IVANHOE MINES LTD
Form 6-K
November 14, 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: November 14, 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- 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:
Q3-2011 Financial Statement
Q3-2011 MD&A
CEO Certification
CFO Certification

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THIRD QUARTER REPORT
SEPTEMBER 30, 2011

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

(Unaudited)	September 30, 2011	December 31, 2010
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	$ 1,410,255	$ 1,264,031
Short-term investments (Note 5)	9,998	98,373
Accounts receivable	104,512	65,741
Inventories (Note 6)	86,626	40,564
Prepaid expenses	101,276	23,338
TOTAL CURRENT ASSETS	1,712,667	1,492,047
LONG-TERM INVESTMENTS (Note 7)	144,376	151,191
OTHER LONG-TERM INVESTMENTS (Note 8)	294,873	191,816
PROPERTY, PLANT AND EQUIPMENT (Note 10)	3,414,239	1,332,648
DEFERRED INCOME TAXES	30,657	16,889
OTHER ASSETS	41,984	33,883
TOTAL ASSETS	$ 5,638,796	$ 3,218,474
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 496,028	$ 260,528
Amounts due under credit facilities (Note 11)	14,118	14,615
Interest payable on long-term debt (Note 12)	9,326	6,312
Rights offering derivative liability (Note 13 (c))		766,238
TOTAL CURRENT LIABILITIES	519,472	1,047,693
CONVERTIBLE CREDIT FACILITY (Note 12)	152,627	248,284
AMOUNTS DUE UNDER CREDIT FACILITIES (Note 11)	38,084	40,080
PAYABLE TO RELATED PARTY	42,804	14,013
DEFERRED INCOME TAXES	11,573	11,123
ASSET RETIREMENT OBLIGATIONS	40,355	40,838
TOTAL LIABILITIES	804,915	1,402,031
CONTINGENCIES (Note 20)		
EQUITY		

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited)	**2011**	2010	**2011**	2010
REVENUE	**$ 60,491**	$ 6,597	**$ 127,985**	$ 38,182
COST OF SALES				
Production and delivery	**(40,997)**	(5,975)	**(84,571)**	(28,073)
Depreciation and depletion	**(9,991)**	(1,027)	**(20,521)**	(5,854)
Write-down of carrying value of inventory	**(3,061)**	(7,855)	**(18,936)**	(14,390)
COST OF SALES	**(54,049)**	(14,857)	**(124,028)**	(48,317)
EXPENSES				
Exploration (Note 2 and 13 (a))	**(79,558)**	(48,131)	**(194,360)**	(159,037)
General and administrative (Note 13 (a))	**(21,390)**	(15,005)	**(66,151)**	(38,052)
Depreciation	**(837)**	(252)	**(2,052)**	(1,522)
Accretion of asset retirement obligations	**(176)**	(51)	**(510)**	(142)
Write-down of carrying values of property, plant and equipment		(1,764)		(1,764)
TOTAL EXPENSES	**(156,010)**	(80,060)	**(387,101)**	(248,834)
OPERATING LOSS	**(95,519)**	(73,463)	**(259,116)**	(210,652)
OTHER INCOME (EXPENSES)				
Interest income	**5,320**	3,772	**15,371**	10,939
Interest expense	**(1,935)**	(6,280)	**(9,618)**	(27,957)
Accretion of convertible credit facilities (Note 12)	**(15)**	(3,034)	**(43)**	(11,696)
Foreign exchange (losses) gains	**(35,552)**	5,334	**(30,149)**	2,145
Unrealized (losses) gains on long-term investments (Note 7 (d))	**(2,374)**	1,363	**(2,683)**	(3,849)
Unrealized gains on other long-term investments	**729**	2,019	**2,124**	3,528
Realized gain on redemption of other long-term investments (Note 8 (a))	**9**	34	**107**	121
Change in fair value of derivative (Note 13 (c))			**(432,536)**	
Change in fair value of embedded derivatives (Note 12)	**62,058**	49,772	**95,699**	120,633
Loss on conversion of convertible credit facility (Note 12)				(154,316)
Write-down of carrying value of long-term investments (Note 7)	**(928)**	(68)	**(928)**	(485)
Gain on sale of long-term investment (Note 7 (e))			**10,628**	
Gain on settlement of note receivable (Note 9)	**102,995**		**102,995**	
	2,925		**2,925**	

Net recovery on derecognition of property, plant and equipment								
INCOME (LOSS) BEFORE INCOME TAXES AND OTHER ITEMS		**37,713**		(20,551)		**(505,224)**		(271,589)
(Provision) recovery of income taxes		**(6,884)**		3,782		**1,731**		5,956
Share of (loss) income of significantly influenced investees (Note 7)		**(19,341)**		(8,503)		**21,789**		(31,713)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**11,488**		(25,272)		**(481,704)**		(297,346)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS (Note 3)		**(9,105)**				**(9,105)**		6,585
NET INCOME (LOSS)		**2,383**		(25,272)		**(490,809)**		(290,761)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 15)		**4,950**		411		**6,246**		42,004
NET INCOME (LOSS) ATTRIBUTABLE TO IVANHOE MINES LTD.	**$**	**7,333**	$	(24,861)	**$**	**(484,563)**	$	(248,757)
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM								
CONTINUING OPERATIONS	**$**	**0.02**	$	(0.05)	**$**	**(0.71)**	$	(0.53)
DISCONTINUED OPERATIONS		**(0.01)**				**(0.01)**		0.01
	$	**0.01**	$	(0.05)	**$**	**(0.72)**	$	(0.52)
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO IVANHOE MINES LTD. FROM								
CONTINUING OPERATIONS	**$**	**0.02**	$	(0.05)	**$**	**(0.71)**	$	(0.53)
DISCONTINUED OPERATIONS		**(0.01)**				**(0.01)**		0.01
	$	**0.01**	$	(0.05)	**$**	**(0.72)**	$	(0.52)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000 s) (Note 1 (f))								
BASIC		**721,757**		523,379		**667,941**		480,766
DILUTED		**729,506**		523,379		**667,941**		480,766

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

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

	Share Capital			Additional	Accumulated Other			
(Unaudited)	Number of Shares	Amount	Share Purchase Warrants	Paid-In Capital	Comprehensive Income (Loss)	Deficit	Noncontrolling Interests	Total
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						(484,563)	(6,246)	(490,809)
Other comprehensive loss (Note 14)					(39,675)		(7,079)	(46,754)
Comprehensive loss								(537,563)
Shares issued for:								
Exercise of stock options	2,083,150	29,328		(11,991)				17,337
Rights Offering (Note 13 (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 13 (b)), net of issue costs of $1,065	55,122,253	512,347	(11,832)					500,515
Exercise of subscription right (Note 13 (b))	27,896,570	535,908						535,908
Bonus shares	4,527	120		6,169				6,289
Share purchase plan	18,489	469						469
Other increase in noncontrolling interests (Note							36,057	36,057

15)								
Dilution gains				28,839				28,839
Stock-based compensation				77,599				77,599
Balances, September 30, 2011	738,553,329	$ 6,803,370	$	$ 1,409,908	$ (6,600)	$ (3,398,139)	$ 25,342	$ 4,833,881

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 September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
OPERATING ACTIVITIES				
Cash used in operating activities (Note 16)	**$ (124,456)**	$ (42,635)	**$ (310,501)**	$ (141,770)
INVESTING ACTIVITIES				
Proceeds from sale of discontinued operations				6,442
Purchase of short-term investments			**(20,657)**	
Purchase of long-term investments	**(8,673)**	(11,075)	**(17,210)**	(24,100)
Purchase of other long-term investments			**(145,000)**	(80,000)
Proceeds from redemption of short-term investments	**4,979**		**108,970**	15,000
Proceeds from sale of long-term investments			**14,000**	1,800
Proceeds from redemption of other long-term investments	**15,018**	57	**45,199**	201
Proceeds from redemption of note receivable	**102,995**		**102,995**	
Expenditures on property, plant and equipment	**(718,835)**	(222,843)	**(1,849,104)**	(430,698)
Proceeds from (expenditures on) other assets	**54**	(143)	**(12,641)**	(190)
Cash used in investing activities	**(604,462)**	(234,004)	**(1,773,448)**	(511,545)
FINANCING ACTIVITIES				
Issue of share capital	**539,282**	11,265	**2,207,442**	457,403
Repayment of credit facilities	**(1,685)**	(354)	**(138)**	(785)
Noncontrolling interests reduction of investment in subsidiaries	**(10,611)**	(2,529)	**(28,844)**	(2,529)
Noncontrolling interests investment in subsidiaries	**85,039**	233,930	**89,728**	655,071
Cash provided by financing activities	**612,025**	242,312	**2,268,188**	1,109,160
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(47,931)**	19,971	**(38,015)**	18,451
NET CASH (OUTFLOW) INFLOW	**(164,824)**	(14,356)	**146,224**	474,296
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**1,575,079**	1,454,475	**1,264,031**	965,823
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 1,410,255**	$ 1,440,119	**$ 1,410,255**	$ 1,440,119

CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash on hand and demand deposits	**$ 665,777**	$ 693,173	**$ 665,777**	$ 693,173
Short-term money market instruments	**744,478**	746,946	**744,478**	746,946
	$ 1,410,255	$ 1,440,119	**$ 1,410,255**	$ 1,440,119

Supplementary cash flow information (Note 16)
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 September 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 basis at a subscription price less than the fair value of a common share of the Company (Note 13 (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 nine months ended September 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.

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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)

(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 September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Net income (loss) attributable to Ivanhoe Mines Ltd. from continuing operations	**$ 16,438**	$ (24,861)	**$ (475,458)**	$ (255,342)
Effect of dilutive securities				
None				
Adjusted net income (loss) attributable to Ivanhoe Mines Ltd. from continuing operations	**$ 16,438**	$ (24,861)	**$ (475,458)**	$ (255,342)
Basic weighted average number of shares outstanding	**721,757**	523,379	**667,941**	480,766
Effect of dilutive securities				
Stock options	**7,569**			
Bonus shares	**180**			
	729,506	523,379	**667,941**	480,766

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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)

(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 September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Share purchase warrants		82,467		82,467
Stock options	**2,755**	19,724	**19,611**	19,724
Bonus shares			**623**	
	2,755	102,191	**20,234**	102,191

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 September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Mongolia				
Oyu Tolgoi [(1)]	**$ 6,381**	$ 14,298	**$ 17,478**	$ 74,308
Coal Division	**21,002**	14,676	**43,622**	35,547
Other Mongolia Exploration	**2,695**	1,393	**5,190**	2,927
	30,078	30,367	**66,290**	112,782
Australia	**47,086**	15,743	**120,470**	41,429
Indonesia	**1,095**	903	**3,592**	2,182
Other	**1,299**	1,118	**4,008**	2,644
	79,558	48,131	**194,360**	159,037

(1) 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 nine months ended September 30, 2011, additions to property, plant and equipment for the Oyu Tolgoi Project totalled $1,931.5 million, which included development costs.

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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)

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 disputed the estimated $22.1 million remaining balance of the fifth annual contingent payment. In 2010, Ivanhoe Mines initiated arbitration proceedings by filing a Request for Arbitration with the ICC International Court of Arbitration. The arbitration hearing was scheduled to occur in December 2011. Subsequent to September 30, 2011, the parties reached an out-of-court settlement whereby the original purchaser will pay Ivanhoe Mines a reduced balance of $13.0 million by March 31, 2012. Accordingly, Ivanhoe Mines has reduced the carrying value of the contingent receivable as at September 30, 2011 to $13.0 million. The resulting $9.1 million write-down is recognized as a loss from discontinued operations.

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2011 included SouthGobi Resources Ltd. s (Canada) (57.6% owned) (SouthGobi) balance of $205.8 million (December 31, 2010 $492.0 million) and Ivanhoe Australia Limited s (Australia) (53.6% owned) (Ivanhoe Australia) balance of $111.8 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 September 30, 2011 included SouthGobi s balance of $10.0 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

	September 30, 2011	December 31, 2010
Stockpiles	**$ 4,070**	$ 3,637
Materials and supplies	**82,556**	36,927
	$ 86,626	$ 40,564

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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)

7. LONG-TERM INVESTMENTS

		September 30, 2011		December 31, 2010
Investments in companies subject to significant influence:				
Altynalmas Gold Ltd. (a)	**$**		$	
Exco Resources N.L. (b)		**51,062**		16,991
Available-for-sale equity securities (c)		**69,528**		103,431
Held-for-trading equity securities (d)		**7,552**		10,235
Other equity securities, cost method (e)		**16,234**		20,534
	$	**144,376**	$	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.

		September 30, 2011		December 31, 2010
Amount due from Altynalmas	**$**	**118,633**	$	100,545
Share of equity method losses in excess of common share investment		**(118,633)**		(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 nine month period ended September 30, 2011, Ivanhoe Mines recorded a $18.1 million equity method loss (2010 $31.0 million loss) on this investment.

(b) During the nine month period ended September 30, 2011, Ivanhoe Mines recorded a $39.9 million equity method gain (2010 $0.7 million loss) on its investment in Exco Resources N.L. (Exco).

At September 30, 2011, the market value of Ivanhoe Mines 22.6% investment in Exco was $48.3 million (Aud$50.0 million).

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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)

7. LONG-TERM INVESTMENTS (Continued)

(c) Available-for-sale equity securities

	September 30, 2011				December 31, 2010			
	Equity Interest	**Cost Basis**	**Unrealized (Loss) Gain**	**Fair Value**	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value
Entrée Gold Inc.	**12.0%**	**$ 19,957**	**$ (1,300)**	**$ 18,657**	12.1%	$ 19,957	$ 27,746	$ 47,703
Aspire Mining Limited (i)	**20.2%**	**22,037**	**26,377**	**48,414**	19.8%	20,280	31,727	52,007
Emmerson Resources Limited	**10.0%**	**2,840**	**(765)**	**2,075**	10.0%	3,636	(304)	3,332
Other		**96**	**286**	**382**		96	293	389
		$ 44,930	**$ 24,598**	**$ 69,528**		$ 43,969	$ 59,462	$ 103,431

(i) During the three month period ended September 30, 2011, Ivanhoe Mines acquired 2,540,812 common shares of Aspire Mining Limited (Aspire) at a cost of $1.3 million.
During the three month period ended March 31, 2011, Ivanhoe Mines acquired 798,139 common shares of Aspire at a cost of $461,000.

(d) Held-for-trading equity securities

As at September 30, 2011, the market value of Ivanhoe Mines 1.5% investment in Kangaroo Resources Limited was $7.6 million, resulting in an unrealized loss of $2.7 million during the nine month period ended September 30, 2011.

(e) Other equity securities, cost method

	September 30, 2011		December 31, 2010	
	Equity Interest	**Cost Basis**	Equity Interest	Cost Basis
Ivanplats Limited (i)	**8.8%**	**$ 16,119**	7.9%	$ 19,491
Ibex Resources Inc. (ii)	**1.6%**	**115**	1.5%	1,043
		$ 16,234		$ 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.

(ii) During the three month period ended September 30, 2011, Ivanhoe Mines recorded an impairment provision of $928,000 against the investment in Ibex Resources Inc. (formerly GoviEx Gold Inc.) based on an assessment of the fair value.

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8. OTHER LONG-TERM INVESTMENTS

	September 30, 2011	December 31, 2010
Long-Term Notes (a)	**$ 30,744**	$ 29,763
Government of Mongolia Treasury Bill (b)	**86,231**	80,394
Government of Mongolia Prepayments (b)	**132,904**	36,486
Money Market investments (c)	**44,994**	45,173
	$ 294,873	$ 191,816

(a) Long-Term Notes

As at September 30, 2011, the Company held $61.1 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 $30.7 million. The decrease from December 2010 in principal of $3.9 million was due to the weakening of the Canadian dollar ($2.6 million) and 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 September 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 September 30, 2011 incorporating the following assumptions:

Bankers Acceptance Rate:	1.12%
Discount Rates:	9% to 25%
Maturity Dates:	5.2 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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8. OTHER LONG-TERM INVESTMENTS (Continued)

(a) Long-Term Notes (continued)

Based on the discounted cash flow model as at September 30, 2011, the fair value of the Long-Term Notes was estimated at $30.7 million. As a result of this valuation, the Company recorded an unrealized trading gain of $2.4 million for the nine month period ended September 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 $1.4 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 September 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	3.1 years	1.8 years

Based on the discounted cash flow models as at September 30, 2011, the fair values of the T-Bill and tax prepayments were estimated at $86.2 million and $132.9 million respectively. As a result of these valuations, Ivanhoe Mines recorded an unrealized gain of $3.7 million on the T-Bill and an unrealized loss of $4.8 million on the tax prepayments in accumulated other comprehensive income for the nine month period ended September 30, 2011.

(c) Money Market Investments

As at September 30, 2011, Ivanhoe Mines held $45.0 million of money market investments with remaining maturities in excess of one year.

9. NOTE RECEIVABLE

In early August 2011, Ivanhoe Mines received $103.0 million as payment for a promissory note from the Monywa Trust.

Ivanhoe Mines transferred the ownership of its former 50% interest in the Monywa Project that was held through its Monywa subsidiary to the independent, third-party Monywa Trust in February 2007. In exchange for the interest, the Monywa Trust issued an unsecured, non-interest-bearing promissory note to a subsidiary of the Company. The sole purpose of the Monywa Trust was to sell the shares of the Monywa subsidiary to one or more arm s-length third parties.

Ivanhoe Mines has held no interest in the Monywa Project, and has had no involvement with the administration and operation of the Monywa Project, since February 2007.

After acquiring Ivanhoe Mines former interest in the Monywa Project, the independent trustee engaged an independent service provider to help the Monywa Trust identify potential buyers. Ivanhoe Mines had no involvement in discussions between the Monywa Trust and its service provider or with potential purchasers or with the ultimate sale of the interest in July 2011.

The receipt of the $103.0 million has been recorded as a gain on settlement of note receivable as the note receivable had a carrying value of $nil.

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10. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2011			December 31, 2010		
	Cost	**Accumulated Depletion and Depreciation, Including Write-downs**	**Net Book Value**	Cost	Accumulated Depletion and Depreciation, Including Write-downs	Net Book Value
Mining plant and equipment						
Ovoot Tolgoi, Mongolia	**$ 11,172**	**$ (2,338)**	**$ 8,834**	$ 10,647	$ (1,428)	$ 9,219
Other mineral property interests						
Oyu Tolgoi, Mongolia	**$ 48,120**	**$ (6,445)**	**$ 41,675**	$ 48,120	$ (6,316)	$ 41,804
Ovoot Tolgoi, Mongolia	**38,536**	**(1,508)**	**37,028**	26,831	(766)	26,065
Australia	**24,985**	**(126)**	**24,859**	25,470	(126)	25,344
Other exploration projects	**1,252**	**(1,244)**	**8**	1,252	(1,244)	8
	$ 112,893	**$ (9,323)**	**$ 103,570**	$ 101,673	$ (8,452)	$ 93,221
Other capital assets						
Oyu Tolgoi, Mongolia	**$ 37,979**	**$ (17,274)**	**$ 20,705**	$ 24,203	$ (14,471)	$ 9,732
Ovoot Tolgoi, Mongolia	**317,914**	**(44,095)**	**273,819**	228,241	(24,154)	204,087
Australia	**49,085**	**(3,726)**	**45,359**	46,785	(2,723)	44,062
Other exploration projects	**4,442**	**(3,545)**	**897**	3,351	(2,573)	778
	$ 409,420	**$ (68,640)**	**$ 340,780**	$ 302,580	$ (43,921)	$ 258,659
Capital works in progress						
Oyu Tolgoi, Mongolia	**$ 2,871,329**	**$**	**$ 2,871,329**	$ 953,581	$	$ 953,581
Ovoot Tolgoi, Mongolia	**80,671**		**80,671**	16,364		16,364
Australia	**9,055**		**9,055**	1,604		1,604
	$ 2,961,055	**$**	**$ 2,961,055**	$ 971,549	$	$ 971,549
	$ 3,494,540	**$ (80,301)**	**$ 3,414,239**	$ 1,386,449	$ (53,801)	$ 1,332,648

11. AMOUNTS DUE UNDER CREDIT FACILITIES

		September 30, 2011		December 31, 2010
Current				
Non-revolving bank loans (a)	**$**	**14,118**	$	14,615
Non-Current				
Two-year extendible loan facility (b)	**$**	**38,084**	$	40,080

(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 April 2009, Ivanhoe Mines obtained a non-revolving, two-year extendible loan facility. Upon the loan facility s original maturity in October 2010, Ivanhoe Mines elected to utilize the first one-year extension. Ivanhoe Mines has elected to utilize the second one-year extension available to it under the loan facility, extending the loan s maturity to October 2012. The loan facility is secured against certain securities and other investments.

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12. CONVERTIBLE CREDIT FACILITY

	September 30, 2011	December 31, 2010
Principal amount of convertible debenture	**$ 500,000**	$ 500,000
(Deduct) add:		
Bifurcation of embedded derivative liability	**(313,292)**	(313,292)
Accretion of discount	**111**	69
Reduction of carrying amount upon partial conversion	**(93,370)**	(93,370)
Carrying amount of debt host contract	**93,449**	93,407
Embedded derivative liability	**59,178**	154,877
Convertible credit facility	**152,627**	248,284
Accrued interest	**9,326**	6,312
Transaction costs allocated to deferred charges	**(2,799)**	(2,800)
Net carrying amount of convertible debenture	**$ 159,154**	$ 251,796

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.

As at September 30, 2011, the fair value of the embedded derivative liability associated with the remaining $250.0 million principal outstanding was determined to be $59.2 million.

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12. CONVERTIBLE CREDIT FACILITY (Continued)

The embedded derivative liability was valued using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement in the inputs can be independent of each other. Some of the key inputs used by the Monte Carlo simulation include: floor and ceiling conversion prices, risk-free rate of return, expected volatility of SouthGobi s share price, forward Cdn$ exchange rate curves and spot Cdn$ exchange rates.

Assumptions used in the Monte Carlo valuation model are as follows:

	September 30, 2011	December 31, 2010
Floor conversion price	**Cdn$ 8.88**	**Cdn$** 8.88
Ceiling conversion price	**Cdn$ 11.88**	**Cdn$** 11.88
Expected volatility	**72%**	73%
Risk-free rate of return	**2.68%**	3.48%
Spot Cdn$ exchange rate	**0.96**	1.01
Forward Cdn$ exchange rate curve	**0.91 - 0.95**	0.97 - 1.14

During the three and nine months ended September 30, 2011, Ivanhoe Mines capitalized $3.5 million and $6.8 million, respectively, of interest expense incurred on the convertible credit facility.

13. SHARE CAPITAL

(a) Equity Incentive Plan

Stock-based compensation charged to operations was allocated between exploration expenses and general and administrative expenses as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Exploration (i)	**$ 9,031**	$ 6,437	**$ 27,655**	$ 18,691
General and administrative	**6,899**	2,774	**29,211**	7,551
	$ 15,930	$ 9,211	**$ 56,866**	$ 26,242

(i) During the nine months ended September 30, 2011, stock-based compensation of $26.9 million (2010 $3.2 million), relating to the development of the Oyu Tolgoi Project was capitalized as property, plant and equipment (Note 2).

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13. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (Continued)

Stock-based compensation charged to operations was incurred by Ivanhoe Mines as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Ivanhoe Mines Ltd. (i)	**$ 8,971**	$ 3,606	**$ 35,910**	$ 11,255
SouthGobi Resources Ltd.	**3,646**	3,234	**9,938**	7,927
Ivanhoe Australia Ltd.	**3,313**	2,371	**11,018**	7,060
	$ 15,930	$ 9,211	**$ 56,866**	$ 26,242

(i) During the nine months ended September 30, 2011, 2,164,215 options were exercised, 163,596 options were cancelled and 5,225,923 options were granted. These granted options have a weighted average exercise price of Cdn$18.83, lives of seven years, and vest over periods ranging from grant date to four years. The weighted average grant-date fair value of stock options granted during the nine months ended September 30, 2011 was Cdn$17.30. The fair value of these options was determined using the Black-Scholes option pricing model. The option valuation was based on a weighted average expected life of 3.0 years, risk-free interest rate of 2.09%, expected volatility of 66%, and dividend yield of nil%. During the nine months ended September 30, 2011, stock-based compensation of $26.9 million (2010 $3.2 million), relating to the development of the Oyu Tolgoi Project was capitalized as property, plant and equipment (Note 2).

(b) Rio Tinto Placements

In 2006, the Company and Rio Tinto formed a strategic partnership and entered into a private placement agreement whereby Rio Tinto would invest in Ivanhoe Mines. Since 2006 the parties have entered into a series of agreements pursuant to which Rio Tinto has provided equity and debt financing to Ivanhoe Mines. As a result of these transactions, Rio Tinto holds a significant investment interest in Ivanhoe Mines. These transactions are set out below:

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13. SHARE CAPITAL (Continued)

(b) Rio Tinto Placements (Continued)

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

Nature of Investment by Rio Tinto	Period	Number of Shares Acquired [1]	Proceeds/ Transaction Value
Private Placement Tranche 1	2006	37,089,883	$ 303,395
Anti Dilution Shares	2008	243,772	612
Private Placement Tranche 2	2009	46,304,473	388,031
March 2010 Private Placement	2010	15,000,000	240,916
Exercise of Series A Warrants	2010	46,026,522	393,066
Conversion of Convertible Credity Facility	2010	40,083,206	400,832
Exercise of Anti Dilution Warrants	2010	720,203	2,229
Partial exercise of Series B Warrants	2010	33,783,784	300,000
Balance at December 31, 2010		219,251,843	$ 2,029,081
Rights Offering	February 2011	34,387,776	477,302
Exercise of remaining Series B Warrants [2]	June 2011	14,070,182	119,737
Exercise of Anti Dilution Warrants [2]	June 2011	827,706	2,527
Exercise of Series C Warrants [2]	June 2011	40,224,365	379,316
Exercise of Subscription Right [3]	August 2011	27,896,570	535,908
Balance at September 30, 2011		336,658,442	$ 3,543,871

(1) Shares acquired excludes other purchases made by Rio Tinto from third parties.

(2) In June 2011, Ivanhoe Mines received $501.6 million from Rio Tinto following Rio Tinto s decision to exercise all remaining share-purchase warrants that it holds in Ivanhoe Mines. Rio Tinto exercised all the remaining Series B and Series C warrants that it was granted as part of the 2006 and 2007 financing agreements associated with Rio Tinto s original investment in Ivanhoe Mines. Rio Tinto previously had committed to convert all the warrants to shares by January 2012. The additional shares increased Rio Tinto s ownership stake in Ivanhoe Mines from 42.0% to 46.5%.

(3) In August 2011, Ivanhoe Mines received $535.9 million from Rio Tinto following Rio Tinto s decision to exercise the subscription right granted to Rio Tinto as part of the terms of the December 2010 Heads of Agreement between Rio Tinto and Ivanhoe Mines.

As at September 30, 2011, Rio Tinto s equity ownership in the Company was 49.0% (December 31, 2010 40.3%).

(c) Rights Offering

In December 2010, the Company filed a final short form prospectus for a rights offering open to all shareholders on a dilution-free, equal participation basis. In accordance with the terms of the rights offering, each shareholder of record as at December 31, 2010 received one right for each common share held. Every 100 rights held entitled the holder thereof to purchase 15 common shares of the Company at $13.88 per share or Cdn$13.93 per share, at the election of the holder. The rights traded on the TSX, NYSE and

NASDAQ and expired on January 26, 2011.

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13. SHARE CAPITAL (Continued)

(c) Rights Offering (continued)

Upon the closing of the rights offering, the Company issued a total of 84,867,671 common shares for gross proceeds of $1.18 billion. Expenses and fees relating to the rights offering totalled approximately $27.3 million.

Under the terms of the rights offering, the monetary amount to be received by the Company upon the exercise of rights was not fixed. Each holder of rights could elect either the $13.88 or Cdn$13.93 subscription price. Furthermore, the Cdn$13.93 subscription price is not denominated in the Company s U.S. dollar functional currency. Therefore, the pro rata distribution of rights to the Company s shareholders was accounted for as a derivative financial liability measured at fair value.

On December 23, 2010, rights to be issued under the rights offering began trading on a when issued basis. On this date, the Company recognized a derivative financial liability of $901.9 million associated with the Company s legal obligation to carry out the rights offering. Deficit was adjusted by a corresponding amount. Each reporting period the derivative financial liability was remeasured at fair value with changes being recognized in earnings. During the three month period ended March 31, 2011, Ivanhoe Mines recognized a derivative loss of $432.5 million.

During the three months ended March 31, 2011, the derivative financial liability was settled as rights were exercised or expired unexercised. A total of $1.19 billion was reclassified from the derivative financial liability to share capital, representing the fair value of rights exercised. At expiry, a total of $5.7 million was reclassified from derivative financial liability to additional paid-in capital, representing the fair value of rights which expired unexercised.

The fair value of the derivative financial liability was determined by reference to published market quotations for the rights.

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14. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Accumulated OCI at beginning of period:				
Long-term investments, net of tax of $5,534, $nil, $6,224, $1,896	**$ 45,788**	$ 7,223	**$ 53,239**	$ 17,763
Other long-term investments, net of tax of $nil, $nil, $nil, $nil	**(42,098)**	(40,690)	**(37,180)**	(27,448)
Currency translation adjustment, net of tax of $nil, $nil, $nil, $nil	**31,987**	(8,198)	**23,039**	(6,015)
Noncontrolling interests	**(11,754)**	15,537	**(6,023)**	1,122
	$ 23,923	$ (26,128)	**$ 33,075**	$ (14,578)
Other comprehensive income (loss) for the period:				
Changes in fair value of long-term investments	**$ (27,178)**	$ 14,133	**$ (35,319)**	$ 1,694
Changes in fair value of other long-term investments	**3,760**	1,703	**(1,158)**	(11,539)
Currency translation adjustments	**(22,181)**	18,906	**(13,233)**	16,723
Noncontrolling interests	**12,810**	(5,648)	**7,079**	8,767
Less: reclassification adjustments for gains/losses recorded in earnings:				
Investments:				
Other than temporary impairment charges				3
Other comprehensive income, before tax	**(32,789)**	29,094	**(42,631)**	15,648
Income tax (recovery) expense related to OCI	**2,266**	(1,340)	**2,956**	556
Other comprehensive income, net of tax	**$ (30,523)**	$ 27,754	**$ (39,675)**	$ 16,204
Accumulated OCI at end of period:				
Long-term investments, net of tax of $3,268, $1,340, $3,268, $1,340	**$ 20,876**	$ 20,016	**$ 20,876**	$ 20,016
Other long-term investments, net of tax of $nil, $nil, $nil, $nil	**(38,338)**	(38,987)	**(38,338)**	(38,987)
Currency translation adjustment, net of tax of $nil, $nil, $nil, $nil	**9,806**	10,708	**9,806**	10,708
Noncontrolling interests	**1,056**	9,889	**1,056**	9,889
	$ (6,600)	$ 1,626	**$ (6,600)**	$ 1,626

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15. NONCONTROLLING INTERESTS

At September 30, 2011 there were noncontrolling interests in SouthGobi, Ivanhoe Australia and Oyu Tolgoi LLC:

	Noncontrolling Interests			
	SouthGobi	Ivanhoe Australia	Oyu Tolgoi	Total
Balance, December 31, 2010	$ 286,919	$ 69,092	$ (353,401)	$ 2,610
Noncontrolling interests share of loss	27,026	(25,170)	(8,102)	(6,246)
Noncontrolling interests share of other comprehensive income	(2,005)	(4,681)	(393)	(7,079)
Changes in noncontrolling interests arising from changes in ownership interests	(12,049)	48,106		36,057
Balance, September 30, 2011	$ 299,891	$ 87,347	$ (361,896)	$ 25,342

16. CASH FLOW INFORMATION

(a) Reconciliation of net loss to net cash flow used in operating activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Net income (loss)	**$ 2,383**	$ (25,272)	**$ (490,809)**	$ (290,761)
Income from discontinued operations	**9,105**		**9,105**	(6,585)
Items not involving use of cash				
Stock-based compensation	**14,753**	9,211	**53,375**	26,242
Accretion expense	**191**	3,085	**553**	11,838
General and administrative expenses				3,421
Depreciation	**10,828**	1,279	**22,573**	7,376
Write-down of carrying values of property, plant and equipment		1,764		1,764
Accrued interest income	**(315)**	(2,465)	**(6,420)**	(7,585)
Interest expense	**(742)**	5,918		13,243
Unrealized (gains) losses on long-term investments	**2,374**	(1,362)	**2,683**	3,849
Unrealized gains on other long-term investments	**(729)**	(2,019)	**(2,124)**	(3,528)
Realized gain on redemption of other long-term investments	**(9)**	(34)	**(107)**	(121)
Change in fair value of derivative			**432,536**	
Change in fair value of embedded derivatives	**(62,058)**	(49,772)	**(95,699)**	(120,633)
Loss on conversion of convertible debenture				154,316
Unrealized foreign exchange losses (gains)	**35,208**	(5,533)	**31,703**	(5,646)
Share of loss (income) of significantly influenced investees	**19,341**	8,503	**(21,789)**	31,713

Write-down of carrying value of inventory	**3,061**	7,855	**18,936**	14,390
Gain on sale of long-term investments			**(10,628)**	
Gain on settlement of note receivable	**(102,995)**		**(102,995)**	
Net recovery on derecognition of property, plant and equipment	**(2,925)**		**(2,925)**	
Write-down of carrying value of long-term investments	**928**	68	**928**	485
Deferred income taxes	**2,521**	(4,432)	**(10,362)**	(7,205)
Bonus shares	**1,177**		**3,491**	
Net change in non-cash operating working capital items:				
Increase in:				
Accounts receivable	**(2,384)**	(11,439)	**(34,571)**	(17,776)
Inventories	**(19,925)**	(18,352)	**(65,279)**	(33,332)
Prepaid expenses	**(58,737)**	(4,507)	**(78,188)**	(6,205)
Increase in:				
Accounts payable and accrued liabilities	**18,635**	44,869	**31,681**	88,970
Interest payable on long-term debt	**5,858**		**3,831**	
Cash used in operating activities	**$ (124,456)**	$ (42,635)	**$ (310,501)**	$ (141,770)

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

16. CASH FLOW INFORMATION (Continued)

(b) Supplementary information regarding other non-cash transactions

The non-cash investing and financing activities relating to continuing operations not already disclosed in the Consolidated Statements of Cash Flows were as follows:

	Three Months Ended September 30, **2011**	Three Months Ended September 30, 2010	Nine Months Ended September 30, **2011**	Nine Months Ended September 30, 2010
Investing activities:				
Acquisition of property, plant and equipment (i)	**$**	$	**$**	$ (195,357)
Financing activites:				
Conversion of convertible credit facility	**$**	$ (400,832)	**$**	$ (400,832)
Partial conversion of convertible debenture (Note 12)				(349,079)
	$	$ (400,832)	**$**	$ (945,268)

(i) In March 2010, the Company and Rio Tinto completed an agreement whereby the Company issued 15.0 million common shares to Rio Tinto for net proceeds of $241.1 million (Cdn$244.7 million) (Note 13 (b)). The Company used $195.4 million of the proceeds to purchase from Rio Tinto key mining and milling equipment to be installed during the construction of the Oyu Tolgoi Project.

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17. SEGMENT DISCLOSURES

	Nine Months Ended September 30, 2011				
	Development	Exploration	Coal	Corporate	**Consolidated**
REVENUE	$	$	$ 127,985	$	**$ 127,985**
COST OF SALES					
Production and delivery			(84,571)		**(84,571)**
Depreciation and depletion			(20,521)		**(20,521)**
Write-down of carrying value of inventory			(18,936)		**(18,936)**
COST OF SALES			(124,028)		**(124,028)**
EXPENSES					
Exploration	(17,478)	(133,260)	(43,622)		**(194,360)**
General and administrative				(66,151)	**(66,151)**
Depreciation	(130)	(1,609)	(228)	(85)	**(2,052)**
Accretion of asset retirement obligations	(310)		(200)		**(510)**
Write-down of carrying values of property, plant and equipment					
TOTAL EXPENSES	(17,918)	(134,869)	(168,078)	(66,236)	**(387,101)**
OPERATING LOSS	(17,918)	(134,869)	(40,093)	(66,236)	**(259,116)**
OTHER INCOME (EXPENSES)					
Interest income	3,951	5,527	1,047	4,846	**15,371**
Interest expense			(8,495)	(1,123)	**(9,618)**
Accretion of convertible credit facilities			(43)		**(43)**
Foreign exchange gains (losses)	2,820	12	(188)	(32,793)	**(30,149)**
Unrealized losses on long-term investments			(2,683)		**(2,683)**
Unrealized (losses) gains on other long-term investments			(254)	2,378	**2,124**
Realized gain on redemption of other long-term investments				107	**107**
Change in fair value of derivative				(432,536)	**(432,536)**
Change in fair value of embedded derivatives			95,699		**95,699**
Loss on conversion of convertible credit facility					
Write-down of carrying value of long-term investments				(928)	**(928)**
Gain on sale of long-term investment				10,628	**10,628**
Gain on settlement of note receivable				102,995	**102,995**
			2,925		**2,925**

Net recovery on redemption of property, plant and equipment					
(LOSS) INCOME BEFORE INCOME TAXES AND OTHER ITEMS	(11,147)	(129,330)	47,915	(412,662)	**(505,224)**
(Provision) recovery for income taxes	(5)	(694)	5,130	(2,700)	**1,731**
Share of income (loss) of significantly influenced investees		39,877		(18,088)	**21,789**
NET (LOSS) INCOME FROM CONTINUING OPERATIONS	(11,152)	(90,147)	53,045	(433,450)	**(481,704)**
LOSS FROM DISCONTINUED OPERATIONS				(9,105)	**(9,105)**
NET (LOSS) INCOME	(11,152)	(90,147)	53,045	(442,555)	**(490,809)**
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	8,102	25,170	(27,026)		**6,246**
NET (LOSS) INCOME ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (3,050)	$ (64,977)	$ 26,019	$ (442,555)	**$ (484,563)**
CAPITAL EXPENDITURES	$ 1,662,569	$ 15,158	$ 171,334	$ 43	**$ 1,849,104**
TOTAL ASSETS	$ 3,490,154	$ 295,799	$ 929,827	$ 923,016	**$ 5,638,796**

During the nine months ended September 30, 2011, all of the coal division s revenue arose from coal sales in Mongolia. Revenues for the three largest customers were $51.7 million, $30.1 million and $26.7 million, respectively.

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17. SEGMENT DISCLOSURES (Continued)

	Three Months Ended September 30, 2011				
	Development	Exploration	Coal	Corporate	**Consolidated**
REVENUE	$	$	$ 60,491	$	**$ 60,491**
COST OF SALES					
Production and delivery			(40,997)		**(40,997)**
Depreciation and depletion			(9,991)		**(9,991)**
Write-down of carrying value of inventory			(3,061)		**(3,061)**
COST OF SALES			(54,049)		**(54,049)**
EXPENSES					
Exploration	(6,381)	(52,175)	(21,002)		**(79,558)**
General and administrative				(21,390)	**(21,390)**
Depreciation	(44)	(702)	(87)	(4)	**(837)**
Accretion of asset retirement obligations	(103)		(73)		**(176)**
Write-down of carrying values of property, plant and equipment					
TOTAL EXPENSES	(6,528)	(52,877)	(75,211)	(21,394)	**(156,010)**
OPERATING LOSS	(6,528)	(52,877)	(14,720)	(21,394)	**(95,519)**
OTHER INCOME (EXPENSES)					
Interest income	1,755	1,348	265	1,952	**5,320**
Interest expense			(1,560)	(375)	**(1,935)**
Accretion of convertible credit facilities			(15)		**(15)**
Foreign exchange gains (losses)	680	3	(200)	(36,035)	**(35,552)**
Unrealized losses on long-term investments			(2,374)		**(2,374)**
Unrealized (losses) gains on other long-term investments			(75)	804	**729**
Realized gain on redemption of other long-term investments				9	**9**
Change in fair value of derivative					
Change in fair value of embedded derivatives			62,058		**62,058**
Loss on conversion of convertible credit facility					
Write-down of carrying value of long-term investments				(928)	**(928)**
Gain on sale of long-term investment					
Gain on settlement of note receivable				102,995	**102,995**
Net recovery on redemption of property, plant and equipment			2,925		**2,925**

(LOSS) INCOME BEFORE INCOME TAXES AND OTHER ITEMS	(4,093)	(51,526)	46,304	47,028	**37,713**
Provision for income taxes		(63)	(6,203)	(618)	**(6,884)**
Share of loss of significantly influenced investees		(11,044)		(8,297)	**(19,341)**
NET (LOSS) INCOME FROM CONTINUING OPERATIONS	(4,093)	(62,633)	40,101	38,113	**11,488**
LOSS FROM DISCONTINUED OPERATIONS				(9,105)	**(9,105)**
NET (LOSS) INCOME	(4,093)	(62,633)	40,101	29,008	**2,383**
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,070	20,614	(18,734)		**4,950**
NET INCOME (LOSS) ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (1,023)	$ (42,019)	$ 21,367	$ 29,008	**$ 7,333**
CAPITAL EXPENDITURES	$ 648,433	$ 11,224	$ 59,176	$ 2	**$ 718,835**
TOTAL ASSETS	$ 3,490,154	$ 295,799	$ 929,827	$ 923,016	**$ 5,638,796**

During the three months ended September 30, 2011, all of the coal division s revenue arose from coal sales in Mongolia. Revenues for the three largest customers were $23.4 million, $13.6 million and $13.0 million, respectively.

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17. SEGMENT DISCLOSURES (Continued)

	Nine Months Ended September 30, 2010				
	Development	Exploration	Coal	Corporate	**Consolidated**
REVENUE	$	$	$ 38,182	$	**$ 38,182**
COST OF SALES					
Production and delivery			(28,073)		**(28,073)**
Depreciation and depletion			(5,854)		**(5,854)**
Write-down of carrying value of inventory			(14,390)		**(14,390)**
COST OF SALES			(48,317)		**(48,317)**
EXPENSES					
Exploration	(74,307)	(49,183)	(35,547)		**(159,037)**
General and administrative				(38,052)	**(38,052)**
Depreciation	(642)	(678)	(129)	(73)	**(1,522)**
Accretion of asset retirement obligations	(67)		(75)		**(142)**
Write-down of carrying values of property, plant and equipment			(1,764)		**(1,764)**
TOTAL EXPENSES	(75,016)	(49,861)	(85,832)	(38,125)	**(248,834)**
OPERATING LOSS	(75,016)	(49,861)	(47,650)	(38,125)	**(210,652)**
OTHER INCOME (EXPENSES)					
Interest income	2,661	1,196	1,851	5,231	**10,939**
Interest expense			(19,624)	(8,333)	**(27,957)**
Accretion of convertible credit facilities			(46)	(11,650)	**(11,696)**
Foreign exchange (losses) gains	(523)	33	252	2,383	**2,145**
Unrealized losses on long-term investments			(3,849)		**(3,849)**
Unrealized gains on other long-term investments			343	3,185	**3,528**
Realized gain on redemption of other long-term investments				121	**121**
Change in fair value of derivative					
Change in fair value of embedded derivatives			120,633		**120,633**
Loss on conversion of convertible credit facility			(154,316)		**(154,316)**
Write-down of carrying value of long-term investments				(485)	**(485)**
Gain on sale of long-term investment					
Gain on settlement of note receivable					

Net recovery on redemption of property, plant and equipment					
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(72,878)	(48,632)	(102,406)	(47,673)	**(271,589)**
(Provision) recovery for income taxes	(17)	(1,288)	5,381	1,880	**5,956**
Share of loss of significantly influenced investees		(749)		(30,964)	**(31,713)**
NET LOSS FROM CONTINUING OPERATIONS	(72,895)	(50,669)	(97,025)	(76,757)	**(297,346)**
INCOME FROM DISCONTINUED OPERATIONS				6,585	**6,585**
NET LOSS	(72,895)	(50,669)	(97,025)	(70,172)	**(290,761)**
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	11,233	7,718	23,053		**42,004**
NET LOSS ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (61,662)	$ (42,951)	$ (73,972)	$ (70,172)	**$ (248,757)**
CAPITAL EXPENDITURES	$ 335,386	$ 19,636	$ 75,590	$ 86	**$ 430,698**
TOTAL ASSETS	$ 886,277	$ 288,343	$ 942,990	$ 669,890	**$ 2,787,500**

During the nine months ended September 30, 2010, all of the coal division s revenue arose from coal sales in Mongolia. Revenues for the three largest customers were $24.1 million, $12.8 million and $1.2 million, respectively.

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17. SEGMENT DISCLOSURES (Continued)

	Three Months Ended September 30, 2010				
	Development	Exploration	Coal	Corporate	**Consolidated**
REVENUE	$	$	$ 6,597	$	**$ 6,597**
COST OF SALES					
Production and delivery			(5,975)		**(5,975)**
Depreciation and depletion			(1,027)		**(1,027)**
Write-down of carrying value of inventory			(7,855)		**(7,855)**
COST OF SALES			(14,857)		**(14,857)**
EXPENSES					
Exploration	(14,297)	(19,158)	(14,676)		**(48,131)**
General and administrative				(15,005)	**(15,005)**
Depreciation	(6)	(200)	(40)	(6)	**(252)**
Accretion of asset retirement obligations	(23)		(28)		**(51)**
Write-down of carrying values of property, plant and equipment			(1,764)		**(1,764)**
TOTAL EXPENSES	(14,326)	(19,358)	(31,365)	(15,011)	**(80,060)**
OPERATING LOSS	(14,326)	(19,358)	(24,768)	(15,011)	**(73,463)**
OTHER INCOME (EXPENSES)					
Interest income	1,013	1,076	627	1,056	**3,772**
Interest expense			(4,891)	(1,389)	**(6,280)**
Accretion of convertible credit facilities			(13)	(3,021)	**(3,034)**
Foreign exchange (losses) gains	(320)	18	853	4,783	**5,334**
Unrealized gains on long-term investments			1,363		**1,363**
Unrealized gains on other long-term investments			373	1,646	**2,019**
Realized gain on redemption of other long-term investments				34	**34**
Change in fair value of derivative					
Change in fair value of embedded derivatives			49,772		**49,772**
Loss on conversion of convertible credit facility					
Write-down of carrying value of long-term investments				(68)	**(68)**
Gain on sale of long-term investment					
Gain on settlement of note receivable					
Net recovery on redemption of property, plant and equipment					

(LOSS) INCOME BEFORE INCOME TAXES AND OTHER ITEMS	(13,633)	(18,264)	23,316	(11,970)	**(20,551)**
(Provision) recovery for income taxes	(1)	11	2,240	1,532	**3,782**
Share of loss of significantly influenced investees		(131)		(8,372)	**(8,503)**
NET (LOSS) INCOME FROM CONTINUING OPERATIONS	(13,634)	(18,384)	25,556	(18,810)	**(25,272)**
INCOME FROM DISCONTINUED OPERATIONS					
NET (LOSS) INCOME	(13,634)	(18,384)	25,556	(18,810)	**(25,272)**
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	9,074	3,262	(11,925)		**411**
NET (LOSS) INCOME ATTRIBUTABLE TO IVANHOE MINES LTD.	$ (4,560)	$ (15,122)	$ 13,631	$ (18,810)	**$ (24,861)**
CAPITAL EXPENDITURES	$ 181,994	$ 18,551	$ 22,256	$ 42	**$ 222,843**
TOTAL ASSETS	$ 886,277	$ 288,343	$ 942,990	$ 669,890	**$ 2,787,500**

During the three months ended September 30, 2010, all of the coal division s revenue arose from coal sales in Mongolia. Revenues for the three largest customers were $3.7 million, $2.0 million and $0.8 million, respectively.

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IVANHOE MINES LTD.
Notes to the Consolidated Financial Statements
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18. FAIR VALUE ACCOUNTING

The ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company s assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at September 30, 2011			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	**$ 9,998**	$ 9,998	$	$
Long-term investments	**77,080**	77,080		
Other long-term investments	**294,873**	44,994		249,879
	$ 381,951	$ 132,072	$	$ 249,879
Liabilities:				
Embedded derivative liability	**59,178**		59,178	
	$ 59,178	$	$ 59,178	$

	Fair Value at December 31, 2010			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	**$ 98,373**	$ 98,373	$	$
Long-term investments	**113,666**	113,458	208	
Other long-term investments	**191,816**	45,173		146,643
	$ 403,855	$ 257,004	$ 208	$ 146,643
Liabilities:				

Rights offering derivative liability	**$**	**766,238**	$	766,238	$		$	
Embedded derivative liability		**154,877**				154,877		
	$	**921,115**	$	766,238	$	154,877	$	

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18. FAIR VALUE ACCOUNTING (Continued)

The Company s short-term and long-term investments are classified within Level 1 and 2 of the fair value hierarchy as they are valued using quoted market prices of certain investments, as well as quoted prices for similar investments.

The Company s other long-term investments are classified within Level 1 and 3 of the fair value hierarchy and consist of Long-Term Notes, T-Bill, tax prepayments and Money Market investments.

The Company s rights offering derivative liability is classified within Level 1 of the fair value hierarchy as it is valued using quoted market prices for the rights.

The Company s embedded derivative liability, included within the convertible credit facility (Note 11), is classified within Level 2 of the fair value hierarchy as it is determined using a Monte Carlo simulation valuation model, which uses readily observable market inputs.

The table below sets forth a summary of changes in the fair value of the Company s Level 3 financial assets for the nine months ended September 30, 2011.

	Long-Term Notes	T-Bills	Tax Prepayments	Totals
Balance, December 31, 2010	**$ 29,763**	**$ 80,394**	**$ 36,486**	**$ 146,643**
Additions			100,000	**100,000**
Accrued interest		2,180	1,233	**3,413**
Foreign exchange losses	(1,306)			**(1,306)**
Fair value redeemed	(91)			**(91)**
Unrealized gains (losses) included in other comprehensive income		3,657	(4,815)	**(1,158)**
Unrealized gains included in earnings	2,378			**2,378**
Balance, September 30, 2011	**$ 30,744**	**$ 86,231**	**$ 132,904**	**$ 249,879**

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19. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

(a) The estimated fair value of Ivanhoe Mines financial instruments was as follows:

	September 30, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 1,410,255**	**$ 1,410,255**	$ 1,264,031	$ 1,264,031
Short-term investments	**9,998**	**9,998**	98,373	98,373
Accounts receivable	**104,512**	**104,512**	65,741	65,741
Long-term investments	**144,376**	**260,210**	151,191	280,181
Other long-term investments	**294,873**	**294,873**	191,816	191,816
Accounts payable and accrued liabilities	**496,028**	**496,028**	260,528	260,528
Amounts due under credit facilities	**52,202**	**52,202**	54,695	54,695
Rights offering derivative liability			766,238	766,238
Convertible credit facility	**161,953**	**161,953**	254,596	254,596

The fair value of Ivanhoe Mines long-term investments was determined by reference to published market quotations, which may not be reflective of future values.

The fair value of Ivanhoe Mines other long-term investments, consisting of the Long-Term Notes, T-Bill, tax prepayments and Money Market investments, was determined by considering the best available data regarding market conditions for such investments, which may not be reflective of future values.

The fair value of the rights offering derivative liability was determined by reference to published market quotations, which may not be reflective of future value.

The fair value of the CIC convertible debenture was estimated to approximate the aggregate carrying amount of the CIC convertible credit facility liability and interest payable. This aggregate carrying amount includes the estimated fair value of the embedded derivative liability which was determined using a Monte Carlo simulation valuation model.

The fair values of Ivanhoe Mines remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturity of these financial instruments.

(b) Ivanhoe Mines is exposed to credit risk with respect to its accounts receivable. The significant concentrations of credit risk are situated in Mongolia and Australia. Ivanhoe Mines does not mitigate the balance of this risk in light of the credit worthiness of its major debtors.

(c) Ivanhoe Mines is exposed to interest rate risk with respect to the variable rates of interest incurred on the amounts due under credit facilities (Note 11). Interest rate risk is concentrated in Canada. Ivanhoe Mines does not mitigate the balance of this risk.

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IVANHOE MINES LTD.

Notes to the Consolidated Financial Statements

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20. CONTINGENCIES

Due to the size, complexity and nature of the Company s operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

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3 Interim Report for the three and nine month periods ended September 30, 2011.	**Share Information** Common shares of Ivanhoe Mines Ltd. are listed for trading under the symbol IVN on the New York Stock Exchange, NASDAQ and the Toronto Stock Exchange.	**Investor Information** All financial reports, news releases and corporate information can be accessed on our web site at www.ivanhoe-mines.com.
At November 14, 2011, the Company had 738.9 million common shares issued and outstanding and stock options outstanding for 23.9 million additional common shares.	**Transfer Agents and Registrars** CIBC Mellon Trust Company 320 Bay Street Toronto, Ontario, Canada M5H 4A6 Toll free in North America: 1-800-387-0825	**Contact Information** Investors: Bill Trenaman Media: Bob Williamson Suite 654-999 Canada Place Vancouver, B.C., Canada V6C 3E1 Email: info@ivanhoemines.com Tel: (604) 688-5755

INTRODUCTION

This discussion and analysis of the financial condition and results of operations (MD&A) of Ivanhoe Mines Ltd. should be read in conjunction with the unaudited consolidated financial statements of Ivanhoe Mines Ltd. and the notes thereto for the three and nine-month periods ended September 30, 2011, and with the audited consolidated financial statements of Ivanhoe Mines Ltd. and the notes thereto for the year ended December 31, 2010. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). In this MD&A, unless the context otherwise dictates, a reference to the Company refers to Ivanhoe Mines Ltd. and a reference to Ivanhoe Mines refers to Ivanhoe Mines Ltd., together with its subsidiaries. Additional information about the Company, including its Annual Information Form, is available at www.sedar.com.

References to C$ refer to Canadian dollars, A$ to Australian dollars, and $ to United States dollars.

This discussion and analysis contains forward-looking statements. Please refer to the cautionary language on page 33.

The effective date of this MD&A is November 14, 2011.

OVERVIEW

IVANHOE MINES ANNOUNCES FINANCIAL RESULTS
AND REVIEW OF OPERATIONS FOR THE THIRD QUARTER OF 2011

HIGHLIGHTS DURING THE QUARTER AND SUBSEQUENT WEEKS

Overall construction at Oyu Tolgoi continues to advance on budget and reached a 54.4% level of completion at the end of Q3 11. Key elements of the project, including the concentrator complex, primary crusher and tailings-thickening ponds, remain ahead of schedule. Total capital invested in the project to the end of Q3 11 was approximately $3.2 billion. Facilities required for first ore production in mid-2012 remain on schedule and commercial production is expected to commence in the first half of 2013.

Pre-stripping for the phase-one open-pit mine on the gold-rich Southern Oyu deposits at Oyu Tolgoi began in August 2011. By the end of Q3 11, approximately 1.3 million tonnes of overburden material had been moved.

The development of the first lift of the phase-two underground block-cave mine at the Hugo North Deposit continued successfully during Q3 11. Lateral mine development 1,300 metres below surface at Hugo North is on schedule, achieving an advance during Q3 11 of 1,187 metres, for a total of 9,126 metres completed since tunnelling started in 2008.

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IVANHOE MINES LTD.
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Stated in U.S. dollars, except where noted)

Construction of Shaft #2 infrastructure is progressing well. The headframe and ancillary buildings were 59.9% complete at the end of Q3 11. Sinking of the shaft is expected to commence in the second half of November 2011.

Oyu Tolgoi s site-based construction workforce was approximately 14,760 at the end of Q3 11, with approximately 11,680 working on site each day and the balance on leave. Approximately 7,820 Mongolians were employed at the Oyu Tolgoi site, with an additional 3,300 Mongolians participating in offsite training and educational programs. These Mongolian employees will form the bulk of the eventual production workforce.

In May 2011, the Oyu Tolgoi Project received the final approvals required to proceed with construction of a 220-kilovolt power transmission line from Oyu Tolgoi along a 95-kilometre route south to the Mongolia-China international border. Construction of the transmission towers was completed in October 2011 and the stringing of power cables is expected to commence in spring 2012. The transmission line is planned to be extended across the Mongolian border by Chinese contractors to tie into the neighbouring Inner Mongolian electrical grid in China.

Discussions between the Mongolian and Chinese governments were held during Q2 11 and Q3 11 and are expected to conclude a bilateral agreement that would secure the supply of initial electrical power from China. Subject to negotiations and final agreement, the remaining permits, commercial arrangements and power-purchase tariffs are expected to be expedited to ensure that imported power will be available at the Oyu Tolgoi site by Q3 12. In the meantime, additional diesel-powered generating capacity has been approved to meet the project s requirements during the remaining stages of construction.

During Q3 11, Ivanhoe Mines 58%-owned subsidiary, SouthGobi Resources (SGQ: TSX; 1878: HK), reported coal sales of $60.5 million from its Ovoot Tolgoi mine in southern Mongolia, representing approximately 1.37 million tonnes of coal sold to customers in China at an average realized price (before royalties and selling fees) of approximately $54 per tonne.

Ivanhoe Mines 59%-owned subsidiary, Ivanhoe Australia (IVA: ASX & TSX), continues to advance its copper, gold, molybdenum and rhenium mine development projects in the Cloncurry region of Queensland. The Osborne copper and gold project is scheduled to begin initial production in the first half of 2012; construction of the decline to access the Merlin molybdenum and rhenium deposit had progressed to 1,438 metres by the end of Q3 11.

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Altynalmas Gold, 50%-owned by Ivanhoe Mines, is continuing its drilling program designed to further delineate and upgrade resources and reserves to NI 43-101 standards at the Kyzyl Gold Project in Kazakhstan. Altynalmas Gold is proceeding to advance the development of the project following the completion of a pre-feasibility study in 2010.

In Q3 11, Ivanhoe Mines recorded net income of $7.3 million ($0.01 per share), compared to a net loss of $24.9 million ($0.05 per share) in Q3 10, which was an increase of $32.2 million. Results for Q3 11 mainly were affected by $79.6 million in exploration expenses, $54.0 million in cost of sales, $21.4 million in general and administrative expenses, $35.6 million in foreign exchange losses, a $19.3 million share of loss of significantly influenced investees, a $9.1 million loss from discontinued operations and $1.9 million in interest expense. These amounts were offset by coal revenue of $60.5 million, a $62.1 million change in the fair value of embedded derivatives, a $103.0 million gain on settlement of a long-term note receivable, and $5.3 million in interest income.

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SELECTED QUARTERLY DATA

($ in millions of dollars, except per share information)

	Quarter Ended			
	Sep-30 2011	Jun-30 2011	Mar-31 2011	Dec-31 2010
Revenue	$ 60.5	$ 47.3	$ 20.2	$ 41.6
Cost of sales	(54.0)	(49.7)	(20.3)	(46.4)
Exploration expenses	(79.6)	(68.6)	(46.2)	(59.6)
General and administrative	(21.4)	(19.5)	(25.3)	(46.4)
Foreign exchange (losses) gains	(35.6)	2.3	3.2	6.6
Change in fair value of derivative			(432.5)	135.7
Gain on settlement of note receivable	103.0			
Change in fair value of embedded derivatives	62.1	70.4	(36.8)	(20.0)
Net income (loss) from continuing operations	16.4	0.6	(492.5)	37.3
Income (loss) from discontinued operations	(9.1)			
Net income (loss)	7.3	0.6	(492.5)	37.3
Net income (loss) per share basic				
Continuing operations	$ 0.02	$ 0.00	$ (0.79)	$ 0.07
Discontinued operations	$ (0.01)	$ 0.00	$ 0.00	$ 0.00
Total	$ 0.01	$ 0.00	$ (0.79)	$ 0.07
Net income (loss) per share diluted				
Continuing operations	$ 0.02	$ 0.00	$ (0.79)	$ 0.06
Discontinued operations	$ (0.01)	$ 0.00	$ 0.00	$ 0.00
Total	$ 0.01	$ 0.00	$ (0.79)	$ 0.06

	Quarter Ended			
	Sep-30 2010	Jun-30 2010	Mar-31 2010	Dec-31 2009
Revenue	$ 6.6	$ 17.7	$ 13.9	$ 9.9
Cost of sales	(14.9)	(13.2)	(20.3)	(8.5)
Exploration expenses	(48.1)	(39.5)	(71.4)	(67.2)
General and administrative	(15.0)	(14.7)	(8.3)	(15.0)
Foreign exchange gains (losses)	5.3	(4.9)	1.7	2.2
Change in fair value of embedded derivatives	49.8	72.2	(1.4)	(45.0)
Loss on conversion of convertible credit facility			(154.3)	
Net income (loss) from continuing operations	(24.9)	(30.0)	(200.5)	(138.7)
Income (loss) from discontinued operations			6.6	9.2
Net income (loss)	(24.9)	(30.0)	(193.9)	(129.5)
Net income (loss) per share basic				
Continuing operations	$ (0.05)	$ (0.06)	$ (0.44)	$ (0.32)
Discontinued operations	$ 0.00	$ 0.00	$ 0.01	$ 0.02
Total	$ (0.05)	$ (0.06)	$ (0.43)	$ (0.30)

Net income (loss) per share diluted								
Continuing operations	$	(0.05)	$	(0.06)	$	(0.44)	$	(0.32)
Discontinued operations	$	0.00	$	0.00	$	0.01	$	0.02
Total	$	(0.05)	$	(0.06)	$	(0.43)	$	(0.30)

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