

IVANHOE MINES LTD  
Form 6-K  
August 15, 2011

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**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 12, 2011**

**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-  Form 40-F-

(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:  No:

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

Enclosed:

Q2-2011 Financial Statement

Q2-2011 MD&A

CEO Certification

CFO Certification

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**SECOND QUARTER REPORT  
JUNE 30, 2011**

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

	<b>June 30, 2011</b>	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 4)	<b>\$ 1,575,079</b>	\$ 1,264,031
Short-term investments (Note 5)	<b>15,003</b>	98,373
Accounts receivable	<b>100,267</b>	65,741
Inventories (Note 6)	<b>70,354</b>	40,564
Prepaid expenses	<b>42,973</b>	23,338
<b>TOTAL CURRENT ASSETS</b>	<b>1,803,676</b>	1,492,047
<b>LONG-TERM INVESTMENTS (Note 7)</b>	<b>191,903</b>	151,191
<b>OTHER LONG-TERM INVESTMENTS (Note 8)</b>	<b>306,121</b>	191,816
<b>PROPERTY, PLANT AND EQUIPMENT (Note 9)</b>	<b>2,622,091</b>	1,332,648
<b>DEFERRED INCOME TAXES</b>	<b>30,324</b>	16,889
<b>OTHER ASSETS</b>	<b>42,261</b>	33,883
<b>TOTAL ASSETS</b>	<b>\$ 4,996,376</b>	\$ 3,218,474
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	<b>\$ 393,274</b>	\$ 260,528
Amounts due under credit facilities (Note 10)	<b>16,316</b>	14,615
Interest payable on long-term debt (Note 11)	<b>4,285</b>	6,312
Rights offering derivative liability (Note 12 (c))		766,238
<b>TOTAL CURRENT LIABILITIES</b>	<b>413,875</b>	1,047,693
<b>CONVERTIBLE CREDIT FACILITY (Note 11)</b>	<b>214,670</b>	248,284
<b>AMOUNTS DUE UNDER CREDIT FACILITIES (Note 10)</b>	<b>41,520</b>	40,080
<b>PAYABLE TO RELATED PARTY</b>	<b>31,724</b>	14,013
<b>DEFERRED INCOME TAXES</b>	<b>10,985</b>	11,123
<b>ASSET RETIREMENT OBLIGATIONS</b>	<b>43,296</b>	40,838
<b>TOTAL LIABILITIES</b>	<b>756,070</b>	1,402,031
<b>CONTINGENCIES (Note 19)</b>		
<b>EQUITY</b>		

SHARE CAPITAL (Note 12)

Authorized

Unlimited number of preferred shares without par value

Unlimited number of common shares without par value

Issued and outstanding

710,279,903 (2010 - 568,560,669) common shares

SHARE PURCHASE WARRANTS (Note 12 (b))

ADDITIONAL PAID-IN CAPITAL

ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 13)

DEFICIT

TOTAL IVANHOE MINES LTD. SHAREHOLDERS EQUITY

NONCONTROLLING INTERESTS (Note 14)

TOTAL EQUITY

TOTAL LIABILITIES AND EQUITY

<b>6,261,950</b>	3,378,921
	11,832
<b>1,357,839</b>	1,303,581
<b>23,923</b>	33,075
<b>(3,405,472)</b>	(2,913,576)

<b>4,238,240</b>	1,813,833
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<b>2,066</b>	2,610
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<b>4,240,306</b>	1,816,443
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<b>\$ 4,996,376</b>	\$ 3,218,474
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APPROVED BY THE BOARD:

/s/ D. Korbin

/s/ L. Mahler

D. Korbin, Director

L. Mahler, Director

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

**Table of Contents****IVANHOE MINES LTD.****Consolidated Statements of Operations**

(Stated in thousands of U.S. dollars, except for share and per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
REVENUE	\$ 47,336	\$ 17,668	\$ 67,494	\$ 31,585
COST OF SALES				
Production and delivery	(31,416)	(10,901)	(43,574)	(22,098)
Depreciation and depletion	(7,731)	(2,304)	(10,530)	(4,827)
Write-down of carrying value of inventory	(10,557)		(15,875)	(6,535)
COST OF SALES	(49,704)	(13,205)	(69,979)	(33,460)
EXPENSES				
Exploration (Note 2 and 12 (a))	(68,579)	(39,483)	(114,802)	(110,906)
General and administrative (Note 12 (a))	(19,483)	(14,730)	(44,761)	(23,047)
Depreciation	(703)	(354)	(1,215)	(1,270)
Accretion of asset retirement obligations	(172)	(48)	(334)	(91)
TOTAL EXPENSES	(138,641)	(67,820)	(231,091)	(168,774)
OPERATING LOSS	(91,305)	(50,152)	(163,597)	(137,189)
OTHER INCOME (EXPENSES)				
Interest income	4,913	2,538	10,051	7,167
Interest expense	(3,336)	(8,278)	(7,683)	(21,677)
Accretion of convertible credit facilities (Note 11)	(14)	(4,535)	(28)	(8,662)
Foreign exchange gains (losses)	2,254	(4,859)	5,403	(3,189)
Unrealized gains (losses) on long-term investments (Note 7 (d))	3,453	(4,509)	(309)	(5,212)
Unrealized gains on other long-term investments	1,007	789	1,395	1,509
Realized gain on redemption of other long-term investments (Note 8 (a))	65	26	98	87
Change in fair value of derivative (Note 12 (c))			(432,536)	
Change in fair value of embedded derivatives (Note 11)	70,422	72,233	33,641	70,861
Loss on conversion of convertible credit facility (Note 11)				(154,316)
Write-down of carrying value of long-term investments		(161)		(417)
Gain on sale of long-term investment (Note 7 (e))			10,628	
(LOSS) INCOME BEFORE INCOME TAXES AND OTHER ITEMS	(12,541)	3,092	(542,937)	(251,038)
(Provision) recovery of income taxes	(4,283)	(1,308)	8,615	2,174

Share of income (loss) of significantly influenced investees (Note 7)	<b>44,844</b>	(13,151)	<b>41,130</b>	(23,210)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	<b>28,020</b>	(11,367)	<b>(493,192)</b>	(272,074)
INCOME FROM DISCONTINUED OPERATIONS (Note 3)				6,585
NET INCOME (LOSS)	<b>28,020</b>	(11,367)	<b>(493,192)</b>	(265,489)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 14)	<b>(27,416)</b>	(18,664)	<b>1,296</b>	41,593
NET INCOME (LOSS) ATTRIBUTABLE TO IVANHOE MINES LTD.	\$ <b>604</b>	\$ (30,031)	\$ <b>(491,896)</b>	\$ (223,896)
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM				
CONTINUING OPERATIONS	\$	\$ (0.06)	\$ <b>(0.77)</b>	\$ (0.50)
DISCONTINUED OPERATIONS				0.01
	\$	\$ (0.06)	\$ <b>(0.77)</b>	\$ (0.49)
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM CONTINUING OPERATIONS	\$	\$ (0.06)	\$ <b>(0.77)</b>	\$ (0.50)
DISCONTINUED OPERATIONS				0.01
	\$	\$ (0.06)	\$ <b>(0.77)</b>	\$ (0.49)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000 s) (Note 1 (f))				
BASIC	<b>660,414</b>	466,451	<b>640,588</b>	459,107
DILUTED	<b>700,650</b>	466,451	<b>640,588</b>	459,107

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



**Table of Contents****IVANHOE MINES LTD.****Consolidated Statements of Equity**

(Stated in thousands of U.S. dollars, except for share amounts)

(Unaudited)

	Share Capital		Share Purchase Warrants	Additional Paid-In Capital	Accumulated Other Comprehensive Income		Noncontrolling Interests	Total
	Number of Shares	Amount			Deficit	Income		
Balances, December 31, 2010	568,560,669	\$ 3,378,921	\$ 11,832	\$ 1,303,581	\$ 33,075	\$ (2,913,576)	\$ 2,610	\$ 1,816,443
Net loss						(491,896)	(1,296)	(493,192)
Other comprehensive income (Note 13)					(9,152)		5,731	(3,421)
Comprehensive loss								(496,613)
Shares issued for:								
Exercise of stock options	1,712,740	23,979		(9,855)				14,124
Rights Offering (Note 12 (c)), net of issue costs of \$27,311	84,867,671	2,346,277		5,711				2,351,988
Exercise of share purchase warrants (Note 12 (b)), net of issue costs of \$1,065	55,122,253	512,347	(11,832)					500,515
Bonus shares	4,527	120		4,090				4,210
Share purchase plan	12,043	306						306
Other increase in noncontrolling interests (Note 14)							(4,979)	(4,979)
Dilution losses				(4,555)				(4,555)
				58,867				58,867

Stock-based  
compensation

Balances,

June 30, 2011	710,279,903	\$ 6,261,950	\$	\$ 1,357,839	\$ 23,923	\$ (3,405,472)	\$ 2,066	\$ 4,240,306
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The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<b>OPERATING ACTIVITIES</b>				
Cash used in operating activities (Note 15)	\$ (119,356)	\$ (39,052)	\$ (186,045)	\$ (99,135)
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of discontinued operations		6,442		6,442
Purchase of short-term investments			(20,657)	
Purchase of long-term investments		(7,322)	(8,537)	(13,025)
Purchase of other long-term investments	(100,000)	(50,000)	(145,000)	(80,000)
Proceeds from redemption of short-term investments	23,148		103,991	15,000
Proceeds from sale of long-term investments			14,000	1,800
Proceeds from redemption of other long-term investments	121	42	30,181	144
Expenditures on property, plant and equipment	(601,565)	(168,407)	(1,130,269)	(207,855)
Expenditures on (proceeds from) other assets	(1,452)	38	(12,695)	(47)
Cash used in investing activities	(679,748)	(219,207)	(1,168,986)	(277,541)
<b>FINANCING ACTIVITIES</b>				
Issue of share capital	512,042	394,599	1,668,160	446,138
Proceeds from (repayment of) credit facilities	(3,061)	(349)	1,547	(431)
Noncontrolling interests reduction of investment in subsidiaries	(9,449)		(18,233)	
Noncontrolling interests investment in subsidiaries	709	929	4,689	421,141
Cash provided by financing activities	500,241	395,179	1,656,163	866,848
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>				
	6,130	(6,090)	9,916	(1,520)
<b>NET CASH (OUTFLOW) INFLOW CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>(292,733)</b>	<b>130,830</b>	<b>311,048</b>	<b>488,652</b>
	<b>1,867,812</b>	<b>1,323,645</b>	<b>1,264,031</b>	<b>965,823</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,575,079</b>	<b>\$ 1,454,475</b>	<b>\$ 1,575,079</b>	<b>\$ 1,454,475</b>

**CASH AND CASH EQUIVALENTS IS  
COMPRISED OF:**

Cash on hand and demand deposits	<b>\$ 521,463</b>	\$ 726,510	<b>\$ 521,463</b>	\$ 726,510
Short-term money market instruments	<b>1,053,616</b>	727,965	<b>1,053,616</b>	727,965
	<b>\$ 1,575,079</b>	\$ 1,454,475	<b>\$ 1,575,079</b>	\$ 1,454,475

Supplementary cash flow information (Note 15)

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

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**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 accounting principles generally accepted in the United States of America ( 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, 2010.

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, 2010.

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, 2011 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, 2011, or future operating periods. For further information, see the Company s annual consolidated financial statements, including the accounting policies and notes thereto.

The Company has three operating segments, its development division located in Mongolia, its coal division located in Mongolia, and its exploration division with projects located primarily in Australia and Mongolia.

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) Comparative figures*

In February 2011, the Company completed a rights offering which was open to all shareholders on a dilution free, equal participation bases at a subscription price less than the fair value of a common share of the Company (Note 12 (c)). In accordance with the Financial Accounting Standards Board Accounting Standards Codification ( ASC ) guidance for earnings per share, basic and diluted loss per share for all periods prior to the rights offering have been adjusted retroactively for a bonus element contained in the rights offering. Specifically, the weighted average number of common shares outstanding used to compute basic and diluted loss per share for the three and six months ended June 30, 2010 has been multiplied by a factor of 1.06.

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**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)**

*(d) Accounting changes*

In January 2010, the 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 to 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.

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance requiring a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The updated guidance was 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.

*(e) Recent Accounting Pronouncements*

In May 2011, the ASC guidance for fair value measurement and disclosure was updated to clarify the Financial Accounting Standards Board's intent on current guidance, modify and change certain guidance and principles, and expand disclosures concerning Level 3 fair value measurements in the fair value hierarchy (including quantitative information about significant unobservable inputs within Level 3 of the fair value hierarchy). In addition, the updated guidance requires disclosure of the fair value hierarchy for assets and liabilities not measured at fair value in the statement of financial position, but whose fair value is required to be disclosed. The updated guidance is effective for the Company's fiscal year beginning January 1, 2012. The Company does not expect the updated guidance to have a material impact on its financial position or results of operations.

**Table of Contents****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)***(e) Recent Accounting Pronouncements (continued)*

In June 2011, the ASC guidance on presentation of comprehensive income was updated to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The updated guidance requires an entity to present the components of net income and other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of equity, but does not change the items that must be reported in other comprehensive income. The updated guidance is effective for the Company's fiscal year beginning January 1, 2012. The Company is in the process of assessing which presentation choice it will adopt.

*(f) Earnings (loss) per share*

The following table reconciles the numerators and the denominators of the basic and diluted earnings (loss) per share computations for net income from continuing operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income (loss) attributable to Ivanhoe Mines Ltd. from continuing operations	\$ 604	\$ (30,031)	\$ (497,896)	\$ (230,481)
Effect of dilutive securities				
None				
Adjusted net income (loss) attributable to Ivanhoe Mines Ltd. From continuing operations	\$ 604	\$ (30,031)	\$ (497,896)	\$ (230,481)
Basic weighted average number of shares outstanding	660,414	466,451	640,588	459,107
Effect of dilutive securities				
Share purchase warrants	31,586			
Stock options	8,473			
Bonus shares	177			
	700,650	466,451	640,588	459,107

**Table of Contents****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)***(f) Earnings (loss) per share (continued)*

The following table lists securities that could potentially dilute basic earnings (loss) per share in the future that were not included in the computation of diluted earnings (loss) per share because to do so would have been antidilutive for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Convertible credit facility		39,774		39,774
Share purchase warrants		82,467		82,467
Stock options	<b>2,460</b>	20,943	<b>19,996</b>	20,943
Bonus shares			<b>623</b>	
	<b>2,460</b>	143,184	<b>20,619</b>	143,184

**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.

Summary of exploration expenditures by location:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Mongolia				
Oyu Tolgoi <sup>(1)</sup>	\$ <b>6,009</b>	\$ 7,887	\$ <b>11,097</b>	\$ 60,010
Coal Division	<b>14,136</b>	14,307	<b>22,620</b>	20,871
Other Mongolia Exploration	<b>2,617</b>	982	<b>2,495</b>	1,534
	<b>22,762</b>	23,176	<b>36,212</b>	82,415
Australia	<b>43,021</b>	14,868	<b>73,384</b>	25,686
Indonesia	<b>1,389</b>	732	<b>2,497</b>	1,279
Other	<b>1,407</b>	707	<b>2,709</b>	1,526
	<b>68,579</b>	39,483	<b>114,802</b>	110,906

<sup>(1)</sup> Until March 31, 2010, exploration costs charged to operations included development costs associated with the Oyu Tolgoi Project 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 six months ended June 30, 2011, additions to property, plant and equipment for the Oyu Tolgoi Project totalled \$1,179.5 million, which included development costs.





**Table of Contents****IVANHOE MINES LTD.****Notes to the Consolidated Financial Statements****(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)****3. DISCONTINUED OPERATIONS**

In February 2005, Ivanhoe Mines sold the Savage River Iron Ore 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.

In 2010, Ivanhoe Mines received two payments totalling \$6.4 million in relation to the fifth annual contingent payment. The original purchaser of the Savage River Project has disputed the estimated \$22.1 million remaining balance of the fifth annual contingent payment. Ivanhoe Mines is committed to collecting this amount in full and has included the \$22.1 million in accounts receivable as at June 30, 2011. In 2010, Ivanhoe Mines initiated arbitration proceedings by filing a Request for Arbitration with the ICC International Court of Arbitration (ICC). In January 2011, the ICC determined that the location of arbitration is Sydney, Australia and that the matter will be submitted to a sole arbitrator. The arbitration hearing is scheduled to occur in December 2011.

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

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2011 included SouthGobi Resources Ltd. s (Canada) (57.3% owned) ( SouthGobi ) balance of \$282.7 million (December 31, 2010 \$492.0 million) and Ivanhoe Australia Limited s (Australia) (62.0% owned) ( Ivanhoe Australia ) balance of \$94.5 million (December 31, 2010 \$59.3 million), which were not available for Ivanhoe Mines general corporate purposes.

**5. SHORT-TERM INVESTMENTS**

Short-term investments at June 30, 2011 included SouthGobi s balance of \$15.0 million (December 31, 2010 \$17.5 million) and Ivanhoe Australia s balance of \$nil (December 31, 2010 \$80.8 million), which were not available for Ivanhoe Mines general corporate purposes.

**6. INVENTORIES**

	<b>June 30, 2011</b>	December 31, 2010
Stockpiles	\$ 12,477	\$ 3,637
Materials and supplies	57,877	36,927
	<b>\$ 70,354</b>	<b>\$ 40,564</b>

**Table of Contents****IVANHOE MINES LTD.****Notes to the Consolidated Financial Statements**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

**7. LONG-TERM INVESTMENTS**

	<b>June 30, 2011</b>	December 31, 2010
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	\$	\$
Exco Resources N.L. (b)	<b>68,922</b>	16,991
Available-for-sale equity securities (c)	<b>95,893</b>	103,431
Held-for-trading equity securities (d)	<b>9,926</b>	10,235
Other equity securities, cost method (e)	<b>17,162</b>	20,534
	<b>\$ 191,903</b>	\$ 151,191

(a) The Company holds a 50.0% interest in Altynalmas Gold Ltd. ( Altynalmas ), which owns the Kyzyl Gold Project that hosts the Bakyrchik and Bolshevik gold deposits in Kazakhstan.

	<b>June 30, 2011</b>	December 31, 2010
Amount due from Altynalmas	\$ <b>110,336</b>	\$ 100,545
Share of equity method losses in excess of common share investment	<b>(110,336)</b>	(100,545)
Net investment in Altynalmas	\$	\$

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, 2011, Ivanhoe Mines recorded a \$9.8 million equity method loss (2010 \$22.6 million loss) on this investment.

(b) During the six month period ended June 30, 2011, Ivanhoe Mines recorded a \$50.9 million equity method gain (2010 \$0.6 million loss) on its investment in Exco Resources N.L. ( Exco ).

At June 30, 2011, the market value of Ivanhoe Mines 22.8% investment in Exco was \$54.8 million (Aud\$51.1 million).

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(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

**7. LONG-TERM INVESTMENTS (Continued)***(c) Available-for-sale equity securities*

	Equity Interest	June 30, 2011			Equity Interest	December 31, 2010		
		Cost Basis	Unrealized Gain (Loss)	Fair Value		Cost Basis	Unrealized Gain (Loss)	Fair Value
Entrée Gold Inc.	12.0%	\$ 19,957	\$ 7,401	\$ 27,358	12.1%	\$ 19,957	\$ 27,746	\$ 47,703
Aspire Mining Limited (i)	19.8%	20,741	44,498	65,239	19.8%	20,280	31,727	52,007
Emmerson Resources Limited	10.0%	3,323	(414)	2,909	10.0%	3,636	(304)	3,332
Intec Ltd.	1.9%	36	39	75	1.9%	36	91	127
Other		60	252	312		60	202	262
		\$ 44,117	\$ 51,776	\$ 95,893		\$ 43,969	\$ 59,462	\$ 103,431

(i) During the three month period ended March 31, 2011, Ivanhoe Mines acquired 798,139 common shares of Aspire Mining Limited at a cost of \$461,000.

*(d) Held-for-trading equity securities*

As at June 30, 2011, the market value of Ivanhoe Mines 1.5% investment in Kangaroo Resources Limited was \$9.9 million, resulting in an unrealized loss of \$0.3 million during the six month period ended June 30, 2011.

*(e) Other equity securities, cost method*

	June 30, 2011		December 31, 2010	
	Equity Interest	Cost Basis	Equity Interest	Cost Basis
Ivanplats Limited (i)	8.8%	\$ 16,119	7.9%	\$ 19,491
GoviEx Gold Inc.	2.0%	1,043	1.5%	1,043
		\$ 17,162		\$ 20,534

(i) In January 2011, Ivanhoe Mines sold 1.4 million shares of Ivanplats Limited (formerly Ivanhoe Nickel and Platinum Ltd.) ( Ivanplats ), a private company, for \$14.0 million. This transaction resulted in a gain on sale of \$10.6 million.

In March 2011, Ivanhoe Mines converted the remaining Ivanplats special warrants into 2.5 million common shares of Ivanplats for no additional proceeds.

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**8. OTHER LONG-TERM INVESTMENTS**

	<b>June 30, 2011</b>	December 31, 2010
Long-Term Notes (a)	\$ 32,121	\$ 29,763
Government of Mongolia Treasury Bill (b)	84,264	80,394
Government of Mongolia Prepayments (b)	129,705	36,486
Money Market investments (c)	60,031	45,173
	<b>\$ 306,121</b>	<b>\$ 191,816</b>

*(a) Long-Term Notes*

As at June 30, 2011, the Company held \$65.6 million (December 31, 2010 \$65.0 million) principal amount of Long-Term Notes (received in 2009 upon completion of the Asset-Backed Commercial Paper restructuring) which was recorded at a fair value of \$32.1 million. The increase from December 2010 in principal of \$0.6 million was due to the strengthening of the Canadian dollar (\$1.9 million), offset by principal redemptions (\$1.3 million). The Company has designated the Long-Term Notes as held-for-trading. Accordingly, 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, 2011, 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 notes.

The Company has used a discounted cash flow approach to value the Long-Term Notes at June 30, 2011 incorporating the following assumptions:

Bankers Acceptance Rate:	1.12%
Discount Rates:	9% to 25%
Maturity Dates:	5.5 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%



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**IVANHOE MINES LTD.**

**Notes to the Consolidated Financial Statements**

**(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)**

**8. OTHER LONG-TERM INVESTMENTS (Continued)**

*(a) Long-Term Notes (continued)*

Based on the discounted cash flow model as at June 30, 2011, the fair value of the Long-Term Notes was estimated at \$32.1 million. As a result of this valuation, the Company recorded an unrealized trading gain of \$1.6 million for the six month period ended June 30, 2011.

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 \$1.5 million.

*(b) Government of Mongolia Treasury Bill and Tax Prepayments*

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 agreed to make two tax prepayments. Tax prepayments of \$50.0 million and \$100.0 million were made on April 7, 2010 and June 7, 2011 respectively.

The after tax rate of interest on the tax prepayments is 1.59% compounding annually. Unless already off-set fully against Mongolian taxes, the Mongolian Government must 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 tax prepayments as available-for-sale investments because they were not purchased with the intent of selling them in the near term and the Company's intention to hold them to maturity is uncertain. The fair values of the T-Bill and tax prepayments are estimated based on available public information regarding what market participants would consider for such investments. Changes in the fair value of available-for-sale investments are recognized in accumulated other comprehensive income.

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**8. OTHER LONG-TERM INVESTMENTS (Continued)***(b) Government of Mongolia Treasury Bill and Tax Prepayments (continued)*

The Company has used a discounted cash flow approach to value the T-Bill and tax prepayments at June 30, 2011 incorporating the following weighted average assumptions:

	T-Bill	Tax Prepayments
Purchased Amount	\$ 100,000,000	\$ 150,000,000
Discount Rate	9.9%	9.9%
Term	3.3 years	2.0 years

Based on the discounted cash flow models as at June 30, 2011, the fair values of the T-Bill and tax prepayments were estimated at \$84.3 million and \$129.7 million respectively. As a result of these valuations, Ivanhoe Mines recorded an unrealized gain of \$2.4 million on the T-Bill and an unrealized loss of \$7.3 million on the tax prepayments in accumulated other comprehensive income for the six month period ended June 30, 2011.

*(c) Money Market Investments*

As at June 30, 2011, Ivanhoe Mines held \$60.0 million of money market investments with remaining maturities in excess of one year.

**9. PROPERTY, PLANT AND EQUIPMENT**

	June 30, 2011 Accumulated Depletion and Depreciation, Including Write-downs			Net Book Value	December 31, 2010 Accumulated Depletion and Depreciation, Including Write-downs			Net Book Value
	Cost				Cost			
Mining plant and equipment								
Ovoot Tolgoi, Mongolia	\$ 11,082	\$ (2,029)	\$ 9,053		\$ 10,647	\$ (1,428)	\$ 9,219	
Other mineral property interests								
Oyu Tolgoi, Mongolia	\$ 48,120	\$ (6,402)	\$ 41,718		\$ 48,120	\$ (6,316)	\$ 41,804	
Ovoot Tolgoi, Mongolia	36,786	(1,169)	35,617		26,831	(766)	26,065	
Australia	25,885	(126)	25,759		25,470	(126)	25,344	
Other exploration projects	1,252	(1,244)	8		1,252	(1,244)	8	
	\$ 112,043	\$ (8,941)	\$ 103,102		\$ 101,673	\$ (8,452)	\$ 93,221	
Other capital assets								
Oyu Tolgoi, Mongolia	\$ 33,201	\$ (16,168)	\$ 17,033		\$ 24,203	\$ (14,471)	\$ 9,732	
Ovoot Tolgoi, Mongolia	303,074	(36,431)	266,643		228,241	(24,154)	204,087	
Australia	53,320	(3,544)	49,776		46,785	(2,723)	44,062	



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Other exploration projects	<b>4,304</b>	<b>(3,138)</b>	<b>1,166</b>	3,351	(2,573)	778
	<b>\$ 393,899</b>	<b>\$ (59,281)</b>	<b>\$ 334,618</b>	\$ 302,580	\$ (43,921)	\$ 258,659
Capital works in progress						
Oyu Tolgoi, Mongolia	<b>\$ 2,124,090</b>	<b>\$</b>	<b>\$ 2,124,090</b>	\$ 953,581	<b>\$</b>	\$ 953,581
Ovoot Tolgoi, Mongolia	<b>49,746</b>		<b>49,746</b>	16,364		16,364
Australia	<b>1,482</b>		<b>1,482</b>	1,604		1,604
	<b>\$ 2,175,318</b>	<b>\$</b>	<b>\$ 2,175,318</b>	\$ 971,549	<b>\$</b>	\$ 971,549