

Condensed consolidated interim financial statements of

## **Ivanhoe Mines Ltd.**

September 30, 2020  
(Stated in U.S. dollars)

(Unaudited)

# Ivanhoe Mines Ltd.

September 30, 2020

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# Ivanhoe Mines Ltd.

## Condensed consolidated interim statement of financial position

as at

(Stated in U.S. dollars)

(Unaudited)

	Notes	September 30, 2020 \$'000	December 31, 2019 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in joint venture	4	1,180,024	912,636
Property, plant and equipment	5	405,761	421,143
Mineral properties	6	264,324	264,324
Loans receivable	7	40,887	91,955
Promissory note receivable	9	21,581	16,799
Right-of-use asset	8	13,494	15,096
Other assets	10	4,274	4,826
Deferred tax asset		670	688
Investments	11	655	655
Total non-current assets		1,931,670	1,728,122
<b>Current assets</b>			
Cash and cash equivalents	12	375,813	702,810
Loans receivable	7	55,550	-
Other receivables	14	7,261	8,036
Prepaid expenses	13	2,502	3,339
Investments	11	1,552	1,140
Consumable stores		1,030	1,060
Current tax assets		129	215
Total current assets		443,837	716,600
<b>Total assets</b>		<b>2,375,507</b>	<b>2,444,722</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	19	2,300,418	2,286,562
Share option reserve	19	128,833	128,531
Foreign currency translation reserve	20	(75,689)	(30,857)
Accumulated profit		49,158	63,572
Equity attributable to owners of the Company		2,402,720	2,447,808
Non-controlling interests	21	(102,827)	(84,954)
Total equity		2,299,893	2,362,854
<b>Non-current liabilities</b>			
Borrowings	15	35,451	29,674
Lease liability	8	14,115	14,980
Advances payable	16	2,759	2,661
Deferred tax liability		2,082	2,082
Rehabilitation provision		282	319
Total non-current liabilities		54,689	49,716
<b>Current liabilities</b>			
Trade and other payables	17	15,758	23,025
Cash settled share-based payment liability	18	4,465	4,026
Lease liability	8	702	871
Borrowings	15	-	4,230
Total current liabilities		20,925	32,152
Total liabilities		75,614	81,868
<b>Total equity and liabilities</b>		<b>2,375,507</b>	<b>2,444,722</b>

Continuing operations (Note 1)

Commitments and contingencies (Note 33)

**(Signed) Peter Meredith**

Peter Meredith, Director

**(Signed) William Hayden**

William Hayden, Director

# Ivanhoe Mines Ltd.

## Condensed consolidated interim statement of comprehensive income for the

(stated in U.S. dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>					
Exploration and project expenditure		9,972	3,266	30,970	7,955
Share-based payments	22	4,250	2,744	12,107	7,002
Salaries and benefits		2,670	2,149	14,357	8,235
Travel costs		906	1,848	3,374	4,127
Office and administration		672	772	2,038	2,506
Other expenditure		426	628	1,725	1,339
Professional fees		324	847	1,759	2,006
Investor relations		163	296	738	831
Legal fees		132	331	519	632
Foreign exchange (gain) loss	23	(425)	(1,886)	1,838	(8,854)
Loss from operating activities		19,090	10,995	69,425	25,779
Share of loss from joint venture	4	7,323	7,084	20,648	19,211
Finance costs	24	69	71	239	223
Other income	26	(481)	(387)	(2,672)	(852)
(Gain) loss on fair valuation of financial asset	11	(842)	412	(412)	380
Finance income	25	(20,241)	(18,920)	(59,723)	(51,634)
Loss (profit) before income taxes		4,918	(745)	27,505	(6,893)
Income tax expense (recovery)					
Current tax		205	14	284	410
Deferred tax		201	(201)	(107)	(109)
		406	(187)	177	301
<b>LOSS (PROFIT) FOR THE PERIOD</b>		<b>5,324</b>	<b>(932)</b>	<b>27,682</b>	<b>(6,592)</b>
Loss (profit) attributable to:					
Owners of the Company		901	(2,982)	14,414	(12,823)
Non-controlling interests		4,423	2,050	13,268	6,231
		5,324	(932)	27,682	(6,592)
<b>Other comprehensive (income) loss</b>					
Items that may subsequently be reclassified to loss (profit) :					
Exchange (gains) losses on translation of foreign operations		(4,307)	17,727	49,625	11,902
Other comprehensive (income) loss for the period, net of tax		(4,307)	17,727	49,625	11,902
<b>TOTAL COMPREHENSIVE LOSS (INCOME) FOR THE PERIOD</b>		<b>1,017</b>	<b>16,795</b>	<b>77,307</b>	<b>5,310</b>
Total comprehensive (income) loss attributable to:					
Owners of the Company		(3,032)	13,077	59,246	(2,029)
Non-controlling interests		4,049	3,718	18,061	7,339
		1,017	16,795	77,307	5,310

# Ivanhoe Mines Ltd.

## Condensed consolidated interim statement of changes in equity

(Stated in U.S dollars)

(Unaudited)

	Share capital		Share option reserve	Foreign currency translation reserve	Accumulated profit	Equity attributable to owners	Non-controlling interests	Total
	Number of shares	Amount \$'000						
<b>Balance at January 1, 2019</b>	<b>1,015,080,833</b>	<b>1,764,710</b>	<b>126,526</b>	<b>(38,845)</b>	<b>44,349</b>	<b>1,896,740</b>	<b>(77,932)</b>	<b>1,818,808</b>
Profit (loss) for the period	-	-	-	-	12,823	12,823	(6,231)	6,592
Other comprehensive loss	-	-	-	(10,794)	-	(10,794)	(1,108)	(11,902)
Total comprehensive (loss) income	-	-	-	(10,794)	12,823	2,029	(7,339)	(5,310)
<i>Transactions with owners</i>								
Shares issued (Note 19(a))	170,575,803	509,251	-	-	-	509,251	-	509,251
Share-based payments charged to operations (Note 22)	-	-	6,241	-	-	6,241	-	6,241
Restricted share units vested (Note 19(c))	1,179,833	2,687	(2,687)	-	-	-	-	-
Deferred share units settled (Note 19(d))	101,572	314	-	-	-	314	-	314
Bonus shares issued	81,016	252	-	-	-	252	-	252
Options exercised (Note 19(b))	4,714,630	4,373	(2,272)	-	-	2,101	-	2,101
<b>Balance at September 30, 2019</b>	<b>1,191,733,687</b>	<b>2,281,587</b>	<b>127,808</b>	<b>(49,639)</b>	<b>57,172</b>	<b>2,416,928</b>	<b>(85,271)</b>	<b>2,331,657</b>
<b>Balance at January 1, 2020</b>	<b>1,196,109,399</b>	<b>2,286,562</b>	<b>128,531</b>	<b>(30,857)</b>	<b>63,572</b>	<b>2,447,808</b>	<b>(84,954)</b>	<b>2,362,854</b>
Loss for the period	-	-	-	-	(14,414)	(14,414)	(13,268)	(27,682)
Other comprehensive loss	-	-	-	(44,832)	-	(44,832)	(4,793)	(49,625)
Total comprehensive loss	-	-	-	(44,832)	(14,414)	(59,246)	(18,061)	(77,307)
<i>Transactions with owners</i>								
Shares issued (Note 19(a))	1,000,000	2,023	-	-	-	2,023	-	2,023
Recognition of non-controlling interest on incorporation of subsidiaries	-	-	-	-	-	-	188	188
Share-based payments charged to operations (Note 22)	-	-	10,795	-	-	10,795	-	10,795
Restricted share units vested (Note 19(c))	2,678,964	4,048	(4,048)	-	-	-	-	-
Options exercised (Note 19(b))	4,055,850	7,785	(6,445)	-	-	1,340	-	1,340
<b>Balance at September 30, 2020</b>	<b>1,203,844,213</b>	<b>2,300,418</b>	<b>128,833</b>	<b>(75,689)</b>	<b>49,158</b>	<b>2,402,720</b>	<b>(102,827)</b>	<b>2,299,893</b>

# Ivanhoe Mines Ltd.

## Condensed consolidated interim statement of cash flows for the

(stated in U.S. dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
(Loss) profit before income taxes		(4,918)	745	(27,505)	6,893
Items not involving cash					
Share of losses from joint venture	4	7,323	7,084	20,648	19,211
Share-based payments	22	3,924	2,744	11,477	7,002
Depreciation		1,890	918	5,721	2,638
Transfer from other assets to working capital items		83	611	211	2,873
Finance costs	24	69	71	239	223
Loss (gain) on disposal of property, plant and equipment		1	-	4	(1)
Depreciation on right-of-use asset		(141)	153	1,092	375
Unrealized foreign exchange (gains) losses		(464)	(1,992)	1,921	(9,110)
(Increase) decrease in fair valuation of financial asset	11	(842)	412	(412)	380
Finance income	25	(20,241)	(18,920)	(59,723)	(51,634)
Expected credit loss provision		-	-	720	-
Other taxes		-	1	2	3
Non-cash directors fees		-	314	-	314
		(13,316)	(7,859)	(45,605)	(20,833)
Interest received		615	3,496	4,152	9,575
Change in working capital items	30	2,911	(1,191)	(5,625)	(5,994)
Interest paid		(39)	(27)	(141)	(81)
Income taxes paid		(16)	(13)	(89)	(49)
<b>Net cash used in operating activities</b>		<b>(9,845)</b>	<b>(5,594)</b>	<b>(47,308)</b>	<b>(17,382)</b>
<b>Cash flows from investing activities</b>					
Loan advanced to joint venture		(94,371)	(45,521)	(237,391)	(120,900)
Property, plant and equipment acquired		(16,025)	(30,256)	(35,850)	(90,599)
Cash paid on behalf of joint venturer		(1,907)	(919)	(4,796)	(2,442)
Other assets acquired		(69)	(69)	(246)	(218)
Proceeds from sale of property, plant and equipment		7	-	1,602	19
Advancement of long term loan facility	7	-	(214)	(75)	(50,214)
Investment in unlisted shares		-	(655)	-	(655)
Purchase of exploration licences		-	(29)	-	(3,013)
<b>Net cash used in investing activities</b>		<b>(112,365)</b>	<b>(77,663)</b>	<b>(276,756)</b>	<b>(268,022)</b>
<b>Cash flows from financing activities</b>					
Options exercised		1,093	458	1,340	2,101
Principal portion of lease liability		(201)	(169)	(505)	(645)
Deferred share units settled in cash		(242)	-	(242)	-
Shares issued net of transaction costs		-	509,251	-	509,251
<b>Net cash generated from financing activities</b>		<b>650</b>	<b>509,540</b>	<b>593</b>	<b>510,707</b>
Effect of foreign exchange rate changes on cash		1,189	1,271	(3,526)	9,077
Net cash (outflow) inflow		(120,371)	427,554	(326,997)	234,380
Cash and cash equivalents, beginning of period		496,184	380,874	702,810	574,048
<b>Cash and cash equivalents, end of period</b>		<b>375,813</b>	<b>808,428</b>	<b>375,813</b>	<b>808,428</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 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 and joint venture (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 of America 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 which are measured at fair value. 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 \$49.2 million at September 30, 2020 (December 31, 2019: \$63.6 million). As at September 30, 2020, the Company's total assets exceeds its total liabilities by \$2,299.9 million (December 31, 2019: \$2,362.9 million) and current assets exceeds current liabilities by \$422.9 million (December 31, 2019: \$684.4 million). The Company currently has no producing properties and expects to fund all of its exploration and development activities through cash resources, 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 have been consistently applied to all periods presented, unless otherwise stated, and are as follows:

#### (a) Statement of compliance

The Company's 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 September 30, 2020, 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, 2019 except for the adoption of the new and revised accounting standards 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, 2019.

#### (b) Significant accounting estimates and judgments

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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 2. Significant accounting policies (continued)

#### (b) Significant accounting estimates and judgments (continued)

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments 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, the classification of Kamo Holding Limited as a joint venture and the determination of inputs into lease accounting.

#### (c) Future accounting changes

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended September 30, 2020. The Company has not yet adopted these new and amended standards.

- Amendment to IAS 1 – Presentation of Financial Statements. The amendments clarify how to classify debt and other liabilities as current or non-current. (i)

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

- Amendment to IAS 16 - Property, plant and equipment. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead an entity recognises the proceeds from selling such items, and the cost of producing these items, in profit or loss. (i)

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

- Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs should be included in an entity's assessment of whether a contract will be loss making. (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, 2022



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 3. Application of new and revised standards

The following standards became effective for annual periods beginning on or after January 1, 2020. The Company adopted these standards in the current period and they did not have a material impact on its condensed consolidated interim financial statements unless specifically mentioned below.

- Amendment to 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.
- Amendment to 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.
- Amendment to IFRS 16 – Leases. The amendment relates to providing lessee's with an exemption from assessing whether a COVID-19 related rent concession (a rent concession that reduces lease payments due on or before June 30, 2021) is a lease modification.

### 4. 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 holds an effective 39.6% interest in the Project through its 49.5% shareholding in Kamoa Holding. Zijin also holds 49.5% of Kamoa Holding while the remaining 1% share interest is held by privately-owned Crystal River Global Limited ("Crystal River") (see Note 9). The DRC government holds the remaining 20% of the Kamoa-Kakula Project. The Project is independently ranked as the world's fourth largest copper deposit by international mining consultant Wood Mackenzie.

On September 8, 2020, the Company announced the results of an independent definitive feasibility study (DFS) for the development of the Kakula Copper Mine; together with an updated pre-feasibility study (PFS) that includes ore mined from the Kansoko Copper Mine in addition to ore mined from Kakula; and an expanded preliminary economic assessment (PEA) for the overall development plan of all the copper discoveries made at the Kamoa-Kakula Project. The DFS, PFS and updated PEA, collectively referred to as the Kamoa Kakula Integrated Development Plan 2020 builds on the results of the previous studies announced by the Company in February 2019.

The costs associated with mine development at the Kamoa-Kakula Project's Kansoko and Kakula sites are capitalized as property, plant and equipment in a subsidiary of Kamoa Holding. Expenditure attributable to exploration is expensed in 2020.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 4. 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 total comprehensive loss for the periods ended September 30, 2020 and September 30, 2019.

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Finance costs	<b>20,410</b>	17,863	<b>58,560</b>	51,129
Exploration expenses	<b>2,214</b>	4,951	<b>7,179</b>	12,379
Foreign exchange loss	<b>44</b>	164	<b>146</b>	214
Finance income	<b>(1,138)</b>	(1,410)	<b>(3,990)</b>	(3,917)
Loss before taxes	<b>21,530</b>	21,568	<b>61,895</b>	59,805
Current tax expense	<b>4</b>	-	<b>4</b>	-
Deferred tax recovery (i)	<b>(4,596)</b>	(4,948)	<b>(13,763)</b>	(14,315)
Loss after taxes	<b>16,938</b>	16,620	<b>48,136</b>	45,490
Non-controlling interest of Kamoa Holding (ii)	<b>(2,145)</b>	(2,309)	<b>(6,423)</b>	(6,680)
Total comprehensive loss for the period	<b>14,793</b>	14,311	<b>41,713</b>	38,810
Company's share of loss from joint venture (49.5%)	<b>7,323</b>	7,084	<b>20,648</b>	19,211

- (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.
- (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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 4. Investment in joint venture (continued)

#### Net assets of the joint venture

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

	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>100%</b>	<b>49.5%</b>	<b>100%</b>	<b>49.5%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Property, plant and equipment	1,110,183	549,541	727,391	360,059
Mineral property	802,021	397,000	802,021	397,000
Long term loan receivable	143,115	70,842	126,012	62,376
Deferred tax asset	141,247	69,917	127,484	63,105
Prepaid expenses	132,662	65,668	77,844	38,533
Cash and cash equivalents	103,157	51,063	73,968	36,614
Indirect taxes receivable	74,538	36,896	47,233	23,380
Non-current inventory	62,631	31,002	9,188	4,548
Consumable stores	26,750	13,241	8,987	4,449
Right-of-use asset	24,534	12,144	30,128	14,913
Non-current deposits	1,289	638	1,289	638
<b>Liabilities</b>				
Shareholder loans	(2,066,643)	(1,022,988)	(1,484,737)	(734,945)
Trade and other payables	(106,532)	(52,733)	(54,005)	(26,733)
Lease liability	(24,683)	(12,218)	(30,211)	(14,954)
Rehabilitation provision	(15,542)	(7,693)	(5,727)	(2,835)
Non-controlling interest	(92,220)	(45,649)	(98,644)	(48,829)
<b>Net assets of the joint venture</b>	<b>316,507</b>	<b>156,671</b>	<b>358,221</b>	<b>177,319</b>

#### Investment in joint venture

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Company's share of net assets of the joint venture	156,671	177,319
Loan advanced to the joint venture	1,023,353	735,317
	<b>1,180,024</b>	<b>912,636</b>

The Company earns interest at USD 12 month LIBOR plus 7% on the loan advanced to the joint venture (see Note 25). 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 is required in the absence of residual cash flow.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 4. 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
Civil construction and supplies	83,566	-	-	-	83,566
Advancement of loan (i)	60,105	-	-	-	60,105
Kakula decline development	17,557	-	-	-	17,557
Site catering and staff travel	12,823	-	-	-	12,823
Logistics services	12,258	-	-	-	12,258
Mine equipment acquisitions	5,856	-	-	-	5,856
Power infrastructure	4,674	-	-	-	4,674
Other commitments	24,476	-	-	-	24,476
	<b>221,315</b>	-	-	-	<b>221,315</b>

- (i) 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. The total loan advanced as at September 30, 2020 amounts to \$143.1 million (principal amount of \$128.6 million and interest of \$14.5 million) and is included in the net assets of the joint venture under the heading "Long term loan receivable". The loan is capped at a maximum commitment of \$250 million which, after deducting the loan advanced as at September 30, 2020 of \$128.6 million (December 31, 2019: \$115.2 million), results in a remaining commitment of \$121.4 million. The Company's proportionate share (49.5%) of the remaining maximum commitment amounts to \$60.1 million. The Company estimates that the total loan to be advanced will be \$141 million (excluding interest).

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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

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(Unaudited)

### 5. Property, plant and equipment

	Land	Buildings	Aircraft	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>September 30, 2020</b>									
<b>Cost</b>									
Beginning of the year	2,217	13,561	-	7,040	3,486	34,095	5,774	377,912	444,085
Additions	-	195	2,362	461	36	69	4,887	30,198	38,208
Borrowing costs capitalized	-	-	-	-	-	-	-	1,629	1,629
Disposals	-	-	-	(100)	(21)	(52)	-	(1,578)	(1,751)
Transfers	-	1,166	-	118	38	9,399	-	(10,721)	-
Foreign exchange translation	(396)	(502)	(42)	(902)	(165)	(296)	(1,117)	(45,233)	(48,653)
<b>End of the period</b>	<b>1,821</b>	<b>14,420</b>	<b>2,320</b>	<b>6,617</b>	<b>3,374</b>	<b>43,215</b>	<b>9,544</b>	<b>352,207</b>	<b>433,518</b>
<b>Accumulated depreciation and impairment</b>									
Beginning of the year	-	1,610	-	4,501	2,019	13,962	850	-	22,942
Depreciation	-	299	81	485	241	4,815	131	-	6,052
Disposals	-	-	-	(89)	(6)	(50)	-	-	(145)
Foreign exchange translation	-	(130)	(1)	(583)	(70)	(154)	(154)	-	(1,092)
<b>End of the period</b>	<b>-</b>	<b>1,779</b>	<b>80</b>	<b>4,314</b>	<b>2,184</b>	<b>18,573</b>	<b>827</b>	<b>-</b>	<b>27,757</b>
<b>Carrying value</b>									
Beginning of the year	2,217	11,951	-	2,539	1,467	20,133	4,924	377,912	421,143
<b>End of the period</b>	<b>1,821</b>	<b>12,641</b>	<b>2,240</b>	<b>2,303</b>	<b>1,190</b>	<b>24,642</b>	<b>8,717</b>	<b>352,207</b>	<b>405,761</b>

# Ivanhoe Mines Ltd.

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September 30, 2020

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

(Unaudited)

### 5. Property, plant and equipment (continued)

	Land	Buildings	Aircraft	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>December 31, 2019</b>									
<b>Cost</b>									
Beginning of the year	2,145	11,704	-	6,452	3,367	21,098	5,443	268,192	318,401
Additions	-	1,477	-	1,147	216	17,474	143	100,061	120,518
Borrowing costs capitalized	-	-	-	-	-	-	-	2,480	2,480
Disposals	-	-	-	(1,017)	(127)	(5,064)	-	-	(6,208)
Transfers	-	-	-	251	-	532	-	(783)	-
Foreign exchange translation	72	380	-	207	30	55	188	7,962	8,894
<b>End of the year</b>	<b>2,217</b>	<b>13,561</b>	<b>-</b>	<b>7,040</b>	<b>3,486</b>	<b>34,095</b>	<b>5,774</b>	<b>377,912</b>	<b>444,085</b>
<b>Accumulated depreciation and impairment</b>									
Beginning of the year	-	1,223	-	4,571	1,792	15,217	642	-	23,445
Depreciation	-	341	-	823	325	3,768	181	-	5,438
Disposals	-	-	-	(1,014)	(111)	(5,055)	-	-	(6,180)
Foreign exchange translation	-	46	-	121	13	32	27	-	239
<b>End of the year</b>	<b>-</b>	<b>1,610</b>	<b>-</b>	<b>4,501</b>	<b>2,019</b>	<b>13,962</b>	<b>850</b>	<b>-</b>	<b>22,942</b>
<b>Carrying value</b>									
Beginning of the year	2,145	10,481	-	1,881	1,575	5,881	4,801	268,192	294,956
<b>End of the year</b>	<b>2,217</b>	<b>11,951</b>	<b>-</b>	<b>2,539</b>	<b>1,467</b>	<b>20,133</b>	<b>4,924</b>	<b>377,912</b>	<b>421,143</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 5. Property, plant and equipment (continued)

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 Project are deemed necessary to bring the Project to commercial production and are therefore capitalized (see Note 6). Until December 31, 2019, costs incurred at the Kipushi Project were also deemed necessary to bring the project to commercial production and were therefore capitalized. In Q1 2020, the Kipushi Project was placed under care and maintenance, therefore all costs incurred for the nine months ended September 30, 2020 have been expensed as "Exploration and project expenditure" on the statement of comprehensive income.

Borrowing costs capitalized includes the interest incurred and the low interest loan accretion on the loan payable to ITC Platinum Development Limited (see Note 15(i)).

#### ***Assets pledged as security***

Buildings with a carrying amount of \$9.2 million (December 31, 2019: \$9.5 million) have been pledged to secure borrowings of the Company (see Note 15(ii)). The buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

### 6. Mineral properties

#### Mineral properties

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

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Platreef property, South Africa (a)	6,940	6,940
Kipushi Properties, Democratic Republic of Congo (b)	252,337	252,337
Other properties (c)	5,047	5,047
	<b>264,324</b>	<b>264,324</b>

Costs directly related to the acquisition of mineral properties are capitalized as mineral properties on a property by property basis, whereas 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 costs 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 palladium, platinum, 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.

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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 6. Mineral properties (continued)

#### (a) Platreef property (continued)

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 of South Africa.

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.

#### (b) Kipushi properties

The Kipushi Project is a past-producing, high-grade underground zinc-copper-silver-lead-germanium 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. 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.

Costs incurred at the Kipushi Project subsequent to the finalization of its pre-feasibility study in December 2017, were capitalized as property, plant and equipment until December 31, 2019. In response to government-imposed travel restrictions and emergency protocols being introduced worldwide due to the COVID-19 pandemic, Kipushi has temporarily suspended operations in order to reduce the risk to the workforce and local communities. The project is maintaining a small workforce to conduct care and maintenance activities, and to maintain pumping operations. All costs incurred for the nine months ended September 30, 2020 have been expensed.

#### (c) Other properties

The Company's DRC exploration group is targeting Kamo-a-Kakula style copper mineralization through a regional drilling program on its 100% owned Western Foreland exploration licences, located to the north, south and west of the Kamo-a-Kakula Project.

#### (d) Kamo-a-Kakula properties

The Company is a joint venturer in the Kamo-a-Kakula Project which is located within the Central African Copperbelt in Lualaba Province, DRC. The Kamo-a-Kakula Project lies approximately 25 km west of the town of Kolwezi, and about 270 km west of Lubumbashi (see Note 4).



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 7. Loans receivable

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Loan to HPX (i)	55,550	52,740
Social development loan (ii)	40,372	38,963
Loan to Nzuri Exploration Holding Company Pty Ltd (iii)	327	252
Other loans receivable	188	-
	96,437	91,955
Non-current loans receivable	40,887	91,955
Current loans receivable	55,550	-
	96,437	91,955

- (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. Interest of \$3.0 million was earned during the nine months ended September 30, 2020 (see Note 25).

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.

- (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 at 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%. Interest of \$1.9 million was earned during the nine months ended September 30, 2020 (see Note 25).

- (iii) In September 2019, the Company, through its wholly owned subsidiary, Ivanhoe DRC Holding Limited, extended a loan to Nzuri Exploration Holding Company Pty Ltd ("Nzuri"). Additional funding of \$0.1 million was provided during the nine months ended September 30, 2020. The loan was advanced to fund exploration activities of a subsidiary of Nzuri in the DRC. The Company has a 10% equity investment in Nzuri (see Note 11).

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 8. Leases

#### Right-of-use asset

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Rented surface infrastructure and equipment (Kipushi) (i)	11,856	12,582
Office building (ii)	1,603	2,339
Other properties	35	175
	<b>13,494</b>	<b>15,096</b>

(i) A right of use asset is recognized in terms of IFRS 16 for the use of the surface infrastructure and equipment at the Kipushi mine.

(ii) The Company leases an office building in Sandton, South Africa.

#### Lease liability

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Rented surface infrastructure and equipment (Kipushi) (i)	12,801	13,007
Office building (ii)	1,314	1,943
Other properties	-	30
Non-current lease liability	<b>14,115</b>	<b>14,980</b>
Office building (ii)	384	447
Rented surface infrastructure and equipment (Kipushi) (i)	274	272
Other properties	44	152
Current lease liability	<b>702</b>	<b>871</b>

(i) The lease liability was initially measured at the present value of the lease payments payable over the life of mine and has been discounted at an incremental borrowing rate of 8%. The lease payments have been determined in accordance with the contract, which allocates a fixed rate monthly and it has been estimated that the lease will continue for the duration of the life of mine.

(ii) The lease liability was initially measured at the present value of the lease payments payable over a lease term of six years and has been discounted at an incremental borrowing rate of 10.25%. The lease payments have been determined in accordance with the contract which includes an escalation clause of 7.5% per annum.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 8. Leases (continued)

Amounts recognized in the statement of comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Depreciation on right-of-use assets (i)	86	153	249	375
Interest on lease liability (ii)	26	3	78	8
	112	156	327	383

- (i) Included in other expenditure on the condensed consolidated interim statement of comprehensive income. Right-of-use assets are depreciated over the term of the lease on a straight line basis.
- (ii) Included as finance costs on the condensed consolidated interim statement of comprehensive income and as interest paid in the operating activities section of the condensed consolidated interim statement of cash flows.

### 9. Promissory note receivable

The Company has the following promissory note receivable:

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Promissory note receivable from Crystal River	21,581	16,799
	21,581	16,799

The promissory note receivable with a carrying value of \$21.6 million is a non-interest-bearing, 10 year promissory note, of which \$8.3 million is receivable by the Company as the purchase consideration for selling 1% of its share in Kamoa Holding to Crystal River (see Note 4). The remaining \$13.3 million is receivable 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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

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(Unaudited)

### 10. Other assets

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Prepayments related to bulk power supply (i)	2,698	3,284
Deposits	1,558	1,534
Other non-current prepayments	18	8
	<b>4,274</b>	<b>4,826</b>

- (i) Advances of R46 million (\$2.7 million) (December 31, 2019: R46 million (\$3.3 million)) paid to Eskom, the South African state-owned electricity provider, in preparation for the construction of additional bulk power lines which will provide electricity to the Platreef project.

### 11. Investments

	September 30, 2020	December 31, 2019
	\$'000	\$'000
<i>Fair value through profit or loss</i>		
Investment in unlisted shares (i)	655	655
Investment in listed shares (ii)	1,552	1,140
	<b>2,207</b>	<b>1,795</b>
Non-current investments	655	655
Current investments	1,552	1,140
	<b>2,207</b>	<b>1,795</b>

- (i) On September 12, 2019 the Company, through its wholly owned subsidiary, Ivanhoe DRC Holding Limited, subscribed for 10% of the ordinary shares of Nzuri Exploration Holding Company Pty Ltd ("Nzuri"). Nzuri is an Australian company, a subsidiary of which is conducting mining exploration activities in the DRC.
- (ii) 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 September 30, 2020 is \$1.6 million (December 31, 2019: \$1.1 million). A gain of \$0.4 million on the fair valuation of the financial asset was recognized for the nine months ended September 30, 2020 (September 30, 2019: loss of \$0.4 million).

### 12. Cash and cash equivalents

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Cash and cash equivalents	375,740	702,810
Short-term deposits	73	-
	<b>375,813</b>	<b>702,810</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 13. Prepaid expenses

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Advance payments to suppliers	766	379
Prepaid insurance	660	823
Deposits	210	457
Other prepayments	866	980
Advance payment on shaft construction	-	700
	<b>2,502</b>	<b>3,339</b>

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

### 14. Other receivables

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Receivables from joint venture (i)	3,293	3,448
Refundable taxes (ii)	2,163	1,379
Accounts receivable	1,404	2,624
Other	402	585
Loss allowance	(1)	-
	<b>7,261</b>	<b>8,036</b>

(i) Receivables from the Kamo Holding joint venture include amounts receivable for administration consulting services rendered and for the sale of equipment (see Note 29) to the joint venture by the Company.

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

### 15. Borrowings

	September 30, 2020	December 31, 2019
	\$'000	\$'000
<i>Unsecured - at amortized cost</i>		
Loans from other entities (i)	31,303	29,674
<i>Secured - at amortized cost</i>		
Citi bank loan (ii)	4,148	4,230
	<b>35,451</b>	<b>33,904</b>
Non-current borrowings	35,451	29,674
Current borrowings	-	4,230
	<b>35,451</b>	<b>33,904</b>

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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(Unaudited)

### 15. Borrowings (continued)

- (i) 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 of 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 September 30, 2020, is estimated at \$31.3 million (December 31, 2019: \$29.7 million) with a contractual amount due of \$34.4 million (December 31, 2019: \$33.8 million). The difference of \$3.1 million (December 31, 2019: \$4.1 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 nine months ended September 30, 2020 and was capitalized as borrowing costs together with the low interest loan accretion of \$1.0 million.
- (ii) The Citi bank loan of \$4.1 million (£3.2 million) is secured by the Rhenfield property (see Note 27). The loan incurs interest at a rate of GBP 1 month LIBOR plus 1.90% payable monthly in arrears. Interest of \$0.1 million was incurred for the nine months ended September 30, 2020. The terms of the mortgage loan have been renewed and the repayment date has been extended to August 28, 2025. As a result, the loan is now classified as a non-current liability.

### 16. Advances payable

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Advances payable to Gecamines	2,759	2,661
	2,759	2,661

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. The advances will be repaid once Kipushi begins to generate and distribute its "profit" which is defined as the operating surplus less operating charges, general costs and amortizations and profit tax for each fiscal year.

### 17. Trade and other payables

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Trade accruals	10,817	13,241
Trade payables	4,123	8,097
Payroll tax and other statutory liabilities	801	1,613
Indirect taxes payable	13	70
Other payables	4	4
	15,758	23,025

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

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## Notes to the condensed consolidated interim financial statements September 30, 2020

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(Unaudited)

### 18. Cash settled share-based payment liability

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Balance at the beginning of the year	4,026	3,349
Vesting of the option liability (B-BBEE transaction expense)	439	677
Balance at the end of the period	4,465	4,026

On June 26, 2014, the Company entered into the Platreef B-BBEE transaction where it sold a 26% interest in the Platreef Project for which it has recognized a cash-settled share-based payment liability. The liability is valued using an option pricing model taking into account the terms and conditions on which the right was granted (see Note 22).

### 19. 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 September 30, 2020, 1,203,844,213 (December 31, 2019: 1,196,109,399) Class A Shares, nil Class B Shares and nil Preferred Shares were issued and outstanding. All shares in issue have been fully paid.

On August 16, 2019, the Company issued 153,821,507 common shares to CITIC Metal Africa Investments Limited upon the completion of a private placement at a price of C\$3.98 per unit for gross proceeds of C\$612 million (\$459 million). Issue costs amounted to \$0.3 million. A further 16,754,296 common shares were issued to Zijin as an anti-dilution subscription at the same price per unit for additional proceeds of C\$67 million (\$50 million).

On May 11, 2020, the Company concluded a purchase and sale agreement for a Gulfstream Aerospace G-IV aircraft. The Company issued 1,000,000 common shares at a price of C\$2.82 per unit as purchase consideration for the aircraft (see Note 29).

#### (b) Options

Share options are granted at an exercise price equal to the weighted average price of the shares on the TSX for the five days immediately preceding the date of the grant. As at September 30, 2020, 71,868,552 share options have been granted and exercised, and 20,581,643 have been granted and are outstanding.

All outstanding share options granted before December 2019 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 these options is five years. All share options granted during and after December 2019 vest in three equal parts, commencing on the one year anniversary of the date of grant and on each of the two anniversaries thereafter. The maximum term of these options awarded is seven years.

A summary of changes in the Company's outstanding share options is presented below. The changes for 2020 represent the period January 1, 2020 to September 30, 2020, while the changes for 2019 represent the period January 1, 2019 to December 31, 2019.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 19. Share capital (continued)

#### (b) Options (continued)

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at the beginning of year	17,550,000	1.90	19,900,000	1.18
Granted	10,284,900	3.04	7,500,000	2.45
Exercised	(7,161,052)	1.87	(9,837,500)	0.86
Expired	-	-	-	-
Forfeited	(92,205)	3.02	(12,500)	0.47
Balance at the end of the period	20,581,643	2.48	17,550,000	1.90

10,284,900 options were granted during the nine months ended September 30, 2020. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of \$11.3 million for the options granted during the nine months ended September 30, 2020 (September 30, 2019: \$6.1 million) will be amortized over the entire vesting period, of which \$4.3 million was recognized in the nine months ended September 30, 2020 (September 30, 2019: \$1.4 million). An additional expense of \$3.5 million was recognized in the nine months ended September 30, 2020 (September 30, 2019: \$2.1 million) relating to options granted during prior years.

The following weighted average assumptions were used for the share option grants in 2020:

	2020
Risk free interest rate	1.56%
Expected volatility <sup>(i)</sup>	47.81%
Expected life	3.5
Expected dividends	\$Nil

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

A reconciliation of the number of share options exercised to shares issued for the nine months ended September 30, 2020 and nine months ended September 30, 2019 is presented below:

	2020		2019	
	Number of options exercised	Number of shares issued	Number of options exercised	Number of shares issued
Ordinary exercise	2,167,500	2,167,500	2,615,000	2,615,000
Exercised by Share Appreciation Rights (i)	4,993,552	1,888,350	2,887,500	2,099,630
Total	7,161,052	4,055,850	5,502,500	4,714,630

(i) In terms of the equity incentive plan, participants have the right in lieu of receiving the shares to which the options relate, to receive the number of shares calculated by deducting the exercise price from the fair market value of the shares and dividing this result by the fair market value of the shares immediately prior to exercise.



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

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### 19. Share capital (continued)

#### (b) Options (continued)

The following table summarizes information about share options outstanding and exercisable as at September 30, 2020:

Expiry date	Options outstanding		Options exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
December 15, 2020	1,937,500	0.47	1,937,500	0.47
May 29, 2021	933,003	3.07	933,003	3.07
June 30, 2021	70,021	3.02	70,021	3.02
March 31, 2023	4,270,235	2.61	4,270,235	2.61
May 7, 2023	250,000	2.07	-	2.07
December 4, 2023	2,000,000	1.98	500,000	1.98
January 12, 2024	1,375,000	1.90	250,000	1.90
December 5, 2026	2,000,000	2.59	-	2.59
January 13, 2027	7,495,884	3.02	-	3.02
August 17, 2027	250,000	3.85	-	3.85
	20,581,643	2.48	7,960,759	2.08

#### (c) Restricted share units

The Company issues restricted share units ("RSUs") as a security based compensation arrangement. Each RSU 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. The changes for 2020 represent the period January 1, 2020 to September 30, 2020, while the changes for 2019 represent the period January 1, 2019 to December 31, 2019.

	2020	2019
Balance at the beginning of the year	3,751,382	2,878,198
RSUs issued	1,140,653	2,098,333
RSUs vested	(2,678,964)	(1,210,540)
RSUs cancelled	(62,404)	(14,609)
Balance at the end of the period	2,150,667	3,751,382

An expense of \$3.5 million will be amortized over the vesting period for the RSUs granted during the nine months ended September 30, 2020 (September 30, 2019: \$4.2 million), using the fair value of a common share at time of grant. The weighted average fair value of a common share at the time that the RSUs were granted in 2020 was \$3.06 (2019: \$1.99). An expense of \$3.0 million was recognized for the period ended September 30, 2020 relating to RSU's which vested during the period (September 30, 2019: \$2.8 million) (see Note 22).

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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(Unaudited)

### 19. Share capital (continued)

#### (d) Deferred share units

The Company issues deferred share units ("DSUs") as a security based compensation arrangement to non-executive directors of the Company. Each DSU represents the right of an eligible participant to receive one Class A Share.

A summary of changes in the Company's DSUs is presented below. The changes for 2020 represent the period January 1, 2020 to September 30, 2020, while the changes for 2019 represent the period January 1, 2019 to December 31, 2019.

	2020	2019
Balance at the beginning of the year	182,259	281,614
DSUs issued	297,151	130,621
DSUs vested	(62,686)	(216,016)
DSUs cancelled	(17,325)	(13,960)
Balance at the end of the period	399,399	182,259

An expense of \$0.6 million was recognized for the DSUs granted during the period ended September 30, 2020 (September 30, 2019: \$0.2 million). An additional expense of \$0.2 million was recognized for DSUs granted during prior years. A loss of \$0.1 million was recognized for DSUs granted during prior years due to an increase in the company share price which resulted in an increase in the deferred share unit liability. In accordance with the DSU plan, directors may elect to receive settlement of their DSU's in cash or shares. Of the 62,686 DSU's vested during the period ended September 30, 2020, 62,686 DSU's were settled in cash and nil were settled in shares.

### 20. Foreign currency translation reserve

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Balance at the beginning of the year	(30,857)	(38,845)
Exchange (loss) gain arising on translation of foreign operations	(44,832)	7,988
Balance at the end of the period	(75,689)	(30,857)

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 income (loss) and accumulated in the foreign currency translation reserve.

### 21. Non-controlling interests

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Balance at the beginning of the year	(84,954)	(77,932)
Share of total comprehensive loss for the period	(18,061)	(7,022)
Recognition of non-controlling interest on incorporation of subsidiaries	188	-
Balance at the end of the period	(102,827)	(84,954)

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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(Unaudited)

### 22. Share-based payments

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<i>Equity settled share-based payments</i>				
Share options (Note 19(b))	2,551	1,323	7,826	3,430
Restricted share unit expense (Note 19(c))	983	1,003	2,969	2,811
Bonus shares	-	252	-	252
	3,534	2,578	10,795	6,493
<i>Cash settled share-based payments</i>				
B-BBEE transaction expense	144	166	439	509
Deferred share units (Note 19(d))	572	-	873	-
	4,250	2,744	12,107	7,002

Of the share-based payment expense recognized for the nine months ended September 30, 2020, \$0.4 million (2019: \$0.5 million) related to the Platreef B-BBEE transaction, while \$11.7 million (2019: \$6.5 million) related to the expense for share options, restricted share units and deferred share units which have been granted to employees and directors of the Company and were recognized over the vesting period.

### 23. Foreign exchange (gain) loss

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Foreign exchange (gain) loss	(425)	(1,886)	1,838	(8,854)
	(425)	(1,886)	1,838	(8,854)

Included in the foreign exchange loss recognized for the nine months ended September 30, 2020, was a loss of \$1.4 million (2019: gain of \$5.3 million) related to exchange loss (gain) on cash held in Canadian dollars.

### 24. Finance costs

The finance costs of the Company are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest on borrowings (see Note 15)	531	646	1,692	1,951
Interest on advances payable (see Note 16)	30	38	98	121
Lease liability unwinding	26	3	78	8
Other financing costs	-	3	-	13
Borrowing costs capitalized (see Note 5)	(518)	(619)	(1,629)	(1,870)
	69	71	239	223

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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### 25. Finance income

Finance income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest on loan to joint venture (i)	(17,966)	(13,785)	(50,645)	(38,472)
Interest on bank balances	(615)	(3,496)	(4,152)	(9,575)
Interest on loan receivable - HPX (ii)	(1,005)	(1,009)	(2,994)	(1,732)
Interest on long term loan receivable - Gecamines (iii)	(655)	(630)	(1,932)	(1,855)
	(20,241)	(18,920)	(59,723)	(51,634)

- (i) The Company earns interest at a rate of USD 12 month LIBOR plus 7% on the loan advanced to the Kamoa Holding joint venture (see Note 4).
- (ii) The Company earns interest at a rate of 8% per annum on the loan receivable from HPX (see Note 7).
- (iii) The Company earns interest at a rate of USD 12 month LIBOR plus 3% on the social development loan (see Note 7), although an effective interest rate of 9.2% was applied from initial recognition.

### 26. Other income

Other income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Administration consulting income (i)	(608)	(882)	(2,836)	(2,049)
Irrecoverable amounts	(28)	1,148	(145)	1,797
Other	155	2	309	55
Proceeds on disposal of exploration permits	-	(655)	-	(655)
	(481)	(387)	(2,672)	(852)

- (i) Administration consulting income is fees charged to the Kamoa Holding joint venture for administration, accounting and other services performed for the joint venture (see Note 4).

### 27. 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 \$9.2 million (December 31, 2019: \$9.5 million) and are included in property, plant and equipment (see Note 5).

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

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### 28. Loss (profit) per share

The basic loss (profit) per share is computed by dividing the loss (profit) attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted loss (profit) 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. Outstanding stock options and restricted share units were anti-dilutive for the three and nine months ended September 30, 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Basic loss (profit) per share</b>				
Loss (profit) attributable to owners of the Company	901	(2,982)	14,414	(12,823)
Weighted average number of basic shares outstanding	1,202,657,559	1,104,265,736	1,199,710,330	1,046,487,281
Basic loss (profit) per share	0.00	(0.00)	0.01	(0.01)
<b>Diluted loss (profit) per share</b>				
Loss (profit) attributable to owners of the Company	901	(2,982)	14,414	(12,823)
Weighted average number of diluted shares outstanding	1,202,657,559	1,116,043,565	1,199,710,330	1,059,657,733
Diluted loss (profit) per share	0.00	(0.00)	0.01	(0.01)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Weighted average number of basic shares outstanding	1,202,657,559	1,104,265,736	1,199,710,330	1,046,487,281
Shares deemed to be issued for no consideration in respect of:				
- stock options	-	8,008,600	-	9,470,488
- restricted share units	-	3,769,229	-	3,699,964
Weighted average number of diluted shares outstanding	1,202,657,559	1,116,043,565	1,199,710,330	1,059,657,733

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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(Unaudited)

### 29. 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	
		September 30, 2020	December 31, 2019
<b>Direct Subsidiaries</b>			
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)
Ivanhoe Mines Consulting Services (Beijing) Co., Ltd	China	100%	100% (iv)
<b>Indirect Subsidiaries</b>			
Ivanhoe DRC Holding Ltd.	Barbados	100%	100% (i)
Kipushi Holding Limited	Barbados	100%	100% (i)
Ivanhoe Mines DRC SARL	DRC	100%	100% (ii)
Ivanhoe Mines Exploration DRC SARL	DRC	100%	100% (iii)
Lufupa SASU	DRC	100%	100% (iii)
Magharibi Mining SAU	DRC	90%	90% (iii)
Makoko SA	DRC	90%	0% (iii)
Kengere Mining SA	DRC	75%	0% (iii)
Kipushi Corporation SA	DRC	68%	68% (iii)
Ivanhoe Gabon SA	Gabon	100%	100% (iii)
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)
<b>Joint ventures</b>			
Kamoa Holding Limited	Barbados	49.50%	49.50% (i)
<b>Joint operations</b>			
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.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 29. 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Ivanhoe Capital Aviation Ltd. (a)	875	1,375	2,625	2,625
Ivanhoe Capital Services Ltd. (b)	215	195	487	405
Global Mining Management Corporation (c)	156	921	2,510	3,025
GMM Tech Holdings Inc. (d)	61	160	449	482
Citic Metal Africa Investments Limited (e)	50	43	150	113
Global Mining Services Ltd. (f)	1	35	365	58
Kamoa Holding Limited (g)	(17,966)	(13,785)	(50,645)	(38,472)
Kamoa Copper SA (h)	(1,532)	(1,645)	(5,469)	(3,806)
High Power Exploration Inc. (i)	(1,113)	(968)	(3,197)	(1,689)
Ivanhoe Mines Energy DRC Sarl (j)	(57)	(70)	(166)	(197)
Ivanhoe Capital Pte Ltd (k)	-	98	111	168
Ivanhoe Capital Corporation (UK) Limited (l)	-	(4)	2	(4)
HCF International Advisers (m)	-	236	-	733
	<b>(19,310)</b>	<b>(13,409)</b>	<b>(52,778)</b>	<b>(36,559)</b>
Travel	875	1,490	2,765	2,847
Salaries and benefits	173	991	2,781	3,097
Consulting	81	479	561	1,322
Office and administration	72	97	240	269
Directors fees	50	43	150	113
Finance income	(18,972)	(14,794)	(53,640)	(40,204)
Cost recovery and management fee	(1,589)	(1,715)	(5,635)	(4,003)
	<b>(19,310)</b>	<b>(13,409)</b>	<b>(52,778)</b>	<b>(36,559)</b>

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 September 30, 2020, trade and other payables included \$0.9 million (December 31, 2019: \$0.6 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 September 30, 2020 amounted to \$3.5 million (December 31, 2019: \$3.9 million).

On March 11, 2020, the Company entered into a purchase and sale agreement with ICA Global Services LLC ("ICA Global"), under which ICA Global agreed to sell a Gulfstream Aerospace G-IV aircraft to the Company for a purchase consideration equal to 1,000,000 Common Shares of the Company. The transaction closed on May 11, 2020 (see Note 19 (a)). ICA Global is a private company controlled by a director of the Company.

On June 30, 2020, Kipushi sold equipment to Kamoa Copper SA for proceeds of \$1.6 million.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

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(Unaudited)

### 29. Related party transactions (continued)

- (a) Ivanhoe Capital Aviation Ltd. ("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.
- (b) Ivanhoe Capital Services Ltd. ("Services") is a private company owned indirectly by a director of the Company. Services provides salaries administration and other services to the Company in Singapore and Beijing on a cost-recovery basis.
- (c) 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.
- (d) 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.
- (e) Citic Metal Africa Investments Limited ("Citic Metal Africa") is a private company incorporated in Hong Kong. Citic Metal Africa is a shareholder in the Company and nominates two directors who serve of the Company's Board of Directors.
- (f) Global Mining Services Ltd. ("GMS") is a private company incorporated in Delaware and is 100% owned by Global. GMS provides administration and other services to the Company on a cost-recovery basis.
- (g) Kamoa Holding Limited ("Kamoa Holding") is a company registered in Barbados. The Company has an effective 49.5% ownership in Kamoa Holding. The Company earns interest on the loans advanced to Kamoa Holding (see Note 4).
- (h) Kamoa Copper SA ("Kamoa Copper") is a company incorporated in the DRC. The Company has an effective 39.6% ownership in Kamoa Copper (see Note 4). 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 (see Note 7).
- (j) Ivanhoe Mines Energy DRC Sarl ("Energy") is a company incorporated in the DRC. The Company has an effective 49.5% ownership in Energy (see Note 4). The Company provides administration, accounting and other services to Energy on a cost-recovery basis.
- (k) 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.
- (l) Ivanhoe Capital Corporation (UK) Ltd. ("ICC") is a private company 100% owned by a director of the Company. ICC provides administration, accounting and other services in the United Kingdom on a cost-recovery basis.
- (m) 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.



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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### 30. Cash flow information

*Net change in working capital items:*

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Net (increase) decrease in				
Prepaid expenses	(473)	552	837	1,733
Other receivables	196	(820)	775	1,514
Consumable stores	29	53	30	171
Net increase (decrease) in				
Trade and other payables	3,159	(976)	(7,267)	(9,412)
	<b>2,911</b>	<b>(1,191)</b>	<b>(5,625)</b>	<b>(5,994)</b>

### 31. Financial instruments

#### (a) Fair value of financial instruments

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

Financial instrument	Level	September 30, 2020	December 31, 2019
		\$'000	\$'000
Financial assets			
<i>Financial assets at fair value through profit or loss</i>			
Investment in listed entity	Level 1	1,552	1,140
Investment in unlisted entity	Level 3	655	655
<i>Amortized cost</i>			
Loan advanced to joint venture	Level 3	1,023,353	735,317
Cash and cash equivalents		375,813	702,810
Loans receivable	Level 3	96,437	91,955
Promissory note receivable	Level 3	21,581	16,799
Other receivables		7,261	8,036
Financial liabilities			
<i>Amortized cost</i>			
Borrowings	Level 3	35,451	33,904
Trade and other payables	Level 3	15,758	23,025
Advances payable	Level 3	2,759	2,661

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 and therefore require an entity to develop its own assumptions.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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(Unaudited)

### 31. Financial instruments (continued)

#### (a) Fair value of financial instruments (continued)

##### *Investment in listed entity*

The fair value is the market value of the listed shares at the end of the period.

##### *Investment in unlisted entity*

The Company acquired these shares on September 12, 2019. No significant changes occurred between acquisition date and September 30, 2020 and the Company has therefore determined that the purchase price approximates the fair value.

##### *Loan advanced to the joint venture*

Carrying amount is a reasonable approximation of fair value. The loan incurs interest at a variable rate of USD 12 month Libor plus 7% which approximates the current market interest rate.

##### *Loans receivable (Loan to HPX)*

Carrying amount is a reasonable approximation of fair value. The loan period is less than two years, the interest rate is considered to be an arm's length rate. Country risk is considered to be low and the loan is secured by a pledge of shares of an HPX subsidiary.

##### *Loans receivable (Social development loan)*

Carrying amount is a reasonable approximation of fair value. 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%.

##### *Promissory note receivable*

Carrying amount is a reasonable approximation of fair value. The creditworthiness of the promissory note holder is considered to be high (see Note 31(b)(ii)). 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.

##### *Other receivables*

Carrying amount is a reasonable approximation of fair value due to the short term nature of the receivable (less than 1 month).

##### *Borrowings (Loan from other entities)*

Carrying amount is a reasonable approximation of fair value. The fair value of the loan is determined using a discounted future cashflow analysis based on an interest rate of USD 3 month Libor plus 7% and the loan is carried at this value (see Note 15(i)).

##### *Borrowings (Loan from Citi Bank)*

Carrying amount is a reasonable approximation of fair value. The loan incurs interest at a variable rate of GBP 1 month Libor plus 1.9% which approximates the current market interest rate.

##### *Trade and other payables*

Carrying amount is a reasonable approximation of fair value due to the short term nature of the receivable (less than 1 month).

##### *Advances payable*

Carrying amount is a reasonable approximation of fair value. This loan bears interest at USD 12 month LIBOR plus 4% which approximates the current market interest rate.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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### 31. Financial instruments (continued)

#### (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.

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:

	September 30, 2020	December 31, 2019
	\$'000	\$'000
Assets		
Canadian dollar	26,485	41,358
South African rand	19,858	24,386
British pounds	3,594	7,387
Australian dollar	1,552	1,141
Liabilities		
South African rand	(7,886)	(9,484)
British pounds	(3,046)	(7,008)
Canadian dollar	(633)	(718)

#### Foreign currency sensitivity analysis

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.

	Nine months ended, September 30, 2020	2019
	\$'000	\$'000
Canadian dollar	1,293	28,249
Australian dollar	78	74
South African rand	(40)	(87)

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 31. 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 the loan to the joint venture, promissory note receivable, loans receivable, other receivables and cash and cash equivalents.

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, where the 12 month expected credit losses are calculated. The Company did not apply lifetime expected credit losses as there has not been a significant increase in credit risk in 2020.

A significant increase in credit risk would include:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the borrower.
- Significant increases in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

The Company assesses whether an impairment is required on loan receivables. A range of cash flow scenarios are considered, taking into account forward looking information which may impact recoverability of loan receivables.

The loan advanced to the joint venture will be repaid as and when there is residual cash flow in Kamoa Holding. Due to the positive results of Kamoa-Kakula's definitive feasibility study, repayment of the loan is deemed to be highly probable.

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

The principal amount of the 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 social development loan will be made by offsetting the loan against future royalties and dividends payable to Gecamines which arise from future profits to be earned at Kipushi.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 31. Financial instruments (continued)

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

##### (ii) Credit risk (continued)

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 ratings agencies and have low risk of default.

Other receivables is comprised primarily of administration consulting income from the joint venture and refundable taxes. The credit quality of these financial assets can be assessed by reference to historical information about counterparty default rates and adjusted to reflect current and forward-looking information, as well as macroeconomic factors affecting the ability of the parties to settle the receivables. The historical loss rates are negligible and therefore the expected credit losses relating to other receivables is also negligible.

The Company continues to monitor its credit risk and assess expected credit losses.

##### (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	<b>Total un- discounted cash flows</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at September 30, 2020</b>					
Non-current borrowings	-	-	-	38,499	<b>38,499</b>
Trade and other payables (a)	12,940	873	1,127	-	<b>14,940</b>
Lease liability	65	125	512	14,115	<b>14,817</b>
<b>As at December 31, 2019</b>					
Non-current borrowings	-	-	-	33,767	<b>33,767</b>
Trade and other payables (a)	18,960	1,002	1,376	-	<b>21,338</b>
Lease liability	80	151	640	14,980	<b>15,851</b>
Current borrowings	-	-	4,230	-	<b>4,230</b>

(a) Trade and other payables in the above table excludes payroll tax, other statutory liabilities and indirect taxes payable.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 31. Financial instruments (continued)

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

##### (iv) Interest rate risk

The Company's interest rate risk arises mainly from long term borrowings, the 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 loss for the nine months ended September 30, 2020 would have decreased or increased by \$4.8 million (September 30, 2019: \$5.1 million) and is comprised as follows:

	Nine months ended, September 30,	
	2020	2019
	\$'000	\$'000
Loan advanced to the joint venture (see Note 4)	3,200	3,194
Cash and cash equivalents	1,409	1,806
Other interest bearing amounts	213	128
	<b>4,822</b>	<b>5,128</b>

### 32. Capital risk management

The Company includes as capital its common shares and share option reserve. The Company's objectives are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Currently the Company has no cash inflows from operations. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt and acquire or dispose of assets to satisfy cash requirements. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from operations.

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements September 30, 2020

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

(Unaudited)

### 33. 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 condensed consolidated interim financial statements for the Company.

As at September 30, 2020, 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
<b>As at September 30, 2020</b>					
Shaft 1 construction (Platreef project)	4,679	-	-	-	<b>4,679</b>
<b>As at December 31, 2019</b>					
Shaft 1 construction (Platreef project)	12,964	-	-	-	<b>12,964</b>

The Company contracted Moolmans (formerly known as Aveng Mining) for the sinking of shaft 1 at the Platreef Project. Sinking of shaft 1 has been successfully completed to its final depth of 996 metres below surface. Further commitments in relation to the change-over of Shaft 1 as the project's initial production shaft under the phased development plan were undertaken during the nine months ended September 30, 2020.

The commitments in respect of the joint venture are set out in Note 4.

### 34. Segmented information

At September 30, 2020, 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 (see Note 6); exploration and development of mineral properties through a joint venture in the DRC (see Note 4); and the care and maintenance of a mine in the DRC respectively (see Note 6).

# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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

(Unaudited)

### 34. 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
<b>Non-current assets</b>				
As at September 30, 2020	265,424	1,592,872	73,374	<b>1,931,670</b>
As at December 31, 2019	276,491	1,331,741	119,890	<b>1,728,122</b>
		<b>September 30,</b>	December 31,	
		<b>2020</b>	<b>2019</b>	
		<b>\$'000</b>	<b>\$'000</b>	
<b>Segment assets</b>				
Kamoa Holding joint venture		<b>1,180,024</b>	912,636	
Kipushi properties		<b>450,682</b>	453,784	
Treasury (ii)		<b>419,919</b>	752,675	
Platreef property		<b>286,247</b>	287,828	
All other segments (i)		<b>38,635</b>	37,799	
<b>Total</b>		<b>2,375,507</b>	2,444,722	
<b>Segment liabilities</b>				
Platreef property		<b>37,892</b>	36,531	
Kipushi properties		<b>19,805</b>	22,643	
All other segments (i)		<b>14,046</b>	16,475	
Treasury (ii)		<b>3,871</b>	6,219	
<b>Total</b>		<b>75,614</b>	81,868	



# Ivanhoe Mines Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2020

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(Unaudited)

### 34. Segmented information (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Segment losses (profits)</b>				
Kamoa Holding Limited joint venture	7,323	7,084	20,648	19,211
Kipushi properties	7,170	(475)	23,658	(1,449)
All other segments (i)	2,714	4,529	8,359	9,586
Platreef properties	687	352	1,391	1,035
Treasury (ii)	(12,570)	(12,422)	(26,374)	(34,975)
Total	5,324	(932)	27,682	(6,592)
<b>Capital expenditures</b>				
Platreef properties	15,441	13,278	33,985	40,211
Kipushi properties	506	17,204	1,281	50,855
All other segments (i)	195	394	2,942	1,403
Total	16,142	30,876	38,208	92,469
<b>Exploration and project expenditure</b>				
Kipushi properties	7,738	-	25,261	-
All other segments (i)	2,234	3,266	5,709	7,955
Total	9,972	3,266	30,970	7,955

- (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 mainly cash balances, the promissory note receivable, the investments and the loan to HPX.

### 35. Approval of the financial statements

The condensed consolidated interim financial statements of Ivanhoe Mines Ltd., for the nine months ended September 30, 2020, were approved and authorized for issue by the Board of Directors on November 6, 2020.