



**Market Release**

**October 21 2009**

## **Extremely High-grade Molybdenite Zone Christened “Little Wizard”**

### **High-Value JORC Resource Defined Near Merlin Decline**

### **Drilling Extends New High-grade Molybdenum Discovery at Lanham’s Shaft**

MELBOURNE, AUSTRALIA – Robert Friedland, Chairman and Peter Reeve, Chief Executive Officer of Ivanhoe Australia Limited (IAL) (IVA-ASX) are pleased to announce that further drilling on molybdenum and rhenium targets within the company’s Cloncurry tenements has resulted in a series of additional high-grade drilling results.

Drilling in the southern area of the high-grade Merlin molybdenum (Mo) and rhenium (Re) discovery has expanded the zone of molybdenite mineralisation at the Southern end of the deposit as shown in Figures 1 and 2. This extremely high-grade mineralisation has now been delineated as a separate mineralised system which will be christened “**Little Wizard**”.

The recent drilling at Little Wizard, designed to test for extensions to the nearly pure molybdenite intersected in drill hole MDQ0264 (3.73 m @ 15.5% Mo, 150 g/t Re), has discovered similar bonanza mineralisation in proximity to the original discovery (See Figures 4, 5, 6, 7, 8).

The most recent results are;

**MDQ0276 - 1.4 m @ 9.3% Mo, 103 g/t Re from 96.6 metres**

**MDQ0278 - 1.8 m @ 12.9% Mo, 178 g/t Re from 87 metres**

**MDQ0279 - 3.4 m @ 9.0% Mo, 109 g/t Re from 90.5 metres**

**MDQ0280 - 4.3 m @ 15.0% Mo, 188 g/t Re from 93.3 metres**

The current dimensions of the Little Wizard Zone are approximately 60 metres long (north-south) x 25 metres wide (east-west) x 3.2 metres thick and dips approximately 50 degrees to the east and remains open.

The Little Wizard Zone is an extremely valuable element in the overall Merlin mine development program. A Mineral Resource calculation for this zone has a current estimated Inferred Resource of;

**15,000 tonnes @ 13% Mo, 160 g/t Re, 1.7% Cu, 0.8 g/t Au**

The Little Wizard Zone remains open to the south and there is potential for additional separate pods of similar bonanza grade material to exist north and south. The Little Wizard mineralisation appears to be the up-dip extension to the Merlin mineralisation and as such repeat pods of the Little Wizard-style mineralisation may exist for the full length of the Merlin deposit. Additional step-out drilling and geophysics is planned to explore for further occurrences of this style of mineralisation.

The Little Wizard Zone lies approximately 90 metres below surface and is 55 metres west of the currently proposed Merlin decline as shown in Figure 2. Given the high-value of Little Wizard at current metal prices, it is expected that this bonanza discovery will have a significant impact on the early Merlin mine project cash flow as it represents a substantial portion of the likely Merlin mine project capital cost.

Given the high-grade nature of Little Wizard the potential sale of this material as Direct Shipping Ore (DSO) to generate early cash flow will be examined and could occur without the completion of the Merlin concentrator.

In addition to the results announced today for Little Wizard, there are assays pending for two additional holes, MDQ0287 and MDQ0288, which have each intersected approximately 5 metres of massive molybdenite sulphides. These drill holes are approximately 25 metres and 32 metres north of MDQ0264 respectively. These results will be included in an updated resource estimation when the assays are returned. This resource update will be completed at the earliest opportunity.

A geological interpretation of the faulted granite block in the Little Wizard Zone will be analysed in 3D to assess if any fault controls exist on the zone and to help understand the potential for further extensions to the high-grade material.

Broad surface molybdenum anomalism from Niton surveys and rock chip sampling also has been established in the southern Merlin area and will be tested by future drilling.

A ground magnetic survey also will be completed to define structures with which the molybdenite mineralisation might be associated. Ivanhoe Australia geological staff believe that these survey's might help define the potential connection between the Little Wizard Zone and the main Merlin deposit.

Molybdenum-anomalous rock chips and termite mounds are known 100 metres west of the bonanza zone drill collars where the up-dip extension of Little Wizard is projected to outcrop. Additional molybdenum anomalism in rock chips exist in the area up to 900 metres south of the Little Wizard. This prospective southern area has not yet been extensively drill tested for molybdenum and the potential exists for further high-grade molybdenum mineralisation.

## **Lanham's Shaft Discovery**

Recent drilling at Lanham's Shaft, 55 km's north, north-east (See Figure 9) of Merlin has continued to expand the high-grade molybdenite discovery announced on August 26, 2009 with further intercepts of massive molybdenite.

The molybdenum, copper, gold and uranium mineralisation at Lanham's Shaft is hosted in calc-silicates and carbonaceous metapelites as shown in Figure 11. Intercepts of 0.2 to 0.6% Cu have been intercepted along approximately 200 metres of strike while significant molybdenite has been intercepted along at least 70 metres of strike (on sections NW2300, (See Figure 10) and NW2250). The mineralisation includes molybdenum, copper, uranium and rhenium and gold; the rhenium-to-molybdenum ratio is lower and more variable than the ratio identified in Merlin discovery. Drilling and structural studies for Lanham's Shaft are underway to test lateral and vertical continuity of the Mo, Cu-Au, and U mineralisation, which remains open in all directions.

Lanham's Shaft is located on the Elana M geological belt which is approximately 10 km long. Testing along this belt will continue including work on the important Trigger prospect 6 km south of Lanham's.

The most recent Lanham's results are;

**LAD0003 - 36 m @ 1.08% Mo, \* g/t Re, from 116 metres**

**including - 18 m @ 2.15% Mo, \* g/t Re from 134 metres**

**and - 4 m @ 8.5% Mo, 14.3 g/t Re from 140 metres**

**LAD0004 - 11 m @ 0.12% Mo, 0.40 g/t Re from 147 metres**

**and - 9 m @ 0.31% Mo, 5.32 g/t Re, from 216 metres**

**(\*Rhenium assays are pending for these holes)**

Figures 12, 13, 14 and 15 show high-grade samples of Lanham's mineralisation from LAD0003.

**Ivanhoe Mines (IVN: TSX, NYSE, NASDAQ)** is Ivanhoe Australia's largest shareholder and currently owns, directly and indirectly, approximately 83% of Ivanhoe Australia's issued and outstanding shares.

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**Table 1: Little Wizard Extreme High-grade Molybdenum and Rhenium Intersections**

Merlin Extreme High-grade Recent Molybdenum Intersections							Collar Coordinates				
HoleID	From (m)	To (m)	Interval (m)	Mo (%)	Re (g/t)	Cu (%)	East	North	RL	Azi	Dip
MDQ0264	90.85	94.58	3.73	15.52	150.72	1.42	447473	7604993	363	270	-60
MDQ0276	96.6	98	1.4	9.29	102.71	1.93	447473	7604993	363	279	-67
MDQ0278	87	88.8	1.8	12.89	177.73	2.24	447474	7604993	363	270	-53
MDQ0279	90.5	93.9	3.4	8.97	109.01	1.20	447474	7604989	363	259	-60
MDQ0280	93.3	97.55	4.25	15.04	188.19	5.30	447476	7604995	363	285	-60

**Table 2: Lanham's Shaft Molybdenum Intersections**

Lanham's Shaft Molybdenum Intersections								Collar Coordinates				
HoleID	From (m)	To (m)	Interval (m)	Mo (%)	Re (g/t)	Cu (%)	Au (g/t)	East	North	RL	Azi	Dip
LAD0003	116	152	36	1.08	Pending	0.12	0.11	459889	7653422	371	45	-55
inc	134	152	18	2.15	Pending	0.08	0.10	459889	7653422	371	45	-55
LAD0004	142	172	30	0.06	0.16	0.80	0.54	460040	7653574	372	225	-60
inc	147	158	11	0.12	0.40	0.41	0.29	460040	7653574	372	225	-60
and	216	225	9	0.31	5.32	0.04	0.01	460040	7653574	372	225	-60

*The information in this announcement that relates to Ivanhoe Australia's exploration results for the Merlin Project, is based on information compiled by K Geoff Phillips, who is a full time employee of Ivanhoe Australia and a Member of the Australasian Institute of Mining and Metallurgy. K Geoff Phillips has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in JORC. K Geoff Phillips consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.*

**Figure 1: Plan of Merlin showing location of Little Wizard Molybdenum/Rhenium Bonanza Discovery Drill holes**

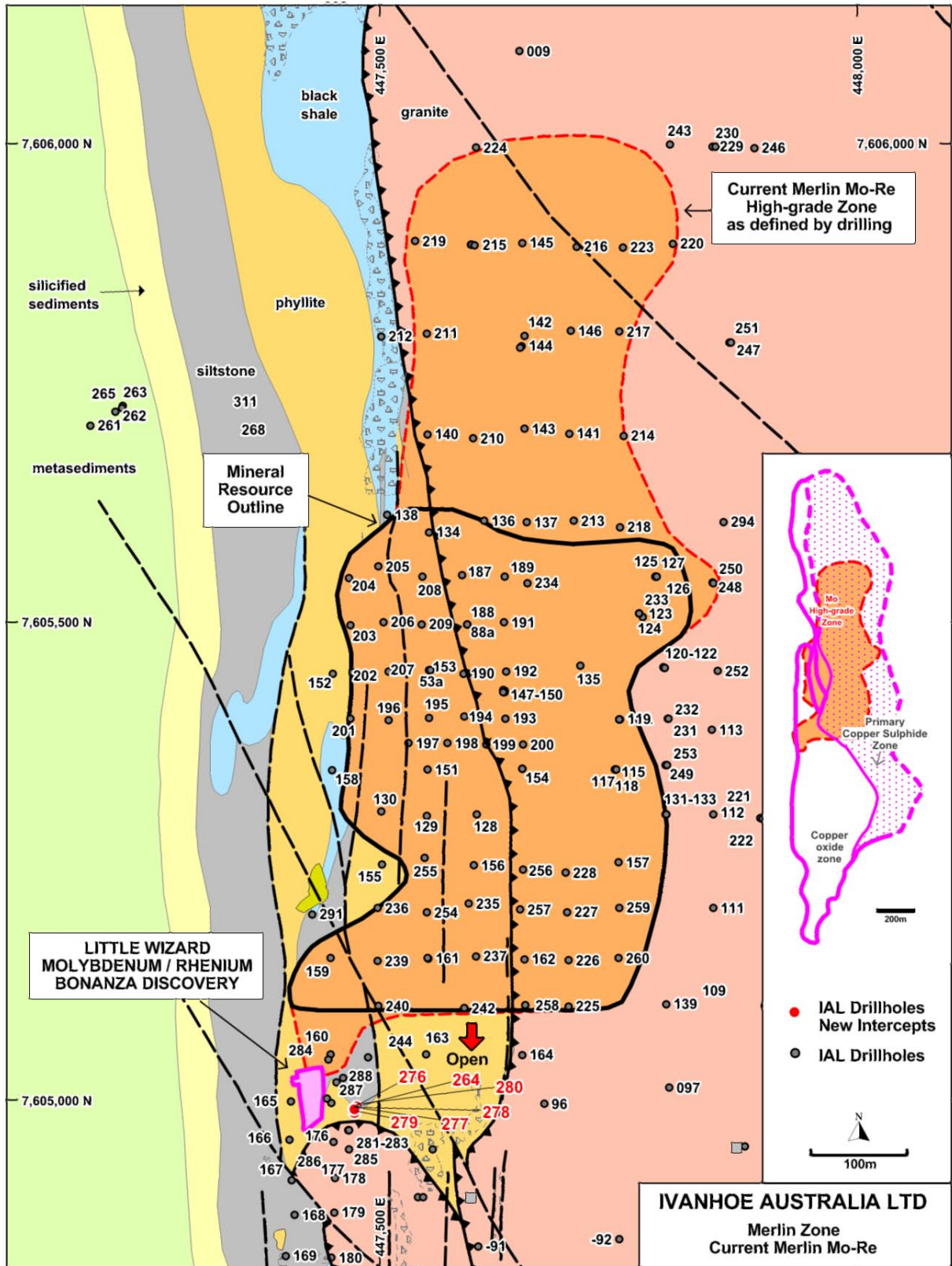
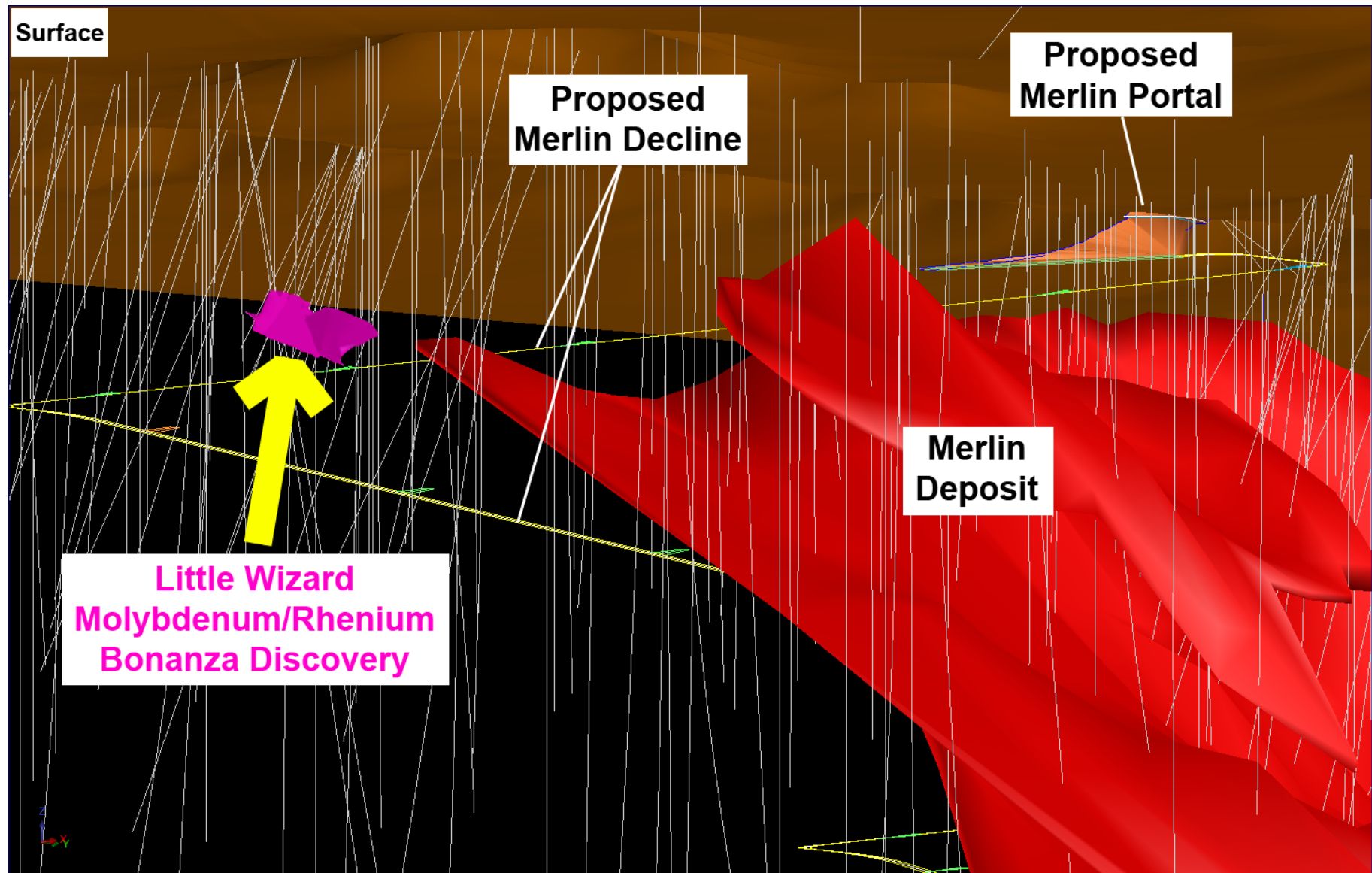
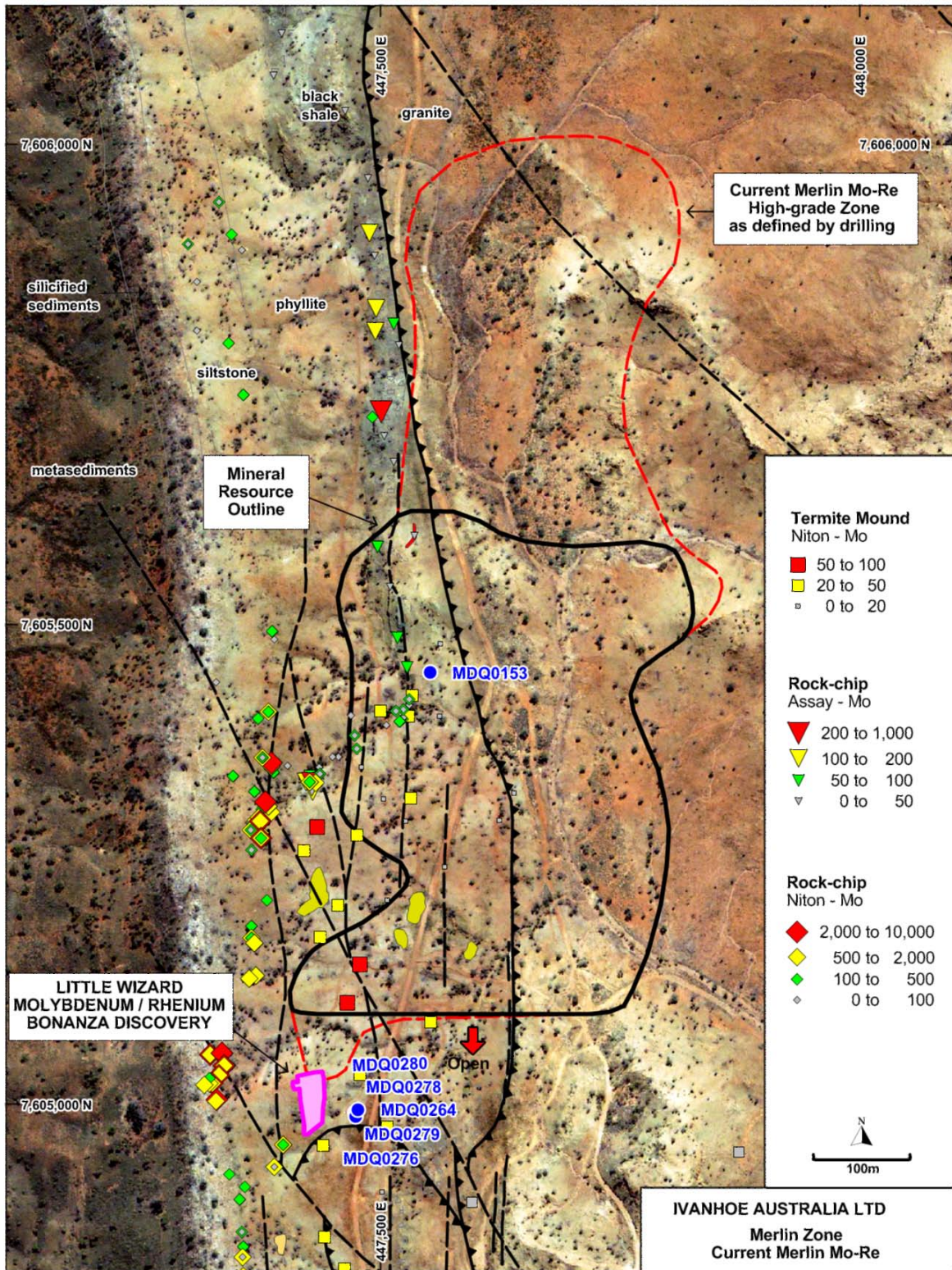


Figure 2: Location of Little Wizard Molybdenum/Rhenium Bonanza Discovery Relative to the Merlin Deposit and Merlin Decline



**Figure 3: Surface Molybdenum Geochemistry South of Merlin Surrounding Little Wizard Molybdenum/Rhenium Bonanza Discovery**



**Figure 4: Little Wizard Molybdenum/Rhenium Bonanza Discovery hole MDQ0264 showing High-grade Massive Molybdenite mineralisation**



**Figure 5: Little Wizard Molybdenum/Rhenium Bonanza mineralisation in Drill hole MDQ0279**





**Figure 6: Little Wizard Molybdenum/Rhenium Bonanza mineralisation in Drill hole MDQ0279**



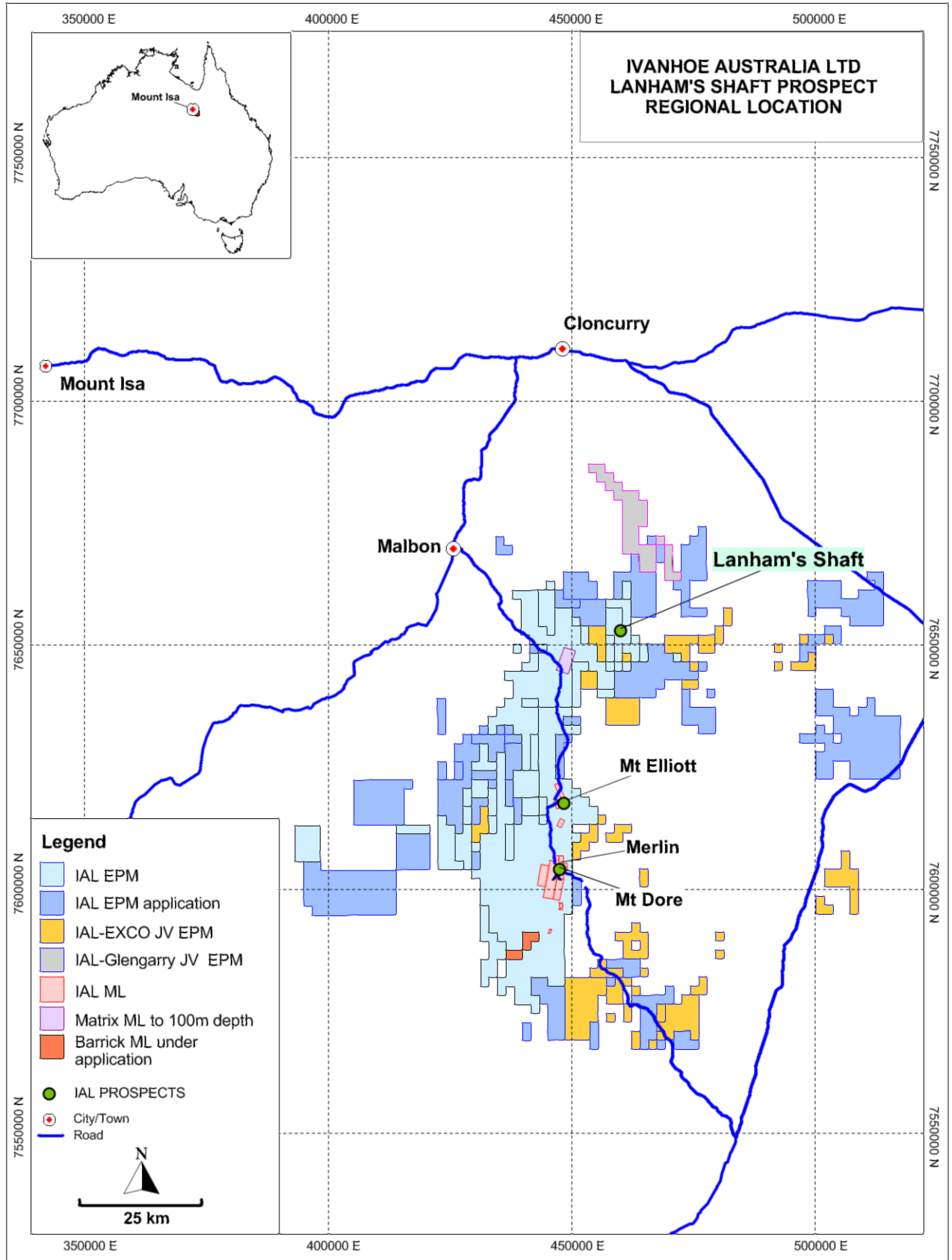
**Figure 7: Little Wizard Molybdenum/Rhenium Bonanza mineralisation in Drill hole MDQ0279**



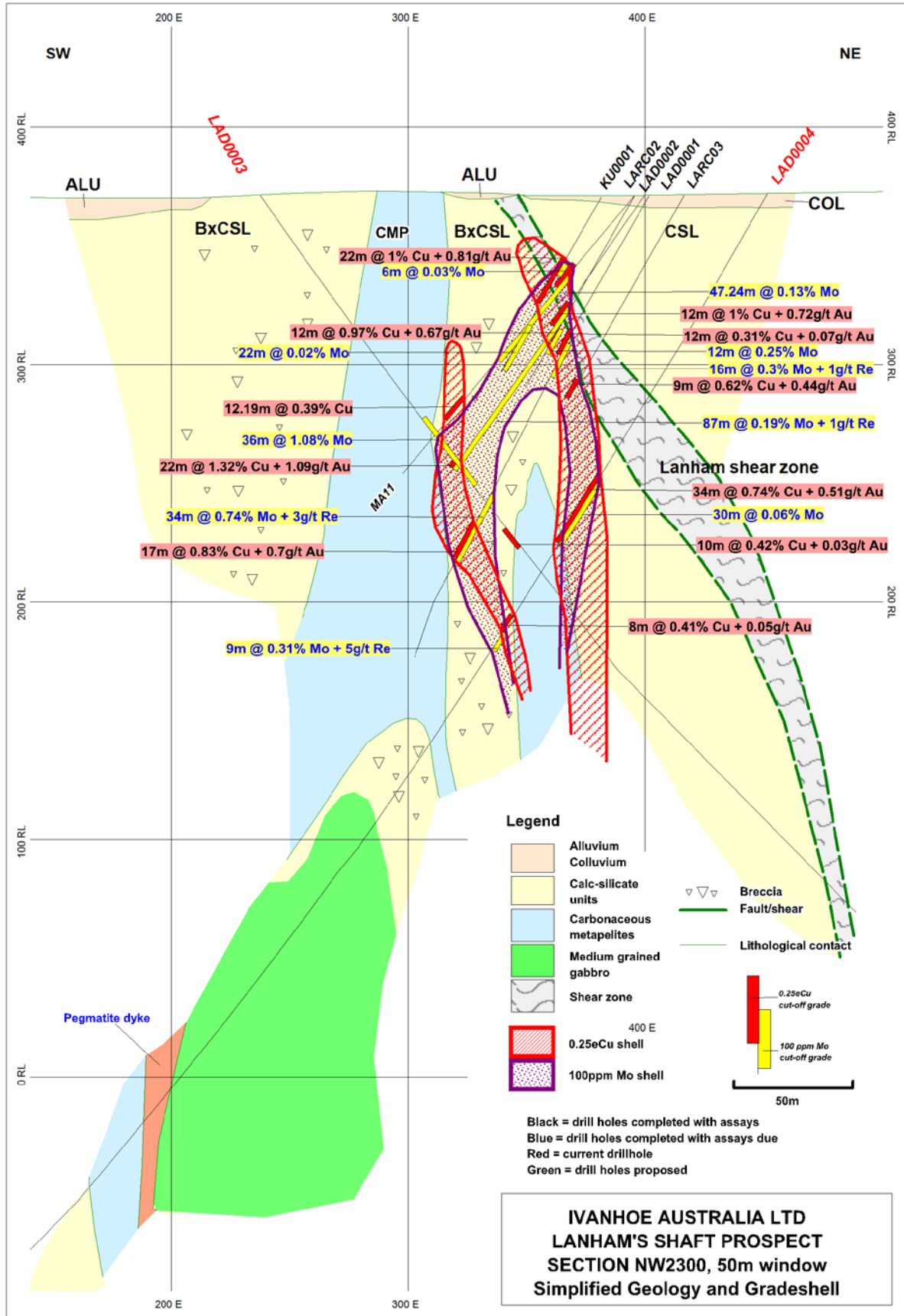
**Figure 8: Little Wizard Molybdenum/Rhenium Bonanza mineralisation in Drill hole MDQ0279**



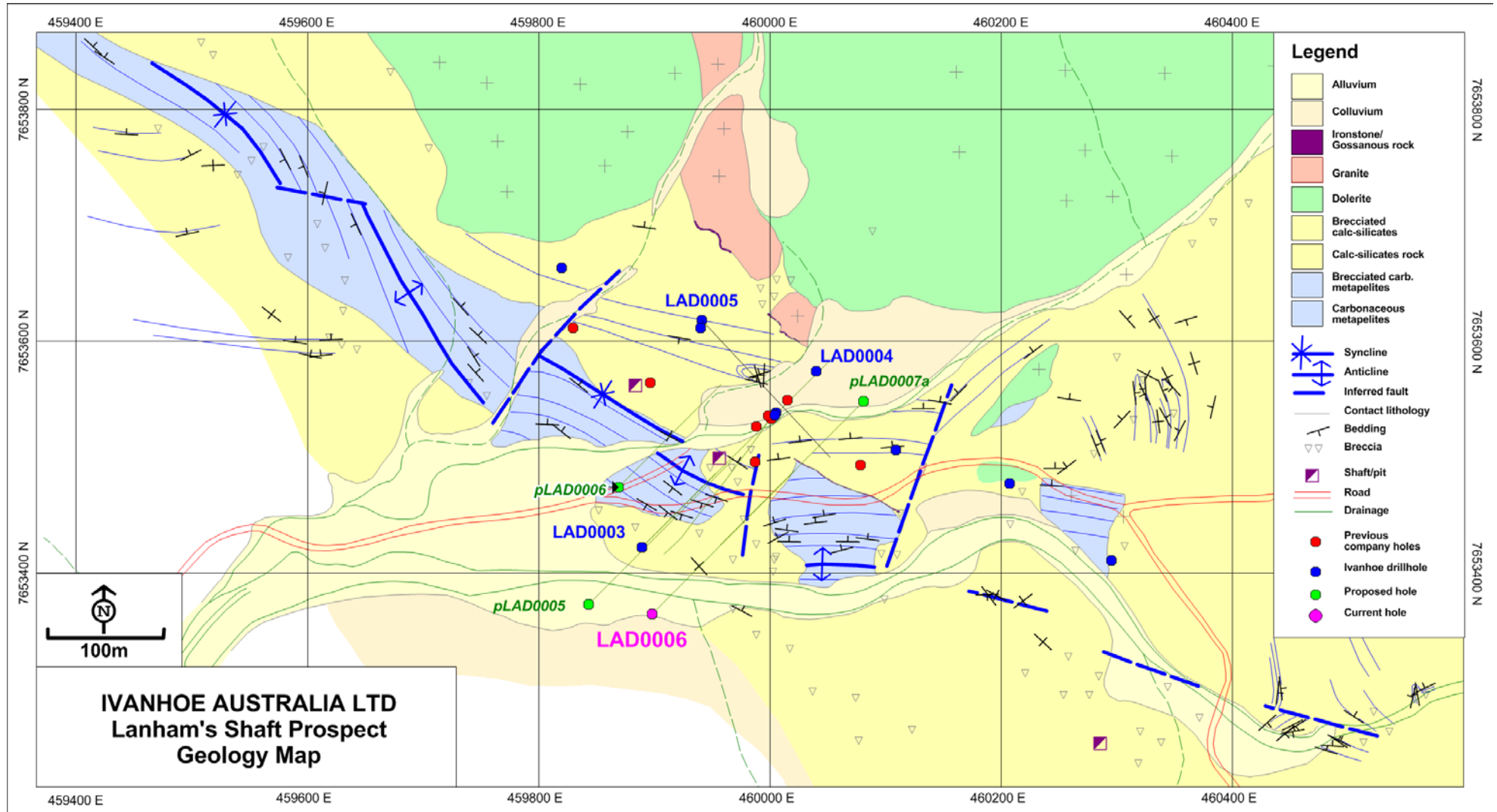
**Figure 9: Lanham's Shaft Location Map**



**Figure 10: Drilling Location on Lanham's Shaft Section NW2300**



**Figure 11: Lanham's Shaft Prospect Geology Map**



**Figure12: High-grade Molybdenite in Brecciated Calc-Silicate with Uranium minerals (Uranite and Coffinite) in Lanham's Shaft Drill hole LAD0003**



**Figure 13: High-grade Molybdenite as Massive Veins and Stylolites in Lanham's Shaft Drill hole LAD0003**



**Figure 14: High-grade Molybdenite as Massive Veins and Stylolites in Lanham's Shaft Drill hole LAD0003**



**Figure 15: Massive Molybdenite with Uranite and Coffinite in Lanham's Shaft Drill hole LAD0003**



**MINERAL RESOURCE ESTIMATE FOR THE  
LITTLE WIZARD - MERLIN MOLYBDENUM DEPOSIT  
CLONCURRY - NORTH QUEENSLAND.**

A Mineral Resource of 15,000 tonnes at 13% molybdenum, 160 g/t rhenium, 1.7% copper and 0.8 g/t of gold, containing approximately 2 thousand tonnes of molybdenum, 2.4 tonnes of rhenium, and 260 tonnes of copper has been estimated for the Little Wizard Zone of the Merlin Molybdenum deposit at Mount Dore.

Assay results are based on half HQ drill core samples with no significant core loss. Routine assay analysis and QAQC control procedures have been applied throughout the programme. Visual massive sulphide boundaries were used to develop 3D wireframe correlations and block modelling was carried out using Inverse Distance estimation. The SG value assigned to the mineralisation was 3.1 t/m<sup>3</sup> which allows for inclusion of massive molybdenite (SG = 4.7 t/m<sup>3</sup>) and internal waste (SG = 2.4 t/m<sup>3</sup>).

In addition to the above results for Little Wizard assays are pending for both MDQ0287 and MDQ0288 which have intersected massive sulphide approximately 25m north of MDQ0264

The Little Wizard zone remains open to the south and additional separate pods of high-grade material also have potential to exist both north and south of this zone which lies around 90 metres below surface and is about 55 metres west of the currently proposed decline.

The Little Wizard mineralisation appears to be the updip 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 found.

Molybdenum-anomalous rock chips and termite mounds are known 100 metres west of the Little Wizard zone drill collars directly updip from the Little Wizard pod and to the north above the main Merlin Zone.

The zone, in which similar occurrences of massive molybdenum mineralisation may exist, extends for 1000m above the Merlin zone and up to 600m to the south. The southern area has been tested for copper mineralisation and is know to also contain anomalous molybdenum. Additional step out drilling is planned to explore for further extensions and occurrences of this mineralisation. Niton surveys, rock chip sampling, ground magnetics and 3D modelling will be utilised to site future drill collars.

**Resources have been classified by Ivanhoe Australia under the Joint Ore Reserve Committee (JORC) code as follows:**

**Table 1: Mineral Resource Estimates for the Little Wizard Zone of the Merlin Molybdenum Deposit at Mount Dore as at October 20, 2009.**

Resource Classification	Tonnes	Mo (%)	Re (g/t)	Cu (%)	Au (g/t)
Inferred	15,000	13	160	1.7	0.8



**JORC advises that resource estimates be rounded to one or two significant figures, grades have therefore been rounded to two significant figures and tonnes to the nearest thousand tonne.**

High-grade molybdenum assays have not been capped (cut) as they currently are thought to represent real but small volumes.

**Data verification**

All drilling into Merlin has been undertaken by Ivanhoe Australia using triple tube diamond drill core.

Drilling by Ivanhoe has been conducted under current industry best practise with regard to QA and QC controls for sampling, sample preparation and assaying and has been reviewed continually by Ivanhoe Mines personnel.

**Table 2: Table of drill intersections for the Little Wizard Zone as at October 20, 2009.**

Merlin Extremely High-grade Recent Molybdenum Intersections							Collar Coordinates				
HoleID	From (m)	To (m)	Interval (m)	Mo (%)	Re (g/t)	Cu (%)	East	North	RL	Azi	Dip
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MDQ0279	90.50	93.90	3.40	8.97	109.01	1.20	447474	7604989	363	259	-60
MDQ0280	93.30	97.55	4.25	15.04	188.19	5.30	447476	7604995	363	285	-60

**Competent Persons Statement**

*The information in this announcement that relates to Ivanhoe Australia's mineral resource estimates for the Little Wizard Zone resource, is based on information compiled by K Geoff Phillips of Ivanhoe Australia Limited, K. Geoff Phillips is a full time employee of Ivanhoe Australia Limited. K. Geoff Phillips is a Member of the Australasian Institute of Mining and Metallurgy. K. Geoff Phillips has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the JORC code. K. Geoff Phillips consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.*