

IVANHOE MINES LTD
Form 6-K
August 16, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

From: August 12, 2004

IVANHOE MINES LTD.

(Translation of Registrant's Name into English)

Suite 654 999 CANADA PLACE, VANCOUVER, BRITISH COLUMBIA V6C 3E1

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes:

No:

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

Enclosed:

Interim Financial Statements to June 30, 2004

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IVANHOE MINES LTD.

Date: August 12, 2004

By: */s/ Beverly A. Bartlett*

BEVERLY A. BARTLETT
Corporate Secretary

SECOND QUARTER REPORT

JUNE 30, 2004

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IVANHOE MINES LTD.

Consolidated Balance Sheets

(Stated in U.S. \$000 s)	June 30, 2004	December 31, 2003
	(Unaudited)	(Note 1 (b))
ASSETS		
Current		
Cash	\$ 36,963	\$ 108,177
Investments	50,000	50,000
Accounts receivable	10,395	6,790
Broken ore on leach pads	7,435	6,181
Inventories	15,873	21,289
Prepaid expenses	5,779	3,406
	<u>126,445</u>	<u>195,843</u>
Long-term investments	18,772	14,716
Mining property, plant and equipment	154,425	154,922
Other mineral property interests	49,358	49,796
Other capital assets	9,283	7,990
Future income taxes	1,633	1,781
Other assets	36,723	30,674
	<u>\$ 396,639</u>	<u>\$ 455,722</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 42,356	\$ 53,272
Current portion of asset retirement obligations		388
Current portion of long-term debt (Note 4)	11,528	15,301
	<u>53,884</u>	<u>68,961</u>
Loan payable to related parties	5,088	5,088
Long-term debt (Note 4)	6,485	6,878
Other liabilities	19,611	19,423
Future income taxes	14,143	14,309
Non-controlling interest	5,060	5,816
	<u>104,271</u>	<u>120,475</u>

SHAREHOLDERS EQUITY

Share capital (Note 5)

Authorized

Unlimited number of preferred shares without par value

Unlimited number of common shares without par value

Issued and outstanding

271,948,478 (2003 265,440,052) common shares

Special warrants

Additional paid-in capital

Contributed surplus

Deficit

771,098

719,289

49,975

404

404

9,373

6,044

(488,507)

(440,465)

292,368

335,247

\$ 396,639

\$ 455,722

APPROVED BY THE BOARD:

Director

Director

IVANHOE MINES LTD.

Consolidated Statements of Operations

(Stated in U.S. \$000 s)	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(Unaudited)		(Note 1 (b))		(Note 1 (b))
Revenue	\$ 31,887	\$ 23,018	\$ 59,639	\$ 43,566
Cost of operations	(19,437)	(25,697)	(43,089)	(43,572)
Depreciation and depletion	(2,396)	(2,670)	(4,684)	(4,822)
Operating profit	10,054	(5,349)	11,866	(4,828)
Expenses				
General and administrative	(4,906)	(3,330)	(10,258)	(6,312)
Interest on long-term debt	(535)	(644)	(1,071)	(1,288)
Exploration expenses	(24,845)	(15,186)	(45,507)	(25,993)
Depreciation	(535)	(432)	(997)	(680)
Loss before the following	(20,767)	(24,941)	(45,967)	(39,101)
Other income (expenses)				
Mining property shut-down costs	(829)	(667)	(1,875)	(1,524)
Interest income	275	610	739	941
Foreign exchange gain (loss)	(1,087)	5,310	(3,008)	7,715
Gain on sale of investments (Note 7(b))	3,275		4,523	4,625
Share of loss of significantly influenced investee	(856)	(384)	(1,254)	(613)
Other	(403)	724	(529)	735
Loss before income and capital taxes and non-controlling interest	(20,392)	(19,348)	(47,371)	(27,222)
Provision for income and capital taxes	(415)	(311)	(1,427)	(1,395)
Loss before non-controlling interest	(20,807)	(19,659)	(48,798)	(28,617)
Non-controlling interest	637		756	
Net loss	\$ (20,170)	\$ (19,659)	\$ (48,042)	\$ (28,617)
Loss per share				
Basic and diluted	\$ (0.07)	\$ (0.08)	\$ (0.18)	\$ (0.12)

**Weighted average number of shares
outstanding (in 000 s)**

Basic and diluted	<u>271,805</u>	<u>246,057</u>	<u>271,588</u>	<u>235,624</u>
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IVANHOE MINES LTD.**Consolidated Statement of Shareholders Equity**
(Stated in thousands of U.S. dollars)

(unaudited)

	<u>Share Capital</u>		<u>Additional</u>			<u>Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Amount</u>	<u>Special Warrants</u>	<u>Paid-In Capital</u>	<u>Contributed Surplus</u>		
Balances, December 31, 2003	265,440,052	\$719,289	\$ 49,975	\$ 404	\$ 6,044	\$(440,465)	\$335,247
Shares issued for:							
Exercise of special warrants	5,760,000	49,975	(49,975)				
Exercise of stock options	615,131	685			(304)		381
Share purchase plan	6,922	49					49
Financial advisory fee	126,373	1,100					1,100
Stock compensation charged to operations					3,633		3,633
Net loss						(48,042)	(48,042)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balances, June 30, 2004	<u>271,948,478</u>	<u>\$771,098</u>	<u>\$</u>	<u>\$ 404</u>	<u>\$ 9,373</u>	<u>\$(488,507)</u>	<u>\$292,368</u>

IVANHOE MINES LTD.

Consolidated Statements of Cash Flows

(Stated in U.S. \$000 s)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
(Unaudited)		(Note 1 (b))		(Note 1 (b))
OPERATING ACTIVITIES				
Net loss	\$ (20,170)	\$(19,659)	\$ (48,042)	\$(28,617)
Items not involving use of cash				
Depreciation and depletion	2,931	3,102	5,681	5,502
Non-cash interest expense	394	392	738	664
Unrealized foreign exchange loss (gain)	394	(6,083)	357	(7,656)
Share of loss of significantly influenced investee	854	384	1,252	613
Expenditures on deferred stripping costs	(1,675)	(3,318)	(4,593)	(6,204)
Amortization of deferred stripping costs	251		251	
Provision for employee entitlements	(37)	405	384	622
Gain on sale of investments (Note 7(b))	(3,275)		(4,523)	(4,625)
Non-cash stock-based compensation	1,446	344	3,633	601
Non-cash exploration expense recovery (Note 7(c))	(3,248)		(3,248)	
Non-controlling interest	(637)		(756)	
Provision for income taxes	(336)		507	
Future income taxes	(83)	149	(18)	1,029
(Decrease) increase in non-current portion of royalty payable	(123)	113	(554)	206
	<u>(23,314)</u>	<u>(24,171)</u>	<u>(48,931)</u>	<u>(37,865)</u>
Net change in non-cash operating working capital items (Note 7(e))	<u>5,969</u>	<u>3,553</u>	<u>7,723</u>	<u>1,309</u>
	<u>(17,345)</u>	<u>(20,618)</u>	<u>(41,208)</u>	<u>(36,556)</u>
INVESTING ACTIVITIES				
Proceeds from sale of investments			2,461	6,709
Proceeds from sale of other mineral property interests	460		460	
Expenditures on mining property, plant and equipment	(2,270)	(789)	(4,187)	(2,212)
Expenditures on other mineral property interests	7	(90)	(20,002)	(4,090)
Expenditures on other capital assets	(818)	(498)	(2,560)	(599)
Expenditure on other assets	(9)	(14)	(22)	(25)
Restricted cash	(3,823)	(33)	(1,827)	5,188

	<u>(6,453)</u>	<u>(1,424)</u>	<u>(25,677)</u>	<u>4,971</u>
FINANCING ACTIVITIES				
Share capital and special warrants issued	248	48,913	431	60,717
Repayment of long-term debt	<u>(46)</u>	<u>(103)</u>	<u>(3,810)</u>	<u>(3,810)</u>
	<u>202</u>	<u>48,810</u>	<u>(3,379)</u>	<u>56,907</u>
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH	<u>(556)</u>	<u>6,875</u>	<u>(950)</u>	<u>9,146</u>
NET CASH (OUTFLOW) INFLOW	<u>(24,152)</u>	33,643	<u>(71,214)</u>	34,468
CASH, BEGINNING OF PERIOD	<u>61,115</u>	<u>36,270</u>	<u>108,177</u>	<u>35,445</u>
CASH, END OF PERIOD	<u>\$ 36,963</u>	<u>\$ 69,913</u>	<u>\$ 36,963</u>	<u>\$ 69,913</u>
Cash is comprised of:				
Cash on hand and demand deposits	\$ 27,795	\$ 10,615	\$ 27,795	\$ 10,615
Short-term money market instruments	<u>9,168</u>	<u>59,298</u>	<u>9,168</u>	<u>59,298</u>
	<u>\$ 36,963</u>	<u>\$ 69,913</u>	<u>\$ 36,963</u>	<u>\$ 69,913</u>

Supplementary information (Note 7)

IVANHOE MINES LTD.

Notes to the Consolidated Financial Statements

(Stated in U.S. Dollars)

(Unaudited)

1. BASIS OF PRESENTATION

- (a) These unaudited interim consolidated financial statements of Ivanhoe Mines Ltd. (the Company) have been prepared in accordance with accounting principles generally accepted in Canada for the presentation of interim financial information. These financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company for the year ended December 31, 2003 (the Annual Financial Statements). The financial statements follow the same accounting policies and methods of their application as the Annual Financial Statements. Certain of the comparative figures have been reclassified to conform with the presentation in these financial statements.

In the opinion of management, all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2004 and for all periods presented, have been made. The interim results are not necessarily indicative of results for a full year.

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

- (b) The comparative figures in these interim financial statements have been restated to give retroactive effect to the accounting change with respect to asset retirement obligations as described in Note 3 (a) of the annual financial statements for the year ended December 31, 2003. This change has resulted in an increase of \$390,000 and \$895,000 (\$0.00 and \$0.00 per share) in the net loss for the three and six month periods ended June 30, 2003, respectively.

2. MYANMAR IVANHOE COPPER COMPANY LIMITED (JVCo)

The Annual Financial Statements disclosed that at December 31, 2003, JVCo was not in compliance with the minimum working capital requirement in its credit agreement, and had not received a waiver from its lenders with respect to this requirement and also with respect to the non-compliance with certain other financial covenants in the credit agreement. At June 30, 2004, JVCo continues to be in non-compliance.

Management of JVCo is of the opinion that the lenders will not demand repayment of the loan, notwithstanding the foregoing. There is no assurance, however, that the lenders will not make such a demand. Accordingly, as required by GAAP, the entire amount of Ivanhoe Mines' share of JVCo's loan payable aggregating \$11,250,000 at June 30, 2004 and \$15,000,000 at December 31, 2003 has been included in current liabilities.

IVANHOE MINES LTD.**Notes to the Consolidated Financial Statements**

(Stated in U.S. Dollars)

(Unaudited)

3. ABM MINING LIMITED (ABM)

During 2003, ABM advised Ivanhoe Mines that ABM would require additional capital in order to supplement its anticipated cash flow from project operations to cover budgeted operating costs. The funding shortfall was accentuated by the rapid appreciation of the Australian dollar (A\$) against the U.S. dollar. During 2003, Ivanhoe Mines made a \$7.5 million working capital credit facility available to enable ABM to meet any such shortfalls. At December 31, 2003, the working capital credit facility was fully drawn down. In March 2004, Ivanhoe Mines advanced a further \$2.2 million under a new working capital facility, which is also fully drawn down.

For the remainder of 2004, it is unlikely that ABM will need to supplement its anticipated cash flow from the Savage River operations with additional capital from external sources. The occurrence of a funding shortfall will largely depend upon fluctuations in foreign currency exchange rates, iron ore prices and ABM's ability to retain its existing customers. ABM management has advised Ivanhoe Mines that it continues to search for further capital requirements from external sources, but that there is no assurance that it will be successful in doing so. However, a failure to do so may have an adverse effect on ABM's ability to continue as a going concern.

The following is a summary of the carrying values of the Savage River operation's assets and liabilities which are included in these financial statements:

	June 30	December 31,
	2004	2003
ASSETS		
Current		
Cash	\$ 8,170	\$ 4,480
Accounts receivable	2,840	2,350
Inventories	13,379	18,718
Prepaid expenses	1,661	876
	26,050	26,424
Mining property, plant and equipment	25,184	25,734
Other assets	23,167	19,026
	74,401	71,184
LIABILITIES		
Current		

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Accounts payable and accrued liabilities	16,495	14,334
Current portion of long-term debt	278	301
	<u> </u>	<u> </u>
	16,773	14,635
Loans payable to related parties (non-recourse to the Company)	5,088	5,088
Long-term debt (non-recourse to the Company)	6,485	6,878
Future income taxes	1,157	1,217
Other liabilities	9,744	9,235
	<u> </u>	<u> </u>
	39,247	37,053
	<u> </u>	<u> </u>
Investment in ABM eliminated on consolidation	\$35,154	\$ 34,131
	<u> </u>	<u> </u>

IVANHOE MINES LTD.**Notes to the Consolidated Financial Statements**

(Stated in U.S. Dollars)

(Unaudited)

4. LONG-TERM DEBT

	June 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
JVCo:		
Share of loan payable	\$ 11,250	\$ 15,000
ABM:		
Deferred purchase obligation	6,485	6,878
Equipment purchase loans	278	301
	<u> </u>	<u> </u>
	18,013	22,179
Less: Amount included in current liabilities	(11,528)	(15,301)
	<u> </u>	<u> </u>
	\$ 6,485	\$ 6,878
	<u> </u>	<u> </u>

All of the long-term debt is non-recourse to the Company.

5. SHARE CAPITAL

During the six months ended June 30, 2004, 2,580,000 options were granted. These options have lives ranging from five to ten years and vest over five years. The weighted average fair value of the options issued was estimated at Cdn\$4.97 per share option at the grant date using the Black-Scholes pricing model. The fair value of these options was \$9.6 million, of which \$2.1 million was recognized as compensation expense during the first six months of 2004.

Also, during the first six months of 2004, 615,000 options were exercised for proceeds of \$685,000.

Stock options outstanding at August 10, 2004 totaled 10,485,717 with exercise prices and expiry dates ranging from Cdn \$1.20 to Cdn \$12.70 and January 25, 2006 to March 30, 2014, respectively. At August 10, 2004, a total of 291,972,758 Common Shares of the Company were outstanding.

IVANHOE MINES LTD.**Notes to the Consolidated Financial Statements**

(Stated in U.S. Dollars)

(Unaudited)

6. SEGMENTED INFORMATION**THREE MONTHS ENDED JUNE 30, 2004**

(Stated in 000 s)	Copper	Iron	Exploration	Corporate	Total
Revenue	\$10,808	\$ 21,079	\$	\$	\$ 31,887
Cost of operations	(2,661)	(16,776)			(19,437)
Depreciation and depletion	(1,276)	(1,120)			(2,396)
Operating profit (loss)	6,871	3,183			10,054
General and administrative	(109)	(14)		(4,783)	(4,906)
Interest on long-term debt	(204)	(260)	(27)	(44)	(535)
Exploration expenses			(24,845)		(24,845)
Depreciation			(523)	(12)	(535)
Income (loss) before the following	6,558	2,909			