

IVANHOE MINES LTD
Form 6-K
August 12, 2005

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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 11, 2005

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:

2nd Quarter Unaudited Financial Statements, Notes and Management's

Discussion & Analysis,

CEO Certification

CFO Certification

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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 11, 2005

By: */s/ Beverly A. Bartlett*
BEVERLY A. BARTLETT
Corporate Secretary

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**SECOND QUARTER REPORT
JUNE 30, 2005**

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Table of Contents**IVANHOE MINES LTD.
Consolidated Balance Sheets**

| (Stated in U.S. \$000 s) | June 30, 2005 (Unaudited) | December 31, 2004 (Note 1) |
|--|--|---|
| ASSETS | | |
| Current | | |
| Cash | \$ 197,134 | \$ 122,577 |
| Accounts receivable (Note 2) | 21,420 | 10,286 |
| Broken ore on leach pads | 10,852 | 9,929 |
| Inventories | 6,174 | 5,575 |
| Prepaid expenses | 4,668 | 2,996 |
| Other current assets | 3,118 | 3,117 |
| Current assets of discontinued operations (Note 2) | | 36,636 |
| | 243,366 | 191,116 |
| Long-term investments (Note 3) | 13,910 | 16,281 |
| Mining property, plant and equipment | 133,350 | 132,599 |
| Other mineral property interests (Note 4) | 50,043 | 50,316 |
| Other capital assets | 15,253 | 8,909 |
| Future income taxes | 607 | 782 |
| Other assets | 6,519 | 5,333 |
| Deferred recoverable amount on sale of assets (Note 2) | 2,616 | |
| Non-current assets of discontinued operations (Note 2) | | 29,320 |
| | \$ 465,664 | \$ 434,656 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 26,476 | \$ 24,764 |
| Current portion of long-term debt (Note 5) | 3,750 | 7,500 |
| Current assets of discontinued operations (Note 2) | | 14,082 |
| | 30,226 | 46,346 |
| Loans payable to related parties (Note 6) | 5,088 | 5,088 |
| Other liabilities | 11,097 | 11,040 |
| Future income taxes | 12,639 | 12,788 |
| Non-controlling interest | 2,712 | 3,713 |
| Non-current liabilities of discontinued operations (Note 2) | | 26,380 |
| | 61,762 | 105,355 |

SHAREHOLDERS EQUITY

Share capital (Note 7)

Authorized

Unlimited number of preferred shares without par value

Unlimited number of common shares without par value

| | | |
|--|----------------|---------|
| Issued and outstanding 313,906,653 (2004 -292,870,998) common shares | 996,011 | 873,536 |
|--|----------------|---------|

| | | |
|-----------------------------------|-----------|-----|
| Additional paid-in capital | 24 | 210 |
|-----------------------------------|-----------|-----|

| | | |
|----------------------------|---------------|--------|
| Contributed surplus | 14,906 | 11,863 |
|----------------------------|---------------|--------|

| | | |
|----------------|------------------|-----------|
| Deficit | (607,039) | (556,308) |
|----------------|------------------|-----------|

| | | |
|--|----------------|---------|
| | 403,902 | 329,301 |
|--|----------------|---------|

| | | |
|--|-------------------|------------|
| | \$ 465,664 | \$ 434,656 |
|--|-------------------|------------|

APPROVED BY THE BOARD:

Director

Director

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

| (Stated in U.S. \$000 s) (Unaudited) | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2005 | 2004 (Note 1) | 2005 | 2004 (Note 1) |
| Revenue | \$ 15,614 | \$ 10,808 | \$ 30,758 | \$ 20,194 |
| Cost of operations | (4,026) | (2,792) | (8,083) | (5,333) |
| Depreciation and depletion | (1,325) | (1,276) | (2,956) | (2,561) |
| Operating profit | 10,263 | 6,740 | 19,719 | 12,300 |
| Expenses | | | | |
| General and administrative | (6,013) | (4,892) | (10,929) | (10,234) |
| Interest expense | (214) | (275) | (465) | (574) |
| Exploration expenses | (33,826) | (24,845) | (58,234) | (45,507) |
| Depreciation | (806) | (535) | (1,219) | (997) |
| Loss before the following | (30,596) | (23,807) | (51,128) | (45,012) |
| Other income (expenses) | | | | |
| Mining property care and maintenance costs | (899) | (829) | (1,751) | (1,875) |
| Interest income | 766 | 213 | 1,427 | 624 |
| Foreign exchange gain (loss) | 1,670 | (1,365) | 988 | (3,168) |
| Gain on sale of long-term investments (Note 3(a)) | 115 | 3,275 | 115 | 4,523 |
| Write-down of carrying value of long-term investment (Note 3(a)) | | | (1,438) | |
| Share of loss of significantly influenced investees | (382) | (856) | (621) | (1,254) |
| Other | (2) | 35 | 1 | (38) |
| Loss before income and capital taxes, non-controlling interest and discontinued operations | (29,328) | (23,334) | (52,407) | (46,200) |
| Provision for income and capital taxes | (2,362) | (438) | (3,863) | (1,482) |
| Loss before non-controlling interest and discontinued operations | (31,690) | (23,772) | (56,270) | (47,682) |
| Non-controlling interest | 575 | 637 | 1,001 | 756 |
| Net loss from continuing operations | \$ (31,115) | (23,135) | \$ (55,269) | (46,926) |
| Net income (loss) from discontinued operations (Note 2) | | 1,421 | 4,538 | (7,181) |
| Net loss | \$ (31,115) | \$ (21,714) | \$ (50,731) | \$ (54,107) |
| Basic and diluted earnings (loss) per share from | | | | |
| Continuing operations | \$ (0.10) | \$ (0.09) | \$ (0.19) | \$ (0.17) |

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| | | | | |
|---|----------------|-----------|----------------|-----------|
| Discontinued operations | | 0.01 | 0.02 | (0.03) |
| | \$ (0.10) | \$ (0.08) | \$ (0.17) | \$ (0.20) |
| Weighted average number of shares outstanding (in 000 s) | 298,467 | 271,805 | 295,905 | 271,588 |

Table of Contents**IVANHOE MINES LTD.****Consolidated Statement of Shareholders Equity**
(Stated in thousands of U.S. dollars)

(Unaudited)

| | Share Capital | | Additional Paid-In Capital | Contributed Surplus | Deficit | Total |
|---|---------------------|-----------|----------------------------------|------------------------|-------------|-----------|
| | Number of Shares | Amount | | | | |
| Balances, December 31, 2004 | 292,870,998 | \$873,536 | \$ 210 | \$11,863 | \$(530,090) | \$355,519 |
| Effect of accounting change (Note 1(b)) | | | | | (26,218) | (26,218) |
| Shares issued for: | | | | | | |
| Private placement, net of issue costs of \$6,084 | 19,750,000 | 119,812 | | | | 119,812 |
| Exercise of stock options | 1,227,672 | 2,246 | (186) | (648) | | 1,412 |
| Other capital assets purchased (Note 9(a)) | 50,000 | 362 | | | | 362 |
| Share purchase plan | 7,983 | 55 | | | | 55 |
| Stock compensation charged to operations | | | | 3,691 | | 3,691 |
| Net loss | | | | | (50,731) | (50,731) |
| Balances, June 30, 2005 | 313,906,653 | \$996,011 | \$ 24 | \$14,906 | \$(607,039) | \$403,902 |

Table of Contents**IVANHOE MINES LTD.
Consolidated Statements of Cash Flows**

| (Stated in U.S. \$000 s) (Unaudited) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | | (Note 1) | | (Note 1) |
| OPERATING ACTIVITIES OF CONTINUING OPERATIONS | | | | |
| Net loss | \$ (31,115) | \$(23,135) | \$ (55,269) | \$ (46,926) |
| Items not involving use of cash | | | | |
| Depreciation and depletion | 2,131 | 1,811 | 4,175 | 3,558 |
| Write-down of carrying value of long-term investments (Note 3(a)) | | | 1,438 | |
| Accretion expense | 158 | 673 | 315 | 804 |
| Unrealized foreign exchange (gain) loss | (756) | (10) | (1,255) | 260 |
| Share of loss of significantly influenced investees | 382 | 856 | 621 | 1,254 |
| Gain on sale of investments (Note 3(a)) | (115) | (3,275) | (115) | (4,523) |
| Non-cash stock-based compensation | 2,175 | 1,445 | 3,691 | 3,632 |
| Non-cash exploration expense recovery | | (3,248) | | (3,248) |
| Non-controlling interest | (575) | (637) | (1,001) | (756) |
| Future income taxes | (6) | (120) | 26 | (18) |
| Decrease in non-current portion of royalty payable | (108) | (123) | (216) | (554) |
| | (27,829) | (25,763) | (47,590) | (46,517) |
| Net change in non-cash operating working capital items (Note 9(c)) | 5,986 | 337 | (6) | 217 |
| | (21,843) | (25,426) | (47,596) | (46,300) |
| INVESTING ACTIVITIES OF CONTINUING OPERATIONS | | | | |
| Proceeds from sale of discontinued operations | | | 15,000 | |
| Proceeds from sale of long-term investments (Note 3(a)) | 4,539 | | 4,539 | 2,461 |
| Proceeds from sale of other mineral property interests | | 460 | | 460 |
| Purchase of long-term investments (Note 3(b)) | (4,111) | | (4,111) | |
| Expenditures on mining property, plant and equipment | (1,761) | (1,362) | (3,707) | (2,614) |
| Expenditures on other mineral property interests | | 7 | | (20,002) |
| Expenditures on other capital assets | (4,949) | (818) | (6,928) | (2,560) |
| (Expenditures on) proceeds from other assets | (1,428) | 48 | (1,436) | 37 |
| Other | | (3,020) | (2,079) | (3,865) |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| | (7,710) | (4,685) | 1,278 | (26,083) |
| FINANCING ACTIVITIES OF CONTINUING OPERATIONS | | | | |
| Share capital issued | 120,344 | 248 | 121,279 | 431 |
| Repayment of long-term debt | | | (3,750) | (3,750) |
| | 120,344 | 248 | 117,529 | (3,319) |
| EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH FROM CONTINUING OPERATIONS | 783 | (390) | 1,292 | (688) |
| NET CASH INFLOW (OUTFLOW) FROM CONTINUING OPERATIONS | 91,574 | (30,253) | 72,503 | (76,390) |
| NET CASH INFLOW FROM DISCONTINUED OPERATIONS | | 3,081 | 2,054 | 1,311 |
| CASH, BEGINNING OF PERIOD | 105,560 | 59,087 | 122,577 | 106,994 |
| CASH, END OF PERIOD | \$197,134 | \$ 31,915 | \$197,134 | \$ 31,915 |
| Cash is comprised of: | | | | |
| Cash on hand and demand deposits | \$ 41,685 | \$ 22,747 | \$ 41,685 | \$ 22,747 |
| Short-term money market instruments | 155,449 | 9,168 | 155,449 | 9,168 |
| | \$197,134 | \$ 31,915 | \$197,134 | \$ 31,915 |

Supplementary cash flow information (Note 9)

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IVANHOE MINES LTD.

Notes to the Consolidated Financial Statements

(Stated in U.S. Dollars, except tabular amounts in thousands of U.S. dollars)

(Unaudited)

1. BASIS OF PRESENTATION

(a) These unaudited interim consolidated financial statements of Ivanhoe Mines Ltd. (the Company) have been prepared in accordance with accounting principles generally accepted in Canada (GAAP) for the presentation of interim financial information. These financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company for the year ended December 31, 2004 (the Annual Financial Statements). These financial statements follow the same accounting policies and methods of their application as the Annual Financial Statements, except as disclosed in (b) below. Certain of the comparative figures have been reclassified to conform with the presentation in these financial statements. In particular, the results of operations and cash flows of ABM Mining Limited (ABM) for the three and six month periods ended June 30, 2004 (Note 2) have been classified as discontinued operations.

In the opinion of management, all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2005 and for all periods presented, have been made. The interim results are not necessarily indicative of results for a full year.

For purposes of these financial statements, the Company and its subsidiaries and joint venture are collectively referred to as Ivanhoe Mines.

(b) On March 30, 2005, the Financial Accounting Standards Board (FASB) ratified the consensus of the Emerging Issues Task Force (EITF) Issue 04-6 that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. Commencing in the first quarter of 2005, Ivanhoe Mines changed its accounting policy with respect to stripping costs to be consistent with the consensus reached by the EITF, on the basis that the consensus results in a more reliable, relevant and consistent application of GAAP. This change has been applied retrospectively by restating prior period financial statements. In 2004 and prior years, Ivanhoe Mines deferred or accrued stripping costs incurred during production, as appropriate, and charged these costs to operations on the basis of the estimated average stripping ratio for each mine area. The effect of this change was to increase the deficit at January 1, 2004 by \$18,329,000 and to increase the net loss for the year ended December 31, 2004 by \$7,889,000 (\$0.03 per share). The net loss for the three and six month periods ended June 30, 2004 were also increased by \$1,544,000 (\$0.01 per share) and \$6,065,000 (\$0.02 per share), respectively, as a result of this change.

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(Stated in U.S. Dollars, except tabular amounts in thousands of U.S. dollars)

(Unaudited)

2. DISCONTINUED OPERATIONS

In November 2004, the Company adopted a plan to dispose of the Savage River Iron Ore Project (the Project). This decision was part of the Company's plan to rationalize its non-core assets as it focuses on the Oyu Tolgoi project in Mongolia. In February 2005, Ivanhoe Mines sold the Project for two initial payments totalling \$21.5 million, plus a series of contingent, annual payments based on annual iron ore pellet sales of 1.8 million tonnes and an escalating price formula based on the prevailing annual Nibrasco/JSM pellet price.

Ivanhoe Mines received the first initial payment of \$15.0 million on February 28, 2005 and the second payment of \$6.5 million is due on or before January 31, 2006 and is included in accounts receivable at June 30, 2005.

The future payments will be made over five years commencing March 2006. These payments will be calculated at an initial rate of \$1.00 per tonne of iron ore pellets if the annual benchmark pellet price exceeds \$30 per tonne, and will escalate to a maximum of \$16.50 per tonne of iron ore pellets if the annual price exceeds \$80 per tonne. At June 30, 2005, Ivanhoe Mines has also included in accounts receivable an amount of \$5.9 million based on the tonnes of iron ore sold during the quarter ended June 30, 2005 and the escalating price formula, which has been offset to the deferred recoverable amount on the sale of assets.

Ivanhoe Mines expects to recover the deferred amount on the sale of assets of \$2,616,000 at June 30, 2005 through expected future cash flows arising from the sale of the Project, and any excess will be included in operations when the Company can estimate the amount of consideration to be received.

The following table present summarized financial information related to discontinued operations:

| | Two months ended February 28, 2005 | Three months ended June 30, 2004 | Six months ended June 30, 2004 |
|---|---|--|--------------------------------------|
| REVENUE | \$ 18,031 | \$ 21,079 | \$ 39,445 |
| COST OF OPERATIONS | (11,965) | (18,189) | (43,821) |
| DEPRECIATION AND DEPLETION | (868) | (1,120) | (2,123) |
| OPERATING PROFIT (LOSS) | 5,198 | 1,770 | (6,499) |
| EXPENSES | | | |
| General and administrative | (4) | (14) | (24) |
| Interest expense | (203) | (260) | (497) |
| INCOME (LOSS) BEFORE THE FOLLOWING | 4,991 | 1,496 | (7,020) |
| Interest income | 16 | 62 | 115 |
| Foreign exchange gain (loss) | (285) | 278 | 160 |
| Other expense | (191) | (438) | (491) |
| INCOME (LOSS) BEFORE INCOME TAXES | 4,531 | 1,398 | (7,236) |
| Recovery of income taxes | 7 | 23 | 55 |
| NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS | \$ 4,538 | \$ 1,421 | \$ (7,181) |
| Net cash provided by operating activities | \$ 2,592 | \$ 4,024 | \$ 3,032 |

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| | | | |
|--|-----------------|-----------------|-----------------|
| Net cash used in investing activities | (502) | (731) | (1,399) |
| Net cash used in financing activities | (37) | (46) | (60) |
| Effect of exchange rate changes on cash flows from discontinued operations | 1 | (166) | (262) |
| NET CASH INFLOW FROM DISCONTINUED OPERATIONS | \$ 2,054 | \$ 3,081 | \$ 1,311 |

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(Stated in U.S. Dollars, except tabular amounts in thousands of U.S. dollars)

(Unaudited)

3. LONG-TERM INVESTMENTS

(a) During the three months ended March 31, 2005, the share price of Olympus Pacific Minerals Inc. (Olympus) deteriorated with the result that the quoted market value of Ivanhoe Mines' investment in Olympus decreased significantly below carrying value. Accordingly, the Company recorded an impairment provision of \$1,438,000 reducing the carrying value of this investment to \$4,424,000.

In May 2005, Ivanhoe Mines sold its entire investment in Olympus, generating proceeds of \$4,539,000. This transaction resulted in a gain on sale of \$115,000.

(b) During the three months ended June 30, 2005, Ivanhoe Mines exercised its 4.6 million share purchase warrants of Entrée Gold Inc. (Entrée) to acquire 4.6 million common shares at a cost of Cdn\$5,060,000 (\$4,111,000).

In July 2005, Ivanhoe Mines acquired an additional 1.2 million units in Entrée at a cost of Cdn\$2,718,000 (\$2,199,000). Each unit consists of one Entrée common share and two share purchase warrants. As a result of these transactions, Ivanhoe Mines now owns 16.4% of Entrée's issued and outstanding share capital.

4. OTHER MINERAL PROPERTY INTERESTS

| | June 30, 2005 | December 31, 2004 |
|-----------------------|--------------------------|-------------------------|
| Mongolia: | | |
| Oyu Tolgoi | \$42,970 | \$ 42,999 |
| Other | 159 | 159 |
| Australia | 5,478 | 5,722 |
| Inner Mongolia, China | 1,436 | 1,436 |
| | \$50,043 | \$ 50,316 |

5. CURRENT PORTION OF LONG-TERM DEBT

Myanmar Ivanhoe Copper Company Limited's (JVCo) loan of \$7,500,000 (of which \$3,750,000 is Ivanhoe Mines proportionate share) at June 30, 2005 bears interest at a rate equal to LIBOR plus 2.5%, subject to certain adjustments, and is repayable in August 2005. The loan facility is secured by, amongst other things, a fixed charge on the Monywa Copper Mine Project assets, an assignment of JVCo's operating and restricted cash balances, and a floating charge on all other assets of JVCo.

This debt is non-recourse to the Company.

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IVANHOE MINES LTD.

Notes to the Consolidated Financial Statements

(Stated in U.S. Dollars, except tabular amounts in thousands of U.S. dollars)

(Unaudited)

6. LOANS PAYABLE TO RELATED PARTIES

These loans are payable to the Chairman of the Company or a company controlled by him. They are non-interest bearing, unsecured and repayable in U.S. dollars. Repayment of these loans has been postponed until Ivanhoe Mines receives an aggregate of \$111,000,000 from the sale of the Savage River Project.

7. SHARE CAPITAL

During the six months ended June 30, 2005, 750,000 options were granted. These options have a weighted average exercise price of Cdn\$8.66, lives of five years and vest over periods ranging from one to four years. The weighted average fair value of the options issued was estimated at Cdn\$5.01 per share option at the grant date using the Black-Scholes pricing model. The option valuation was based on an average expected option life of five years, a risk-free interest rate of 3.74%, a dividend yield of nil% and an expected volatility of 61.2%.

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IVANHOE MINES LTD.

Notes to the Consolidated Financial Statements

(Stated in U.S. Dollars, except tabular amounts in thousands of U.S. dollars)

(Unaudited)

8. SEGMENTED INFORMATION

THREE MONTHS ENDED JUNE 30, 2005

(Stated in 000 s)

| | <i>Copper</i> | <i>Exploration</i> | <i>Corporate</i> | <i>Total</i> |
|----------------|---------------|--------------------|------------------|--------------|
| Revenue | \$15,614 | \$ | | |