives an additional Cdn. \$25,000 per annum, for acting in such capacity. Outside unrelated directors also receive Cdn. \$1,200 per in-person board or committee meeting attended.</p> <p>In addition to their cash compensation, non-executive directors also receive a grant of 25,000 stock options per annum, such options having a five year term and fully vesting on the first anniversary of the date of the grant.</p> <p>The Board acts through its Compensation and Benefits Committee to review the adequacy and form of compensation of the directors and ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director. The members of the Compensation and Benefits Committee are Messrs. Huberman, Thygesen, Hanson and Bruk, who are all outside unrelated directors.</p>
9. <i>Composition of Committees</i>		
<p>Committees of the board of directors should generally be composed of outside (i.e. non-management) directors, the majority of whom are unrelated directors, although some board committees may include one or more inside directors.</p>	Yes	<p>The Board of Directors has established three standing committees of directors (the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee), each of which is comprised entirely of outside unrelated directors.</p>

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		Effective March 11, 2005, the Board has also established an Executive Committee consisting of the Chief Executive Officer, President and one outside unrelated director (currently the Lead Director) to meet between formal meetings of the Board as necessary, with authority to approve expenditures of up to U.S.\$10,000,000.
10. <i>Governance Committee</i>		
Every board of directors should assume responsibility for, or assign to a committee of directors, the general responsibility for, developing the corporation's approach to governance issues. This committee would, among other things, be responsible for the corporation's response to the TSX Guidelines.	Yes	The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board relating to the Corporation's approach to corporate governance and the Corporation's response to the Existing TSX Guidelines.
11. <i>Position Descriptions</i>		
The board of directors, together with the CEO, should develop position descriptions for the Board and for the CEO, including the definition of limits to management's responsibilities.	Yes	The Board of Directors has adopted a formal mandate for the Board, as stated in Item 1, and is developing a formal position description for the CEO. The Board of Directors requires management to obtain the Board of Directors' approval for all significant decisions, including major financings, acquisitions, dispositions, budgets and capital expenditures. The Board of Directors expects management to keep it aware of the Corporation's performance and events affecting the Corporation's business, including opportunities in the marketplace and adverse or positive developments. The Board of Directors retains responsibility for any matter that has not been delegated to senior management or to a committee of

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		directors.
<p>In addition, the board should approve or develop the corporate objectives, which the CEO is responsible for meeting.</p>	Yes	<p>The Board of Directors is developing specific financial and business objectives for the Corporation, which will be used as a basis for measuring the performance of the CEO.</p>
<p>12. <i>Procedures to Ensure Independence</i></p>		
<p>Every board of directors should implement structures and procedures which ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) assign this responsibility to an outside director, sometimes referred to as the "lead director". The chair or lead director should ensure that the board carries out its responsibilities effectively which will involve the board meeting on a regular basis without management present and may involve assigning the responsibility for administering the board's relationship to management to a committee of the board.</p>	Yes	<p>Mr. Friedland, the Corporation's Chief Executive Officer, currently serves as Chairman of the Board of Directors. The Board of Directors is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Corporation with the benefit of having a Chairman of the Board with extensive experience and knowledge of the Corporation's business.</p> <p>The Board has created the position of lead director, with specific responsibility for maintaining the independence of the Board and ensuring that the Board carries out its responsibilities. Mr. Huberman, who also serves as chair of the Nominating and Corporate Governance Committee, serves as the Corporation's lead director.</p> <p>The Nominating and Corporate Governance Committee also provides a forum without management being present to receive any expression of concern from a director, including a concern regarding the independence of the Board from management.</p> <p>The Board sets aside a portion of each regularly scheduled meeting to discuss any issues without management directors being present.</p>

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		In addition, all committees meet without management or related directors being present at the request of any directors.
13. <i>Composition of the Audit Committee</i>		
The audit committee of every board of directors should be composed only of outside directors.	Yes	<p>The Audit Committee is composed only of outside directors (as required by the Existing TSX Guidelines), all of whom are also unrelated directors.</p> <p>The Board has determined that all members of the Audit Committee are financially literate since each member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.</p>
The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.	Yes	The mandate of the Audit Committee includes the overseeing of the Corporation's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Corporation's financial statements, monitoring the independence and performance of the Corporation's external auditors and acting as a liaison between the Board and the Corporation's auditors. The activities of the Audit Committee include reviewing the Corporation's interim financial statements and annual financial statements and Management's Discussion and Analysis, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders,

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		<p>reviewing the results of audits and any change in accounting procedures or policies, and evaluating the performance of the Corporation's auditors.</p> <p>The Corporation has adopted an Audit Committee charter which codifies the mandate of the Audit Committee to, and specifically defines its relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Board will review and reassess the adequacy of the Audit Committee charter on an annual basis.</p>
<p>The audit committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate.</p>	<p>Yes</p>	<p>The Audit Committee has regular access to the Chief Financial Officer of the Corporation. The external auditors regularly attend all meetings of the Audit Committee. At each meeting of the Audit Committee, a portion of the meeting is set aside to discuss matters with the external auditors without management being present. In addition, the Audit Committee has the authority to call a meeting with the external auditors without management being present, at the Committee's discretion.</p>
<p>Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an</p>	<p>Yes</p>	<p>The Audit Committee oversees management reporting on the Corporation's internal controls and annually reviews management's system of internal control to ensure</p>

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effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.		that it is effective.
15. <i>External Advisors</i>		
The board of directors should implement a system which enables individual directors to engage an outside advisor, at the expense of the company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.	Yes	Each committee is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Corporation provided that such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.