IVANHOE MINES

WORLD TRADE CENTRE
Suite 654–999 Canada Place
Vancouver · British Columbia · Canada V6C 3E1

TEL: 604·688·5755
FAX: 604·682·2060
www.ivanhoemines.com

April 11, 2008

Mrs. Carla-Marie Hait
Chief Accountant, Corporate Finance
British Columbia Securities Commission

Mrs. Sylvie Anctil-Bavas
Chef comptable
Autorité des marchés financiers

<u>Subject</u>: CSA Concept Paper 52-402
Possible changes to securities rules relating to International Financial Reporting Standards

Dear Mrs. Hait and Mrs. Anctil-Bavas:

Thank you for the opportunity to provide our comments on the proposed rule "Concept Paper 52-402 Possible changes to securities rules relating to International Financial Reporting Standards" (the "Concept Paper") issued by the Canadian Securities Administrators ("CSAs") on February 13, 2008.

Ivanhoe Mines Ltd. ("Ivanhoe Mines") is an international mining company with operations focused in Central Asia and the Asia Pacific region. Ivanhoe Mines' shares trade on the New York, Toronto and NASDAQ stock exchanges under the trading symbol IVN.

In 2004, Ivanhoe Mines welcomed the initiative by the CSAs to reduce certain financial reporting costs by allowing SEC issuers to file US GAAP financial statements in Canada. During 2005, Ivanhoe Mines commenced using US GAAP as its primary reporting base to shareholders, mainly to take advantage of issuing financial statements comparable with most other major North American mining companies; shareholders and analyst groups generally review Ivanhoe Mines' performance against that of other mining companies in the U.S. Ivanhoe Mines financial statements for 2005 and 2006 included reconciliations to Canadian GAAP in order to meet regulatory requirements. From 2007 onwards Ivanhoe Mines has used US GAAP as its sole reporting base to shareholders.

The CSA National Instrument 52-107, which permitted Ivanhoe Mines and other SEC issuers the opportunity to prepare one set of financial statements in accordance with US GAAP was a great initiative for Canadian companies to reduce costs, increase their competitiveness and attract a wider base of investors. As a result of this change, Ivanhoe Mines has significantly reduced its financial reporting costs, one of the main reasons cited by the CSAs in adopting National Instrument 52-107, and eliminated any confusion that might result from dual reporting. In fact, since 2005, there has not been a single request made to Ivanhoe Mines for Canadian GAAP financial statements.

Ivanhoe Mines supports the harmonization of accounting principles for financial reporting. As globalization progresses rapidly, the initiative to move towards one common set of accounting standards worldwide has to be commended. The major challenge is how to achieve that objective without causing detrimental effects on Canadian companies, including implementation and financial reporting costs. Ivanhoe Mines' main concern with the Concept Paper centers on the implementation timeline. The CSAs' tentative conclusion that would, after the year 2013, disallow a SEC issuer, like Ivanhoe Mines, the option to prepare one set of financial statements under US GAAP would, in our view, be a step backwards and needs to be reviewed considering all factors. In particular, it is important for Ivanhoe Mines to be allowed to change to IFRS reporting at the same time as the substantial majority of its competitors are required to adopt IFRS. To impose additional financial reporting costs on Ivanhoe Mines, when the harmonization objective should be coordinated with the U.S., seems inefficient and unfair. We believe that those Canadian companies that have availed themselves of the choice given to them by the Canadian regulators of filing US GAAP financial statements should be grandfathered until such time as U.S. domestic companies are required to adopt IFRS. It would be unfair and harmful to take away a choice already granted by Canadian regulators. Such action would effectively impose additional costs on those companies that availed themselves of the option to report in US GAAP, without any real benefits to society or the investment community as Ivanhoe Mines is analyzed in comparison with it U.S. competitors that would continue to report in US GAAP.

There are also implementation issues that regulators must consider when moving from Canadian or US GAAP to IFRS. One example of a difference between US GAAP and IFRS, which is expected to be very costly is the requirement to use "componentization accounting" under IFRS. Such a change would require significant system changes for mining companies. Componentization accounting has been a topic that created a significant amount of debate when it was being reviewed by the U.S. regulators. Following several years of discussion, the topic was put on hold (or dropped) for US GAAP purposes. Not knowing how this difference between US GAAP and IFRS will be resolved is an important issue. It will be costly and inefficient to force the mining industry to use componentization accounting through the required adoption of IFRS, when there exists a real possibility that the discussions leading to the implementation of IFRS for U.S. companies may result in componentization no longer being required under IFRS.

From a market demand perspective, Ivanhoe Mines and other SEC issuers in Canada will need to continue reporting under US GAAP until the United States Securities and Exchange Commission ("SEC") adopts IFRS-IASB for all U.S. domestic filers. Therefore, the proposed CSA rule requiring financial statements under IFRS-IASB would have the effect of substantially increasing the financial reporting costs of Canadian companies that are SEC filers; costs that had been effectively eliminated by National Instrument 52-107. In Ivanhoe Mines' case, it would mean producing two sets of financial statements, as U.S. traded Canadian companies that do not also report in US GAAP would run the risk of having investors discount the value of their shares due to the lack of comparable accounting and financial information with U.S. companies. When faced with such increasing costs, Canadian companies will be asked to explore options to eliminate such costs. The results may lead to undesirable consequences.

Canadian companies that currently use US GAAP face additional challenges, as they will not be able to rely on the Canadian Institute of Chartered Accountants ("CICA") for guidance on differences between US GAAP and IFRS. Consequently, we urge our Canadian regulators to work with the accounting professions in both Canada and the U.S. to ensure an even playing field for companies competing within North America and determine an appropriate timeline for the orderly conversion to IFRS of all such North American companies.

The CSAs have been instrumental in bringing about many positive outcomes for Canadian issuers in recent years. Considering however, the convergence of Canadian and U.S. business activity, the continuous investor benchmarking of financial performance within North American industry groups, the reliance by Canadian companies on U.S. capital markets for liquidity and financing and the cost of preparing additional sets of financial statements, it is our view that a Canadian company, which is also an SEC issuer should be permitted to retain the option to file one set of financial statements in accordance with US GAAP, and this beyond the year 2013 or until U.S. domestic companies are required to use IFRS. This will permit Canadian issuers to be competitive and comparable with similar U.S. companies.

In conclusion, it is our strongly held view that the most appropriate course of action is for the CSAs to continue to permit SEC issuers in Canada to prepare and file their financial statements using US GAAP until such time as the SEC adopts IFRS-IASB for its domestic filers in the United States, particularly for those companies that are currently filing under US GAAP. The Canadian and U.S. economies are so inter-twined that we propose that the accounting regulators in both Canada and the U.S. work together to maintain an even playing field in both countries by ensuring that all North-American SEC filers convert to IFRS at the same time.

For your convenience, we have also attached to this letter an appendix with answers to questions three, four and five included in the discussion paper.

If you wish to discuss our comments please feel free to contact me at (604) 331-9875.

Yours truly,

Tony Giardini
Chief Financial Officer

Appendix A

Question 3: Do you agree we should not allow a SEC issuer to use US GAAP for financial years beginning on or after January 1, 2009, with the exception that a SEC issuer filing US GAAP financial statements in Canada for its most recent financial year ending on or before December 31, 2008, could continue doing so until 2013? If not, why do you disagree, and how, if at all, would you modify existing rules?

- We believe that an SEC issuer filing US GAAP financial statements in Canada for its most recent financial year ending on or before December 31, 2008 should be allowed to continue using US GAAP financial statements until all domestic U.S. companies are required to file under IFRS. Most of those companies compete with companies that will be required to use US GAAP. Consequently, not allowing our Canadian companies to use US GAAP may result in investors discounting the value of their shares, unless such companies decide to incur the additional costs associated with also producing US GAAP financial statements.

Question 4: Are there additional factors, not discussed in this paper, to consider in deciding whether to allow a SEC issuer to use US GAAP?

- While the objective of one set of accounting rules covering the world is an objective that Ivanhoe Mines supports, the Canadian Institute of Chartered Accountants' ("CICA") shift in direction from US GAAP to IFRS is alarming. Is there a risk that the CICA changes direction again a few years down the road (i.e., reverting back towards US GAAP)? Consequently, the key question at this time, is when will U.S. issuers be required to report under IFRS rather than US GAAP.

- One example of a difference between US GAAP and IFRS, which is expected to be very costly for the mining industry, is the requirement to use componentization accounting under IFRS. Such a change would require significant system changes for mining companies. Componentization accounting has been a topic that created a lot of debate when it was being reviewed by the U.S. regulators. Following several years of discussion, the topic was put on hold (or dropped) for US GAAP purposes. Not knowing how this difference between US GAAP and IFRS will be resolved is a significant issue. It would be frustrating for the mining industry to be forced to use componentization accounting through a required adoption of IFRS with a risk that this IFRS requirement be reversed as a result of discussions leading to the implementation of IFRS for U.S. companies.

- Canadian investors and analysts can only make informed investment decisions if an entity is benchmarked against its competitors, which in most instances for Ivanhoe Mines are in the U.S.. Therefore, if Ivanhoe Mines is required to adopt IFRS it might have a negative impact on the company because when investors and analysts compare Ivanhoe Mines against its U.S. competitors they would not get comparability of financial statements due to the differences between US GAAP and IFRS. Ivanhoe Mines would therefore be forced to produce both IFRS and US GAAP financial statements. This consequence would be contrary to the spirit of the original NI 52-107, which was intended to reduce costs, increase competiveness and attract a wider base of investors.

- The preparation of financial statements is a cost that must be borne by the company and is an expensive undertaking. If Ivanhoe Mines were required to adopt IFRS then it would likely have to produce two sets of financial statements for an extended period of time. The preparation of two sets of financial statements for Ivanhoe Mines can place a significant cost burden on the company and put the company at a disadvantage with respect to its U.S. peers, who will not be required to file under IFRS until such time as the SEC adopts IFRS, and therefore only have to incur costs for one set of statements at any time.

- While there have been significant improvements in IFRS over the past few years, the IFRS guidance does not provide the same in-depth guidance and rigorous consistent application as found in US GAAP. Therefore, there is a need for improved guidance on complex topics such as derivatives, stock based compensation, pensions and income taxes to be equivalent to the guidance found in US GAAP.

- Ivanhoe Mines shareholders in both Canada and the U.S. have come to understand and depend on US GAAP financial statements issued by the company. If Ivanhoe Mines' financial statements were to be converted to IFRS it would create an atmosphere of unfamiliarity and confusion for our shareholders because our shareholders have limited exposure to IFRS. Although Canadian shareholders will over time become familiar with IFRS, our U.S. shareholders will not until the SEC adopts IFRS. Ivanhoe Mines will have to continue to support its U.S. shareholder base by providing US GAAP financial statements even though it adds significantly to the cost of financial reporting.

Question 5: Is the proposed transitional period of five years from 2009 to 2013 appropriate?

- The answer will depend on the harmonization program between US GAAP and IFRS. Today one can argue that US GAAP and Canadian GAAP are very similar. As a result the Canadian investment, accounting, education and government communities may be very familiar with both GAAPs. IFRS however appears to have major differences with both Canadian and US GAAP. Normally, a five-year time period is a sufficient time period to implement accounting systems and controls, educate preparers and perform testing under an IFRS environment. However, because of the major differences between Canadian GAAP and IFRS, we suggest that the CSA regularly review the progress on converting to IFRS by Canadian companies, investors, analysts, auditors, educators and governments.

- Canadian companies that currently use US GAAP face additional challenges, as they will not be able to rely on the CICA for guidance on differences between US GAAP and IFRS. Consequently, the transitional period should be directly linked with the transitional period that will be required for U.S. domestic companies to convert to IFRS. There should be no time limit until that decision is made in the U.S. Otherwise, we are putting certain Canadian companies at a cost and competitive disadvantage.