

Gol Intelligent Airlines Inc.
Form F-1
March 28, 2005

As filed with the Securities and Exchange Commission on March 25, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Gol Linhas Aéreas Inteligentes S.A.

(Exact name of Registrant as specified in its charter)

Gol Intelligent Airlines Inc.

(Translation of Registrant's name into English)

Federative Republic of Brazil

*(State or other jurisdiction of
incorporation or organization)*

4512

*(Primary Standard Industrial
Classification Code Number)*

Not Applicable

*(I.R.S. Employer
Identification No.)*

**Rua Tamoios 246
Jardim Aeroporto
04630-000 São Paulo, São Paulo
Federative Republic of Brazil
Attention: Investor Relations Department
(+55 11 5033-4200)**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Puglisi & Associates
850 Library Avenue, Suite 204
P.O. Box 885
Newark, Delaware
(302-738-6680)**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

**Andrew B. Jánosky, Esq.
Shearman & Sterling LLP
Av. Brig. Faria Lima, 3400
04538 132 São Paulo, Brazil**

**Leslie N. Silverman, Esq. and Francesca Lavin,
Esq.
Cleary Gottlieb Steen & Hamilton LLP
1 Liberty Plaza
New York, New York 10006**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, please check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. []

CALCULATION OF REGISTRATION FEE

Amount to be Registered (1)	Proposed Maximum Offering Price per	Proposed Maximum
------------------------------------	--------------------------------------------	-------------------------

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

Title of Each Class of Securities to Be Registered		Unit (2)	Aggregate Offering Price (2)	Amount of Registration Fee
Non-voting preferred shares, without par value (1).....	23,460,000	\$13.97	\$ 327,736,200	\$38,574.55

- (1) Includes non-voting preferred shares, which the underwriters may purchase solely to cover over-allotments, if any, and non-voting preferred shares which are to be offered in a Brazilian offering but which may be resold from time to time in the United States in transactions requiring registration under the Securities Act. Offers and sales of non-voting preferred shares in the Brazilian offering are being made pursuant to Regulation S and are not covered by this Registration Statement. All or part of these non-voting preferred shares may be represented by American depository shares (□ADSs□), each of which represents two non-voting preferred shares.
- (2) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act based on the average of the high and low prices of the ADSs as reported by the New York Stock Exchange on March 18, 2005.
- (3) A separate Registration Statement on Form F-6 (File No. 333-116181) was filed on June 4, 2004 and declared effective on June 23, 2004, regarding the registration of ADSs evidenced by the American Depository Receipts issuable upon deposit of the preferred shares registered hereby.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS (Subject to Completion)

Issued March 25, 2005

20,400,000 Preferred Shares

**In the form of American Depositary Shares outside Brazil
and in the form of Preferred Shares in Brazil**

We and the selling shareholder are offering shares of our non-voting preferred stock, or the preferred shares, in an international offering in the form of American depositary shares, or ADSs. Each ADS represents two preferred shares. We are selling ADSs and the selling shareholder is selling ADSs in the United States and other countries outside Brazil through the international underwriters named in this prospectus. In addition, we are concurrently offering preferred shares and the selling shareholder is concurrently offering preferred shares in Brazil through Brazilian underwriters under a Portuguese-language prospectus. The closings of the international and Brazilian offerings will be conditioned upon each other. In total, we are offering 10,200,900 preferred shares in the global offering and the selling shareholder is offering 10,199,100 preferred shares.

The ADSs trade on the New York Stock Exchange, known as the NYSE, under the symbol "GOL." On March 21, 2005, the reported last sale price of the ADSs was US\$27.93 per ADS on the NYSE. Our preferred shares trade on the São Paulo Stock Exchange, known as the BOVESPA, under the symbol "GOLL4." On March 21, 2005, the reported last sale price of our preferred shares was R\$37.53 per preferred share on the BOVESPA.

This offering will be registered with the Brazilian Securities Commission (the Comissão de Valores Mobiliários, or CVM). The CVM has not approved or disapproved these securities or determined if this prospectus (or the Portuguese-language prospectus referred to above) is truthful or complete.

Investing in the ADSs and our preferred shares involves risks. See "Risk Factors" beginning on page 12.

PRICE \$ AN ADS

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us	Proceeds to Selling Shareholder
Per ADS.....	\$	\$	\$	\$
Total.....	\$	\$	\$	\$

We have granted the underwriters the right for a period of 30 days to purchase up to an additional 3,060,000 preferred shares to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the ADSs will be made on or about , 2005.

MORGAN STANLEY

MERRILL LYNCH & CO.

RAYMOND JAMES

**SANTANDER
INVESTMENT**

, 2005

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

[Inside Front Cover Art: Graphic (center): Map of Brazil/South America displaying Gol's current and announced routes of service]

TABLE OF CONTENTS

Special Note About Forward-Looking Statements	iv
Prospectus Summary	1
Risk Factors	12
Use of Proceeds	22
Exchange Rates	23
Market Information	24
Capitalization	30
Dilution	31
Selected Financial and Operating Data	32
Management's Discussion and Analysis of Financial Condition and Results of Operations	35
Industry Overview	49
Business	52
Regulation of The Brazilian Civil Aviation Market	70
Management and Corporate Governance	76
Principal and Selling Shareholders	82
Related Party Transactions	83
Description Of Capital Stock	84
Dividends and Dividend Policy	90
Description of American Depositary Shares	94
Taxation	100
Underwriters	108
Expenses of The Global Offering	111
Validity Of Securities	112
Experts	112
Where You Can Find More Information	112
Enforcement of Judgments Against Foreign Persons	113
Index to Consolidated Financial Statements	F-1

You should rely only on the information contained in this prospectus. Neither we nor the selling shareholder have authorized anyone to provide you with information that is different from the information contained in this prospectus. This document may only be used where it is legal to sell these securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of when this prospectus is delivered or when any sale of the ADSs or our preferred shares occurs.

In this prospectus, we use the terms "the Registrant" to refer to Gol Linhas Aéreas Inteligentes S.A., "Gol" to refer to Gol Transportes Aéreos S.A. and "we," "us" and "our" to refer to the Registrant and Gol together, except where the context requires otherwise. References to "preferred shares" and "ADSs" refer to non-voting preferred shares of the Registrant and American depositary shares representing those preferred shares, respectively, except where the context requires otherwise.

The phrase "Brazilian government" refers to the federal government of the Federative Republic of Brazil, and the term "Central Bank" refers to the *Banco Central do Brasil*, or the Central Bank of Brazil. The term "Brazil" refers to the Federative Republic of Brazil. The terms "U.S. dollar" and "U.S. dollars" and the symbol "US\$" refer to the legal currency of the United States. The terms "*real*" and "*reais*" and the symbol "R\$" refer to the legal currency of Brazil. "U.S. GAAP" refers to generally accepted accounting principles in the United States, and "Brazilian GAAP" refers to generally accepted accounting principles in Brazil, which are accounting principles derived from Law No. 6,404 of December 15, 1976, as amended and supplemented, or the Brazilian corporation law and the rules of the CVM.

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

This prospectus contains terms relating to operating performance within the airline industry that are defined as follows:

- "Revenue passengers" represents the total number of paying passengers flown on all flight segments.

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

- Revenue passenger kilometers represents the numbers of kilometers flown by revenue passengers.
- Available seat kilometers represents the aircraft seating capacity multiplied by the number of kilometers the seats are flown.
- Load factor represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).
- Breakeven load factor is the passenger load factor that will result in passenger revenues being equal to operating expenses.
- Aircraft utilization represents the average number of block hours operated per day per aircraft for the total aircraft fleet.
- Block hours refers to the elapsed time between an aircraft's leaving an airport gate and arriving at an airport gate.
- Yield per passenger kilometer represents the average amount one passenger pays to fly one kilometer.
- Passenger revenue per available seat kilometer represents passenger revenue divided by available seat kilometers.
- Operating revenue per available seat kilometer represents operating revenues divided by available seat kilometers.
- Average stage length represents the average number of kilometers flown per flight.
- Operating expense per available seat kilometer represents operating expenses divided by available seat kilometers.

We make statements in this prospectus about our competitive position and market share in, and the market size of, the Brazilian and South American airline industry. We have made these statements on the basis of statistics and other information from third-party sources, governmental agencies or industry or general publications that we believe are reliable. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, we have not independently verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications. All industry and market data contained in this prospectus is based upon the latest publicly available information as of the date of this prospectus.

Certain figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The consolidated financial statements included in this prospectus have been prepared in accordance with U.S. GAAP and reflect our financial condition and results of operations as if the Registrant had been incorporated and held all of the capital stock of Gol, with the exception of five common shares and three preferred shares of Gol held by members of Gol's board of directors for eligibility purposes, since January 1, 2001. See "Description of Capital Stock" General. We publish our consolidated financial statements in Brazil in accordance with Brazilian GAAP, which differ in certain significant respects from U.S. GAAP.

We have translated some of the *real* amounts contained in this prospectus into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2004 was R\$2.6544 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2004, as reported by the Central Bank. The U.S. dollar equivalent information presented in this prospectus is provided solely for convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for more detailed information regarding the translation of *reais* into U.S. dollars.

All amounts contained in this prospectus that have been adjusted to reflect the receipt by us of the estimated net proceeds of this global offering are based upon the sale by us of 10,200,900 preferred shares in this global offering, based upon an assumed offering price of US\$27.93 per ADS, the reported last sale price per ADS on the NYSE on March 21, 2005. Each ADS is equivalent to two preferred shares.

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the underwriters' option to purchase up to 3,060,000 additional preferred shares to cover over-allotments, if any.

This offering is being made in Brazil by a prospectus in Portuguese that has been filed with the CVM and that has the same date as this prospectus but has a different format. This offering is made in the United States and elsewhere outside Brazil solely on the basis of the information contained in this prospectus. Investors should take this into account when making investment decisions.

The Registrant was formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. The Registrant is registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under number NIRE 35.300.314.441. Gol was formed on August 1, 2001 as a Brazilian *sociedade limitada*, and on May 2, 2002, Gol was converted into a *sociedade por ações*.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements, principally under the captions "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this prospectus, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and in other South American markets we serve;
- management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our limited operating history;
- our level of fixed obligations;
- our capital expenditure plans;
- inflation and fluctuations in the exchange rate of the *real*;
- existing and future governmental regulations, including air traffic capacity controls;
- increases in fuel costs, maintenance costs and insurance premiums;
- changes in market prices, customer demand and preferences and competitive conditions;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy; and
- the risk factors discussed under "Risk Factors" beginning on page 12.

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect" and similar are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this prospectus because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this prospectus might not occur and are not guarantees of future performance.

PROSPECTUS SUMMARY

This summary highlights selected information about us and the ADSs and preferred shares that we and the selling shareholder are offering. It may not contain all of the information that may be important to you. Before investing in the ADSs, you should read this entire prospectus carefully for a more complete understanding of our business and this offering, including our consolidated financial statements and the notes to those consolidated financial statements and the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are one of the most profitable low-cost airlines in the world and had net revenues of R\$2.0 billion and net income of R\$384.7 million for the year ended December 31, 2004. We are the only low-fare, low-cost airline operating in Brazil providing frequent service on routes connecting all of Brazil's major cities. We focus on increasing the growth and profits of our business by popularizing air travel and stimulating and meeting demand for affordable, convenient air travel in Brazil and between Brazil and other South America destinations for both business and leisure passengers. We do this by offering simple, safe and efficient services while having among the lowest operating costs in the airline industry worldwide.

We have flown over 23 million passengers since beginning operations in 2001 and, according to the *Departamento de Aviação Civil*, or DAC, Brazil's civil aviation authority, our share of the domestic market based on revenue passenger kilometers grew from 4.7% in 2001 to 11.8% in 2002, 19.4% in 2003 and 22.3% in 2004.

We operate 29 single-class Boeing 737 aircraft serving 37 cities in Brazil and one destination in Argentina. We have placed firm purchase orders with The Boeing Company for 30 737-800 Next Generation aircraft and we have options to purchase an additional 33 737-800 Next Generation aircraft. Currently, six firm order aircraft are scheduled to be delivered in 2006, thirteen in 2007, seven in 2008 and four in 2009. The purchase options are exercisable for deliveries between 2007 and 2010. We took delivery, under two- and three-year operating leases, of five Boeing 737-300 aircraft in the second half of 2004, which we are using to help meet our short-term capacity needs while we await the delivery of the new 737-800 Next Generation aircraft.

We offer travelers a low-fare transportation alternative that we believe is an attractive value relative to conventional airline and bus transportation. We have a diversified revenue base, with customers ranging from business passengers traveling within densely populated centers in Brazil, such as São Paulo, Rio de Janeiro and Belo Horizonte, to leisure passengers traveling to destinations throughout Brazil and to Argentina. We carefully evaluate opportunities to continue the growth of our business through increasing the frequency of flights to our existing high-demand markets and adding new routes to overpriced routes in Brazil and other South American destinations. We apply our strategy of popularizing air travel to expand our network from Brazil to markets in other South American countries using the same business model and route management methods that have helped us to become successful in Brazil.

Our emphasis on controlling costs and yield management has given us flexibility in setting our fares to achieve a balance between our load factors and yields that we believe will generate the highest revenues per available seat kilometer and profitability for us. During a time when the airline industry globally was suffering from increased fuel prices, we generated net income of R\$384.7 million in 2004. Our profitable results in 2004 were due largely to the economies of scale from the growth of our business and having a cost per available seat kilometer that was approximately 30% lower on a stage-length adjusted basis than that of our primary competitors, based upon our analysis of publicly available data.

Our operating model is based on a highly integrated, multiple-stop route network that is a variation on the point-to-point model used by other successful low-cost carriers worldwide. The high level of integration of flights at selected airports permits us to offer frequent, non-stop flights at low fares between Brazil's most important economic centers and ample interconnections through our network linking city pairs through a combination of two or more flights with little connecting or stop-over time. Our network also allows us to increase our load factors on our strongest city pair routes by using the airports in those cities to connect our customers onwards to their final destinations. This strategy increases our load factor by attracting customers traveling to secondary markets who

prefer to pay lower fares even if this means making one or more stops before reaching their final destination. Finally, our operating model allows us to build our flight routes to add destinations to cities that would not, individually, be feasible to serve in the traditional point-to-point model, but that are feasible to serve when simply added as additional points on our multiple-stop flight network. We do this by offering low-fare early-bird or night flights to lower-traffic destinations, which are usually the first or last stops on our routes, allowing us to increase our aircraft utilization and generate additional revenues.

The end result is that our operating model, when combined with our low fares and reliable service, stimulates demand for air travel, and helped us to achieve a load factor of 71% in 2004, as compared to an average domestic load factor of 63% for our three largest Brazilian competitors in the same period, according to the DAC. The interconnectivity of our network also resulted in approximately one-half of our passengers making connections while traveling to their final destination. During 2004, we maintained high standards of operating efficiency and customer satisfaction, completing 98% of our scheduled flights with on-time performance of 97%, based on our internal data.

Our Competitive Strengths

Our principal competitive strengths are:

We Keep Our Operating Costs Low. Our cost per available seat kilometer for the year ended December 31, 2004 was R\$15.7 cents, or approximately US\$5.9 cents. We believe that our cost per available seat kilometer for the year ended December 31, 2004, as adjusted for the average number of kilometers flown per flight, was one of the lowest in the airline industry worldwide, and was on average approximately 30% lower than that of our primary competitors, based upon our analysis of publicly available data. Typically, airline operating costs per kilometer decrease as flight length increases. Our low operating costs are the result of being innovative and using best practices adopted from other leading low-cost carriers to improve our operating efficiency, including:

- *Efficient use of aircraft.* During 2004, our aircraft flew an average of 13.6 block hours per day, the highest aircraft utilization rate in the Brazilian domestic airline industry, according to the DAC, and among the highest worldwide, according to airline company public filings. Our efficient use of our fleet has helped us to generate revenue at times when the aircraft of our competitors are still on the ground and has allowed us to spread our fixed costs over a greater number of flights and available seat kilometers. We also offer air cargo services on our flights to generate incremental revenues from space in the stronghold section of our aircraft that would otherwise remain unutilized.
- *Operation of a simplified fleet.* Currently, we operate a simplified fleet type consisting of 29 Boeing 737 aircraft. We have firm orders and purchase options for up to 63 Boeing 737-800 Next Generation aircraft. Delivery of the current firm order aircraft is scheduled to occur between 2006 and 2009 and the purchase options are exercisable for deliveries between 2007 and 2010.
- *Use of efficient, low-cost distribution channels.* Our effective use of technology helps us to keep our costs low and our operations highly scaleable and efficient. We seek to keep our distribution channels streamlined and convenient so as to allow our customers to interact with us directly via the internet. Approximately 80% of our ticket sales are through our website, and our customers can purchase tickets and check-in for their flights online and by web-enabled cell phones. As a result of our emphasis on low-cost distribution channels, we generate more revenues from online ticket sales than any other company in Brazil.
- *Flexible and efficient operating approach.* We always seek the most cost-effective way of providing our services to our customers without compromising quality and safety. We constantly evaluate our operations to see if sensible cost-savings opportunities exist. As a result, we outsource the work that can be done properly and more efficiently by third parties and we internalize the functions that our employees can do more cost-efficiently.

We Stimulate Demand for Our Services. We believe that through our low fares and high-quality service, we provide the best value in our markets and create demand for air travel services. Our average fares are lower than the average fares of our primary competitors. By combining low fares with simple and reliable service that treats

passengers equally in a single-class environment, we have successfully increased our market share, strengthened customer loyalty and are attracting a new group of air travelers in our markets. We estimate that approximately 10% of the customers on our flights are either first time flyers or have not flown for more than one year.

We Have One of the Newest Fleets in the Industry. Our current fleet of 29 Boeing 737 aircraft has an average age of 6.8 years, making our fleet the newest in South America and among the newest in the industry worldwide. We believe that the firm orders and purchase options we have for the delivery of up to 63 new Boeing 737-800 Next Generation aircraft, with expected delivery dates between 2006 and 2010, will help us to retain the competitive advantage of a young fleet. Our new fleet has enabled us to enjoy a high degree of performance reliability and to develop a reputation among customers for being an airline that delivers a safe, on-time, modern and comfortable travel experience. Our Boeing 737-800/700 Next Generation aircraft type provides us with state-of-the-art technology and aerodynamics with increased flying speed, improved fuel efficiency and simplified maintenance procedures.

We Have a Strong Brand that Is Widely Recognized Among Consumers. We believe that the Gol brand has become synonymous with innovation and value in the Brazilian domestic airline industry. Gol was chosen as the 2004 □Company of the Year□ by the annual *Melhores e Maiores* (The Biggest and Best) edition of *Exame* magazine, one of the most important business publications in Brazil. Our customers also identify us as being accessible, friendly, fair and reliable and distinguish us in Brazil□s domestic airline industry on the basis of our modern and simplified approach to providing air travel services. Customer satisfaction surveys conducted in 2004 by Omni Marketing, an independent third-party market research firm, indicated that more than nine out of every ten passengers are completely satisfied with Gol, would fly again with Gol and consider Gol to be an innovative, modern and practical company.

We Have a Strong Financial Position. We have focused on maintaining a strong financial position with significant cash balances and a low debt to capitalization ratio. As of December 31, 2004, we had R\$405.7 million of cash and cash equivalents, R\$443.4 million of short-term investments, R\$386.4 million of accounts receivable and R\$289.4 million of U.S. dollar denominated deposits for aircraft leasing and aircraft engine maintenance contracts, representing a total of R\$1,524.9 million. As of December 31, 2004, our debt to capitalization ratio was 9.3% .

We Actively Manage Risk. We actively monitor movements in fuel prices, foreign exchange rates and interest rates. To date, we have been able to adjust our fares to compensate for changes in fuel prices and the exchange rate of the *real* versus the U.S. dollar. Our general policy is to hedge on a short-term basis price fluctuations for a majority of the fuel we expect to consume and our U.S. dollar exchange rate exposure, so as to minimize the effects of adverse changes in fuel prices or the foreign exchange markets.

We Have a Motivated Workforce and a Proven Management Team. We benefit from a highly motivated workforce that brings a new enthusiasm to air travel and a commitment to high standards of friendly and reliable quality service that we believe distinguishes us in our markets. We invest a significant amount of time and resources into carefully developing the best training practices and selecting individuals to join our team who share our focus on ingenuity and continuous improvement. Our top managers have an average of approximately 20 years of experience in the Brazilian passenger transportation industries, and this experience has helped us to develop the most effective elements of our low-cost model. We also motivate our workforce by providing our employees with profit sharing and through participation in our stock option program.

Our Strategy

To continue the growth of our business and increase its profitability, our strategy will be to further stimulate customer demand by continuing to offer a single-class of air travel service at low fares, while maintaining a high standard of quality and safety. We will strive to keep our operating costs low and will relentlessly pursue ways to make our operations more efficient. We will continue to evaluate opportunities to expand our operations by adding additional flights to existing high-demand and night-flight domestic routes, adding new domestic routes where sufficient market demand exists and expanding into other high-traffic centers in other South American countries. Our vision is to be recognized by 2010 as the airline that popularized high-quality, low-fare air transportation in South America. The following are the key elements of our strategy:

To Expand Our Customer Base by Offering Services to High-Demand or Overpriced Routes. When planning the growth of our business, we will continue to establish bases, select our routes and build the frequency of our service based upon the extent and type of demand in the regions we serve in Brazil and other South American countries. We expect to increase our focus on business travelers from medium-sized companies, a growing customer base that tends to be more price sensitive, by closely monitoring the routes and flight frequencies that best serve their travel needs and increasing our marketing efforts directed at this segment of our customer base. We are also very focused on stimulating demand and capturing market share in both the leisure and "visiting friends and relatives" market segments.

To Continue to Reduce Our Operating Costs. Continuing to reduce our operating costs per available seat kilometer is a key to increasing profitability. We aim to remain one of the lowest cost airlines in the world. To date, we have worked toward achieving this goal by assembling a new fleet of single-class aircraft that is capable of safely and reliably accommodating a high utilization rate, incurs low maintenance costs and is fuel-efficient. We are also working to achieve this goal by using our aircraft efficiently, concentrating on minimizing our turnaround times at airports and increasing our number of daily flights per aircraft. We will also continue to utilize technological innovations wherever possible to reduce our distribution costs and improve our operating efficiency. We expect to benefit from economies of scale and reduce our average cost per available seat kilometer as we add additional aircraft to an established and efficient operating infrastructure.

To Keep Our Customer Service Offering Simple and Convenient. We believe that we are perceived by our customers as providing excellent value at reasonable fares. In addition to offering low fares, our strategy is to make flying a simpler, more convenient experience. We have achieved this objective largely through the elimination of unnecessary extras and common-sense applications of technology. We offer customers single-class, pre-assigned seating flights, and we do not overbook our flights. We will continue to seek ways to make the Gol brand signify simplicity and convenience in the minds of air travelers.

To Stimulate Demand with Low Fares. Our widely available low fares and superior product offering are designed to popularize air travel and stimulate demand, particularly from fare-conscious leisure travelers and small- to mid-size business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. Our strategy is to continue to stimulate demand and encourage more people to fly by continuing to provide a superior product and low fares.

Industry Overview

Most long-distance public travel services within Brazil are provided by interstate bus companies. In 2003, Brazil's domestic airline industry transported almost 30 million passengers, as compared to over 132 million passengers transported by interstate bus companies in 2003, according to the Brazilian Department of Highways (*Departamento de Transportes Rodoviários*). Brazil has no meaningful interstate passenger rail services.

The business travel segment is the largest component of Brazilian air transportation demand and the most profitable in the market. According to the DAC, business travel represented approximately 70% of the total demand for domestic air travel in 2003, which we believe is significantly higher than the proportion of domestic air travel in the global aviation sector that is comprised of business travel. According to data collected from the DAC, flights between Rio de Janeiro and São Paulo accounted for 12.5% and 12.8% of all domestic passengers in 2002 and 2003, respectively. The ten busiest city pair routes accounted for 35.5% and 37.1% of all domestic air passengers in 2002 and 2003, respectively.

The scheduled domestic passenger airline industry in Brazil is primarily served by Gol and two main competitors—Varig S.A.—Viação Aérea Riograndense, or Varig, and TAM Linhas Aéreas S.A., or TAM. By the end of 2004, Gol, TAM and Varig accounted for over 97% of the market share of domestic regular routes, measured in terms of revenue passenger kilometers. Varig has significant levels of indebtedness, and its financial condition and prospects are uncertain.

Since air transportation has historically been affordable only to the higher income segment of Brazil's population, resulting in a comparatively low level of air travel, we believe that the low-cost, low-fare business model has the potential to significantly increase the use of air transportation in Brazil. According to the DAC, there

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

were 29.2 million domestic enplanements and 7.8 million international enplanements in Brazil in 2003, out of a total population of approximately 181 million, according to the Brazilian Geographical and Statistical Institute (*Instituto Brasileiro de Geografia e Estatística* [IBGE]). In contrast, according to the U.S. Department of Transportation, the United States had 587.5 million domestic and 116.9 million international enplanements in 2003, out of a total population of approximately 293 million, according to the latest U.S. census figures. By way of further comparison, Atlanta's Hartsfield International Airport, the busiest airport in the United States, by itself had 37.7 million domestic enplanements in 2004.

From 1997 to 2004, the compound annual growth rate in industry passenger traffic, in terms of revenue passenger kilometers, was 6.8% versus a compound annual growth rate in available industry capacity, in terms of available seat kilometers, of 4.7%. Industry load factors, calculated as revenue passenger kilometers divided by available seat kilometers, have averaged 59% over the same period. The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

	1997	1998	1999	2000	2001	2002	2003	2004
	(in millions, except percentages)							
Available Seat Kilometers	31,146	38,121	40,323	41,437	45,008	47,109	41,927	42,991
Available Seat Kilometers Growth	8.7%	22.4%	5.8%	2.8%	8.6%	4.7%	(11.0)%	2.5%
Revenue Passenger Kilometers	17,824	22,539	22,204	24,284	26,296	26,780	25,180	28,186
Revenue Passenger Kilometers Growth	7.5%	26.5%	(1.5)%	9.4%	8.3%	1.8%	(6.0)%	11.9%
Load Factor	57.2%	59.1%	55.1%	58.6%	58.4%	56.8%	60.1%	65.6%

Source: DAC, for 1997 to 2002 from *Anuário Estatístico*; and for 2003 and 2004 from *Dados Comparativos Avançados*.

Historically, domestic airline industry revenue growth has generally surpassed Brazilian gross domestic product growth. From 1997 to 2003, domestic airline industry revenue grew at a real compound annual growth rate of 6.2% (as adjusted by the IPCA inflation index) while Brazilian gross domestic product, or GDP, grew at a real compound annual growth rate of 1.5% over the same period, according to data collected from the DAC and the Central Bank.

Set forth in the table below is the number of passengers traveling by air between Brazil and other specified South American countries during 2003, as well as the GDP and population of each listed country.

Country	Enplanements	Percentage of Total	GDP (in billions)	Population (in millions)
Argentina	1,223,599	51.6%	US\$129.7	37.9
Chile	384,230	16.2%	72.1	16.0
Uruguay	251,359	10.6%	11.2	3.4
Bolivia	149,950	6.3%	8.6	8.8
Paraguay	144,252	6.1%	5.8	6.0
Colombia	87,769	3.7%	77.8	45.3
Peru	82,528	3.5%	60.6	27.5
Venezuela	48,833	2.0%	84.9	26.2
Total	2,372,520	100%	US\$450.7	171.1

Sources: IMF World Economic Outlook April 2004, Population Reference Bureau: 2004 World Population Data Sheet and Emplanements: DAC

Brazilian Economic Environment

The Labor Party government administration has largely continued the macroeconomic policies of the previous administration, focusing on fiscal responsibility. In 2003, investor confidence rebounded as a result and the *real* appreciated by 18.2% against the U.S. dollar to R\$2.889 per US\$1.00 at December 31, 2003. Inflation in 2003, as measured by the IGP-M, decreased to 8.7% . However, Brazil's GDP increased 0.5% to US\$506.8 billion during 2003, despite the very high interest rates that prevailed at the beginning of 2003 to combat inflationary pressures, which also acted to constrain economic growth.

During 2004, Brazil's GDP increased 5.2% to US\$559.6 billion and the country achieved a trade surplus of US\$33.7 billion, its highest trade surplus ever. Inflation in 2004, as measured by the IGP-M, was 12.4%, and 7.6% as measured by the IPCA. The Brazilian Central Bank's year-end inflation target for each of 2005 and 2006 is 4.5%,

based on the IPCA index, within a band of 2.5 and 2.0 percentage points, respectively. Interest rates continued to be high, with the CDI rate averaging 17.8% in 2004. In 2004, the *real* appreciated by 8.1% against the U.S. dollar, reflecting continued investor confidence. On March 21, 2005, the U.S. dollar/*real* exchange rate was R\$2.729 per US\$1.00.

The Registrant was formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. The Registrant's only material assets consist of common and preferred shares of Gol, an offshore finance subsidiary and cash. The Registrant owns all of Gol's common and preferred shares, except for five common shares and three Class B preferred shares of Gol that are held by members of Gol's board of directors for eligibility purposes.

Our principal executive offices are located at Rua Tamoios 246, Jardim Aeroporto, 04630-000 São Paulo, SP, Brazil, and our general telephone number is +55 11 5033-4200. The telephone number of our investor relations department is +55 11 5033-4393. The telephone number of our ticket sales center in Brazil is 0300 789-2121, 81 0266-3131 in Argentina, and +55 11 2125-3200 from other countries outside Brazil. Our website address is www.voegol.com.br and our website is available in Portuguese, Spanish and English. Investor information can be found on our website under the caption "Investor Relations." Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this prospectus.

THE GLOBAL OFFERING

Preferred shares offered in the global offering	20,400,000 non-voting preferred shares, of which 10,200,900 preferred shares are being offered by us and 10,199,100 preferred shares are being offered by BSSF Air Holdings LLC.
The global offering	The global offering consists of the international offering and the Brazilian offering.
International offering	ADSs, representing preferred shares, are being offered through the international underwriters in the United States offered through the international underwriters in the United States and in other countries outside Brazil.
Brazilian offering	Concurrently with the international offering, preferred shares are being offered in a public offering in Brazil.
Over-allotment option	We have granted the underwriters the right for a period of 30 days to purchase up to an additional 3,060,000 preferred shares to cover over-allotments, if any.
The ADSs	Each ADS will represent two preferred shares. The ADSs will be evidenced by American Depositary Receipts, or ADRs. The ADSs will be issued under a deposit agreement among us, The Bank of New York, as depositary, and the registered holders and beneficial owners from time to time of ADSs issued thereunder.
Selling shareholder	BSSF Air Holdings LLC.
Total shares outstanding after the offering	197,744,143 shares, consisting of 109,448,496 common shares and 88,295,647 preferred shares, not including preferred shares reserved for issuance under stock options. We have outstanding options to purchase up to 1,013,266 of our preferred shares.
Depositary	The Bank of New York.
Voting rights	

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

Holders of the ADSs and our preferred shares have no voting rights except in connection with certain matters. See [Description of Capital Stock](#) [Voting Rights](#) and [Description of American Depositary Shares](#) [Voting Rights](#).

Liquidation preference

Upon liquidation, holders of preferred shares are entitled to receive a return of capital prior to any distribution to the holders of our common shares.

Tag-along rights

Unlike holders of preferred shares of companies incorporated

under the laws of the State of Delaware, which typically do not have the benefit of tag-along rights, holders of our preferred shares are entitled to be included in a public tender offer in case our controlling shareholder sells its controlling stake in us, and the minimum price to be offered for each preferred share is 100% of the price paid per share of the controlling stake.

Lock-up agreements

We, our directors and executive officers, Comporte Participações S.A. and Aeropar Participações S.A. have agreed with the international underwriters that, subject to certain exceptions, we and they will not issue or transfer, until 90 days after the date of this prospectus, any ADSs or preferred shares or any options or warrants to purchase ADSs or preferred shares, or any securities convertible into, or exchangeable for, or that represent rights to receive, ADSs or preferred shares. See "Underwriters."

Risk factors

See "Risk Factors" beginning on page 12 and the other information included in this prospectus for a discussion of factors you should consider before deciding to invest in the ADSs or our preferred shares.

Use of proceeds

We intend to use the net proceeds from this offering for the purchase and lease of additional Boeing 737 Next Generation aircraft. We will not receive any proceeds from the sale of preferred shares (including preferred shares in the form of ADSs) by the selling shareholder.

Dividends

Brazilian corporation law requires us to distribute at least 25% of our annual adjusted net income, as calculated under Brazilian GAAP and adjusted under the Brazilian corporation law (which differs significantly from net income as calculated under U.S. GAAP). The holders of ADSs will be entitled to receive dividends to the same extent as the owners of our preferred shares, subject to the deduction of any charges of the depositary with respect to foreign exchange conversion. Unlike preferred shares of companies incorporated under the laws of the State of Delaware, which are typically entitled to a fixed dividend established pursuant to the company's articles of incorporation, our preferred shares are not entitled to fixed dividends but are instead entitled to receive dividends per share in the same amount of the dividends per share paid to holders of our common shares. See "Dividends and Dividend Payments."

Listing

The ADSs trade on the NYSE under the symbol "GOL" and our preferred shares trade on the BOVESPA under the symbol "GOLL4."

Expected offering timetable (subject to change):
Commencement of marketing of the offering

, 2005

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

Announcement of offer price and allocation of ADSs and preferred shares	, 2005
Settlement and delivery of ADSs and preferred shares	, 2005

SUMMARY FINANCIAL AND OPERATING DATA

The following table presents summary historical consolidated financial and operating data for us for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes, and the information under "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The Registrant is a holding company that was incorporated on March 12, 2004, and the shares of Gol, an offshore finance subsidiary, cash and cash equivalents and short-term investments are currently the Registrant's only material assets.

Gol was incorporated in August 2000 but did not begin transporting passengers until January 2001. During the period between August 2000 and December 31, 2000, our activities consisted solely of organizational activities relating to the commencement of our operations, and we did not have any significant income or expenses. The consolidated financial statements and related notes included elsewhere in this prospectus have been prepared in accordance with U.S. GAAP and reflect our financial condition and results of operations as if the Registrant had been incorporated and held all of the capital stock of Gol since January 1, 2001, except for five common shares and three Class B preferred shares of Gol held by members of Gol's board of directors for eligibility purposes. On June 29, 2004, the Registrant completed its initial public offering through the issuance of 18,750,000 preferred shares. See "Description of Capital Stock."

The as adjusted balance sheet data gives effect to the receipt of approximately US\$136.7 million in estimated net proceeds from the issuance and sale by us of 10,200,900 preferred shares, including preferred shares in the form of ADSs, in the global offering.

Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2004 have been translated into U.S. dollars at the commercial market rate as reported by the Central Bank on December 31, 2004 of R\$2.6544 to US\$1.00.

Year Ended December 31,

2001	2002	2003	2004	2004
(in thousands)				
R\$223,384	R\$643,549	R\$1,339,191	R\$1,875,475	US\$706,553
7,089	34,330	61,399	85,411	32,177
230,473	677,879	1,400,590	1,960,886	738,730
33,263	77,855	137,638	183,037	68,956
45,769	160,537	308,244	459,192	172,993
58,816	130,755	188,841	195,504	73,653
7,556	23,186	25,850	25,575	9,635
35,299	96,626	191,280	261,756	98,612
14,602	32,758	47,924	57,393	21,622
18,563	47,381	58,710	74,825	28,189
4,773	16,160	42,039	51,796	19,513
2,383	7,885	13,844	21,242	8,003
7,741	22,654	44,494	54,265	20,443
228,765	615,797	1,058,864	1,384,585	521,619
1,708	62,082	341,726	576,301	217,111

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

(3,350)	(16,530)	(20,910)	(13,445)	(5,065)	
(1,997)	7,447	(56,681)	24,424	9,201	
(3,639)	52,999	264,135	587,280	221,247	
□	(1,396)	(60,747)	(165,710)	(62,428)	
□	(16,246)	(27,929			1,263

Executive Vice President ⁽⁴⁾	2003		150,000	33,801
	2002		152,475	
W. Gordon Lancaster Chief Financial Officer ⁽⁵⁾	2004		200,000	60,000

-
- (1) Mr. Daniel was appointed President and Chief Executive Officer in June 1999, and has been a director of the Company since August 1998.
 - (2) Mr. Martin has been Chairman and one of the Company's directors since August 1998.
 - (3) Mr. Chua was appointed an Executive Vice President in June 1999.
 - (4) Mr. Moench was appointed an Executive Vice President in June 1999.
 - (5) Mr. Lancaster was appointed Chief Financial Officer effective January 2004.
 - (6) Bonuses earned in 2003 and 2004 are payable in cash and common shares of the Company from the Share Bonus Plan at fair market value on the date of approval by the Compensation Committee.
 - (7) This amount includes the Company's matching contribution to the 401(k) plan, a U.S. defined contribution retirement plan available to U.S. employees, and the life insurance premiums for the Named Executive Officers.

Long Term Incentive Plan

The Company does not presently have a long-term incentive plan for any of its executive officers, including its Named Executive Officers.

Options and Stock Appreciation Rights (SARs)

During the financial year ended December 31, 2004, Mr. Lancaster received an incentive stock option to acquire 250,000 common shares of the Company, which vest over 4 years and expire on the 5th anniversary of the date of grant. Although this option was granted during the fourth quarter of 2003 in anticipation of Mr. Lancaster's appointment as Chief Financial Officer, it did not become exercisable by Mr. Lancaster until January 1, 2004, the date upon which his appointment as Chief Financial Officer took effect. No other stock options or SARs were granted to the Company's Named Executive Officers in the financial year ended December 31, 2004.

NEO Name (a)	Securities, Under Options/SARs Granted (#) (b)	Percent of Total Options/ SARs Granted to Employees in Financial Year (c)	Exercise or Base Price (\$/Security) (d)	Market Value of	Expiration Date (f)
				Securities Underlying Options/ SARs on the Date of Grant (\$/Security) (e)	
W. Gordon Lancaster, CFO	250,000	35.29%	Cdn.\$5.68	Cdn.\$1,420,000	December 31, 2009

Aggregated Option Exercises

During the financial year ended December 31, 2004, Mr. Chua exercised 500,000 options at Cdn.\$2.50 per common share of the Company and Mr. Gerry Moench exercised options for 45,000 common shares of the Company at Cdn.\$2.50 per common share. No other Named Executive Officers exercised options in 2004.

Name	Shares Acquired on Exercise (#)	Aggregate Value Realized (\$U.S.)	Number of Securities	
			Underlying Unexercised Options at December 31, 2004 (#)	Value of Unexercised In-the-Money Options at December 31, 2004 (\$U.S.)
E. Leon Daniel			666,667/0	351,782/0
Dave Martin			3,400,000/0	7,176,334/0
Patrick Chua	500,000	417,355	36,000/24,000	
Gerald Moench	45,000	10,650	30,000/20,000	
W. Gordon Lancaster			100,000/150,000	

Option and SAR Repricings

No options or stock appreciation rights were re-priced during the year ended December 31, 2004.

Defined Benefit or Actuarial Plan Disclosure

The Company does not presently provide a pension plan for its employees. However, in 2001 the Company adopted a defined contribution retirement or thrift plan (401(k) Plan) to assist U.S. employees in providing for retirement or other future financial needs. Employees' contributions (up to the maximum allowed by U.S. tax laws) are matched by the Company 50% starting in 2001 and increasing 10% per year thereafter to a maximum of 100%. The Company's matching contributions to the 401(k) Plan were U.S.\$0.2 million per year for 2004 and 2003 and U.S.\$0.1 million for 2002.

Employment Contracts

The Company has written contracts of employment with Messrs. E. Leon Daniel and W. Gordon Lancaster. Otherwise, the Company has no written employment contracts or termination of employment or change of control arrangements with any of its directors or Named Executive Officers. Each of the written employment contracts the Company has with the Named Executive Officers allows the Company to terminate the Named Executive Officer for cause in which case the Named Executive Officer would have no entitlement to any compensation with respect to the termination. None of the contracts provides for a change of control arrangement.

Mr. Daniel's contract provides for an annual salary of not less than U.S.\$300,000 over the term of employment of five years, commencing on April 30, 2002, unless terminated earlier in accordance with the provisions of the contract. Either party may terminate the contract upon one year's notice provided however that the Company may terminate Mr. Daniel's employment at any time without notice by paying him an amount equal to the lesser of one year's salary or the prorated amount of his annual salary that he would have earned between the date of termination and the expiration of the contract term. Mr. Daniel is eligible to receive a cash bonus and a stock bonus each year, as determined by the Compensation Committee. Mr. Daniel is entitled to participate in the Company's employee benefit programs on the same basis as all of the Company's other employees.

As of January 1, 2004, the Company entered into an employment contract with Mr. Lancaster having no fixed term of employment and providing for an initial annual salary of U.S.\$200,000, subject to review annually by the Compensation Committee, and the same benefit entitlements available to the Company's other executive officers. Under the terms of the contract, Mr. Lancaster was granted an initial incentive stock option to acquire 250,000 common shares of the Company, which vest over 4 years and expire on the 5th anniversary of the date of grant. The Company may terminate Mr. Lancaster's employment for any reason by delivering to him six months' written notice.

Composition of Compensation Committee

The Company's Compensation Committee consists of Howard Balloch, R. Edward Flood and J. Steven Rhodes. None of Messrs. Balloch, Flood or Rhodes is, or at any time has been, an officer or employee of the Company or any of its subsidiaries. Since the beginning of the most recently completed financial year, which ended on December 31, 2004, none of Messrs. Balloch, Flood or Rhodes was indebted to the Company or any of its subsidiaries or had any material interest in any transaction or proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. None of the Company's executive officers serve as a member of the compensation committee or board of directors of any entity that has an executive officer serving as a member of the Compensation Committee or board of directors of the Company.

Report on Executive Compensation

The Company's executive compensation program is administered by the Compensation Committee. The members of the Compensation Committee are all outside, unrelated directors. Following review and approval by the Committee, decisions relating to executive compensation are reported to, and approved by, the full board of directors. The Committee has directed the preparation of this report and has approved its contents and its submission to shareholders.

The Company's approach to its executive compensation program is motivated by a desire to align the interests of its executive officers as closely as possible with the interests of the Company and its shareholders as a whole. In determining the nature and quantum of compensation for its executive officers the Company is seeking to achieve the following objectives: to provide a strong incentive to management to contribute to the achievement of its short-term and long-term corporate goals; to ensure that the interests of its executive officers and the interests of its shareholders are aligned; to enable the Company to attract, retain and motivate executive officers of the highest caliber in the light of the strong competition in its industry for qualified personnel; and to recognize that the successful implementation of the Company's corporate strategy cannot necessarily be measured, at this stage of the Company's development, with reference to quantitative measurement criteria of corporate or individual performance. The Company takes all of these factors into account in formulating its recommendations to the board of directors respecting the compensation to be paid to each of its executive officers.

The compensation that the Company pays to its executive officers generally consists of cash, equity and equity incentives. The Company's compensation policy reflects a belief that an element of total compensation for its executive officers should be at risk in the form of common shares or incentive stock options, so as to create a strong

incentive to build shareholder value. The Compensation Committee oversees and sets the general guidelines and principles for the compensation packages for senior management. As well, the Compensation Committee assesses the individual performance of the Company's executive officers and makes recommendations to the board of directors. Based on these

recommendations, the board of directors makes decisions concerning the nature and scope of the compensation to be paid to the Company's executive officers. The Compensation Committee is also responsible for considering grants of equity and equity incentives to non-executive management personnel under the Plan.

The base salaries of the Company's executive officers are determined using a subjective assessment of each individual's performance, experience and other factors the Company believes to be relevant, including prevailing industry demand for personnel having comparable skills and performing similar duties, the compensation the individual could reasonably expect to receive from a competitor and the Company's ability to pay. The Company also considers recommendations from outside compensation consultants and uses compensation data obtained from publicly available sources. The Company believes that the salaries it currently pays to its executive officers reasonably approximates the median level of most of the comparative compensation data to which the Company had access. All of the Company's executive officers are eligible to receive discretionary bonuses, based upon the Company's subjective assessment of its overall performance in relation to its ongoing implementation of corporate strategy and achievement of corporate objectives and of each executive officer's contribution to such performance and achievement. Incentive bonuses awarded for the 2004 fiscal year consisted of 50% cash and 50% common shares issued at fair market value under the Share Bonus Plan.

The specific relationship of corporate performance to executive compensation under the Company's executive compensation program is created through equity compensation mechanisms. Incentive stock options, which vest and become exercisable through the passage of time, link the bulk of the Company's equity-based executive compensation to shareholder return, measured by increases in the market price of its common shares. The Company also makes, as and when it considers it warranted, recommendations to the board of directors respecting discretionary bonus awards of the Company's common shares to employees, including its executive officers. Such awards are intended to recognize extraordinary contributions to the achievement of corporate objectives.

Eligibility for participation from time to time in the various equity incentive mechanisms available under the Plan is determined after the Company has thoroughly reviewed and taken into consideration the individual performance and contribution to overall corporate performance by each prospective participant. All outstanding stock options that have been granted under the Plan were granted at prices not less than 100% of the fair market value of the common shares of the Company on the dates such options were granted.

Although the Company has, in the past, relied heavily upon incentive stock options to compensate its executive officers, the Company does not have a policy of granting additional incentive stock options to its executive officers on an annual basis. The Company continues to believe, however, that stock-based incentives encourage and reward effective management that results in long-term corporate financial success, as measured by stock appreciation. Stock-based incentives awarded to its executive officers are based on the Compensation Committee's subjective evaluation of each executive officer's ability to influence the Company's long-term growth and to reward outstanding individual performance and contributions to the Company's business. Other factors influencing the Company's recommendations respecting the nature and scope of the equity compensation and equity incentives to be awarded to its executive officers in a given year include: awards made in previous years and, particularly in the case of equity incentives, the number of incentive stock options that remain outstanding and exercisable from grants in previous years and the exercise price and the remaining exercise term of those outstanding stock options.

With effect as of January 1, 2004, the Company granted to Gordon Lancaster, the Company's Chief Financial Officer, incentive stock options exercisable to purchase up to 250,000 common shares of the Company at a price of Cdn.\$5.68 per share. Otherwise, the Company did not grant any incentive stock options to its executive officers during 2004.

The compensation paid to the Company's Chief Executive Officer for the fiscal year ended December 31, 2004 was based on the same basic factors and criteria used to determine executive compensation generally. The Company

believes that there is necessarily some subjectivity involved in determining the compensation of its Chief Executive Officer and the Company does not use quantitative performance

criteria when setting his compensation. In determining an appropriate level of compensation for its Chief Executive Officer, the Company subjectively and qualitatively analyzes the Company's overall performance in relation to its ongoing implementation of corporate strategy and achievement of corporate objectives and of its Chief Executive Officer's contribution to such performance and achievement. Specific factors considered in setting bonus levels include shareholder returns, the Company's operational and financial results and the success of its acquisition, exploration and development programs and strategies. The Company also considers its Chief Executive Officer's level and scope of responsibility, experience and the compensation practices of other industry participants for executives of similar responsibility.

The Company's Chief Executive Officer's minimum salary is set by his employment contract, the material terms of which are described under Employment Contracts, Termination of Employment and Change-in-Control Arrangements. This contract also provides that the Company's Chief Executive Officer is eligible to receive, on an annual basis, a cash bonus and a non-cash bonus in an amount determined by the Compensation Committee based on such criteria as the Committee may determine from time to time. The Company awarded a bonus of \$90,000 to its Chief Executive Officer in respect of the 2004 fiscal year. This bonus consisted of 50% cash and 50% common shares issued at fair market value under the Share Bonus Plan. In determining the quantum of its Chief Executive Officer's bonus, the principal factors the Company took into account were his efforts in generating new project opportunities in Iraq and Columbia and in negotiating the terms of the Company's acquisition of Ensyn.

Submitted on behalf of the Compensation Committee:

Mr. Howard R. Balloch
Mr. R. Edward Flood
Mr. J. Steven Rhodes

Performance Graph

The following graph and table compares the cumulative shareholder return on a Cdn.\$100 investment in common shares of the Company to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 1999 to December 31, 2004.

	As at December 31, (in Canadian Dollars)					
	1999	2000	2001	2002	2003	2004
Ivanhoe Energy Inc.	\$ 100	\$ 276	\$ 83	\$ 27	\$ 180	\$ 113
S&P/TSX Composite Index	\$ 100	\$ 107	\$ 94	\$ 82	\$ 104	\$ 119

Director Compensation

All independent directors receive director fees of U.S.\$2,000 per month. The Company did not pay any other cash or fixed compensation to its directors for acting as such. The Company reimburses its directors for expenses they reasonably incur in the performance of their duties as directors and they are also eligible to participate in the Plan. One of the Company's former non-executive directors, John A. Carver, was engaged as a full time employee effective January 1, 2002 and receives a salary in his capacity as an employee. Mr. Carver retired from the board of directors on April 15, 2005.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than routine indebtedness, at no time during the Company's most recently completed financial year was any director, executive officer or senior officer of the Company, any proposed management nominee for election as a director of the Company or any associate or affiliate of any such director, executive or senior officer or proposed nominee indebted to the Company or any of its subsidiaries or to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Company is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any informed person of the Company, any proposed director of the Company or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries other than the following:

1. The Company's indirect wholly-owned subsidiary Ensyn Petroleum International Ltd. (EPIL) is a party to an Amended and Restated Management, Administration and Services Agreement dated as of October 1, 2003 and amended and restated as of April 27, 2005 with effect as of April 15, 2005 (the Amended Services Agreement) with Ensyn Renewables, Inc. (ERI) and Ensyn Technologies Inc. (ETI) (collectively, the Service Providers). Both of the Service Providers are wholly-owned subsidiaries of Ensyn Corporation. Dr. Robert Graham and Mr. Robert Pirraglia, who are both directors of the Company, are both executive officers of Ensyn Corporation. Dr. Graham is also an executive officer of each of the Service Providers. Dr. Graham holds more than 20% and Mr. Pirraglia holds less than 1% of the outstanding shares of Ensyn Corporation.

The Amended Services Agreement provides that EPIL and its affiliates will be provided with certain management services by ERI and certain administration and operational services by ETI. In particular, ERI has agreed to provide EPIL and its affiliates with general management advice, including supervision of its day-to-day operations to the extent reasonably requested by EPIL's senior management. The ERI services will include a portion of the services of Dr. Graham and,

in connection with such services, EPIL will pay all of ERI's costs with respect to its employment of Dr. Graham during the term of the Amended Services Agreement. These costs are expected to be approximately U.S.\$20,000 per month. ERI will provide such services until September 30, 2005, unless the parties agree to extend such date or the agreement is earlier terminated in accordance with its terms.

ETI has agreed to provide EPIL and its affiliates with general administrative services, accounting, finance and treasury support functions, tax coordination and external financial audit support, and computer and communication equipment infrastructure support on a day-to-day basis, for which EPIL has agreed to pay ETI a fee of U.S.\$8000 per month until September, 2005. ETI has also agreed to provide research and development and lab support, engineering and operations-related services on an as-needed basis. For these services, EPIL will pay ETI on an hourly rate calculated to reflect overhead and other costs of ETI employees based on 2.5 times the direct payroll charges on an hourly basis for employees providing services, with such charges for each employee providing services computed by dividing the weekly payroll for such employee by 40 hours. EPIL may also engage ETI from time to time to perform petroleum testing services for fees equal to ETI's costs plus 15%. ETI will provide such services until September 30, 2007, unless the parties agree to extend such date or the agreement is earlier terminated in accordance with its terms.

- The Company is party to cost sharing agreements with other companies wholly or partially owned by Mr. Robert Friedland. Through these agreements, the parties share office space, furnishings, equipment and communications facilities in Vancouver, Singapore and Beijing. The Company also shares the costs of employing administrative and non-executive management personnel at these offices. During the year ended December 31, 2004, the Company's share of costs for the Vancouver and Singapore offices was \$0.9 million and the Company was reimbursed \$0.3 million by Mr. Friedland's companies for their share of the Beijing office costs. The companies with which the Company is a party to the cost sharing agreements, and Mr. Friedland's ownership interest in them, are as follows:

Company Name	R.M. Friedland Ownership Interest
Ivanhoe Mines Ltd.	34.43%
Ivanhoe Capital Corporation	100.00%
Ivanhoe Nickel & Platinum Ltd	50.06%
Jinshan Gold Mines Inc.	(1)
Asia Gold Corp.	(1)

- Ivanhoe Mines Ltd. owns 38.51% of the common shares of Jinshan Gold Mines Inc. and 51.08% of the common shares of Asia Gold Corp.

- During the year ended December 31, 2004, a company controlled by Mr. Shun-ichi Shimizu received U.S.\$0.7 million for consulting services and out of pocket expenses.

APPOINTMENT OF AUDITORS

Deloitte & Touche LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as the Company's auditors at a remuneration to be fixed by the directors. Deloitte & Touche LLP have been the Company's auditors since April 8, 1997.

MANAGEMENT CONTRACTS

Management functions of the Company and its subsidiaries are not performed by a person or persons other than the directors or senior officers of the Company.

CORPORATE GOVERNANCE

The rules and policies of the TSX require corporations listed on the TSX to disclose their corporate governance practices with reference to a series of guidelines adopted by the TSX for effective corporate governance (the Existing TSX Guidelines).

Recent Developments

Following the enactment in the United States of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the TSX initiated a review of its proposed standards in light of new U.S. legislation and published for public comment proposed amendments to the Existing TSX Guidelines. However, in September 2003 the TSX announced that it would be relinquishing responsibility for setting corporate governance standards to Canadian securities regulators.

In January 2004, the Canadian Securities Administrators (the CSA) announced new rules governing (among other things) the independence, competence and responsibility of audit committees, which rules are substantially similar to those adopted in the United States. These rules are set out in Multilateral Instrument 52-110 (the CSA Audit Committee Rules) and came into force on March 30, 2004. In April 2005, the CSA announced amendments to the CSA Audit Committee Rules designed to ensure the consistency of the definition of independence with that of the New York Stock Exchange s listing standards. These amendments take effect as of June 30, 2005.

The CSA Audit Committee Rules (with which the Company is already in compliance) require:

a minimum three-member audit committee comprised solely of independent directors; and

an audit committee charter that specifies certain specific audit committee responsibilities and authority, including, among other things, the responsibility for pre-approving all audit services and permissible non-audit services and the sole authority to appoint, determine funding for and oversee the outside auditors.

The CSA also announced, in April 2005, the adoption of Multilateral Instrument 58-101 and Multilateral Policy 58-201 (collectively, the CSA Corporate Governance Disclosure Requirements), which take effect as of June 30, 2005. The CSA Corporate Governance Disclosure Requirements will replace the Existing TSX Guidelines and will apply to the Company s disclosure of its corporate governance practices for the year ending December 31, 2005. The CSA Corporate Governance Disclosure Requirements will require the Company to make certain prescribed disclosures respecting its particular corporate governance practices and will recommend a series of non-prescriptive corporate governance guidelines (the CSA Corporate Governance Guidelines) that Canadian public companies will be encouraged to consider in developing their own corporate governance practices.

During 2003 and 2004, the board of directors implemented several changes to its corporate governance procedures to comply with Existing TSX Guidelines, the proposed amendments to those guidelines published by the TSX in 2002, and U.S. corporate governance standards. As part of those changes the board of directors:

- i. approved and adopted a new mandate for the board;
- ii. appointed a Nominating and Corporate Governance Committee consisting exclusively of outside and unrelated directors (as such terms are defined in the Existing TSX Guidelines);
- iii. changed the composition of all committees of the board of directors to consist solely of outside unrelated directors;
- iv.

adopted charters for each of the Company's board committees, being the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, formalizing the mandates of those committees;

- v. formalized a management Disclosure Committee for the Company, with the mandate to oversee the Company's disclosure practices; and
- vi. adopted a formal Code of Business Conduct and Ethics for the Company that governs the behaviour of directors, officers and employees.

The Company is engaged in an ongoing review of its corporate governance practices with reference to the CSA Corporate Governance Guidelines. The board of directors intends to consider additional changes to its corporate governance practices during the remainder of 2005 with a view to furthering its adherence to the CSA Corporate Governance Guidelines.

The Company's common shares are also quoted on the Nasdaq Small Cap Market. As part of the sweeping changes to U.S. securities laws and regulations relating to corporate governance over the last three years brought on by the enactment of the Sarbanes-Oxley Act of 2002, the SEC has enacted a number of new regulations relating to corporate governance standards for U.S.-listed companies and Nasdaq has implemented numerous changes to its market place rules respecting the corporate governance standards for Nasdaq-listed companies (the Nasdaq Corporate Governance Rules).

The CSA Audit Committee Rules, the CSA Corporate Governance Guidelines and the Nasdaq Corporate Governance Rules address, among other things, the composition and independence of boards of directors and board committees. The CSA Corporate Governance Guidelines are recommendations only and reflect a "best practices" standard to which Canadian public companies are encouraged to adhere. For example, the CSA Corporate Governance Guidelines recommend that a board should be comprised of a majority of independent directors. On the other hand, the Nasdaq Corporate Governance Rules are prescriptive and require that the board of a Nasdaq-listed company be comprised of a majority of independent directors.

Each of the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules and the CSA Corporate Governance Guidelines define "independence" in a slightly different way. However all of these definitions are more onerous than the corresponding "unrelated director" standards under the Existing TSX Guidelines. Although a finding of independence remains a matter of judgment and perception based on a particular director's circumstances, the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules and the CSA Corporate Governance Guidelines prescribe certain *per se* bars to a finding of independence. In addition, there is a heightened independence requirement for members of audit committees under the Sarbanes-Oxley Act, the Nasdaq Corporate Governance Rules and the CSA Audit Committee Rules. Unlike the CSA Corporate Governance Guidelines, compliance with the requirements of the CSA Audit Committee Rules relating to the composition of audit committees and the heightened standard of independence for audit committee members is mandatory.

Subject to certain exceptions, including the requirement pertaining to the composition and independence of audit committees, foreign private issuers, like the Company, are exempt from any requirement of the Nasdaq Corporate Governance Rules which is contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. The Company believes that it is in full compliance with all of the applicable requirements of the CSA Audit Committee Rules and all requirements of the Sarbanes-Oxley Act and the Nasdaq Corporate Governance Rules applicable to foreign private issuers for which no exemption is available. The Company also believes that most, but not all, of its corporate governance practices are consistent with the Existing TSX Guidelines and that most, but not all, will be consistent with the CSA Corporate Governance Guidelines. The Company intends to continue its efforts to improve its corporate governance practices in order to make them wholly consistent with the CSA Corporate Governance Guidelines.

Board Composition

The Existing TSX Guidelines recommend that a majority of the directors of a corporation be unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to,

materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.

A total of nine persons have been nominated for election as directors at the Meeting. Applying the definitions in the Existing TSX Guidelines, the board has determined that, if all such nominees are elected, the board will consist of four unrelated directors in Edward Flood, Howard Balloch, J. Steven Rhodes and Robert Pirraglia and five related directors in David Martin, Leon Daniel, Robert Friedland, Robert Graham and Shun-ichi Shimizu. Although the Company believes that Dr. Graham is independent of management and qualifies as an unrelated director for the purposes of the Existing TSX Guidelines, his status as an executive officer of another company that is expected to furnish consulting and other services to one of the Company's subsidiaries acquired in its recently-completed merger with Ensyn Group, Inc. will likely disqualify him in the future as an independent director under the applicable *per se* standards the CSA Corporate Governance Guidelines and the Nasdaq Corporate Governance Rules. Accordingly, the Company believes that it would be inappropriate to characterize Dr. Graham as an unrelated director.

The Existing TSX Guidelines provide that if an issuer has a significant shareholder, which the Existing TSX Guidelines define as a shareholder with the ability to exercise a majority of the votes for the election of the board of directors, 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 Company or the significant shareholder and which fairly reflects the investment in the Company by shareholders other than the significant shareholder. The Company does not have a significant shareholder, as defined in the Existing TSX Guidelines.

The Nominating and Corporate Governance Committee is continuing to examine the size and composition of the board with a view to recommending adjustments to achieve a greater representation of unrelated directors and has determined to continue to seek, through its Nominating and Corporate Governance Committee, additional qualified candidates to augment its experience and expertise and to enhance the Company's ability to effectively develop its business interests. There are currently nine directors on the board, which is the maximum number permitted under the Company's articles of incorporation. At the Meeting, shareholders will be asked to approve an amendment to the Company's articles increasing the maximum number of directors to eleven. This will facilitate adding additional qualified candidates to the Company's board as the opportunity to do so arises.

Mandate of the Board

Under the YBCA, the directors of the Company are required to manage the Company's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The board of directors is responsible for supervising the conduct of the Company's affairs and the management of its business. The board's mandate includes setting long term goals and objectives for the Company, to formulate the plans and strategies necessary to achieve those objectives and to supervise senior management in their implementation. Although the board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The board's mandate requires that the board be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, in accordance with the Company's principles, and that the arrangements made for the management of the Company's business and affairs are consistent with their duty described above. The board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligation of the board must be performed continuously, and not

merely from time to time, and in times of crisis or emergency the board may have to assume a more direct role in managing the affairs of the Company.

In discharging this responsibility, the board's mandate provides that the board oversees and monitors significant corporate plans and strategic initiatives. The board's strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one board meeting per year is to be devoted to a comprehensive review of strategic corporate plans proposed by management.

As part of its ongoing review of business operations, at each board meeting the board reviews the principal risks inherent in the Company's business, including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the board, the board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without board approval, on all ordinary course matters relating to the Company's business.

The mandate provides that the board also expects management to provide the directors on a timely basis with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the board to discharge its stewardship obligations effectively. The board expects management to efficiently implement its strategic plans for the Company, to keep the board fully apprised of its progress in doing so and to be fully accountable to the board in respect to all matters for which it has been assigned responsibility.

The board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the board of any major concerns expressed by shareholders.

Each committee of the board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outsider advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

Meetings of the Board

The board of directors has mandated regular annual and quarterly meetings. In addition, the board meets on an ad hoc basis as required, generally by means of telephone conferencing facilities. Management also communicates informally with members of the board on a regular basis, and solicits the advice of the board members on matters falling within their special knowledge or experience.

Board Committees

The Company has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Audit Committee

The mandate of the Audit Committee is to oversee the Company's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Company's financial statements, monitoring the independence and performance of the Company's external auditors and acting as a liaison between the board and the Company's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial

statements, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders, reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Company's auditors. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate.

The Audit Committee currently consists of Messrs. Flood, Balloch and Pirraglia. The Existing TSX Guidelines provide for audit committees to consist solely of outside directors. Messrs. Flood, Balloch and Pirraglia are all outside directors and are also independent directors for the purposes of the CSA Audit Committee Rules and the Nasdaq Corporate Governance Rules, having regard to the heightened independence requirements applicable to audit committees.

Compensation Committee

The role of the Compensation Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time and to determine the remuneration of executive officers and to determine any bonuses to be awarded.

The members of the Compensation Committee are Messrs. Balloch, Flood and Rhodes. Each member of the committee is an outside unrelated director. Each of them also qualifies as an independent director for the purposes of the CSA Corporate Governance Guidelines and the Nasdaq Corporate Governance Rules.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for making recommendations to the board of directors with respect to developments in the area of corporate governance and the practices of the board. The Nominating and Corporate Governance Committee has expressly assumed responsibility for developing the Company's approach to governance issues. The Committee is also responsible for reporting to the board with respect to appropriate candidates for nominations to the board, for overseeing the execution of an assessment process appropriate for the board and its committees for evaluating the performance and effectiveness of the board.

The Nominating and Corporate Governance Committee of the board currently consists of Messrs. Flood, Balloch and Rhodes. Each member of the committee is an outside unrelated director. Each of them also qualifies as an independent director for the purposes of the CSA Corporate Governance Guidelines and the Nasdaq Corporate Governance Rules.

Alignment with the Existing TSX Guidelines

The Company's statement of corporate governance practices with reference to the Existing TSX Guidelines is set out in Schedule A to this Management Proxy Circular.

OTHER BUSINESS

Management of the Company is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the board of directors of the Company.

ADDITIONAL INFORMATION

Copies of the Company's annual reports on Form 10-K, the Company's quarterly reports on Form 10-Q, the Company's current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on or through the Company's website at www.ivanhoe-energy.com or through the SEC's website at www.sec.gov. Additional information relating to the Company is available free of charge on or through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. This includes

the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year which may be viewed on the SEC's website or on the SEDAR website. Finally, securityholders may contact the Company directly to receive copies of information relating to it, including its financial statements and management's discussion and analysis, without charge, upon written or oral request to Beverly A. Bartlett, Corporate Secretary, Suite 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1, or by telephone at (604) 688-8323.

DATED at Vancouver, British Columbia as of the 13th day of May, 2005.

BY ORDER OF THE BOARD

BEVERLY A. BARTLETT
CORPORATE SECRETARY

SCHEDULE A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

TSX Corporate Governance Guideline	Does the Company Align?	Comments
1. <i>Mandate of the board</i>		
The board of directors of every corporation should explicitly assume responsibility for stewardship of the corporation.	Yes	The board of directors has assumed responsibility for the stewardship of the Company and has adopted a formal mandate (as described in this Management Proxy Circular under the heading "Corporate Governance - Mandate of the Board") setting out its stewardship responsibilities.
As part of the overall stewardship responsibility, the board should assume responsibility for the following matters:		
(a) adoption of a strategic planning process;	Yes	<p>The board has adopted a strategic planning process which involves, among other things, the following:</p> <ul style="list-style-type: none"> (i) at least one meeting per year will be devoted substantially to review of strategic plans that are proposed by management; (ii) meetings of the board, at least quarterly, to discuss strategic planning issues; (iii) the board reviews and assists management in forming short and long term objectives of the Company on an ongoing basis; (iv) the board also maintains oversight of management's strategic 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.

(b) the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;	Yes	In order to ensure that the principal business risks borne by the Company are identified and appropriately managed, the board receives periodic reports from management of the Company's assessment and management of such risks. In conjunction with its review of operations which takes place at each board meeting, the board
-----------------------------------------------------------------------------------------------------------------------------------------------------------	-----	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

TSX Corporate Governance Guideline	Does the Company Align?	Comments
(c) succession planning, including appointing, training and monitoring senior management;	Yes	<p>considers risk issues and approves corporate policies addressing the management of the risk of the Company's business.</p> <p>The board takes ultimate responsibility for the appointment and monitoring of the Company's senior management. The board approves the appointment of senior management and reviews their performance on an ongoing basis.</p>
(d) a communication policy for the corporation;	Yes	<p>The Company has a disclosure policy addressing, among other things, how the Company interacts with analysts and the public. The disclosure policy contains measures for the Company to avoid selective disclosure. The Company has a Disclosure Committee responsible for overseeing the Company's disclosure practices. This committee consists of the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Controller, the Corporate Secretary and senior Corporate Communications and Investor Relations Department personnel, and receives advice from the Company's 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 Company's material disclosure documents, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and management proxy circular. The Company's annual and quarterly financial reports are reviewed by the Audit Committee and recommended to the board prior to its release.</p>
(e)	Yes	

the integrity of the
corporation's internal control
and management information
systems.

The Audit Committee has the responsibility
to monitor and assess the integrity of the
Company's internal controls and
management information systems, review
them with management and the Company's
external auditors, and report to the board
with respect thereto.

TSX Corporate Governance Guideline	Does the Company Align?	Comments
2. <i>Composition of the board</i>		
The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors.	No	<p>At the date of this Management Proxy Circular, four of the nine members of the board of directors are unrelated, as that term is defined in the Existing TSX Guidelines. The board is not, therefore, presently constituted with a majority of individuals who qualify as unrelated directors.</p> <p>Under the Existing TSX Guidelines, an unrelated director is 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 director's ability to act with a view to the best interest of the company, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director or is a member of management.</p> <p>The board seeks to achieve a greater representation of unrelated directors and has determined to continue to seek, through its Nominating and Corporate Governance Committee, additional qualified candidates to augment its experience and expertise and to enhance the Company's ability to effectively develop its business interests. In so doing, the Nominating and Corporate Governance Committee will seek candidates that meet all Canadian, U.S. and other standards of independence applicable to the Company.</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	Not Applicable	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 Company does not have a significant shareholder as so defined.

corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder.

Disclose for each director whether he or she is related, and how that conclusion was reached.

Messrs. Martin, Daniel, Friedland, Shimizu and Dr. Graham are considered to be related directors under the Existing TSX Guidelines. Messrs. Martin and Daniel are related

TSX Corporate Governance Guideline	Does the Company Align?	Comments
		<p>directors in their capacity as members of the Company's senior management.</p> <p>Mr. Friedland, although not a member of the Company's management team, works closely with management personnel on matters relating to the implementation of the Company's corporate strategy, financing, evaluation of corporate opportunities and investor relations. Mr. Friedland does not participate in the day to day management of the Company's affairs but is consulted regularly by the Company's management personnel in respect of key management decisions. Insofar as Mr. Friedland is not a member of the Company's senior management, but is regularly consulted by management personnel as described above, the Company considers Mr. Friedland to be a related director.</p> <p>Mr. Shimizu, although not currently an active member of the Company's senior management team, is the managing director of a consulting company that provides ongoing consulting services to the Company for which the consulting company receives a monthly retainer from the Company. Mr. Shimizu is also expected to take an active role as managing director of the Company's Japanese subsidiary, as part of the development and implementation of the Company's future strategy. As such, the Company considers Mr. Shimizu to be a related director.</p> <p>Although the Company believes that Dr. Graham is independent of management and qualifies as an unrelated director for the purposes of the Existing TSX Guidelines, his status as an executive officer of another company that is expected to furnish consulting and other services to one of the Company's subsidiaries acquired in its recently-completed merger with Ensyn Group, Inc. will likely disqualify him in the</p>

future as an independent director under the applicable *per se* standards the CSA Corporate Governance Guidelines and the Nasdaq Corporate Governance Rules. Accordingly, the Company believes that it would be inappropriate to characterize Dr. Graham as an unrelated director. Messrs. Flood, Balloch, Rhodes and Pirraglia are considered to be unrelated directors under the Existing TSX Guidelines. In determining that Mr. Flood is an unrelated director, the board has considered his

TSX Corporate Governance Guideline	Does the Company Align?	Comments
		<p>position as a director, senior officer and member of management of Ivanhoe Mines Ltd. and other companies in which Mr. Robert Friedland, a related director and major shareholder of the Company, also acts as a director, officer and major shareholder. The board noted that Mr. Friedland does not participate in the day to day management of the Company's affairs (although he is consulted regularly by management personnel in respect of key management decisions). The board also noted, however, that Mr. Flood has no business, family or other relationship with senior management of the Company. Having regard to all of the circumstances, the board has determined that Mr. Flood is independent from management of the Company and that his business relationship with Mr. Friedland is not of such a nature as to materially interfere with his ability to act with a view to the best interests of the Company.</p> <p>In determining that Mr. Rhodes is an unrelated director, the board has considered his former position as a managing director of Institutional Investors Consulting Company, a Texas corporation, which has, in the past, provided consulting services to the Company. The board has noted that the only consulting services fee payment made by the Company to Institutional Investors Consulting Company for consulting services rendered was made on or about March 12, 2003 and, as of January 6, 2004, Mr. Rhodes resigned as managing director of Institutional Investors Consulting Company. The board also noted that Mr. Rhodes has no other business, family or other relationship with senior management of the Company. Having regard to all of the circumstances, the board has determined that Mr. Rhodes is independent from management of the Company and that his past business</p>

relationship with the Company is not of such a nature as to materially interfere with his ability to act with a view to the best interests of the Company.

In determining that Mr. Balloch is an unrelated director, the board considered the fact that he formerly had a limited consulting arrangement with Ivanhoe Mines Ltd., a company in which Mr. Robert Friedland, a related director and major shareholder of the Company, also acts as a director, officer and major shareholder, pursuant to which Mr.

TSX Corporate Governance Guideline	Does the Company Align?	Comments
4. <i>Nominating/Corporate Governance Committee</i>	Yes	<p>Balloch provided advice from time to time on Asian business and regulatory matters. The board considered the limited nature of this former relationship and also noted that Mr. Balloch has no business, family or other relationship with senior management of the Company. Having regard to all of the circumstances, the board has determined that Mr. Balloch is independent from management of the Company and that his former business relationship with Ivanhoe Mines Ltd. is not of such a nature as to materially interfere with his ability to act with a view to the best interests of the Company. In determining that Mr. Pirraglia is an unrelated director, the board considered the fact that prior to the completion of the Company's merger with Ensyn Group, Inc., Mr. Pirraglia was an executive officer and director of Ensyn Group, Inc. and remains an executive officer and director of Ensyn Corporation, a company spun out to the former shareholders of Ensyn Group, Inc. prior to the completion of the merger. The board noted that Mr. Pirraglia has no business, family or other relationship with senior management of the Company. Having regard to all of the circumstances, the board has determined that Mr. Pirraglia is independent from management of the Company and that his former relationship with Ensyn Group, Inc. and his ongoing relationship with Ensyn Corporation is not of such a nature as to materially interfere with his ability to act with a view to the best interests of the Company.</p>
The board of directors of every corporation should appoint a committee of directors composed exclusively of outside (i.e.		The board has a Nominating and Corporate Governance Committee consisting of Messrs. Flood, Balloch and Rhodes, all of whom are outside unrelated directors under

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.

the Existing TSX Guidelines. Mr. Balloch has been appointed as Chairman of the committee. The full board will determine, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it should seek in new board members in order to add value to the Company. Based on this framework, the Nominating and Corporate Governance Committee has responsibility for proposing to the full board new nominees to the board, and for assessing directors on an ongoing basis.

TSX Corporate Governance Guideline	Does the Company Align?	Comments
5. <i>Board Assessment</i>		
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.	Yes	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 is continuing to develop an assessment process appropriate for the board and each of its committees.
6. <i>Orientation and Education</i>		
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.	Yes	<p>The Company 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 Company 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 Company's business. Directors are provided with the opportunity to make site visits to the Company's properties.</p> <p>Management and outside advisors 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 Company, its business and the environment in which it operates as</p>

well as with developments in the
responsibilities of directors.

TSX Corporate Governance Guideline	Does the Company Align?	Comments
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 Nominating and Corporate Governance Committee is continuing to examine the size and composition of the board with a view to recommending adjustments to ensure that the board has a balanced representation among management, unrelated directors and the Company's major shareholder, and is of a size that facilitates effective decision-making, given the Company's stage of development and the size and complexity of its business. The board seeks to achieve a greater representation of unrelated directors and has determined to continue to seek, through its Nominating and Corporate Governance Committee, additional qualified candidates to augment its experience and expertise and to enhance the Company's ability to effectively develop its business interests.
8. <i>Compensation</i>		
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.	Yes	<p>The Company's unrelated directors receive director's fees of \$2,000 per month but the Company does not pay any other cash or fixed compensation to its directors for acting in such capacity. Directors of the Company are compensated primarily through the grant of stock options.</p> <p>The board acts through its Compensation 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 Committee are Messrs. Balloch, Flood and Rhodes, all of whom are unrelated directors.</p>

TSX Corporate Governance Guideline	Does the Company Align?	Comments
9. <i>Composition of Committees</i>		
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.	Yes	The board of directors has established three standing committees of directors (the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee). Each committee is composed entirely of outside unrelated directors.
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 Company's approach to corporate governance and the Company's adherence 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 and is continuing to develop a formal position description for the CEO. The Nominating and Corporate Governance Committee is responsible for and is continuing to develop recommendations for structures and procedures to clearly define the limits to management's responsibilities. 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 Company's performance and events affecting the Company'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 directors.

In addition, the board should approve or develop the corporate objectives, which the CEO is responsible for meeting.

Yes

The board of directors discusses, on an ongoing basis, specific corporate and business objectives for the Company, which are used by the Compensation Committee

TSX Corporate Governance Guideline	Does the Company Align?	Comments
12. <i>Procedures to Ensure Independence</i>	No	and the board as a basis for measuring the performance of the CEO.
<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>		<p>Mr. Martin, a related director, currently serves as Chairman of the board of directors.</p> <p>The board continues to discuss structures and procedures to ensure that it can function independently of management. The Nominating and Corporate Governance Committee has recommended that the board consider the creation of the position of lead director with specific responsibility for maintaining the independence of the board and ensuring that the board carries out its responsibilities.</p> <p>Although no formal procedures are in place, the Nominating and Corporate Governance Committee currently serves as 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>Although the board does not generally set aside a portion of each regularly scheduled meeting to discuss issues without management directors being present, it does so at the request of any director. All committees meet regularly without management or related directors being present.</p>
13. <i>Composition of the Audit Committee</i>	Yes	<p>The Audit Committee is composed of three outside directors in Messrs. Balloch, Flood and Pirraglia and is therefore composed only of outside unrelated directors.</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

TSX Corporate Governance Guideline	Does the Company Align?	Comments
<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.</p>	Yes	<p>be expected to be raised by the Company's financial statements.</p> <p>The mandate of the Audit Committee includes the overseeing of the Company's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Company's financial statements, monitoring the independence and performance of the Company's external auditors and acting as a liaison between the board and the Company's auditors. The activities of the Audit Committee include reviewing the Company'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, reviewing the results of audits and any change in accounting procedures or policies, and evaluating the performance of the Company's auditors.</p> <p>The Company has adopted an updated 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>

The audit committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate.

Yes

The Audit Committee has regular access to the Chief Financial Officer of the Company. 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

TSX Corporate Governance Guideline	Does the Company Align?	Comments
<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 effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.</p>	Yes	<p>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>15. <i>External Advisors</i></p>		
<p>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.</p>	Yes	<p>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 Company provided that such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.</p>

IVANHOE ENERGY INC.
Suite 654
999 Canada Place, Vancouver, B.C. V6C 3E1
Telephone No.: 604-688-8323 Fax No.: 604-682-2060
PROXY

This proxy is solicited by the management of IVANHOE ENERGY INC. (the Company) for the Annual General Meeting of its shareholders (the Meeting) to be held on June 22, 2005.

The undersigned hereby appoints **David R. Martin**, Chairman of the Company, or failing him, **Beverly A. Bartlett**, Secretary of the Company, or instead of either of the foregoing, (insert name) _____, as nominee of the undersigned, with full power of substitution, to attend and vote on behalf of the undersigned at the Meeting to be held in Suite 629-999 Canada Place, Vancouver, British Columbia at 1:30 PM, local time, and at any adjournments thereof, and directs the nominee to vote or abstain from voting the shares of the undersigned in the manner indicated below:

1. AMENDMENT TO THE ARTICLES

To authorize, by special resolution, an amendment to the Company's articles to increase the maximum number of directors to eleven (11) directors.

FOR " AGAINST "

2. ELECTION OF DIRECTORS

The nominees proposed by management of the Company are:

DAVID R.MARTIN	FOR "	WITHHOLD "
ROBERT M. FRIEDLAND	FOR "	WITHHOLD "
R. EDWARD FLOOD	FOR "	WITHHOLD "
SHUN-ICHI SHIMIZU	FOR "	WITHHOLD "
E. LEON DANIEL	FOR "	WITHHOLD "
HOWARD BALLOCH	FOR "	WITHHOLD "
STEVEN RHODES	FOR "	WITHHOLD "
ROBERT G. GRAHAM	FOR "	WITHHOLD "
ROBERT A. PIRRAGLIA	FOR "	WITHHOLD "

3. APPOINTMENT OF AUDITORS

To appoint Deloitte & Touche, Chartered Accountants, as auditors of the Company at a remuneration to be fixed by the board of directors.

FOR " WITHHOLD "

4. Upon any permitted amendment to or variation of any matter identified in the Notice of Annual General Meeting.

5. Upon any other matter that properly comes before the meeting.

THE UNDERSIGNED HEREBY REVOKES ANY PRIOR PROXY OR PROXIES.

DATED: _____, 2005.

Signature of Shareholder

(Please print name here)

Note: If not dated, this proxy is deemed to be dated on the day sent by the Company.

Affix label here

Name of Shareholder

Address of Shareholder

(Please advise the Company of any change of address)

NOTES:

A proxy will not be valid unless the completed, signed and dated form of proxy is deposited with CIBC Mellon Trust Company, by facsimile to (604) 688 4301 or (416) 368 2502, by mail to P.O. Box 1900, Vancouver, British Columbia, V6E 3X1, by hand to Suite 1600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3K9 or by hand or mail to 200 Queen's Quay East, Unit 6, Toronto, Ontario, M5A 4K9 not less than 48 hours (excluding Saturdays and statutory holidays) before the Meeting or any adjournment thereof at which the form of proxy is to be used.

Any one of the joint holders of a share may sign a form of proxy in respect of the share but, if more than one of them is present at the Meeting or represented by proxyholder, that one of them whose name appears first in the register of members in respect of the share, or that one's proxyholder, will alone be entitled to vote in respect thereof. Where the form of proxy is signed by a corporation, either its corporate seal must be affixed or the form should be signed by the corporation under the hand of an officer or an attorney duly authorized in writing.

A shareholder has the right to appoint a person, who need not be a shareholder, to attend and act for the shareholder and on the shareholder's behalf at the Meeting other than either of the nominees designated in this form of proxy, and may do so by inserting the name of that other person in the blank space provided for that purpose in this form of proxy or by completing another suitable form of proxy.

The shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot and where a choice with respect to a matter to be acted on is specified, the shares will be voted on a ballot in accordance with that specification. This proxy confers discretionary authority with respect to matters, other than the election of directors and appointment of auditor, identified or referred to in the accompanying Notice of Annual General Meeting for which no instruction is given, and with respect to other matters that may properly come before the Meeting.

In respect of a matter so identified or referred to for which no instruction is given, the nominees named in this proxy will vote shares represented thereby for the approval of such matter.

SHAREHOLDER CONSENT TO DELIVERY OF ELECTRONIC MATERIALS

Ivanhoe Energy Inc. (the Company) is introducing a voluntary option for the delivery of Company documents to its shareholders (Shareholders) by electronic means rather than traditional mailing of paper copies. This option allows the Company to provide its shareholders a convenient method of receiving materials meant to increase timeliness for Shareholders, provide benefits to our environment and reduce costs.

I consent to the electronic delivery of the documents listed below that the Company elects to deliver to me electronically, all in accordance with the terms hereof. The consent granted herein will last until revoked by the Shareholder.

1. The following documents that are filed with securities regulators and mailed to other Shareholders will at the same time be delivered electronically to me (collectively referred to as the Documents or each of them as a Document):
 - a) annual reports including financial statements;
 - b) quarterly reports, including financial statements;
 - c) notices of meetings of shareholders, management information circulars and forms of proxy; and
 - d) such other disclosure documents that the Company makes available by electronic means.
2. The Documents will be delivered to you by the Company by making them available for your viewing, downloading and/or saving on the Internet website www.ivanhoeenergy.com (the Website). A Shareholder must then go to Investor Information and Financial Reports and locate the document of interest for viewing.

The Company will advise you by e-mail when the documents are available on the Website.

3. The viewing, downloading and/or saving of a Document requires me to use:
 - a) a computer with a 486/33 processor (or MacIntosh LC III) or higher with at least 16 megabytes of RAM (Random Access Memory) and Windows 3.1;
 - b) access to an Internet service provider;
 - c) the program Netscape Navigator 3.0 (or higher) or Microsoft Internet Explorer 3.0 (or higher);
 - d) the program Adobe Acrobat Reader 3.0 (or higher) to read the material; and
 - e) an electronic mail account to receive notification.

For Shareholders without Adobe Acrobat Reader, a link will be provided to allow the downloading of this program. Accordingly, I acknowledge that I understand the above technical requirements and that I possess the technical ability and resources to receive electronic delivery in the manner outlined in this Consent to Electronic Delivery of Documents .

4. I acknowledge that I may receive at no cost a paper copy of any Document to be delivered if the Company cannot make electronic delivery available or if I contact the Company's transfer agent, CIBC Mellon by telephone at

Edgar Filing: Gol Intelligent Airlines Inc. - Form F-1

(800) 387-0825, regular mail at Ivanhoe Mines Ltd. c/o CIBC Mellon Trust Company, PO Box 1900, Vancouver, BC V6C 3K9 or via electronic mail at inquiries@cibcmellon.com. I further acknowledge that my request of a paper copy of any Document does not constitute revocation of this Consent to Electronic Delivery of Documents .

5. The Documents will be posted on the Website for delivery for a period of time corresponding to the notice period stipulated under applicable legislation and the Documents will remain posted on the Website thereafter for a period of time which is appropriate and relevant, given the nature of the document.
 6. I understand that my consent may be revoked or changed at any time by notifying the Company's transfer agent of such revocation or changed by telephone, regular mail or e-mail as specified in paragraph 4 above.
-

- 7. I understand that the Company maintains in confidence the personal information I provide as a Shareholder and uses it only for the purpose of Shareholder communication.
- 8. I understand that I am not required to consent to the electronic delivery of Documents. I have read and understand this Consent to Electronic Delivery of Documents and I consent to the electronic delivery of Documents on the foregoing terms.

I have read and understand this Consent for Electronic Delivery of Documents and consent to the electronic delivery of the Documents on the terms outlined above.

Please complete the below sections then mail or fax the form to CIBC Mellon Trust Company at the address below.

Print Shareholder(s) Name

(as it appears on your cheques, certificates, statements or correspondence)

E-mail Address

Mailing Address

Address 1

Address 2

City, Province/State

Country

Post Code/Zip Code

Date

Shareholder Signature(s)

Print and mail this form to:
CIBC Mellon Trust Company
PO Box 1900
Vancouver, BC
V6C 3K9

or

Print and fax this form to:
1- 604-688-4301

CIBC Mellon Trust Company
PO Box 7010
Adelaide Street Postal Station

1-416-643-5660
1-416-643-5661

Toronto, ON
M5C 2W9

SUPPLEMENTAL RETURN CARD

June 22, 2005

TO: REGISTERED AND NON-REGISTERED SHAREHOLDERS OF IVANHOE ENERGY INC. (the Company)

National Instrument 54-101/Shareholder Communication provides shareholders with the opportunity to elect annually to have their name added to an issuer's SUPPLEMENTAL MAILING LIST in order to receive interim financial statements of the Corporation. If you are interested in receiving such statements, please complete, sign and return this document to **CIBC Mellon Trust Company, The Oceanic Plaza, 1600 - 1066 West Hastings Street, PO Box 1900, Vancouver, British Columbia, V6C 3K9.**

AS THE SUPPLEMENTAL LIST IS UPDATED EACH YEAR, A RETURN CARD WILL BE REQUIRED FROM YOU ANNUALLY IN ORDER FOR YOUR NAME TO REMAIN ON THE LIST.

I CERTIFY THAT I AM A: REGISTERED / NON-REGISTERED
(Please Circle)

**SHAREHOLDER OF
IVANHOE ENERGY INC.**

Name of Shareholder:

Please Print

Address:

Postal Code:

Signature:

Date:

E-Mail Address:

IVANHOE ENERGY INC.
654 999 Canada Place
Vancouver, BC V6C 3E1
Telephone: 604-688-8323 Fax: 604-682-2060

Notice of Annual General Meeting of Shareholders

June 22, 2005

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of **IVANHOE ENERGY INC.** (the Company) will be held in Suite 629 999 Canada Place, Vancouver, British Columbia on Wednesday, June 22, 2005, at 1:30 PM local time (the Meeting) for the following purposes:

1. to receive the report of the directors;
2. to receive the Company s audited financial statements for the financial year ended December 31, 2004 and the auditor s report thereon;
3. to approve an amendment to the articles of the Company to increase the maximum number of directors to 11 directors;
4. to elect directors for the ensuing year;
5. to appoint auditors for the Company for the ensuing year and to authorize the directors to fix the auditor s remuneration; and
6. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed May 6, 2005 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting and at any adjournment thereof.

A Management Proxy Circular and a form of proxy accompany this Notice. The Management Proxy Circular contains details of matters to be considered at the Meeting. The audited consolidated financial statements of the Company for the year ended December 31, 2004, and the auditor s report thereon, were mailed to shareholders on or about March 16, 2005.

A shareholder, who is unable to attend the Meeting in person and who wishes to ensure that such shareholder s shares will be voted at the Meeting, is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular.

DATED at Vancouver, British Columbia, this 13th day of May, 2005.

**BY ORDER OF THE BOARD OF
DIRECTORS**

Beverly A. Bartlett

Beverly A. Bartlett
Corporate Secretary

May 26, 2005

To the Following Securities Commission(s):

BC Securities Commission
Manitoba Securities Commission
Newfoundland Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Quebec Securities Commission
Department of Justice-Yukon
Alberta Securities Commission
New Brunswick Securities Commission
Securities Registry Northwest Territories
Nunavut Securities Commission
Prince Edward Island Securities Commission
Saskatchewan Securities Commission

To the Following Stock Exchange(s):

Toronto Stock Exchange

Dear Sirs:

RE: IVANHOE ENERGY INC.

The material as listed below was sent by prepaid mail to all Registered Shareholders of the above-mentioned Company on the 26th day of May, 2005.

However, we have not mailed material to Shareholders in cases where on three consecutive occasions, notices or other documents have been returned undelivered by the Post Office.

A) Notice of Annual Meeting and Management Proxy Circular

B) Proxy

C) Consent to Delivery of Electronic Materials

D) Supplemental Mail Return Card

Yours truly,

CIBC MELLON TRUST COMPANY

Gilda Brombal
Client Services

/gb

CIBC Mellon Trust Company

The Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1

Tel: (604) 688-4330 Fax: (604) 688-4301 E-Mail inquiries@cibcmellon.com Website: www.cibcmellon.com

Mailing Address: PO Box 1900, Vancouver, British Columbia V6C 3K9

CIBC Mellon Trust Company is a licensed user of the CIBC and Mellon trademarks.