Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

June 30, 2019
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.

June 30, 2019

Table of contents

Condensed consolidated interim statements of comprehensive income 2

Condensed consolidated interim statements of financial position.. 3

Condensed consolidated interim statements of changes in equity 4

Condensed consolidated interim statements of cash flows.. 5

Notes to the condensed consolidated interim financial statements 6-38

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of comprehensive income
for the three and six months ended June 30, 2019

(stated in U.S. dollars)

(Unaudited)

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
		$'000	$'000	**$'000**	$'000
Expenses					
Exploration and project expenditure		**3,290**	2,773	**4,689**	4,209
Salaries and benefits		**2,770**	2,220	**6,086**	3,632
Share-based payments	20	**2,239**	1,764	**4,258**	3,176
Travel		**1,222**	1,278	**2,279**	2,404
Office and administration		**1,030**	315	**1,734**	1,003
Professional fees		**772**	827	**1,159**	1,742
Other expenditure		**495**	466	**1,246**	1,148
Legal		**267**	331	**301**	535
Foreign exchange (gains) losses		**(2,826)**	832	**(6,968)**	1,059
Loss from operating activities		**9,259**	10,806	**14,784**	18,908
Share of losses from joint venture	6	**6,248**	6,702	**12,127**	13,902
Finance costs	23	**56**	352	**152**	695
(Gain) loss on fair valuation of financial asset	13	**(281)**	2,215	**(32)**	4,180
Other income	21	**(605)**	(624)	**(465)**	(748)
Finance income	22	**(16,859)**	(10,875)	**(32,714)**	(21,232)
(Profit) loss before income taxes		**(2,182)**	8,576	**(6,148)**	15,705
Income tax expense (recovery)					
Current tax		**238**	23	**396**	68
Deferred tax		**131**	(670)	**92**	(436)
		369	(647)	**488**	(368)
(PROFIT) LOSS FOR THE PERIOD		**(1,813)**	7,929	**(5,660)**	15,337
(Profit) loss attributable to:					
Owners of the Company		**(3,889)**	6,391	**(9,841)**	12,164
Non-controlling interests		**2,076**	1,538	**4,181**	3,173
		(1,813)	7,929	**(5,660)**	15,337
Other comprehensive (income) loss					
Items that may subsequently be reclassified to (profit) loss:					
Exchange (gains) losses on translation of foreign operations		**(6,316)**	30,044	**(5,825)**	18,784
Other comprehensive (income) loss for the period, net of tax		**(6,316)**	30,044	**(5,825)**	18,784
TOTAL COMPREHENSIVE (INCOME) LOSS FOR THE PERIOD		**(8,129)**	37,973	**(11,485)**	34,121
Total comprehensive (income) loss attributable to:					
Owners of the Company		**(9,570)**	33,710	**(15,106)**	28,794
Non-controlling interest		**1,441**	4,263	**3,621**	5,327
		(8,129)	37,973	**(11,485)**	34,121

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of financial position
as at June 30, 2019

(stated in U.S. dollars)
(unaudited)

	Notes	**June 30, 2019**	December 31, 2018
		$'000	$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**360,462**	294,956
Mineral properties	5	**264,281**	261,297
Investment in joint venture	6	**769,600**	681,661
Long term loans receivable	7	**88,419**	36,471
Right-of-use asset	8	**14,293**	-
Promissory note receivable	9	**14,235**	12,713
Deferred tax asset		**891**	957
Other assets		**5,387**	7,413
Total non-current assets		**1,517,568**	1,295,468
Current assets			
Cash and cash equivalents	10	**380,874**	574,048
Prepaid expenses	11	**5,183**	6,364
Other receivables	12	**3,163**	5,497
Financial assets at fair value through profit or loss	13	**1,956**	1,924
Consumable stores		**1,181**	1,300
Current tax assets		**-**	187
Total current assets		**392,357**	589,320
Total assets		**1,909,925**	1,884,788
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**1,770,692**	1,764,710
Share option reserve	17	**126,102**	126,526
Foreign currency translation reserve	18	**(33,580)**	(38,845)
Accumulated profit		**54,190**	44,349
Equity attributable to owners of the Company		**1,917,404**	1,896,740
Non-controlling interests	19	**(81,553)**	(77,932)
Total equity		**1,835,851**	1,818,808
Non-current liabilities			
Borrowings	14	**32,541**	31,291
Lease liability	8	**13,743**	-
Advances payable	15	**2,585**	2,502
Deferred tax liability		**2,082**	2,082
Rehabilitation provision		**331**	314
Total non-current liabilities		**51,282**	36,189
Current liabilities			
Trade and other payables	16	**18,004**	26,442
Cash settled share based payment liability		**3,691**	3,349
Lease liability	8	**924**	-
Current tax liability		**173**	-
Total current liabilities		**22,792**	29,791
Total liabilities		**74,074**	65,980
Total equity and liabilities		**1,909,925**	1,884,788

Continuing operations (Note 1)
Commitments and contingencies (Note 29)

(Signed) Peter Meredith
Peter Meredith, Director

(Signed) Livia Mahler
Livia Mahler, Director

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of changes in equity

(stated in U.S dollars)
(unaudited)

	Share capital							
	Number of shares	Amount	Share option reserve	Foreign currency translation reserve	Accumulated profit	Equity attributable to owners	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2018	**790,387,168**	**1,141,514**	**128,809**	**(8,855)**	**18,251**	**1,279,719**	**(68,229)**	**1,211,490**
Loss for the period	-	-	-	-	(12,164)	(12,164)	(3,173)	(15,337)
Other comprehensive loss	-	-	-	(16,630)	-	(16,630)	(2,154)	(18,784)
Total comprehensive loss	-	-	-	(16,630)	(12,164)	(28,794)	(5,327)	(34,121)
Transactions with owners								
Share-based payments								
charged to operations (Note 20)	-	-	2,780	-	-	2,780	-	2,780
Restricted share units vested (Note 17(c))	685,729	1,238	(1,238)	-	-	-	-	-
Options exercised (Note 17(b))	375,000	563	(259)	-	-	304	-	304
Balance at June 30, 2018	**791,447,897**	**1,143,315**	**130,092**	**(25,485)**	**6,087**	**1,254,009**	**(73,556)**	**1,180,453**
Balance at January 1, 2019	**1,015,080,833**	**1,764,710**	**126,526**	**(38,845)**	**44,349**	**1,896,740**	**(77,932)**	**1,818,808**
Profit (loss) for the period	-	-	-	-	9,841	9,841	(4,181)	5,660
Other comprehensive profit	-	-	-	5,265	-	5,265	560	5,825
Total comprehensive profit (loss)	-	-	-	5,265	9,841	15,106	(3,621)	11,485
Transactions with owners								
Share-based payments								
charged to operations (Note 20)	-	-	3,915	-	-	3,915	-	3,915
Restricted share units vested (Note 17(c))	1,179,833	2,653	(2,653)	-	-	-	-	-
Options exercised (Note 17(b))	3,435,424	3,329	(1,686)	-	-	1,643	-	1,643
Balance at June 30, 2019	**1,019,696,090**	**1,770,692**	**126,102**	**(33,580)**	**54,190**	**1,917,404**	**(81,553)**	**1,835,851**

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

Ivanhoe Mines Ltd.

Condensed consolidated interim statements of cash flows
three and six months ended June 30, 2019

(stated in U.S. dollars)

(Unaudited)

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Profit (loss) before income taxes		**2,182**	(8,576)	**6,148**	(15,705)
Items not involving cash					
Share of losses from joint venture	6	**6,248**	6,702	**12,127**	13,902
Share-based payments	20	**2,239**	1,764	**4,258**	3,176
Transfer from other assets to working capital items		**951**	1,465	**2,262**	2,954
Depreciation	4	**865**	1,046	**1,720**	2,141
Depreciation on right-of-use asset	8	**98**	-	**222**	-
Finance costs	23	**56**	352	**152**	695
Other taxes		**1**	31	**2**	414
(Gain) loss on fair valuation of financial asset	13	**(281)**	2,215	**(32)**	4,180
Unrealized foreign exchange (gains) losses		**(2,897)**	995	**(7,118)**	581
Finance income	22	**(16,859)**	(10,875)	**(32,714)**	(21,232)
Profit on disposal of property, plant and equipment		**-**	(208)	**(1)**	(208)
		(7,397)	(5,089)	**(12,974)**	(9,102)
Interest received		**2,780**	604	**6,079**	1,690
Change in working capital items	27	**2,086**	3,660	**(4,803)**	(3,838)
Interest paid		**(4)**	(33)	**(54)**	(68)
Income taxes paid		**(36)**	(162)	**(36)**	(191)
Net cash used in operating activities		**(2,571)**	(1,020)	**(11,788)**	(11,509)
Cash flows from investing activities					
Loan advanced to joint venture		**(61,183)**	(9,634)	**(75,379)**	(20,862)
Advancement of long term loan facility	7	**(50,000)**	-	**(50,000)**	-
Property, plant and equipment acquired	4	**(29,308)**	(30,175)	**(60,343)**	(57,419)
Cash paid on behalf of joint venturer		**(1,236)**	(194)	**(1,523)**	(421)
Other assets acquired		**(50)**	(3,881)	**(149)**	(6,216)
Proceeds from sale of property, plant and equipment		**-**	208	**19**	208
Purchase of exploration licences		**(623)**	-	**(2,984)**	(1,010)
Proceeds from settlement of promissory note		-	-	-	2,297
Net cash used in investing activities		**(142,400)**	(43,676)	**(190,359)**	(83,423)
Cash flows from financing activities					
Options exercised		**1,388**	96	**1,643**	304
Principal portion of lease liability		**(202)**	-	**(476)**	-
Net cash generated from financing activities		**1,186**	96	**1,167**	304
Effect of foreign exchange rate changes on cash		**3,042**	(2,933)	**7,806**	272
Net cash outflow		**(140,743)**	(47,533)	**(193,174)**	(94,356)
Cash and cash equivalents, beginning of period		**521,617**	134,596	**574,048**	181,419
Cash and cash equivalents, end of period		**380,874**	87,063	**380,874**	87,063

1. Basis of presentation and going concern assumption

Ivanhoe Mines Ltd. is a mining development and exploration company incorporated in Canada which, together with its subsidiaries (collectively referred to as the Company), is focused on the exploration, development and recovery of minerals and precious metals from its property interests located primarily in Africa.

The registered and records office of the Company is located at Suite 654-999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1. The Company is listed on the Toronto Stock Exchange ("TSX") under the ticker symbol IVN. The shares of the Company are also traded on the OTCQX Best Market in the United States under the symbol IVPAF.

These condensed consolidated interim financial statements have been prepared on the historical cost basis with the exception of financial instruments and share based payments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are also prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The Company has an accumulated profit of $54.2 million at June 30, 2019. As at June 30, 2019, the Company's total assets exceeds its total liabilities by $1,835.9 million and current assets exceeds current liabilities by $369.6 million. The Company currently has no producing properties and expects to fund all of its exploration and development activities through debt and equity financing until operating revenues are generated.

2. Significant accounting policies

The significant accounting policies used in these condensed consolidated interim financial statements are as follows:

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended June 30, 2019, are not necessarily indicative of future results. The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual consolidated financial statements as at and for the year ended December 31, 2018 except for the adoption of the new and amended accounting policies mentioned in Note 3.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

2. Significant accounting policies (continued)

(b) Significant accounting estimates and judgements

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires the Company's management to make estimates and assumptions concerning the future. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

Significant accounting estimates and judgments include, amongst other things, the recoverability of assets, the determination of the functional currency, technical feasibility and commercial viability of projects and the classification of Kamoa Holding Limited as a joint venture.

(c) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended June 30, 2019. The Company has not yet adopted these new and amended standards.

- IFRS 3 – Business Combinations. The amendment to the definition of a business confirmed that a business must include inputs and a process and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. Furthermore, the amendment narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than providing dividends or other economic benefits directly to investors or lowering costs. (i)

  The Company has considered the amendment and assessed that it will have no material impact on adoption.

- IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. (i)

  The Company has considered the amendment and assessed that it will have no material impact on adoption.

(i) Effective for annual periods beginning on or after January 1, 2020

3. Application of new and revised standards

Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2019. The Company adopted these standards in the current period.

- IFRS 9 – Financial instruments. The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.

- IFRS 16 – Leases. IFRS 16 was issued in January 2016 and will result in almost all leases being recognized on the statement of financial position by lessees, as the distinction between operating and finance leases has been removed. An asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. See Note 8 and Note 30.

- IAS 19 – Employee benefits on plan amendment, curtailment or settlement. The amendment uses updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.

- IAS 28 – Investments in associates and joint ventures – long-term interests in associates and joint ventures. The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

- Amendments to IFRS 2 – Share-based payments. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.

- Annual improvements 2015-2017 Cycle: IFRS 3 – Business Combinations and IFRS 11 – Joint arrangements. The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

- Annual improvements 2015-2017 Cycle: IAS 12 – Income Taxes. The amendment clarifies that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises.

- Annual Improvements 2015-2017 Cycle: IAS 23 – Borrowing Costs. The amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

- IFRIC 23 – Uncertainty over income tax treatments. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

4. Property, plant and equipment

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance as at December 31, 2017	2,506	12,613	6,178	3,319	20,782	6,104	168,320	219,822
Additions	-	-	1,051	212	1,318	-	125,323	127,904
Borrowing costs capitalized	-	-	-	-	-	-	2,347	2,347
Disposals	-	-	(107)	-	(1,071)	-	-	(1,178)
Transfers	-	-	-	-	259	262	(521)	-
Foreign exchange translation	(361)	(909)	(670)	(164)	(190)	(923)	(27,277)	(30,494)
Balance as at December 31, 2018	2,145	11,704	6,452	3,367	21,098	5,443	268,192	318,401
Additions	-	-	296	-	1,587	-	58,460	60,343
Borrowing costs capitalized	-	-	-	-	-	-	1,250	1,250
Disposals	-	-	(1)	(13)	(516)	-	-	(530)
Transfers	-	-	7	-	405	-	(412)	-
Foreign exchange translation	58	42	115	27	436	148	4,975	5,801
Balance as at June 30, 2019	**2,203**	**11,746**	**6,869**	**3,381**	**23,010**	**5,591**	**332,465**	**385,265**
Accumulated depreciation and impairment								
Balance as at December 31, 2017	-	1,207	4,503	1,504	13,478	547	-	21,239
Depreciation	-	142	669	360	2,895	190	-	4,256
Disposals	-	-	(97)	-	(1,005)	-	-	(1,102)
Foreign exchange translation	-	(126)	(504)	(72)	(151)	(95)	-	(948)
Balance as at December 31, 2018	-	1,223	4,571	1,792	15,217	642	-	23,445
Depreciation	-	67	441	159	963	90	-	1,720
Disposals	-	-	(1)	(12)	(499)	-	-	(512)
Foreign exchange translation	-	14	83	13	22	18	-	150
Balance as at June 30, 2019	**-**	**1,304**	**5,094**	**1,952**	**15,703**	**750**	**-**	**24,803**
Carrying value								
December 31, 2018	2,145	10,481	1,881	1,575	5,881	4,801	268,192	294,956
June 30, 2019	**2,203**	**10,442**	**1,775**	**1,429**	**7,307**	**4,841**	**332,465**	**360,462**

Assets under construction

Assets under construction includes development costs capitalized as property, plant and equipment which are costs incurred to obtain access and to provide facilities for extracting, treating, gathering, transporting and storing the minerals. Costs incurred at the Platreef and Kipushi Projects are deemed necessary to bring the projects to commercial production and are therefore capitalized.

Assets pledged as security

Buildings with a carrying amount of $9.3 million (December 31, 2018: $9.4 million) have been pledged to secure borrowings of the Company (see Note 14). The buildings have been pledged as security for a bank loan under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

5. Mineral properties

The following table summarizes the carrying values of the Company's mineral property interests as described below:

	June 30, 2019	December 31, 2018
	$'000	$'000
Platreef property, South Africa (a)	**6,940**	6,940
Kipushi Properties, Democratic Republic of Congo (b)	**252,337**	252,337
Other properties (d)	**5,004**	2,020
	264,281	261,297

Direct costs related to the acquisition of mineral properties are capitalized on a property by property basis. Development costs are capitalized as property, plant and equipment and are costs incurred to obtain access and to provide facilities for extracting, treating, gathering, transporting and storing the minerals. Development expenditures are capitalized to the extent that they are necessary to bring the property to commercial production.

(a) *Platreef property*

Construction of the planned Platreef mine is underway on the Company's discovery of platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Igneous Complex approximately 8 km from Mokopane and 280 km northeast of Johannesburg, South Africa.

In November 2014 the mining right for the development and operation of the Company's Platreef mining project was notorially executed. The mining right, authorizes the Company to mine and process platinum-group metals, nickel, copper, gold, silver, cobalt, iron, vanadium and chrome at its Platreef discovery. The mining right was issued for an initial period of 30 years and may be renewed for further periods, each of which may not exceed 30 years at a time, in accordance with the terms of section 24 of the Mineral and Petroleum Resources Development Act.

The Company announced the positive results of the pre-feasibility study for the planned first phase of the Platreef Project's platinum-group metals, nickel, copper and gold mine in South Africa in January 2015 and the independent, definitive feasibility study (DFS) in July 2017.

A Japanese consortium of ITOCHU Corporation, Japan Oil, Gas and Metals National Corporation; and Japan Gas Corporation holds an effective 10% interest in the Platreef Project. The Company transferred an additional 26% of Platreef to a broad-based black economic empowerment (B-BBEE) special purpose vehicle in compliance with South African ownership requirements.

5. Mineral properties (continued)

(b) *Kipushi properties*

The Kipushi Project is a past-producing, high-grade underground zinc–copper mine in the Central African Copperbelt, in Haut-Katanga Province, Democratic Republic of Congo ("DRC"). The Kipushi Project lies adjacent to the town of Kipushi and the border with Zambia, and about 30 km southwest of the provincial capital of Lubumbashi. Costs incurred at the Kipushi Project subsequent to the finalization of its pre-feasibility study in December 2017, have been capitalized as property, plant and equipment.

Ivanhoe Mines and La Générale des Carrières et des Mines SARL ("Gecamines") own 68% and 32% of the Kipushi Project respectively, through their holdings in Kipushi Corporation SA ("Kipushi"), the mining rights holder. Ivanhoe Mines' interest in Kipushi was acquired in November 2011 and comprises mining rights for zinc, copper and cobalt as well as the underground workings and related infrastructure, inclusive of a series of vertical mine shafts.

(c) *Kamoa-Kakula properties*

The Company is a joint venturer in the Kamoa-Kakula Project which is located within the Central African Copperbelt in Lualaba Province, DRC. The Kamoa-Kakula Project lies approximately 25 km west of the town of Kolwezi, and about 270 km west of the provincial capital of Lubumbashi (see Note 6).

(d) *Other properties*

The Company continues to evaluate other opportunities and most notably holds an extensive land package, totalling more than 2,000 square kilometres, of prospective exploration licences in the Western Foreland area, west of the Kamoa-Kakula mining licence in the DRC. The Company began exploration drilling on the licences in the third quarter of 2017 and announced its Makoko Copper Discovery in October 2018.

6. Investment in joint venture

Kamoa Holding Limited ("Kamoa Holding"), a joint venture between the Company and Zijin Mining Group Co., Ltd. ("Zijin"), holds a direct 80% interest in the Kamoa-Kakula Project. The Company and Zijin each hold an effective 39.6% interest in the project through its 49.5% shareholding in Kamoa Holding. The remaining 1% share interest in Kamoa Holding is held by privately-owned Crystal River Global Limited ("Crystal River") (see Note 9). The Kamoa-Kakula Project is the largest copper discovery ever made on the African continent, with adjacent prospective exploration areas within the Central African Copperbelt in the DRC.

On February 6, 2019, the Company announced the results of the Kakula 2019 pre-feasibility study (PFS) at the Kamoa-Kakula Project. The study assesses the potential development of the Kakula Deposit as a 6 million tonne per annum (Mtpa) mining and processing complex, which the Kamoa-Kakula Project is currently developing. The Company also announced an updated independent preliminary economic assessment (PEA) for an expanded Kakula-Kamoa production rate of 18 Mtpa, supplied initially by a 6 Mtpa mine at Kakula, followed by two 6 Mtpa mines at Kansoko and Kakula West, and a world-scale direct-to-blister smelter.

The costs associated with mine development at the Kamoa-Kakula Project's Kansoko and Kakula sites are capitalized as development costs in Kamoa Holding, while the project continued to conduct exploration in 2018 and 2019. Expenditure attributable to exploration at Kamoa North, Kakula West and in the saddle area between Kakula West and Kakula is still expensed in 2019.

6. Investment in joint venture (continued)

Company's share of comprehensive loss from joint venture

The following table summarizes the Company's share of Kamoa Holding's comprehensive loss for the periods ending June 30, 2019 and June 30, 2018.

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Interest expense	**17,025**	13,822	**33,266**	26,488
Exploration costs	**3,673**	3,353	**7,428**	8,868
Foreign exchange loss	**23**	70	**50**	91
Interest income	**(1,273)**	(989)	**(2,507)**	(1,609)
Loss before taxes	**19,448**	16,256	**38,237**	33,838
Deferred tax (i)	**(4,654)**	-	**(9,367)**	-
Loss after taxes	**14,794**	16,256	**28,870**	33,838
Non-controlling interest of Kamoa Holding (ii)	**(2,172)**	(2,716)	**(4,371)**	(5,753)
Loss for the period	**12,622**	13,540	**24,499**	28,085
Share of losses from joint venture (49.5%)	**6,248**	6,702	**12,127**	13,902

(i) Following the release of the pre-feasibility study of the Kakula Copper mine in February 2019, the Company considers it probable that taxable profits will be available against which previously unrecognized deductible temporary differences can be utilized. Consequently, a deferred tax asset of $110.4 million was recognized at December 31, 2018. The deferred tax asset has subsequently increased to $119.8 million due to the effects of temporary differences.

(ii) The DRC government holds a direct 20% interest in the Kamoa-Kakula Project. A 5%, non-dilutable interest in the project was transferred to the DRC government on September 11, 2012 for no consideration, pursuant to the 2002 DRC mining code. Following the signing of an agreement in November 2016, an additional 15% interest in the project was transferred to the DRC government.

6. Investment in joint venture (continued)

Net assets of the joint venture

The assets and liabilities of the joint venture were as follows:

	June 30, 2019		December 31, 2018	
	100%	**49.5%**	100%	49.5%
	$'000	**$'000**	$'000	$'000
Assets				
Property, plant and equipment	**523,689**	**259,226**	423,183	209,476
Deferred tax asset	**119,783**	**59,293**	110,416	54,656
Other assets	**102,753**	**50,863**	87,775	43,449
Mineral property	**802,021**	**397,000**	802,021	397,000
Indirect taxes receivable	**36,557**	**18,096**	30,427	15,061
Prepaid expenses	**38,104**	**18,861**	14,791	7,322
Cash and cash equivalents	**52,267**	**25,872**	34,916	17,283
Liabilities				
Shareholder loans	**(1,149,094)**	**(568,802)**	(968,173)	(479,246)
Rehabilitation provision	**(6,094)**	**(3,016)**	(2,394)	(1,185)
Accruals and payables	**(33,884)**	**(16,773)**	(17,990)	(8,905)
Non-controlling interest	**(102,237)**	**(50,607)**	(106,609)	(52,771)
Net assets of the joint venture	**383,865**	**190,013**	408,363	202,140

Investment in joint venture

	June 30, 2019	December 31, 2018
	$'000	$'000
Company's share of net assets in joint venture	**190,013**	202,140
Loan advanced to joint venture	**579,587**	479,521
	769,600	681,661

The Company earns interest at USD 12 month LIBOR plus 7% on the loan advanced to the joint venture (see Note 22). If there is residual cash flow in Kamoa Holding, such cash shall be required to be utilized for the repayment of the then outstanding loan amount of each lender, on a pro-rata basis. No repayment shall be required in the absence of residual cash flow.

6. Investment in joint venture (continued)

Commitments in respect of joint venture

The Company is required to fund its Kamoa Holding joint venture in an amount equivalent to its proportionate shareholding interest. The following table summarizes the Company's proportionate share of the joint venture's commitments:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Advancement of loan	76,900	-	-	-	76,900
Road construction	3,787	-	-	-	3,787
Kakula decline development	6,534	-	-	-	6,534
Other commitments	24,706	-	-	-	24,706
	111,927	**-**	**-**	**-**	**111,927**

On March 21, 2014, a financing agreement was entered into between a subsidiary of Kamoa Holding and La Société Nationale d'Electricité SARL ("SNEL") relating to the first stage upgrade of two existing hydroelectric power plants in the DRC to feed up to 113 MW into the national power supply grid and for the supply of electricity to the Kamoa-Kakula Project.

Under the agreement, the subsidiary of Kamoa Holding agreed to provide a loan relating to the power upgrade, which is estimated to be $141 million (including a $4.5 million pre-finance loan), but is capped at a maximum commitment of $250 million.

The loan advanced as at June 30, 2019 by the subsidiary of Kamoa Holding amounted to $94.6 million (December 31, 2018: $82.2 million).

The term for repayment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two year grace period from the signing date of the agreement. The actual repayment period will ultimately depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of 40% of the actual bill as per the loan repayment terms. Interest is earned at a rate of USD 6 month LIBOR + 3%.

The Kamoa-Kakula Project will be given a priority electricity right by which SNEL commits to make available as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the project and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the production and mine expansion scenarios.

7. Long term loans receivable

	June 30, 2019	December 31, 2018
	$'000	$'000
Loan to HPX (i)	**50,723**	-
Social development loan (ii)	**37,696**	36,471
	88,419	36,471

(i) In April 2019, the Company extended a secured loan of $50 million to High Power Exploration Inc. (HPX). The loan receivable has a two-year maturity and earns interest at a rate of 8% per annum.

The principal amount of the loan and accrued interest is convertible in whole, or in part, by Ivanhoe at its sole discretion into shares of treasury common stock of HPX and/or a subsidiary of HPX. The loan is secured by a pledge of shares of an HPX subsidiary in the United States which is pursuing a Tier One copper-gold exploration and development project.

Interest of $0.7 million was earned during the period ended June 30, 2019.

(ii) A long term loan receivable from Gecamines of $10 million was ceded to the Company on completion of the purchase of Kipushi on November 28, 2011, by the seller. An additional $20 million was requested and advanced to Gecamines during November 2012.

The loan receivable is unsecured and earns interest at USD 12 month LIBOR plus 3%. Repayment will be made by offsetting the loan against future royalties and dividends payable to Gecamines from future profits earned in Kipushi. The fair value of the receivable at acquisition date was estimated by the Company by calculating the present value of the future expected cash flows using an effective interest rate of 9.2%. The carrying value of the long term loan receivable as at June 30, 2019 is $37.7 million (December 31, 2018: $36.4 million)

8. Leases

The Company leases various properties and equipment. Rental contracts typically have fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are those with a term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

8. Leases (continued)

Amounts recognized in the statement of financial position:

	June 30, 2019	December 31, 2018
	$'000	$'000
Right-of-use asset		
Rented surface infrastructure and equipment (Kipushi project)	**13,066**	-
Other properties	**1,227**	-
	14,293	**-**
Lease liability		
Non-current	**13,743**	-
Current	**924**	-
	14,667	**-**

Amounts recognized in the statement of comprehensive income:

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Depreciation on right of use assets (i)				
Rented surface infrastructure and equipment (Kipushi project)	**242**	-	**484**	-
Other properties	**101**	-	**228**	-
Capitalized as development costs to assets under construction	**(245)**	-	**(490)**	-
	98	-	**222**	-
Interest on lease liability (ii)				
Rented surface infrastructure and equipment (Kipushi project)	**22**	-	**44**	-
Other properties	**4**	-	**5**	-
Capitalized as development costs to assets under construction	**(44)**	-	**(44)**	-
	(18)	-	**5**	-

(i) Included in other expenditure on the condensed consolidated interim statements of comprehensive income.

(ii) Included in finance costs on the condensed consolidated interim statements of comprehensive income.

9. Promissory note receivable

The Company has the following promissory note receivable:

	June 30, 2019	December 31, 2018
	$'000	$'000
Promissory note receivable from Crystal River	**14,235**	12,713
	14,235	12,713

The promissory note receivable with a carrying value of $14.2 million is a non interest-bearing, 10 year promissory note, of which $8.3 million was received by the Company as the purchase consideration for selling 1% of its share in Kamoa Holding to Crystal River (see Note 6). The remaining $5.9 million is for subsequent funding provided to Kamoa Holding on Crystal River's behalf. The promissory note is payable on the earlier of December 8, 2025 or the next business day following the completion of the sale, transfer or disposition of the shares held by Crystal River in Kamoa Holding.

10. Cash and cash equivalents

	June 30, 2019	December 31, 2018
	$'000	$'000
Cash and cash equivalents	**380,874**	574,048
	380,874	574,048

11. Prepaid expenses

	June 30, 2019	December 31, 2018
	$'000	$'000
Deposits	**2,007**	1,985
Other prepayments	**1,645**	2,211
Advance payment on shaft construction	**1,531**	2,168
	5,183	6,364

Prepaid expenses are amounts paid in advance which give the Company rights to receive future goods or services.

12. Other receivables

	June 30, 2019	December 31, 2018
	$'000	$'000
Accounts receivable	**1,195**	1,515
Refundable taxes (a)	**852**	1,881
Administration consulting receivable from joint venture	**664**	1,675
Other	**452**	426
	3,163	5,497

(a) Refundable taxes are net of an impairment provision for value-added taxes receivable in foreign jurisdictions where recoverability of those taxes are uncertain.

13. Financial assets at fair value through profit or loss

The Company holds listed shares which have been classified as financial assets at fair value through profit or loss. The trading value of the listed shares as at June 30, 2019 is $2.0 million (December 31, 2018: $1.9 million). A gain of $0.03 million on the fair valuation of the financial asset was recognized for the six months ended June 30, 2019 (June 30, 2018: Loss of $4.2 million).

14. Borrowings

	June 30, 2019	December 31, 2018
	$'000	$'000
Unsecured - at amortized cost		
(a) Loans from other entities	**28,445**	27,194
Secured - at amortized cost		
(b) Citi bank loan	**4,096**	4,097
	32,541	31,291

(a) On June 6, 2013, the Company, through its subsidiary Ivanplats (Pty) Ltd, ("Ivanplats") the owner of the Platreef Project, became party to a $28.0 million loan payable to ITC Platinum Development Limited. The loan is repayable only once Ivanplats has residual cashflow, which is defined in the loan agreement as gross revenue generated by Ivanplats, less all operating costs attributable thereto, including all mining development and operating costs. The loan incurs interest at USD 3 month LIBOR plus 2% calculated monthly in arrears. Interest is not compounded. Using prevailing market interest rates for an equivalent loan of USD 3 month LIBOR plus 7% at June 6, 2013, the carrying value of the loan as at June 30, 2019, is estimated at $28.4 million (December 31, 2018: $27.2 million). The difference of $4.8 million (December 31, 2018: $5.4 million) between the contractual amount due and the carrying value of the loan is the benefit derived from the low-interest loan. Interest of $0.6 million was recognized during the six months ended June 30, 2019 and was capitalized as borrowing costs together with the low interest loan accretion of $0.6 million.

(b) The Citi bank loan of $4.1 million (£3.23 million) is secured by the Rhenfield property (see Note 25). The loan is an interest only term loan repayable at August 31, 2020, and incurs interest at a rate of GBP 1 month LIBOR plus 1.90% payable monthly in arrears.

15. Advances payable

	June 30, 2019	December 31, 2018
	$'000	$'000
Advances payable to Gecamines	**2,585**	2,502
	2,585	2,502

Advances payable to Gecamines are unsecured and bear interest at USD 12 month LIBOR plus 4% and represent the loan advanced to Kipushi by Gecamines prior to the acquisition of Kipushi by the Company.

16. Trade and other payables

	June 30, 2019	December 31, 2018
	$'000	$'000
Trade accruals	**10,898**	13,041
Trade payables	**5,724**	10,428
Other payables	**1,331**	2,829
Indirect taxes payable	**51**	144
	18,004	26,442

The Company has policies in place to ensure trade and other payables are paid within agreed terms.

17. Share capital

(a) Shares issued

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares (together with the Class A Shares, the "common shares") and an unlimited number of Preferred Shares.

As at June 30, 2019, 1,019,696,090 (December 31, 2018: 1,015,080,833) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding.

(b) Options

Share options are granted at an exercise price equal to the weighted average price of the Company's shares on the TSX for the five days immediately preceding the date of the grant. As at June 30, 2019, 58,887,500 share options have been granted and exercised, and 20,870,000 have been granted and are outstanding.

All outstanding share options vest in four equal parts, commencing on the one year anniversary of the date of grant and on each of the three anniversaries thereafter. The maximum term of options awarded is five years.

(Stated in U.S. dollars unless otherwise noted)

17. Share capital (continued)

(b) Options (continued)

A summary of changes in the Company's outstanding share options is presented below:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance at the beginning of year	**19,900,000**	**1.18**	22,348,500	1.36
Granted	**5,000,000**	**2.33**	6,000,000	2.22
Exercised	**(4,017,500)**	**0.88**	(6,293,500)	1.58
Expired	**-**	**-**	(2,130,000)	4.78
Forfeited	**(12,500)**	**0.47**	(25,000)	0.86
Balance at the end of the period	**20,870,000**	**1.47**	19,900,000	1.18

5,000,000 options were granted during the six months ended June 30, 2019. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of $5.5 million for the options granted during 2019 will be amortized over the vesting period, of which $0.6 million was recognized during the six months ended June 30, 2019.

The following weighted average assumptions were used for the share option grants in 2019:

	2019
Risk free interest rate	2.03%
Expected volatility (i)	62.46%
Expected life	3.75 years
Expected dividends	$Nil

(i) Expected volatility was based on the historical volatility of a peer company analysis.

(Stated in U.S. dollars unless otherwise noted)

17. Share capital (continued)

(b) Options (continued)

The following table summarizes information about share options outstanding and exercisable as at June 30, 2019:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
December 8, 2019	5,570,000	0.86	5,570,000	0.86
December 15, 2020	4,425,000	0.47	2,892,500	0.47
March 12, 2023	3,500,000	2.38	875,000	2.38
May 7, 2023	375,000	2.07	-	2.07
December 4, 2023	2,000,000	1.98	-	1.98
January 12, 2024	1,500,000	1.90	-	1.90
May 1, 2024	3,500,000	2.52	-	2.52
	20,870,000	1.51	9,337,500	0.88

(c) Restricted share units

The Company issues restricted share units ("RSUs") as a security based compensation arrangement. Each restricted share unit represents the right of an eligible participant to receive one Class A Share.

RSUs vest in three equal parts, commencing on the initial vesting date established at grant and on each of the two anniversaries thereafter, subject to the satisfaction of any performance conditions.

A summary of changes in the Company's RSUs is presented below:

	June 30, 2019	December 31, 2018
Balance at the beginning of the year	**2,878,198**	4,457,947
RSUs issued	**2,066,184**	1,520,813
RSUs vested	**(1,179,833)**	(3,072,565)
RSUs cancelled	**(14,609)**	(27,997)
Balance at the end of the period	**3,749,940**	2,878,198

An expense of $4.1 million for the RSUs granted during the six months ended June 30, 2019, using the fair value of a common share at time of grant, will be amortized over the vesting period (see Note 20). The weighted average fair value of a common share at time of RSUs granted in 2019 was $1.99.

18. Foreign currency translation reserve

	June 30, 2019	December 31, 2018
	$'000	$'000
Balance at the beginning of the period	**(38,845)**	(8,855)
Exchange gains (losses) arising on translation of the foreign operations	**5,265**	(29,990)
Balance at the end of the period	**(33,580)**	(38,845)

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive profit or loss and accumulated in the foreign currency translation reserve.

19. Non-controlling interests

	June 30, 2019	December 31, 2018
	$'000	$'000
Balance at beginning of the period	**(77,932)**	(68,229)
Share of comprehensive loss for the period	**(3,621)**	(9,703)
Balance at the end of the period	**(81,553)**	(77,932)

20. Share-based payments

The share-based payment expense of the Company is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Equity settled share-based payments				
Options vested (Note 17(b))	**1,119**	653	**2,107**	1,080
Restricted share unit expense (Note 17(c))	**952**	920	**1,808**	1,700
	2,071	1,573	**3,915**	2,780
Cash settled share-based payments				
B-BBEE transaction expense	**168**	191	**343**	396
	2,239	1,764	**4,258**	3,176

Of the share-based payment expense recognized for the six months ended June 30, 2019, $0.3 million (2018: $0.4 million) related to the Platreef B-BBEE transaction, with the remaining $3.9 million (2018: $2.8 million) being the expense for options and restricted share units granted to employees recognized over the vesting period.

21. Other income

Other (income) expenses is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Administration consulting income (a)	**(661)**	(583)	**(1,167)**	(1,062)
Other taxes	**54**	-	**59**	388
Other	**2**	(41)	**(6)**	(74)
Irrecoverable amounts	**-**	-	**649**	-
	(605)	(624)	**(465)**	(748)

(a) Administration consulting income represent fees charged by the Company to the Kamoa Holding joint venture for administration services performed on behalf of the joint venture (see Note 6).

22. Finance income

Finance income is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Interest on loan to joint venture (a)	**(12,737)**	(9,675)	**(24,687)**	(18,360)
Interest on bank balances	**(2,780)**	(603)	**(6,079)**	(1,689)
Interest on long term loan receivable - HPX (b)	**(723)**	-	**(723)**	-
Interest on long term loan receivable - Gecamines (c)	**(619)**	(597)	**(1,225)**	(1,183)
	(16,859)	(10,875)	**(32,714)**	(21,232)

(a) The Company earns interest at a rate of USD 12 month LIBOR plus 7% on the loan advanced to the joint venture (see Note 6).
(b) The Company earns interest at a rate of 8% on the long term loan receivable from High Power Exploration Inc. (see Note 7).
(c) The Company earns interest at a rate of USD 12 month LIBOR plus 3% on the long term loan receivable from Gecamines (see Note 7), although an effective interest rate of 9.2% was applied from initial recognition.

23. Finance costs

Finance costs are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Interest on advances payable (see Note 15)	**40**	39	**83**	76
Interest on non-current borrowings (see Note 14)	**5**	310	**54**	606
Other financing costs	**11**	3	**15**	13
	56	352	**152**	695

24. (Profit) loss per share

The basic (profit) loss per share is computed by dividing the (profit) loss attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted (profit) loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and restricted share units, in the weighted average number of common shares outstanding during the year, if dilutive.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	$'000	$'000
Basic (profit) loss per share				
(Profit) loss attributable to owners of the Company	**(3,889)**	6,391	**(9,841)**	12,164
Weighted average number of basic shares outstanding	**1,018,733,746**	791,361,120	**1,016,339,443**	791,175,966
Basic (profit) loss per share	**(0.00)**	0.01	**(0.01)**	0.02
Diluted (profit) loss per share				
(Profit) loss attributable to owners of the Company	**(3,889)**	6,391	**(9,841)**	12,164
Weighted average number of diluted shares outstanding	**1,031,417,233**	791,361,120	**1,029,685,848**	791,175,966
Diluted (profit) loss per share	**(0.00)**	0.01	**(0.01)**	0.02

(Stated in U.S. dollars unless otherwise noted)

24. (Profit) loss per share (continued)

The weighted average number of shares for the purpose of diluted (profit) loss per share reconciles to the weighted average number of shares used in the calculation of basic (profit) loss per share as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Weighted average number of basic shares outstanding	**1,018,733,746**	791,361,120	**1,016,339,443**	791,175,966
Shares deemed to be issued for no consideration in respect of:				
- employee options	**9,248,368**	-	**10,087,122**	-
- restricted share units	**3,435,119**	-	**3,259,283**	-
Weighted average number of diluted shares outstanding	**1,031,417,233**	791,361,120	**1,029,685,848**	791,175,966

25. Joint operations

The Company has a 50% interest in Rhenfield Limited, a British Virgin Islands registered company. Rhenfield Limited purchased buildings in London, England which the Company uses for office space. The buildings have a carrying value of $9.3 million (December 31, 2018: $9.4 million) and are included in property, plant and equipment (see Note 4).

(Stated in U.S. dollars unless otherwise noted)

26. Related party transactions

The financial statements include the financial results of Ivanhoe Mines Ltd., its subsidiaries, joint ventures and joint operations listed in the following table:

Name	Country of Incorporation	% equity interest as at June 30, 2019	% equity interest as at December 31, 2018	
Direct Subsidiaries				
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%	(i)
African Copperbelt Exploration Ltd.	Barbados	**100%**	100%	(i)
Gabon Holding Company Ltd.	Barbados	**100%**	100%	(i)
Ivanhoe Mines US LLC	United States of America	**100%**	100%	(i)
Ivanhoe Mines UK Limited	United Kingdom	**100%**	100%	(ii)
Ivanplats Holding SARL	Luxembourg	**97%**	97%	(i)
Indirect Subsidiaries				
Ivanhoe DRC Holding Ltd.	Barbados	**100%**	100%	(i)
Kipushi Holding Limited	Barbados	**100%**	100%	(i)
Ivanhoe Mines DRC SARL	Democratic Republic of Congo	**100%**	100%	(ii)
Ivanhoe Mines Exploration DRC SARL	Democratic Republic of Congo	**100%**	100%	(iii)
Lufupa SASU	Democratic Republic of Congo	**100%**	100%	(iii)
Magharibi Mining SAU	Democratic Republic of Congo	**100%**	100%	(iii)
Kipushi Corporation SA	Democratic Republic of Congo	**68%**	68%	(iii)
Ivanhoe Gabon SA	Gabon	**100%**	100%	(iii)
Ivanplats Finance Limited	Ireland	**97%**	97%	(iv)
Ivanplats Finance Lux SARL	Luxembourg	**97%**	97%	(iv)
Ivanhoe (Namibia) (Pty) Ltd.	Namibia	**100%**	100%	(iii)
Kamoa Services (Pty) Ltd.	South Africa	**100%**	100%	(ii)
GB Mining & Exploration (SA) (Pty) Ltd.	South Africa	**100%**	100%	(iv)
Ivanhoe Mines SA (Pty) Ltd.	South Africa	**100%**	100%	(ii)
Ivanplats (Pty) Ltd.	South Africa	**64%**	64%	(iii)
Kico Services (Pty) Ltd.	South Africa	**100%**	100%	(ii)
Ivanhoe (Zambia) Ltd.	Zambia	**100%**	100%	(iii)
Joint ventures				
Kamoa Holding Limited	Barbados	**49.50%**	49.50%	(i)
Joint operations				
Rhenfield Limited	British Virgin Islands	**50%**	50%	(iv)

(i) This company acts as an intermediary holding company to other companies in the Group.
(ii) This company provides administration, accounting and other services to the Group on a cost-recovery basis.
(iii) This company is incorporated with the intention of engaging in exploration, development and mining activities.
(iv) This is a special purpose entity that has been incorporated for a particular purpose.

26. Related party transactions (continued)

The following table summarizes related party income earned and expenses incurred by the Company, primarily on a cost-recovery basis, with companies related by way of directors or shareholders in common.

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Global Mining Management Corporation (a)	**1,139**	1,156	**2,104**	2,218
Ivanhoe Capital Aviation LLC (b)	**625**	625	**1,250**	1,250
HCF International Advisors (c)	**294**	232	**497**	294
Ivanhoe Capital Services Ltd. (d)	**77**	114	**210**	242
Ivanhoe Capital Pte Ltd (e)	**16**	9	**70**	110
GMM Tech Holdings Inc. (f)	**9**	59	**322**	876
Ivanhoe Capital Corporation (UK) Ltd (g)	**5**	(59)	**-**	(58)
Kamoa Copper SA (h)	**(1,209)**	(996)	**(2,161)**	(1,891)
High Power Exploration Inc. (i)	**(721)**	-	**(721)**	-
Ivanhoe Mines Energy DRC Sarl (j)	**(69)**	(85)	**(127)**	(159)
Global Mining Services Ltd. (k)	**(1)**	6	**23**	16
	165	1,061	**1,467**	2,898
Salaries and benefits	**1,129**	848	**2,106**	1,693
Travel	**671**	681	**1,357**	1,417
Consulting	**308**	588	**843**	1,714
Office and administration	**58**	25	**172**	124
Cost recovery and management fee	**(1,278)**	(1,081)	**(2,288)**	(2,050)
Finance income	**(723)**	-	**(723)**	-
	165	1,061	**1,467**	2,898

The transactions summarized above were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2019, trade and other payables included $0.1 million (December 31, 2018: $1.2 million) with regards to amounts due to parties related by way of director, officers or shareholder in common. These amounts are unsecured and non-interest bearing.

Amounts included in other receivables due from parties related by way of director, officers or shareholder in common as at June 30, 2019 amounted to $0.2 million (December 31, 2018: $0.2 million).

(a) Global Mining Management Corporation (“Global”) is a private company based in Vancouver, Canada. The Company and a director of the Company hold an indirect equity interest in Global. Global provides administration, accounting and other services to the Company on a cost-recovery basis.

(b) Ivanhoe Capital Aviation LLC (“Aviation”) is a private company owned indirectly by a director of the Company. Aviation operates an aircraft for which the Company contributes toward the running costs.

26. Related party transactions (continued)

(c) HCF International Advisers ("HCF") is a corporate finance adviser specializing in the provision of advisory services to clients worldwide in the metals, mining, steel and related industries. HCF has a director in common with the Company and provides financial advisory services to the Company.

(d) Ivanhoe Capital Services Ltd. ("Services") is a private company owned indirectly by a director of the Company. Services provides for salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.

(e) Ivanhoe Capital Pte Ltd. ("Capital") is a private company owned indirectly by a director of the Company. Capital provides administration, accounting and other services in Singapore on a cost-recovery basis.

(f) GMM Tech Holdings Inc. ("GMM Tech") is a private company incorporated in British Columbia, Canada and is 100% owned by Global. GMM Tech provides information technology services to the Company on a cost-recovery basis.

(g) Ivanhoe Capital Corporation (UK) Ltd. ("UK") is a private company 100% owned by a director of the Company. UK provides administration, accounting and other services in Singapore on a cost-recovery basis.

(h) Kamoa Copper SA ("Kamoa Copper") is a company incorporated in the DRC. Kamoa Copper is 80% owned by the Kamoa Holding joint venture (see Note 6). The Company provides administration, accounting and other services to Kamoa Copper on a cost-recovery basis.

(i) High Power Exploration Inc. ("HPX") is a private company incorporated under the laws of Delaware, USA. HPX has members of executive management and directors in common with the Company. The Company extended a secured loan of $50 million to HPX. The loan receivable has a two-year maturity and earns interest at a rate of 8% per annum.

(j) Ivanhoe Mines Energy DRC Sarl ("Energy") is a company incorporated in the DRC. Energy is 100% owned by the Kamoa Holding joint venture (see Note 6). The Company provides administration, accounting and other services to Energy on a cost-recovery basis.

(k) Global Mining Services Ltd. ("Mining") is a private company incorporated in Delaware 100% owned by Global. Mining provides administration and other services to the Company on a cost-recovery basis.

27. Cash flow information

Net change in working capital items:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Net decrease (increase) in				
Prepaid expenses	**721**	1,372	**1,181**	1,604
Other receivables	**122**	293	**2,334**	(3)
Consumable stores	**102**	60	**118**	776
Net increase (decrease) in				
Trade and other payables	**1,141**	1,935	**(8,436)**	(6,215)
	2,086	3,660	**(4,803)**	(3,838)

28. Financial instruments

(a) Fair value of financial instruments

The Company’s financial assets and financial liabilities are categorized as follows:

Financial instrument	Level	**June 30, 2019**	December 31, 2018
		$'000	$'000
Financial assets			
Financial assets at fair value through profit or loss			
Investment in listed entity	Level 1	**1,956**	1,924
Amortized cost			
Cash and cash equivalents	Level 1	**380,874**	574,048
Loan advanced to joint venture	Level 3	**579,587**	479,521
Long term loans receivable	Level 3	**88,419**	36,471
Promissory note receivable	Level 3	**14,235**	12,713
Financial liabilities			
Amortized cost			
Borrowings	Level 3	**32,541**	31,291
Trade and other payables	Level 3	**18,004**	26,442
Lease liability	Level 3	**14,667**	-
Advances payable	Level 3	**2,585**	2,502
Fair value through profit or loss			
Cash settled share based payment liability	Level 3	**3,691**	3,349

28. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

IFRS 13 - “Fair value measurement”, requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and established a hierarchy into which these assets and liabilities must be grouped based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s assumptions. The two types of inputs create the following fair value hierarchy:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

The long term loans receivable, right-of-use asset and promissory note receivable are evaluated based on parameters such as interest rates, specific country risk factors, creditworthiness of the creditor and the risk characteristics of the financed projects. Based on this evaluation, allowances are taken into account for the estimated losses of the receivable.

The fair value of borrowings are determined in accordance with generally accepted pricing models based on discounted future cashflow analysis. The fair value of the loan payable to ITC Platinum Development Limited (Note 14 (a)) is determined assuming an interest rate of USD 3 month LIBOR plus 7%. The carrying value of borrowings does not significantly differ from its fair value.

The fair value of the Company’s remaining financial instruments were estimated to approximate their carrying values, due primarily to the immediate or short-term maturities.

(b) Financial risk management objectives and policies

The risks associated with the Company’s financial instruments and the policies to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Foreign exchange risk

The Company incurs certain of its expenses in currencies other than the U.S. dollar. The Company also has foreign currency denominated monetary assets and liabilities. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company enters into derivative instruments to manage foreign exchange exposure as deemed appropriate.

28. Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the respective statement of financial position dates are as follows:

	June 30, 2019	December 31, 2018
	$'000	$'000
Assets		
Canadian dollar	**122,747**	180,321
South African rand	**17,628**	16,848
British pounds	**6,938**	5,257
Australian dollar	**1,957**	1,924
Liabilities		
South African rand	**(5,970)**	(7,325)
British pounds	**(4,828)**	(3,427)
Canadian dollar	**(391)**	(571)

<u>Foreign currency sensitivity analysis</u>

The following table details the Company's sensitivity to a 5% increase or decrease in the U.S. dollar against the foreign currencies presented. The sensitivity analysis includes only outstanding foreign currency denominated monetary items not denominated in the functional currency of the Company or the relevant subsidiary and adjusts their translation at the end of the period for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the U.S. dollar. The opposite number will result if the foreign currencies depreciate against the U.S. dollar.

	Six months ended June 30,	
	2019	2018
	$'000	$'000
Canadian dollar	**6,118**	185
Australian dollar	**98**	219
South African rand	**(58)**	(40)

28. Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with trade and other receivables, cash and cash equivalents, promissory note receivable and long term loans receivables.

The Company reviews the recoverable amount of their financial assets at each statement of financial position date to ensure that adequate impairment losses are made for irrecoverable amounts. The Company has considered the requirement of IFRS 9 to recognize a loss allowance for expected credit losses on financial assets. The general approach was applied to these financial assets. Under the general approach the 12 month expected credit losses is calculated unless there has been a significant increase in credit risk in which case the lifetime credit losses are calculated.

The credit risk on cash and cash equivalents is limited because the cash and cash equivalents are composed of deposits with major banks who have investment grade credit ratings assigned by international credit rating agencies and have low risk of default. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the parties to settle the receivables.

The principal amount of the long term loan receivable from HPX and accrued interest thereon, is convertible in whole, or part, by the Company at its sole discretion into shares of treasury common stock of HPX and/or a subsidiary of HPX. The loan is secured by a pledge of shares of an HPX subsidiary in the United States which is pursuing a Tier One copper-gold exploration and development project, into which the Company also may convert and acquire at least a 25% interest.

Repayment of the long term loan receivable from Gecamines will be made by offsetting the loan against future royalties and dividends payable to Gecamines which arise from future profits earned in Kipushi.

The promissory note receivable will be repaid using proceeds from the sale of Crystal River's 1% stake in Kamoa Holding.

The loan advanced to the joint venture will be repaid as and when there is residual cash flow in Kamoa Holding. Due to the excellent economics of Kamoa-Kakula's recently announced PFS and PEA, repayment of the loan is deemed to be highly probable.

The Company is therefore not exposed to significant credit risk. There are no expected credit losses on financial assets.

28. Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

The following table details the Company's expected remaining contractual maturities for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total un-discounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at June 30, 2019					
Trade and other payables	15,516	1,314	1,174	-	**18,004**
Non-current borrowings	-	-	-	37,291	**37,291**
As at December 31, 2018					
Trade and other payables	24,247	1,296	899	-	**26,442**
Non-current borrowings	-	-	-	36,656	**36,656**

(iv) Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings, the long term loans receivable and the loan advanced to the joint venture. The Company's main exposure to interest rate risk arises from the fact that the Company earns and incurs interest on interest rates linked to LIBOR.

If interest rates (including applicable LIBOR rates) had been 50 basis points higher or lower and all other variables were held constant the Company's profit for the period ended June 30, 2019 would have increased or decreased by $5.0 million.

29. Commitments and 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.

As at June 30, 2019, the Company's commitments that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Shaft 1 construction (Platreef project)	25,426	-	-	-	25,426
Shaft 2 construction (Platreef project)	1,446	-	-	-	1,446
	26,871	**-**	**-**	**-**	**26,871**

The Company contracted Moolmans (formerly known as Aveng Mining) for the sinking of shaft 1 at the Platreef Project. The contract will conclude once the shaft reaches the contracted depth of 982 metres below surface.

The commitments in respect of the joint venture are set out in Note 6.

30. Changes in accounting policies

The Company has adopted IFRS 16 Leases and has applied the new accounting policies from January 1, 2019. The Company has adopted IFRS 16 retrospectively using the first variation of the modified retrospective approach, and has therefore not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of the adoption on the Company's financial statements is detailed below. Refer to Note 8 for additional information.

Right-of use assets were measured at the amount equal to the lease liability at the date of initial application (January 1, 2019), adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The recognized right-of-use asset relates to the following types of assets:

	January 1, 2019
	$'000
Rented surface infrastructure and equipment (Kipushi project)	13,308
Residential properties	1,962
Lease liability recognized as at January 1, 2019	**15,270**

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

30. Changes in accounting policies (continued)

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company has relied on its assessment made applying IAS 17 and IFRIC 4.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019.

	January 1, 2019
	$'000
Operating lease commitments as at December 31, 2018	1,243
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,241
Less short-term leases recognized on a straight-line basis as expense	(180)
Adjustments as a result of a different treatment of extension and termination options	14,209
Lease liability recognized as at January 1, 2019	**15,270**
Current lease liability	997
Non-current lease liability	14,273
	15,270

31. Segmented information

At June 30, 2019, the Company has four reportable segments, being the Platreef property, Kamoa Holding joint venture, Kipushi properties and the Company's treasury offices.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

For these four reportable segments, the Company receives discrete financial information that is used by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

The reportable segments are principally engaged in the development of mineral properties in South Africa; exploration and development of mineral properties through a joint venture in the DRC; and the upgrading of mining infrastructure and refurbishment of a mine in the DRC respectively.

31. Segmented information (continued)

The following is an analysis of the non-current assets by geographical area and reconciled to the Company financial statements:

	South Africa	DRC	Other	**Total**
	$'000	$'000	$'000	**$'000**
Non-current assets				
As at June 30, 2019	246,463	1,158,185	112,920	**1,517,568**
As at December 31, 2018	212,599	1,023,342	59,527	**1,295,468**

	June 30, 2019	December 31, 2018
	$'000	$'000
Segment assets		
Kamoa Holding joint venture	**769,600**	681,661
Treasury (ii)	**420,124**	572,033
Kipushi properties	**424,181**	381,843
Platreef property	**257,150**	221,313
All other segments (i)	**38,870**	27,938
Total	**1,909,925**	1,884,788
Segment liabilities		
Platreef property	**34,754**	34,914
Kipushi properties	**22,845**	10,000
All other segments (i)	**12,735**	14,354
Treasury (ii)	**3,740**	6,712
Total	**74,074**	65,980

31. Segmented information (continued)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Segment (profits) losses				
Kamoa Holding Limited joint venture	**6,248**	6,702	**12,127**	13,902
All other segments (i)	**2,840**	2,243	**5,057**	2,679
Platreef properties	**333**	1,585	**683**	3,913
Treasury (ii)	**(10,703)**	(1,987)	**(22,553)**	(4,087)
Kipushi properties	**(531)**	(614)	**(974)**	(1,070)
Total	**(1,813)**	7,929	**(5,660)**	15,337
Capital expenditures				
Kipushi properties	**16,323**	15,892	**33,651**	30,265
Platreef properties	**13,683**	14,076	**26,933**	26,391
All other segments (i)	**552**	207	**1,009**	763
Total	**30,558**	30,175	**61,593**	57,419
Exploration and project expenditure				
All other segments (i)	**3,290**	2,721	**4,689**	4,111
Platreef properties	**-**	52	**-**	98
Total	**3,290**	2,773	**4,689**	4,209

(i) The Company's other divisions that do not meet the quantitative thresholds of IFRS 8 Operating segments, are included in the segmental analysis under the all other segments.

(ii) Treasury includes cash balances, the promissory note receivable, the financial asset at fair value through profit and loss and the loan to HPX.

32. Subsequent events

On July 30, 2019, the Company announced that the private placement transaction with CITIC Metal Africa Investments Limited (CITIC Metal Africa), a direct subsidiary of CITIC Metal Co., Ltd. (CITIC Metal), announced on April 25, 2019, now has received all necessary recordals and registration with Chinese government regulatory agencies and the transaction is scheduled to close on August 16, 2019.

Upon closing, the Company will receive gross proceeds of C$612 million (approximately $465 million) from CITIC Metal Africa and will issue 153,821,507 common shares to CITIC Metal Africa through a private placement at a price of C$3.98 per share.

Zijin Mining Group Co., Ltd., exercised its existing anti-dilution rights on May 15, 2019, which will yield additional proceeds to the Company of C$67 million (approximately $51 million). These funds will be received concurrently with the CITIC Metal Africa private placement. The exercise by Zijin of its anti-dilution rights also was at a price of C$3.98 per share.

33. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the six months ended June 30, 2019, were approved and authorized for issue by the Board of Directors on August 6, 2019.