IVANHOE MINES LTD
Form 6-K
August 18, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
From: August 16, 2010
IVANHOE MINES LTD.
(Translation of Registrant s Name into English)
Suite 654 999 CANADA PLACE, VANCOUVER, BRITISH COLUMBIA V6C 3E1
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F- o Form 40-F- þ

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes: o No: þ

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_________.)

Enclosed:
CEO Interim Certification
CFO Interim Certification
Q2- 2010 Financial Statements
Q2 -2010 MD&A

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IVANHOE MINES LTD.

Date: August 16, 2010

By: */s/ Beverly A. Bartlett*

BEVERLY A. BARTLETT
Vice President &
Corporate Secretary

Form 52-109F2
Certification of interim filings full certificate

I, John Macken, President and Chief Executive Officer of Ivanhoe Mines Ltd., certify the following:

1. ***Review:*** I have reviewed the interim financial statements and interim MD&A (together, the interim filings) of Ivanhoe Mines Ltd. (the issuer) for the interim period ended **June 30, 2010**.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. ***Responsibility:*** The issuer s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings,* for the issuer.
5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer s GAAP.

5.1 ***Control framework:*** The control framework the issuer s other certifying officer(s) and I used to design the issuer s ICFR is the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ***ICFR material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer s ICFR that occurred during the period beginning on April 1, 2010 and ended on June 30, 2010 that has materially affected, or is reasonably likely to materially affect, the issuer s ICFR.

Date: August 16, 2010

John Macken

John Macken
President and Chief Executive Officer
Ivanhoe Mines Ltd.

FORM 52-109F1
Certification of interim filings full certificate

I, Tony Giardini, Chief Financial Officer of Ivanhoe Mines Ltd., certify that:

1. ***Review:*** I have reviewed the interim financial statements and interim MD&A (together, the interim filings) of Ivanhoe Mines Ltd. (the issuer) for the interim period ended **June 30, 2010**.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. ***Responsibility:*** The issuer s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings,* for the issuer.
5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer s GAAP.

5.1 ***Control framework:*** The control framework the issuer s other certifying officer(s) and I used to design the issuer s ICFR is the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ***ICFR material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer s ICFR that occurred during the period beginning on April 1, 2010 and ended on June 30, 2010 that has materially affected, or is reasonably likely to materially affect, the issuer s ICFR.

Date: August 16, 2010

Tony Giardini

Tony Giardini
Chief Financial Officer
Ivanhoe Mines Ltd.

SECOND QUARTER REPORT
JUNE 30, 2010

TABLE OF CONTENTS

IVANHOE MINES LTD.
Consolidated Balance Sheets
(Stated in thousands of U.S. dollars)

	June 30, 2010	December 31, 2009
(Unaudited)		
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	**$ 1,454,475**	$ 965,823
Short-term investments	**2,498**	14,999
Accounts receivable	**47,375**	39,349
Inventories	**26,447**	18,015
Prepaid expenses	**17,686**	15,988
TOTAL CURRENT ASSETS	**1,548,481**	1,054,174
LONG-TERM INVESTMENTS (Note 5)	**67,762**	93,511
OTHER LONG-TERM INVESTMENTS (Note 6)	**212,095**	145,035
PROPERTY, PLANT AND EQUIPMENT (Note 12 (b))	**625,449**	218,781
DEFERRED INCOME TAXES	**10,563**	6,953
OTHER ASSETS	**8,678**	16,227
TOTAL ASSETS	**$ 2,473,028**	$ 1,534,681
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 105,510**	$ 55,128
Amounts due under credit facilities (Note 7)	**17,056**	17,544
Interest payable on long-term debt (Note 8 (b))	**4,296**	4,712
Convertible credit facility (Note 8 (a))	**391,950**	378,916
TOTAL CURRENT LIABILITIES	**518,812**	456,300
CONVERTIBLE CREDIT FACILITY (Note 8 (b))	**278,034**	544,990
AMOUNTS DUE UNDER CREDIT FACILITIES (Note 7)	**37,598**	37,979
DEFERRED INCOME TAXES	**10,923**	10,888
ASSET RETIREMENT OBLIGATIONS	**5,543**	5,436
TOTAL LIABILITIES	**850,910**	1,055,593
CONTINGENCIES (Note 16)		
SHAREHOLDERS EQUITY		

SHARE CAPITAL (Note 9)		
Authorized		
Unlimited number of preferred shares without par value		
Unlimited number of common shares without par value		
Issued and outstanding		
488,036,669 (2009 425,447,552) common shares	**2,544,774**	1,886,789
SHARE PURCHASE WARRANTS (Note 9 (b) and (c))	**18,443**	27,386
BENEFICIAL CONVERSION FEATURE (Note 8 (a))	**33,869**	30,250
ADDITIONAL PAID-IN CAPITAL	**1,144,720**	348,468
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 10)	**(26,128)**	(14,578)
DEFICIT	**(2,024,075)**	(1,800,179)
TOTAL IVANHOE MINES LTD. SHAREHOLDERS EQUITY	**1,691,603**	478,136
NONCONTROLLING INTERESTS (Note 11)	**(69,485)**	952
TOTAL SHAREHOLDERS EQUITY	**1,622,118**	479,088
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 2,473,028**	$ 1,534,681

APPROVED BY THE BOARD:

/s/ D. Korbin /s/ K. Thygesen

D. Korbin, Director K. Thygesen, Director

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.
Consolidated Statements of Operations
(Stated in thousands of U.S. dollars, except for share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited)	**2010**	2009	**2010**	2009
REVENUE	**$ 17,668**	$ 10,666	**$ 31,585**	$ 14,207
COST OF SALES				
Production and delivery	**(10,901)**	(7,515)	**(22,098)**	(10,311)
Depreciation and depletion	**(2,304)**	(1,623)	**(4,827)**	(2,041)
Write-down of carrying value of inventory			**(6,535)**	
COST OF SALES	**(13,205)**	(9,138)	**(33,460)**	(12,352)
EXPENSES				
Exploration (Note 2 and 9 (a))	**(39,483)**	(35,198)	**(110,906)**	(69,263)
General and administrative (Note 9 (a))	**(14,730)**	(10,546)	**(23,047)**	(18,314)
Depreciation	**(354)**	(962)	**(1,270)**	(1,828)
Accretion of convertible credit facilities (Note 8)	**(4,535)**	(3,512)	**(8,662)**	(6,946)
Accretion of asset retirement obligations	**(48)**	(33)	**(91)**	(64)
Gain on sale of other mineral property rights		3,000		3,000
TOTAL EXPENSES	**(72,355)**	(56,389)	**(177,436)**	(105,767)
OPERATING LOSS	**(54,687)**	(45,723)	**(145,851)**	(91,560)
OTHER INCOME (EXPENSES)				
Interest income	**2,538**	678	**7,167**	1,430
Interest expense	**(8,278)**	(4,264)	**(21,677)**	(9,017)
Foreign exchange (losses) gains	**(4,859)**	21,741	**(3,189)**	12,463
Listing fees SouthGobi		(98)		(333)
Unrealized losses on long-term investments (Note 5 (d))	**(4,509)**		**(5,212)**	
Unrealized gains (losses) on other long-term investments	**789**	555	**1,509**	(634)
Realized gain on redemption of other long-term investments (Note 6 (a))	**26**	1,136	**87**	1,136
Change in fair value of embedded derivatives (Note 8 (b))	**72,233**		**70,861**	
Loss on conversion of convertible credit facility (Note 8 (b))			**(154,316)**	
Write-down of carrying value of long-term investments (Note 5 (c))	**(161)**		**(417)**	
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	**3,092**	(25,975)	**(251,038)**	(86,515)

(Provision) recovery for income taxes		**(1,308)**		(123)		**2,174**		(226)
Share of loss of significantly influenced investees (Note 5)		**(13,151)**		(3,020)		**(23,210)**		(7,798)
NET LOSS FROM CONTINUING OPERATIONS		**(11,367)**		(29,118)		**(272,074)**		(94,539)
INCOME FROM DISCONTINUED OPERATIONS (Note 3)				2,069		**6,585**		9,405
NET LOSS		**(11,367)**		(27,049)		**(265,489)**		(85,134)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 11)		**(18,664)**		2,153		**41,593**		4,189
NET LOSS ATTRIBUTABLE TO IVANHOE MINES LTD.	**$**	**(30,031)**	$	(24,896)	**$**	**(223,896)**	$	(80,945)
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM								
CONTINUING OPERATIONS	**$**	**(0.07)**	$	(0.08)	**$**	**(0.53)**	$	(0.24)
DISCONTINUED OPERATIONS				0.01		**0.02**		0.02
	$	**(0.07)**	$	(0.07)	**$**	**(0.51)**	$	(0.22)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000 s)		**442,117**		378,118		**435,156**		378,103

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.
Consolidated Statements of Shareholders Equity
(Stated in thousands of U.S. dollars, except for share amounts)
(Unaudited)

	Share Capital Number of Shares	Share Capital Amount	Share Purchase Warrants	Beneficial Conversion Feature	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Deficit	Noncontrolling Interests	Total
Balances, December 31, 2009	425,447,552	$ 1,886,789	$ 27,386	$ 30,250	$ 348,468	$ (14,578)	$ (1,800,179)	$ 952	$ 479,088
Net loss							(223,896)		(223,896)
Other comprehensive income (Note 10)						(11,550)			(11,550)
Comprehensive loss									(235,446)
Shares issued for:									
Exercise of stock options	1,281,000	14,216			(4,261)				9,955
Exercise of Share Purchase Warrants (Note 9 (b)), net of issue costs of $2,695	46,026,522	399,316	(8,943)						390,373
Private placement (Note 9 (b)), net of issue costs of $167	15,000,000	240,749							240,749
Consulting services	261,900	3,421							3,421
Share purchase plan	19,695	283							283
Convertible credit facility (Note 8 (a))				3,619					3,619
Movement in noncontrolling								(70,437)	(70,437)

interests (Note 11)									
Dilution gains					781,883				781,883
Stock-based compensation					18,630				18,630
Balances, June 30, 2010	488,036,669	$ 2,544,774	$ 18,443	$ 33,869	$ 1,144,720	$ (26,128)	$ (2,024,075)	$ (69,485)	$ 1,622,118

The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.
Consolidated Statements of Cash Flows
(Stated in thousands of U.S. dollars)

(Unaudited)	Three Months Ended June 30, **2010**	Three Months Ended June 30, 2009	Six Months Ended June 30, **2010**	Six Months Ended June 30, 2009
OPERATING ACTIVITIES				
Cash used in operating activities (Note 12)	**$ (39,052)**	$ (38,133)	**$ (99,135)**	$ (77,339)
INVESTING ACTIVITIES				
Proceeds from sale of discontinued operations	**6,442**	37,000	**6,442**	37,000
Purchase of long-term investments	**(7,322)**	(8,968)	**(13,025)**	(13,460)
Purchase of other long-term investments	**(50,000)**		**(80,000)**	
Proceeds from sale of other mineral property rights		3,000		3,000
Proceeds from redemption of short-term investments			**15,000**	
Proceeds from sale of long-term investments			**1,800**	
Proceeds from redemption of other long-term investments	**42**	1,721	**144**	1,721
Expenditures on property, plant and equipment	**(168,407)**	(8,418)	**(207,855)**	(14,074)
Proceeds from (expenditures on) other assets	**38**	(679)	**(47)**	(679)
Cash (used in) provided by investing activities of continued operations	**(219,207)**	23,656	**(277,541)**	13,508
Cash used in investing activities of discontinued operations		(3,528)		(4,180)
Cash (used in) provided by investing activities	**(219,207)**	20,128	**(277,541)**	9,328
FINANCING ACTIVITIES				
Issue of share capital	**394,599**	112	**446,138**	223
Proceeds from credit facilities		34,575		34,575
Repayment of credit facilities (Note 7)	**(349)**	(369)	**(431)**	(369)
Noncontrolling interests investment in subsidiaries	**929**	158	**421,141**	380
Cash provided by financing activities	**395,179**	34,476	**866,848**	34,809
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(6,090)**	24,438	**(1,520)**	17,121
NET CASH INFLOW (OUTFLOW)	**130,830**	40,909	**488,652**	(16,081)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**1,323,645**	327,120	**965,823**	384,110
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 1,454,475**	$ 368,029	**$ 1,454,475**	$ 368,029
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash on hand and demand deposits	**$ 726,510**	$ 26,698	**$ 726,510**	$ 26,698
Short-term money market instruments	**727,965**	341,331	**727,965**	341,331
	$ 1,454,475	$ 368,029	**$ 1,454,475**	$ 368,029

Supplementary cash flow information (Note 12)
The accompanying notes are an integral part of these consolidated financial statements.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These unaudited interim consolidated financial statements have been prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP). The accounting policies followed in preparing these consolidated financial statements are those used by Ivanhoe Mines Ltd. (the Company) as set out in the audited consolidated financial statements for the year ended December 31, 2009.

Certain information and note disclosures normally included for annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted. These interim consolidated financial statements should be read together with the audited consolidated financial statements of the Company for the year ended December 31, 2009.

In the opinion of management, all adjustments considered necessary (including reclassifications and normal recurring adjustments) to present fairly the financial position, results of operations and cash flows at June 30, 2010 and for all periods presented, have been included in these financial statements. The interim results are not necessarily indicative of results for the full year ending December 31, 2010, or future operating periods. For further information, see the Company s annual consolidated financial statements, including the accounting policies and notes thereto.

The Company operates two reportable segments, being its coal division located in Mongolia, and its exploration and development division with projects located primarily in Mongolia and Australia.

References to Cdn$ refer to Canadian currency, Aud$ to Australian currency, and $ to United States currency.

(b) Basis of presentation

For purposes of these consolidated financial statements, the Company, subsidiaries of the Company, and variable interest entities for which the Company is the primary beneficiary, are collectively referred to as Ivanhoe Mines .

(c) Accounting changes

In January 2010, the Financial Accounting Standards Board Accounting Standards Codification (ASC) guidance for fair value measurements and disclosures was updated to require additional disclosures related to transfers in and out of level 1 and 2 fair value measurements and enhanced detail in the level 3 reconciliation. The updated guidance clarified the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques be used to measure the fair value of assets and liabilities that fall in either level 2 or level 3. The updated guidance was effective for the Company s fiscal year beginning January 1, 2010, except for the level 3 disaggregation which is effective for the Company s fiscal year beginning January 1, 2011. The adoption of the updated guidance had no impact on the Company s consolidated financial position, results of operations or cash flows.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Accounting changes (continued)

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise s variable interest gives it a controlling financial interest in a Variable Interest Entity (VIE). This qualitative analysis identifies the primary beneficiary of a VIE as the entity that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance was effective for the Company s fiscal year beginning January 1, 2010. The adoption of the updated guidance had no impact on the Company s consolidated financial position, results of operations or cash flows.

2. EXPLORATION EXPENSES

Generally, exploration costs are charged to operations in the period incurred until it has been determined that a property has economically recoverable reserves, at which time subsequent exploration costs and the costs incurred to develop a property are capitalized. Up to March 31, 2010, exploration costs charged to operations included development costs associated with the Oyu Tolgoi Project located in Mongolia. On April 1, 2010, Ivanhoe Mines commenced capitalizing Oyu Tolgoi Project development costs. As of this date, reserve estimates for the Oyu Tolgoi Project had been announced and the procedural and administrative conditions contained in the Investment Agreement were satisfied. During the three months ended June 30, 2010, expenditures on property, plant and equipment included $41.0 million of Oyu Tolgoi Project development costs that would have been expensed as exploration costs if incurred prior to April 1, 2010.

Summary of exploration expenditures by location:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Mongolia				
Oyu Tolgoi	**$ 7,887**	$ 20,352	**$ 60,010**	$ 42,963
Coal Division	**14,307**	4,348	**20,871**	8,463
Other Mongolia Exploration	**982**	514	**1,534**	673
	23,176	25,214	**82,415**	52,099
Australia	**14,868**	8,807	**25,686**	14,888
Indonesia	**732**	945	**1,279**	1,622
Other	**707**	232	**1,526**	654
	39,483	35,198	**110,906**	69,263

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. DISCONTINUED OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Savage River (a)	**$**	$ 4,967	**$ 6,585**	$ 15,665
Indonesia Coal Division (b)		(2,898)		(6,260)
	$	$ 2,069	**$ 6,585**	$ 9,405

(a) In February 2005, Ivanhoe Mines sold the Savage River Iron Ore Project (the Project) in Tasmania, Australia for two initial payments totalling $21.5 million, plus a series of five contingent, annual payments that commenced on March 31, 2006. The annual payments are based on annual iron ore pellet tonnes sold and an escalating price formula based on the prevailing annual Nibrasco/JSM pellet price.

During the three month period ended June 30, 2010, Ivanhoe Mines received amounts totalling $6.4 million in relation to the fifth annual contingent payment. Ivanhoe Mines is currently in correspondence with the original purchaser of the Project who has disputed the estimated $22.1 million remaining balance of the fifth annual contingent payment. Ivanhoe Mines is committed to collecting the full amount of the fifth annual contingent payment and has included the total estimated amount of $22.1 million in accounts receivable as at June 30, 2010.

To date, Ivanhoe Mines has received $144.4 million in proceeds from the sale.

(b) During December 2009, Ivanhoe Mines sold the Indonesia Coal Division, which was composed entirely of the Mamahak Coal Project (Mamahak). Ivanhoe Mines divested its 85.0% interest in Mamahak to Kangaroo Resources Limited (Kangaroo) for consideration comprising of $1.0 million cash and 50.0 million shares of Kangaroo possessing a fair value of $8.8 million. Ivanhoe Mines incurred transaction costs of $1.0 million related to the disposition of Mamahak. As a result of this transaction, Ivanhoe Mines held 6.7% of the issued and outstanding shares of Kangaroo on December 23, 2009, the closing date, and those shares are subject to a one year hold period.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2010 included SouthGobi Resources Ltd. s (Canada) (57.3% owned) (SouthGobi) balance of $667.2 million (December 31, 2009 $357.3 million) and Ivanhoe Australia Ltd. s (Australia) (80.9% owned) (Ivanhoe Australia) balance of $9.0 million (December 31, 2009 $10.6 million), which were not available for Ivanhoe Mines general corporate purposes.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

5. LONG-TERM INVESTMENTS

	June 30, 2010	December 31, 2009
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	**$ 3,279**	$ 9,860
Exco Resources N.L. (b)	**9,214**	10,499
Investments available-for-sale (c)	**50,605**	63,276
Investments held-for-trading (d)	**4,664**	9,876
	$ 67,762	$ 93,511

(a) On October 3, 2008, Ivanhoe Mines closed an agreement with several strategic partners whereby Altynalmas Gold Ltd. (Altynalmas) issued shares to acquire a 100% participating interest in Bakyrchik Mining Venture (BMV) and a 100% participating interest in Intergold Capital LLP (IGC). Both IGC and BMV are limited liability partnerships established under the laws of Kazakhstan that are engaged in the exploration and development of minerals in Kazakhstan. As a result of this transaction, Ivanhoe Mines investment in Altynalmas was diluted to 49%. Ivanhoe Mines ceased consolidating Altynalmas on October 3, 2008 and commenced equity accounting for its investment.

On March 8, 2010, all of the parties to the original agreement agreed to put themselves into the position they would be in as if a certain entity was not a party to the original agreement. The corresponding amendments made to the original agreement resulted in Ivanhoe Mines interest in Altynalmas increasing from 49% to 50%.

	June 30, 2010	December 31, 2009
Amount due from Altynalmas	**$ 84,544**	$ 68,533
Carrying amount of equity method investment	**(81,265)**	(58,673)
Net investment in Altynalmas	**$ 3,279**	$ 9,860

Amounts advanced to Altynalmas bear interest compounded monthly at a rate per annum equal to the one month London Inter-Bank Offered Rate plus 3.0% and are due on demand.

During the six month period ended June 30, 2010, Ivanhoe Mines recorded a $22,592,000 (2009 $7,446,000) equity loss on this investment.

(b) During the six month period ended June 30, 2010, Ivanhoe Mines recorded a $618,000 (2009 $352,000) equity loss on its investment in Exco Resources N.L. (Exco).

At June 30, 2010, the market value of Ivanhoe Mines 20.0% investment in Exco was $12,725,000 (Aud$15,135,000).

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

5. LONG-TERM INVESTMENTS (Continued)

(c) Investments available-for-sale

	June 30, 2010				December 31, 2009			
	Equity Interest	**Cost Basis**	**Unrealized Gain**	**Fair Value**	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value
Entrée Gold Inc.	**14.0%**	**$ 19,957**	**$ 5,595**	**$ 25,552**	14.3%	$ 19,957	$ 12,799	$ 32,756
Emmerson Resources Limited	**10.0%**	**2,727**	**1,495**	**4,222**	10.0%	3,107	6,637	9,744
Intec Ltd. (i)	**3.9%**	**104**		**104**	4.8%	521	(3)	518
GoviEx Gold Inc.	**1.5%**	**1,043**		**1,043**	1.5%	1,043		1,043
Ivanhoe Nickel & Platinum Ltd. (ii)	**6.3%**	**19,492**		**19,492**	6.1%	18,929		18,929
Other		**60**	**132**	**192**		60	226	286
		$ 43,383	**$ 7,222**	**$ 50,605**		$ 43,617	$ 19,659	$ 63,276

(i) During the six month period ended June 30, 2010, Ivanhoe Mines recorded an impairment provision of $417,000 against the investment in Intec Ltd. (Intec) based on an assessment of the fair value of Intec.

(ii) During the three month period ended March 31, 2010, Ivanhoe Mines acquired 125,665 common shares of Ivanhoe Nickel and Platinum Ltd. (Ivanplats) at a cost of $563,000.

As at June 30, 2010, Ivanhoe Mines held a 9.3% equity interest in Ivanplats on a fully diluted basis.

(d) Investments held-for-trading

At June 30, 2010, the market value of Ivanhoe Mines 6.4% investment in Kangaroo Resources Limited was $4,664,000, resulting in an unrealized loss of $5,211,000 during the six month period ended June 30, 2010.

6. OTHER LONG-TERM INVESTMENTS

	June 30, 2010	December 31, 2009
Long-Term Notes (a)	**$ 25,946**	$ 24,689
Government of Mongolia Treasury Bills (b)	**76,673**	73,152
Government of Mongolia Tax Prepayment (b)	**34,810**	
Money market investments (c)	**74,666**	47,194
	$ 212,095	$ 145,035

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

6. OTHER LONG-TERM INVESTMENTS (Continued)

(a) Long-Term Notes

As at June 30, 2010, the Company held $64.5 million principal amount of Long-Term Notes (received in 2009 upon the completion of the Asset-Backed Commercial Paper restructuring) which was recorded at a fair value of $25.9 million. The decrease from December 2009 in principal of $0.7 million was due to the weakening of the Canadian dollar ($0.5 million), in addition to principal redemptions ($0.2 million). The Company has designated the Long-Term Notes as held-for-trading. The Long-Term Notes are recorded at fair value with unrealized holding gains and losses included in earnings.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company has estimated the fair value of the Long-Term Notes considering information provided on the restructuring, the best available public information regarding market conditions and other factors that a market participant would consider for such investments.

The Company is aware of a limited number of trades in the Long-Term Notes that occurred prior to June 30, 2010, but does not consider them to be of sufficient volume or value to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its Long-Term Notes.

The Company has used a discounted cash flow approach to value the Long-Term Notes as at June 30, 2010 incorporating the following assumptions:

Bankers Acceptance Rate:	0.58%
Discount Rates:	9% to 25%
Maturity Dates:	6.5 years
Expected Return of Principal:	
A-1 Notes	100%
A-2 Notes	100%
B Notes	10%
C Notes	0%
IA Notes	0%
TA Notes	100%

Based on the discounted cash flow model as at June 30, 2010, the fair value of the Long-Term Notes was estimated at $25.9 million. As a result of this valuation, the Company recorded an unrealized trading gain of $1.5 million for the six month period ended June 30, 2010.

Continuing uncertainties regarding the value of the assets that underlie the Long-Term Notes, the amount and timing of cash flows and changes in general economic conditions could give rise to a further change in the fair value of the Company s investment in the Long-Term Notes, which would impact the Company s results from operations. A 1.0% increase, representing 100 basis points, in the discount rate will decrease the fair value of the Long-Term Notes by approximately $1.7 million.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

6. OTHER LONG-TERM INVESTMENTS (Continued)

(b) Government of Mongolia Treasury Bill and Tax Prepayment

On October 6, 2009, Ivanhoe Mines agreed to purchase three Treasury Bills (T-Bills) from the Mongolian Government, having an aggregate face value of $287.5 million, for the aggregate sum of $250.0 million. The annual rate of interest on the T-Bills was set at 3.0%. The initial T-Bill, with a face-value of $115.0 million, was purchased by Ivanhoe Mines on October 20, 2009 for $100.0 million and will mature on October 20, 2014.

However, on March 31, 2010 Ivanhoe Mines agreed to an alternative arrangement for the advancement of funds that would not involve the purchase of the remaining two T-Bills. Specifically, rather than purchasing the second and third remaining T-Bills, with face values of $57.5 million and $115.0 million respectively, Ivanhoe Mines has agreed to make a series of tax prepayments.

The first tax prepayment of $50.0 million was made pursuant to this arrangement on April 7, 2010.

The second tax prepayment of $100.0 million will be made within 14 days of Oyu Tolgoi LLC fully drawing down the financing necessary to enable the complete construction of the Oyu Tolgoi Project, or on June 30, 2011, whichever date is earlier.

The annual rate of interest on the tax prepayments is 1.75% compounding quarterly from the date on which such prepayments are made to the Mongolian Government by Ivanhoe Mines. Unless already off-set fully against Mongolian taxes, the Mongolian Government must immediately repay any remaining tax prepayment balance, including accrued interest, on the fifth anniversary of the date the tax prepayment was made.

The Company has designated the T-Bill and first tax prepayment as available-for-sale with changes in fair value recognized in accumulated other comprehensive income. The fair values of the T-Bill and first tax prepayment are estimated based on available public information regarding what market participants would consider for such investments.

The Company has used a discounted cash flow approach to value the T-Bill at June 30, 2010 incorporating the following assumptions:

	T-Bill
Face Value:	$ 115,000,000
Discount Rates:	9.9%
Term to Maturity	4.3 years

Based on the discounted cash flow model as at June 30, 2010, the fair value of the T-Bill was estimated at $76.7 million. As a result of this valuation, Ivanhoe Mines recorded an unrealized gain of $2.1 million in accumulated other comprehensive income for the six month period ended June 30, 2010.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

6. OTHER LONG-TERM INVESTMENTS (Continued)

(b) Government of Mongolia Treasury Bill and Tax Prepayment (continued)

The Company has used a discounted cash flow approach to value the first tax prepayment at June 30, 2010 incorporating the following assumptions:

	First Tax Prepayment
Face Value:	$ 50,000,000
Discount Rates:	9.9%
Term to Maturity	4.8 years

Based on the discounted cash flow model as at June 30, 2010, the fair value of the first tax prepayment was estimated at $34.8 million. As a result of this valuation, Ivanhoe Mines recorded an unrealized loss of $15.4 million in accumulated other comprehensive income for the six month period ended June 30, 2010.

(c) Money Market Investments

As at June 30, 2010, Ivanhoe Mines held $74.7 million of money market investments with remaining maturities in excess of one year.

7. AMOUNTS DUE UNDER CREDIT FACILITIES

	June 30, 2010	December 31, 2009
Current		
Non-revolving bank loans (a)	**$ 14,353**	$ 14,544
Revolving line of credit facility (b)	**2,703**	3,000
	$ 17,056	$ 17,544
Non-Current		
Two-year extendible loan facility (c)	**$ 37,598**	$ 37,979

(a) In October 2007, Ivanhoe Mines obtained non-revolving bank loans which are due on demand and secured against certain securities and other investments.

(b) In December 2009, Ivanhoe Mines obtained a one year revolving line of credit facility, which is secured against certain equipment in Mongolia.

(c) In April 2009, Ivanhoe Mines obtained a non-revolving, two-year extendible loan facility, which is secured against certain securities and other investments.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

8. CONVERTIBLE CREDIT FACILITIES

(a) Rio Tinto

	June 30, 2010	December 31, 2009
Principal amount of convertible credit facility	**$ 350,000**	$ 350,000
Accrued paid-in-kind interest	**47,740**	40,678
	397,740	390,678
(Deduct) add:		
Beneficial conversion feature	**(33,869)**	(30,250)
Share purchase warrants	**(9,403)**	(9,403)
Accretion of discount	**37,482**	27,891
	$ 391,950	$ 378,916

In September 2007, Rio Tinto provided Ivanhoe Mines with a $350.0 million convertible credit facility to finance ongoing mine development activities at the Oyu Tolgoi Project. In 2007, Ivanhoe Mines made an initial draw against the credit facility of $150.0 million and further draws totalling $200 million were made in 2008.

Amounts advanced under the credit facility bear interest at a rate per annum equal to the three-month London Inter-Bank Offered Rate plus 3.3%, and mature on September 12, 2010. The outstanding principal amount and up to $108.0 million in interest are convertible into a maximum of 45.8 million common shares of Ivanhoe Mines at a price of $10.00 per share and will be automatically converted into common shares upon maturity.

As part of the credit facility transaction, Rio Tinto also received share purchase warrants exercisable to purchase up to 35.0 million common shares of Ivanhoe Mines at a price of $10.00 per share for a period of five years (Note 9 (c)).

During the three and six months ended June 30, 2010, Ivanhoe Mines capitalized $0.6 million and $0.7 million of interest expense and $0.8 million and $1.0 million of accretion expense, respectively, incurred on the convertible credit facility.

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

8. CONVERTIBLE CREDIT FACILITIES (Continued)

(b) China Investment Corporation

	June 30, 2010	December 31, 2009
Principal amount of convertible debenture	**$ 500,000**	$ 500,000
(Deduct) add:		
Bifurcation of embedded derivative liability	**(313,292)**	(313,292)
Accretion of discount	**43**	10
Reduction of carrying amount upon partial conversion	**(93,370)**	
Carrying amount of debt host contract	**93,381**	186,718
Embedded derivative liability	**184,653**	358,272
Convertible credit facility	**278,034**	544,990
Accrued interest	**4,296**	4,712
Transaction costs allocated to deferred charges	**(2,800)**	(5,601)
Net carrying amount of convertible debenture	**$ 279,530**	$ 544,101

On November 19, 2009, SouthGobi issued a convertible debenture to a wholly-owned subsidiary of China Investment Corporation (CIC) for $500.0 million. The convertible debenture is secured, bears interest at 8.0% (6.4% payable semi-annually in cash and 1.6% payable annually in shares of SouthGobi) and has a term of 30 years. The financing primarily will support an accelerated investment program in Mongolia and up to $120.0 million of the financing may also be used for working capital, repayment of debt due on funding, general and administrative expense and other general corporate purposes.

Pursuant to the convertible debentures terms, SouthGobi had the right to call for the conversion of up to $250.0 million of the convertible debenture upon SouthGobi achieving a public float of 25.0% of its common shares under certain agreed circumstances. On March 29, 2010, SouthGobi exercised this right and completed the conversion of $250.0 million of the convertible debenture into 21.5 million shares at a conversion price of $11.64 (Cdn$11.88). Also on March 29, 2010, SouthGobi settled the $1.4 million accrued interest payable in shares on the $250.0 million converted by issuing 0.1 million shares at the 50-day VWAP conversion price of $15.97 (Cdn$16.29). On April 1, 2010, SouthGobi settled the outstanding accrued interest payable in cash on the $250.0 million converted with a cash payment of $5.7 million.

As at March 29, 2010, the fair value of the embedded derivative liability associated with the $250.0 million converted was $102.8 million, a decrease of $9.4 million compared to its fair value at December 31, 2009. The $347.6 million fair value of the SouthGobi shares issued upon conversion exceeded the $193.3 million aggregate carrying value of the debt host contract, embedded derivative liability and deferred charges. The difference of $154.3 million was recorded as a loss on conversion of the convertible debenture.

16

IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)
8.