Ivanhoe Australia Limited: Chairman's Address

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MELBOURNE, AUSTRALIA -- (Marketwired - May 27, 2013) - <u>Ivanhoe Australia Limited</u> (TSX:IVA) (ASX:IVA) -

Good morning ladies and gentlemen.

This time last year, I spoke to you as your newly elected Chairman, having been in that role for only a few weeks.

It is a pleasure to be back again to reflect on what has been a very eventful year for Ivanhoe Australia - one of challenges, some disappointments and many changes.

Before Bob presents the CEO report to you, I would like to make some comments about where we have come from over the last year, where we see the company to be at this stage - and our focus for the future.

Overview

Almost two thousand years ago the stoic philosopher and Roman Emperor, Marcus Aurelius wrote -

"The first rule is to keep an untroubled spirit. The second is to look things in the face and know them."

While we have been occasionally challenged by the first rule, we have been resolute with the second. So as we look at our world, how is it?

Well right now it's quite difficult - and if we focused only on the share price, a little depressing.

Externally we have faced many challenges - commodity prices have been on a steady downward trend - particularly the gold price - while the Australian dollar has remained strong for most of the last year.

Investors have been reassessing the risks and prospects for the resources sector, given the slowing of Chinese growth. Share prices of all resource companies have been in decline and junior mining companies have suffered the most from this reappraisal- as we know all too well.

Access to equity and debt is now extremely difficult for most industry participants. Cost reduction is the key industry focus and financing of both green field and brown field projects is extremely challenging - even for the majors.

We are also facing major changes in our shareholder composition, as Turquoise Hill have announced their intention to offer for sale their majority share in IVA. We are co-operating with them in this process and also actively engaging with our other shareholders and potential investors.

Despite this difficult external environment there are also a number of achievements over the last year that I would like to acknowledge.

- To begin with we have continued to operate safely with good environmental practice and I congratulate Bob and his staff for this achievement.
- We addressed our financing issues with an initial Working Capital Facility and then a successful Rights Issue in December last year this allowed us to repay the debt and establish a cash reserve.
- We appointed Bob Vassie as our CEO. Bob brings a very strong technical and project delivery capability to the team and has quickly established a new rigour and commercial discipline across the organisation. Bob has also attracted some new talent to the team, such as our head of exploration.
- We began shipments of copper gold concentrate from Osborne and so transitioned from a pure explorer to an explorer and producer. We have now made 7 shipments of 69 thousand tonnes of copper gold concentrate, with a value of just under \$150 million.
- We conducted a review of our organisation and our business strategy and have begun the transition to a

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more focused business. While many of these changes have been difficult, they are essential for our survival.

Current situation

Despite the challenges I referred to earlier, your Board and management team remain positive about our future and we are focused on ensuring that we capitalise on the strengths that we do have, namely

- Access to the highly prospective Cloncurry region for further exploration
- Compared to our peers, we in the enviable position of having a combination of established infrastructure, production and cash flow to support exploration and development priorities
- We have a strong management team that has commissioned and safely operated three underground mines and has the capability and experience to deliver new projects
- We are debt free and have existing copper/gold concentrate production to generate revenue.
- We have an excellent portfolio of exploration and development opportunities, especially with our Merlin molybdenum/rhenium project.

The way forward

While resource stocks have fallen out of favour with the equity markets, there is emerging evidence that alternative sources of funds, for example dedicated resource funds or private equity are looking for opportunities to invest.

We cannot control who buys or sells our shares, nor can we control how the equity market perceives us - but we can exert influence.

We do this by having a clear focused strategy, by executing well and by delivering value for all shareholders.

To do this the focus of the Board and the management will be on ...

- Maximising the future cash flows from Osborne to ensure that we can continue to fund exploration, development and corporate costs.
- Ensuring we have an effective organisation that directs as much of our scarce cash resources to value creating activities.
- Applying appropriate technical and commercial skills to move the Merlin discovery from an interesting resource to a commercially viable project
- Moving the large Mt Elliott/ Swan project forward as this is one of the most significant copper/gold deposits in Australia
- And further progressing our Exploration effort with a focussed approach. Exploration remains the backbone of the Company's future

To sum up

While the external environment has been challenging and we have had a difficult year, I believe business is better placed than it was twelve months ago.

In time such as these we need to not get discouraged and to focus on our strengths and to apply ourselves to

- Find new sources of development capital to allow us to advance projects such as Merlin
- To continue to explore where we have good prospects

To conclude many thanks to the Board members and staff for all their efforts over the last year.

Peter McMahon

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Chairman

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