Condensed consolidated interim financial statements of

Ivanhoe Mines Ltd.

March 31, 2020
(Stated in U.S. dollars)

(Unaudited)

Ivanhoe Mines Ltd.

March 31, 2020

Table of contents

Condensed consolidated interim statement of financial position.. 3

Condensed consolidated interim statement of comprehensive income 4

Condensed consolidated interim statement of changes in equity 5

Condensed consolidated interim statement of cash flows 6

Notes to the condensed consolidated interim financial statements 7-39

Ivanhoe Mines Ltd.

Condensed consolidated interim statement of financial position
as at March 31, 2020

(Stated in U.S. dollars)
(Unaudited)

	Notes	**March 31, 2020**	December 31, 2019
		$'000	$'000
ASSETS			
Non-current assets			
Investment in joint venture	4	**985,053**	912,636
Property, plant and equipment	5	**371,049**	421,143
Mineral properties	6	**264,324**	264,324
Long term loans receivable	7	**93,626**	91,955
Right-of-use asset	8	**14,169**	15,096
Promissory note receivable	9	**18,069**	16,799
Other assets	10	**4,147**	4,826
Deferred tax asset		**884**	688
Investments	11	**655**	655
Total non-current assets		**1,751,976**	1,728,122
Current assets			
Cash and cash equivalents	12	**603,417**	702,810
Prepaid expenses	13	**2,736**	3,339
Other receivables	14	**5,895**	8,036
Investments	11	**546**	1,140
Consumable stores		**1,029**	1,060
Current tax assets		**102**	215
Total current assets		**613,725**	716,600
Total assets		**2,365,701**	2,444,722
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	**2,290,493**	2,286,562
Share option reserve	19	**128,474**	128,531
Foreign currency translation reserve	20	**(87,421)**	(30,857)
Accumulated profit		**54,400**	63,572
Equity attributable to owners of the Company		**2,385,946**	2,447,808
Non-controlling interests	21	**(95,843)**	(84,954)
Total equity		**2,290,103**	2,362,854
Non-current liabilities			
Borrowings	15	**30,257**	29,674
Lease liability	8	**14,373**	14,980
Advances payable	16	**2,698**	2,661
Deferred tax liability		**2,082**	2,082
Rehabilitation provision		**255**	319
Total non-current liabilities		**49,665**	49,716
Current liabilities			
Trade and other payables	17	**17,007**	23,025
Borrowings	15	**3,998**	4,230
Cash settled share-based payment liability	18	**4,186**	4,026
Lease liability	8	**742**	871
Total current liabilities		**25,933**	32,152
Total liabilities		**75,598**	81,868
Total equity and liabilities		**2,365,701**	2,444,722

Continuing operations (Note 1)
Commitments and contingencies (Note 33)

(Signed) Peter Meredith
Peter Meredith, Director

(Signed) Livia Mahler
Livia Mahler, Director

Ivanhoe Mines Ltd.

Condensed consolidated interim statement of comprehensive income
for the three months ended March 31, 2020

(Stated in U.S. dollars)
(Unaudited)

	Notes	Three months ended March 31, 2020	2019
		$'000	$'000
Expenses			
Exploration and project expenditure		**11,980**	1,399
Salaries and benefits		**6,622**	3,316
Share-based payments	22	**3,677**	2,019
Travel costs		**1,259**	1,057
Office and administration		**956**	704
Professional fees		**647**	387
Other expenditure		**546**	493
Investor relations		**535**	258
Legal fees		**297**	34
Foreign exchange loss (gain)	23	**3,154**	(4,142)
Loss from operating activities		**29,673**	5,525
Share of loss from joint venture	4	**6,728**	5,879
Loss on fair valuation of financial asset	11(ii)	**594**	249
Finance costs	24	**100**	96
Finance income	25	**(20,810)**	(15,855)
Other (income) expenses	26	**(1,869)**	140
Loss (profit) before income taxes		**14,416**	(3,966)
Income tax (recovery) expense			
Current tax		**79**	158
Deferred tax		**(406)**	(39)
		(327)	119
LOSS (PROFIT) FOR THE PERIOD		**14,089**	(3,847)
Loss (profit) attributable to:			
Owners of the Company		**9,172**	(5,952)
Non-controlling interests		**4,917**	2,105
		14,089	(3,847)
Other comprehensive loss			
Items that may subsequently be reclassified to loss (profit) :			
Exchange loss on translation of foreign operations		**62,536**	491
Other comprehensive loss for the year, net of tax		**62,536**	491
TOTAL COMPREHENSIVE LOSS (INCOME) FOR THE PERIOD		**76,625**	(3,356)
Total comprehensive loss (income) attributable to:			
Owners of the Company		**65,736**	(5,536)
Non-controlling interests	21	**10,889**	2,180
		76,625	(3,356)

Ivanhoe Mines Ltd.

Condensed consolidated interim statement of changes in equity
for the three months ended March 31, 2020

(Stated in U.S dollars)

(Unaudited)

	Share capital							
	Number of shares	Amount	Share option reserve	Foreign currency translation reserve	Accumulated profit	Equity attributable to owners	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2019	**1,015,080,833**	**1,764,710**	**126,526**	**(38,845)**	**44,349**	**1,896,740**	**(77,932)**	**1,818,808**
Profit (loss) for the period	-	-	-	-	5,952	5,952	(2,105)	3,847
Other comprehensive loss	-	-	-	(416)	-	(416)	(75)	(491)
Total comprehensive profit (loss)	-	-	-	(416)	5,952	5,536	(2,180)	3,356
Transactions with owners								
Share-based payments								
charged to operations (Note 22)	-	-	1,844	-	-	1,844	-	1,844
Restricted share units vested (Note 19(c))	1,169,938	2,618	(2,618)	-	-	-	-	-
Options exercised (Note 19(b))	1,708,046	1,093	(837)	-	-	256	-	256
Balance at March 31, 2019	**1,017,958,817**	**1,768,421**	**124,915**	**(39,261)**	**50,301**	**1,904,376**	**(80,112)**	**1,824,264**
Balance at January 1, 2020	**1,196,109,399**	**2,286,562**	**128,531**	**(30,857)**	**63,572**	**2,447,808**	**(84,954)**	**2,362,854**
Loss for the period	-	-	-	-	(9,172)	(9,172)	(4,917)	(14,089)
Other comprehensive loss	-	-	-	(56,564)	-	(56,564)	(5,972)	(62,536)
Total comprehensive loss	-	-	-	(56,564)	(9,172)	(65,736)	(10,889)	(76,625)
Transactions with owners								
Share-based payments								
charged to operations (Note 22)	-	-	3,693	-	-	3,693	-	3,693
Restricted share units vested (Note 19(c))	1,692,461	3,668	(3,668)	-	-	-	-	-
Options exercised (Note 19(b))	225,900	263	(82)	-	-	181	-	181
Balance at March 31, 2020	**1,198,027,760**	**2,290,493**	**128,474**	**(87,421)**	**54,400**	**2,385,946**	**(95,843)**	**2,290,103**

Ivanhoe Mines Ltd.

Condensed consolidated interim statement of cash flows
for the three months ended March 31, 2020

(Stated in U.S. dollars)

(Unaudited)

	Notes	Three months ended March 31, 2020	2019
		$'000	$'000
Cash flows from operating activities			
(Loss) profit before income taxes		**(14,416)**	3,966
Items not involving cash			
Share of loss from joint venture	4	**6,728**	5,879
Share-based payments	22	**3,853**	2,019
Unrealized foreign exchange loss (gain)		**2,938**	(4,221)
Depreciation		**2,063**	855
Depreciation on right-of-use asset		**924**	124
Decrease in fair valuation of financial asset	11(ii)	**594**	249
Finance costs	24	**100**	96
Transfer from other assets to working capital items		**72**	1,311
Other taxes		**1**	1
Finance income	25	**(20,810)**	(15,855)
Profit on disposal of property, plant and equipment		**-**	(1)
		(17,953)	(5,577)
Interest received	25	**2,893**	3,299
Change in working capital items	30	**(3,243)**	(6,889)
Interest paid		**(56)**	(50)
Income taxes paid		**(13)**	-
Net cash used in operating activities		**(18,372)**	(9,217)
Cash flows from investing activities			
Loan advanced to joint venture		**(62,858)**	(14,196)
Property, plant and equipment acquired		**(10,721)**	(31,035)
Cash paid on behalf of joint venturer	9	**(1,270)**	(287)
Other assets acquired		**(116)**	(99)
Advancement of long-term loan facility	7	**(41)**	-
Purchase of exploration licences	6	**-**	(2,361)
Proceeds from sale of property, plant and equipment		**-**	19
Net cash used in investing activities		**(75,006)**	(47,959)
Cash flows from financing activities			
Options exercised		**181**	255
Principal portion of lease liability repaid		**(100)**	(274)
Net cash generated from (used in) financing activities		**81**	(19)
Effect of foreign exchange rate changes on cash		**(6,096)**	4,764
Net cash outflow		**(99,393)**	(52,431)
Cash and cash equivalents, beginning of period		**702,810**	574,048
Cash and cash equivalents, end of period		**603,417**	521,617

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 $54.4 million at March 31, 2020 (December 31, 2019: $63.6 million). As at March 31, 2020, the Company's total assets exceeds its total liabilities by $2,290.1 million (December 31, 2019: $2,362.9 million) and current assets exceeds current liabilities by $587.8 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 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 March 31, 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.

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 Kamoa 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 March 31, 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.

(i) Effective for annual periods beginning on or after January 1, 2022

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.

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 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 Kamoa-Kakula Project is independently ranked as the world's fourth largest copper deposit by international mining consultant Wood Mackenzie.

On February 6, 2019, the Company announced the results from the Kakula 2019 pre-feasibility study (PFS) at the Kamoa-Kakula Project. The study assessed the potential development of the Kakula Deposit as a six million tonne per annum (Mtpa) mining and processing complex, which the Kamoa-Kakula Project is currently developing. The Kakula mill will be constructed in two modules of 3.8 Mtpa each as the mining operations ramp-up, with first copper concentrate production at the Kamoa-Kakula Project currently planned for the third quarter of 2021.

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 still expensed in 2020.

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 ending March 31, 2020 and March 31, 2019.

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Finance costs	**19,439**	16,241
Exploration expenses	**2,627**	3,755
Foreign exchange losses	**130**	27
Finance income	**(1,659)**	(1,234)
Loss before taxes	**20,537**	18,789
Deferred tax recovery (i)	**(4,736)**	(4,713)
Loss after taxes	**15,801**	14,076
Non-controlling interest of Kamoa Holding (ii)	**(2,210)**	(2,199)
Total comprehensive loss for the period	**13,591**	11,877
Company's share of loss from joint venture (49.5%)	**6,728**	5,879

(i) Following the release of the pre-feasibility study of the Kakula Copper mine in February 2019, the Company considers it probable that taxable profits will be available against which previously unrecognized deductible temporary differences can be utilized. Consequently, a deferred tax asset of $110.4 million was recognized at December 31, 2018. The deferred tax asset has subsequently increased by $21.8 million to $132.2 million due to the effects of temporary differences.

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

4. Investment in joint venture (continued)

Net assets of the joint venture

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

	March 31, 2020		December 31, 2019	
	100%	**49.5%**	100%	49.5%
	$'000	**$'000**	$'000	$'000
Assets				
Mineral property	**802,021**	**397,000**	802,021	397,000
Property, plant and equipment	**817,961**	**404,891**	727,391	360,059
Deferred tax asset	**132,220**	**65,449**	127,484	63,105
Long term loan receivable	**128,081**	**63,400**	126,012	62,376
Prepaid expenses	**100,929**	**49,960**	77,844	38,533
Cash and cash equivalents	**81,193**	**40,191**	73,968	36,614
Indirect taxes receivable	**54,410**	**26,933**	47,233	23,380
Right-of-use asset	**28,376**	**14,046**	30,128	14,913
Non-current inventory	**26,317**	**13,027**	9,188	4,548
Consumable stores	**12,064**	**5,972**	8,987	4,449
Non-current deposits	**1,289**	**638**	1,289	638
Liabilities				
Shareholder loans	**(1,644,647)**	**(814,100)**	(1,484,737)	(734,945)
Trade and other payables	**(63,776)**	**(31,569)**	(54,005)	(26,733)
Lease liability	**(28,492)**	**(14,104)**	(30,211)	(14,954)
Rehabilitation provision	**(6,884)**	**(3,408)**	(5,727)	(2,835)
Non-controlling interest	**(96,434)**	**(47,735)**	(98,644)	(48,829)
Net assets of the joint venture	**344,628**	**170,591**	358,221	177,319

Investment in joint venture

	March 31, 2020	December 31, 2019
	$'000	$'000
Company's share of net assets of the joint venture	**170,591**	177,319
Loan advanced to the joint venture	**814,462**	735,317
	985,053	912,636

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.

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	88,751	-	-	-	88,751
Advancement of loan (i)	66,419	-	-	-	66,419
Kakula decline development	35,790	-	-	-	35,790
Mine equipment acquisitions	17,946	-	-	-	17,946
Logistics services	14,277				14,277
Site catering	3,855	-	-	-	3,855
Power infrastructure	1,720	-	-	-	1,720
Other commitments	21,406	-	-	-	21,406
	250,164	**-**	**-**	**-**	**250,164**

(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, which is estimated to be $141 million (including a $4.5 million pre-finance loan), but is capped at a maximum commitment of $250 million. The loan advanced as at March 31, 2020 by the subsidiary of Kamoa Holding amounted to $115.8 million (December 31, 2019: $115.2 million).

The term for repayment of accrued interest and future costs is estimated to be 15 years, beginning after the expiry of a two year grace period from the signing date of the agreement. The actual repayment period will ultimately depend on the amount actually financed and on the amounts deducted from electricity bills based on a fixed percentage of 40% of the actual bill as per the loan repayment terms. Interest is earned at a rate of USD 6 month LIBOR + 3%. The Kamoa-Kakula Project will be given a priority electricity right by which SNEL commits to make available as per an agreed power requirements schedule, sufficient energy from its grid to meet the energy needs of the project and following the upgrade, on an exclusivity and priority basis, up to 200 MW depending on the production and mine expansion scenarios.

5. Property, plant and equipment

	Land	Buildings	Office equipment	Motor vehicles	Plant and equipment	Mining infrastructure	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance as at December 31, 2018	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
Balance as at December 31, 2019	2,217	13,561	7,040	3,486	34,095	5,774	377,912	444,085
Additions	-	-	118	69	6	-	10,646	10,839
Borrowing costs capitalized	-	-	-	-	-	-	583	583
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Foreign exchange translation	(487)	(935)	(1,143)	(204)	(364)	(1,268)	(56,360)	(60,761)
Balance as at March 31, 2020	**1,730**	**12,626**	**6,015**	**3,351**	**33,737**	**4,506**	**332,781**	**394,746**
Accumulated depreciation and impairment								
Balance as at December 31, 2018	-	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
Balance as at December 31, 2019	-	1,610	4,501	2,019	13,962	850	-	22,942
Depreciation	-	102	267	78	1,688	43	-	2,178
Disposals	-	-	-	-	-	-	-	-
Foreign exchange translation	-	(190)	(760)	(86)	(194)	(193)	-	(1,423)
Balance as at March 31, 2020	**-**	**1,522**	**4,008**	**2,011**	**15,456**	**700**	**-**	**23,697**
Carrying value								
December 31, 2019	2,217	11,951	2,539	1,467	20,133	4,924	377,912	421,143
March 31, 2020	**1,730**	**11,104**	**2,007**	**1,340**	**18,281**	**3,806**	**332,781**	**371,049**

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. The Kipushi project has been placed under care and maintenance during Q1 2020, therefore all costs incurred for the three months ended March 31, 2020 have been expensed.

Borrowing costs capitalized includes the finance costs 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 $9.0 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 and exploration and project expenditure

Mineral properties

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

	March 31, 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
	264,324	264,324

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 platinum, palladium, nickel, copper, gold and rhodium on the Northern Limb of South Africa's Bushveld Igneous Complex approximately 8 km from Mokopane and 280 km northeast of Johannesburg, South Africa.

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

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.

(b) *Kipushi properties*

The Kipushi Project is a past-producing, high-grade underground zinc–copper mine in the Central African Copperbelt, in Haut-Katanga Province, Democratic Republic of Congo ("DRC"). The Kipushi Project lies adjacent to the town of Kipushi and the border with Zambia, and about 30 km southwest of the provincial capital of Lubumbashi. 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.

6. Mineral properties and exploration and project expenditure (continued)

Mineral properties (continued)

(b) Kipushi properties (continued)

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 three months ended March 31, 2020 have been expensed.

(c) Other properties

The Company's DRC exploration group is targeting Kamoa-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 Kamoa-Kakula Project.

(d) Kamoa-Kakula properties

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

7. Long term loans receivable

	March 31, 2020	December 31, 2019
	$'000	$'000
Loan to HPX (i)	**53,734**	52,740
Social development loan (ii)	**39,599**	38,963
Loan to Nzuri Exploration Holding Company Pty Ltd (iii)	**293**	252
	93,626	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 $1.0 million was earned during the period ended March 31, 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.

7. Long term loans receivable (continued)

(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%. The carrying value of the long term loan receivable as at March 31, 2020 is $39.6 million (December 31, 2019: $39.0 million).

(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 was provided during the period ended March 31, 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).

8. Leases

Right-of-use asset

	March 31, 2020	December 31, 2019
	$'000	$'000
Rented surface infrastructure and equipment (Kipushi) (i)	**12,340**	12,582
Office building (ii)	**1,724**	2,339
Other properties	**105**	175
	14,169	15,096

(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

	March 31, 2020	December 31, 2019
	$'000	$'000
Rented surface infrastructure and equipment (Kipushi) (i)	**12,938**	13,007
Office building (ii)	**1,426**	1,943
Other properties	**9**	30
Non-current lease liability	**14,373**	14,980
Rented surface infrastructure and equipment (Kipushi) (i)	**273**	272
Office building (ii)	**356**	447
Other properties	**113**	152
Current lease liability	**742**	871

8. Leases (continued)

Lease liability (continued)

(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.

Amounts recognized in the statement of comprehensive income:

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Depreciation charge on right-of-use assets (i)	**84**	124
	84	124

(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.

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Interest on lease liability (i)	**27**	23
	27	23

(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:

	March 31, 2020	December 31, 2019
	$'000	$'000
Promissory note receivable from Crystal River	**18,069**	16,799
	18,069	16,799

The promissory note receivable with a carrying value of $18.1 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 $9.8 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.

10. Other assets

	March 31, 2020	December 31, 2019
	$'000	$'000
Prepayments related to bulk power supply (i)	**2,563**	3,284
Deposits	**1,544**	1,534
Other non-current prepayments	**40**	8
	4,147	4,826

(i) Included in other assets are advances of $2.6 million (December 31, 2019: $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

	March 31, 2020	December 31, 2019
	$'000	$'000
Fair value through profit or loss		
Investment in unlisted shares (i)	**655**	655
Investment in listed shares (ii)	**546**	1,140
	1,201	1,795
Non-current investments	**655**	655
Current investments	**546**	1,140
	1,201	1,795

(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.

11. Investments (continued)

(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 March 31, 2020 is $0.5 million (December 31, 2019: $1.1 million). A loss of $0.6 million on the fair valuation of the financial asset was recognized for the three months ended March 31, 2020 (March 31, 2019: loss of $0.2 million).

12. Cash and cash equivalents

	March 31, 2020	December 31, 2019
	$'000	$'000
Cash and cash equivalents	**603,417**	702,810
	603,417	702,810

13. Prepaid expenses

	March 31, 2020	December 31, 2019
	$'000	$'000
Prepaid insurance	**813**	823
Advance payments to suppliers	**462**	379
Deposits	**432**	457
Advance payment on shaft construction	**219**	700
Other prepayments	**810**	980
	2,736	3,339

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

14. Other receivables

	March 31, 2020	December 31, 2019
	$'000	$'000
Accounts receivable	**2,435**	2,624
Refundable taxes (i)	**1,624**	1,379
Administration consulting receivable from joint venture	**1,448**	3,448
Other	**388**	585
	5,895	8,036

(i) 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

	March 31, 2020	December 31, 2019
	$'000	$'000
Unsecured - at amortized cost		
Loans from other entities (i)	**30,257**	29,674
Secured - at amortized cost		
Citi bank loan (ii)	**3,998**	4,230
	34,255	33,904
Non-current borrowings	**30,257**	29,674
Current borrowings	**3,998**	4,230
	34,255	33,904

(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 March 31, 2020, is estimated at $30.3 million (December 31, 2019: $29.7 million). The difference of $3.7 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 $0.2 million was recognized during the three months ended March 31, 2020 and was capitalized as borrowing costs together with the low interest loan accretion of $0.3 million.

(ii) The Citi bank loan of $4.0 million (£3.2 million) is secured by the Rhenfield property (see Note 28). The loan is an interest only term loan repayable at August 31, 2020, and incurs interest at a rate of GBP 1 month LIBOR plus 1.90% payable monthly in arrears. The interest expense incurred for the three months ended March 31, 2020 amounted to $0.1 million.

16. Advances payable

	March 31, 2020	December 31, 2019
	$'000	$'000
Advances payable to Gecamines	**2,698**	2,661
	2,698	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.

17. Trade and other payables

	March 31, 2020	December 31, 2019
	$'000	$'000
Trade accruals	**10,058**	13,241
Trade payables	**6,232**	8,097
Payroll tax and other statutory liabilities	**666**	1,613
Indirect taxes payable	**47**	70
Other payables	**4**	4
	17,007	23,025

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

18. Cash settled share-based payment liability

	March 31, 2020	December 31, 2019
	$'000	$'000
Balance at the beginning of the year	**4,026**	3,349
Vesting of the option liability	**160**	677
Balance at the end of the period	**4,186**	4,026

On June 26, 2014, the Company sold a 26% interest in the Company's Platreef mining 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 March 31, 2020, 1,198,027,760 (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).

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

19. Share capital (continued)

(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 March 31, 2020, 64,933,400 share options have been granted and exercised, and 27,359,000 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:

	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	**10,034,900**	**3.02**	7,500,000	2.45
Exercised	**(225,900)**	**0.79**	(9,837,500)	0.86
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	(12,500)	0.47
Balance at the end of the period	**27,359,000**	**2.32**	17,550,000	1.90

10,034,900 options were granted during the 3 months ended March 31, 2020. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. An expense of $10.6 million for the options granted during the three months ended March 31, 2020 (March 31, 2019: $1.4 million) will be amortized over the entire vesting period, of which $1.3 million was recognized in the 3 months ended March 31, 2020 (March 31, 2019: $0.1 million). An additional expense of $1.4 million was recognized in the 3 months ended March 31, 2020 (March 31, 2019: $0.9 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	1.59%
Expected volatility [(i)]	46.50%
Expected life	3.5
Expected dividends	$Nil

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

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

19. Share capital (continued)

(b) Options (continued)

A reconciliation of the number of share options exercised to shares issued is presented below:

	2020		2019	
	Number of options exercised	**Number of shares issued**	Number of options exercised	Number of shares issued
Ordinary exercise	**225,900**	**225,900**	6,650,000	6,650,000
Exercised by Share Appreciation Rights (i)	-	-	3,187,500	2,323,802
Total	**225,900**	**225,900**	9,837,500	8,973,802

(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.

The following table summarizes information about share options outstanding and exercisable as at March 31, 2020:

	Options outstanding		Options exercisable	
Expiry date	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		$		$
December 15, 2020	4,000,000	0.47	4,000,000	0.47
March 12, 2023	3,500,000	2.38	1,750,000	2.38
May 7, 2023	375,000	2.07	-	2.07
December 4, 2023	2,000,000	1.98	500,000	1.98
January 12, 2024	1,449,100	1.90	324,100	1.90
May 1, 2024	3,500,000	2.52	-	2.52
August 6, 2024	500,000	3.11	-	3.11
December 5, 2026	2,000,000	2.59	-	2.59
January 13, 2027	10,034,900	3.02	-	3.02
	27,359,000	2.32	6,574,100	1.16

(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.

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

19. Share capital (continued)

(c) Restricted share units (continued)

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

	2020	2019
Balance at the beginning of the year	**3,751,382**	2,878,198
RSUs issued	**1,069,211**	2,098,333
RSUs vested	**(1,692,461)**	(1,210,540)
RSUs cancelled	**(40,176)**	(14,609)
Balance at the end of the period	**3,087,956**	3,751,382

An expense of $3.2 million will be amortized over the vesting period for the RSUs granted during the three months ended March 31, 2020 (March 31, 2019: $3.2 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 $3.03 (2019: $1.90). An expense of $1.0 million was recognized for the period ended March 31, 2020 relating to RSU's which vested during the period (March 31, 2019: $0.9 million) (see Note 22).

(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:

	2020	2019
Balance at the beginning of the year	**182,259**	281,614
DSUs issued	**234,893**	130,621
DSUs vested	**-**	(216,016)
DSUs cancelled	**-**	(13,960)
Balance at the end of the period	**417,152**	182,259

An expense of $0.2 million was recognized for the DSUs granted during the period ended March 31, 2020 (March 31, 2019: $0.2 million). A gain of $0.4 million was recognized for DSU's granted during prior years due to the decrease in the company share price which resulted in a decrease in the 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. No DSU's have been settled in 2020.

20. Foreign currency translation reserve

	March 31, 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	**(56,564)**	7,988
Balance at the end of the period	**(87,421)**	(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

	March 31, 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	**(10,889)**	(7,022)
Balance at the end of the period	**(95,843)**	(84,954)

22. Share-based payments

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

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Equity settled share-based payments		
Share options (Note 19(b))	**2,666**	988
Restricted share unit expense (Note 19(c))	**1,027**	856
	3,693	1,844
Cash settled share-based payments		
B-BBEE transaction expense	**160**	175
Deferred share units (Note 19 (d))	**(176)**	-
	3,677	2,019

Of the share-based payment expense recognized for the three months ended March 31, 2020, $0.2 million (2019: $0.2 million) related to the Platreef B-BBEE transaction, while $3.5 million (2019: $1.8 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 loss (gain)

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Foreign exchange loss (gain)	**3,154**	(4,142)
	3,154	(4,142)

Included in the foreign exchange loss recognized for the three months ended March 31, 2020, was a loss of $2.8 million (2019: gain of $4.4 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, March 31,	
	2020	2019
	$'000	$'000
Interest on advances payable (see Note 16)	**37**	43
Interest on borrowings (see Note 15)	**29**	49
Lease liability unwinding	**27**	-
Other financing costs	**7**	4
	100	96

25. Finance income

Finance income is summarized as follows:

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Interest on loan to joint venture (i)	**(16,287)**	(11,950)
Interest on bank balances	**(2,893)**	(3,299)
Interest on long term loan receivable - HPX (ii)	**(995)**	-
Interest on long term loan receivable - Gecamines (iii)	**(635)**	(606)
	(20,810)	(15,855)

(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 long term loan receivable from HPX (see Note 7).
(iii) The Company earns interest at a rate of USD 12 month LIBOR plus 3% on the long term loan receivable from Gecamines (see Note 7), although an effective interest rate of 9.2% was applied from initial recognition.

26. Other income

Other income is summarized as follows:

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Administration consulting income (i)	**(1,128)**	(506)
Reversal of provision for bad debt	**(734)**	-
Other	**(11)**	(8)
Irrecoverable amounts	**(10)**	649
Other taxes	**14**	5
	(1,869)	140

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

27. 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.

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Basic loss (profit) per share		
Loss (profit) attributable to owners of the Company	**9,172**	(5,952)
Weighted average number of basic shares outstanding	**1,197,317,592**	1,016,487,663
Basic loss (profit) per share	**0.01**	(0.01)
Diluted loss (profit) per share		
Loss (profit) attributable to owners of the Company	**9,172**	(5,952)
Weighted average number of diluted shares outstanding	**1,197,317,592**	1,029,799,167
Diluted loss (profit) per share	**0.01**	(0.01)

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

27. Loss (profit) per share (continued)

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, March 31,	
	2020	2019
Weighted average number of basic shares outstanding	**1,197,317,592**	1,016,487,663
Shares deemed to be issued for no consideration in respect of:		
- employee options	**-**	9,590,485
- restricted share units	**-**	3,721,019
Weighted average number of diluted shares outstanding	**1,197,317,592**	1,029,799,167

28. 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 $9.0 million (December 31, 2019: $9.5 million) and are included in property, plant and equipment (see Note 5).

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

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 March 31, 2020	December 31, 2019	
Direct Subsidiaries				
Ivanhoe Mines (Barbados) Limited	Barbados	**100%**	100%	(i)
African Copperbelt Exploration Ltd.	Barbados	**100%**	100%	(i)
Gabon Holding Company Ltd.	Barbados	**100%**	100%	(i)
Ivanhoe Mines US LLC	United States of America	**100%**	100%	(i)
Ivanhoe Mines UK Limited	United Kingdom	**100%**	100%	(ii)
Ivanplats Holding SARL	Luxembourg	**97%**	97%	(i)
Ivanhoe Mines Consulting Services (Beijing) Co., Ltd	China	**100%**	100%	(iv)
Indirect Subsidiaries				
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)
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)
Joint ventures				
Kamoa Holding Limited	Barbados	**49.50%**	49.50%	(i)
Joint operations				
Rhenfield Limited	British Virgin Islands	**50%**	50%	(iv)

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

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, March 31,	
	2020	2019
	$'000	$'000
Ivanhoe Capital Aviation LLC (a)	**875**	625
Global Mining Management Corporation (b)	**614**	965
GMM Tech Holdings Inc. (c)	**417**	313
Ivanhoe Capital Services Ltd. (d)	**133**	133
Global Mining Services Ltd. (e)	**114**	24
HCF International Advisers (f)	**92**	203
Ivanhoe Capital Pte Ltd (g)	**(4)**	54
Ivanhoe Capital Corporation (UK) Limited (h)	**(2)**	(5)
Kamoa Holding Limited (i)	**(16,287)**	(11,950)
Kamoa Copper SA (j)	**(2,170)**	(952)
High Power Exploration Inc.(k)	**(1,050)**	-
Ivanhoe Mines Energy DRC Sarl (l)	**(64)**	(58)
	(17,332)	(10,648)
Salaries and benefits	**667**	977
Travel	**879**	686
Consulting	**405**	535
Office and administration	**233**	114
Finance income	**(17,282)**	(11,950)
Cost recovery and management fee	**(2,234)**	(1,010)
	(17,332)	(10,648)

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 March 31, 2020, trade and other payables included $0.4 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 March 31, 2020 amounted to $1.8 million (December 31 2019: $3.9 million).

On March 11, 2020, a private company controlled by the Executive Co-Chairman of the Company, ICA Global Services LLC ("ICA Global"), entered into a purchase and sale agreement with Ivanhoe and a subsidiary, under which ICA Global agreed to sell a Gulfstream Aerospace G-IV aircraft to Ivanhoe for consideration equal to 1,000,000 Common Shares of the Company. As at March 31, 2020, the purchase and sale has not closed.

29. Related party transactions (continued)

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

(b) 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.

(c) 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.

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) 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).

(l) 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.

30. Cash flow information

Net change in working capital items:

	Three months ended, March 31, 2020	2019
	$'000	$'000
Net decrease in		
Other receivables	**2,141**	2,212
Prepaid expenses	**603**	460
Consumable stores	**31**	16
Net decrease in		
Trade and other payables	**(6,018)**	(9,577)
	(3,243)	(6,889)

31. Financial instruments

(a) *Fair value of financial instruments*

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

Financial instrument	Level	March 31, 2020	December 31, 2019
		$'000	$'000
Financial assets			
Financial assets at fair value through profit or loss			
Investment in listed entity	Level 1	**546**	1,140
Investment in unlisted entity	Level 3	**655**	655
Amortized cost			
Cash and cash equivalents		**603,417**	702,810
Loan advanced to joint venture	Level 3	**814,462**	735,317
Long term loans receivable	Level 3	**93,626**	91,955
Promissory note receivable	Level 3	**18,069**	16,799
Other receivables		**5,895**	8,036
Financial liabilities			
Amortized cost			
Borrowings	Level 3	**34,255**	33,904
Trade and other payables	Level 3	**17,007**	23,025
Advances payable	Level 3	**2,698**	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.

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 March 31, 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.

Long term 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.

Long term 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 due to its short term nature (repayable at August 31, 2020).

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.

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:

	March 31, 2020	December 31, 2019
	$'000	$'000
Assets		
Canadian dollar	**31,964**	41,358
South African rand	**21,995**	24,386
British pounds	**7,708**	7,387
Australian dollar	**546**	1,141
Liabilities		
South African rand	**(5,823)**	(9,484)
British pounds	**(7,309)**	(7,008)
Canadian dollar	**(325)**	(718)
Australian dollar	**(3)**	-

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.

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Canadian dollar	**1,582**	7,006
Australian dollar	**27**	82
South African rand	**(107)**	(89)
British pounds	**(2)**	-

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

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

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 indicate that no expected credit losses relating to other receivables should be recognized.

The Company continues to monitor its credit risk and assess expected credit losses. The identified impairment loss in 2020 is negligible.

(iii) Liquidity risk

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

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

	Less than 1 month	1 to 3 months	3 to 12 months	More than 12 months	**Total un-discounted cash flows**
	$'000	$'000	$'000	$'000	**$'000**
As at March 31, 2020					
Non-current borrowings	-	-	-	34,012	**34,012**
Trade and other payables (a)	14,442	769	1,074	-	**16,285**
Lease liability	62	125	555	14,373	**15,115**
Current borrowings	-	-	3,998	-	**3,998**
As at December 31, 2019					
Non-current borrowings	-	-	-	33,767	**33,767**
Trade and other payables (a)	18,960	1,002	1,376	-	**21,338**
Lease liability	80	151	640	14,980	**15,851**
Current borrowings	-	-	4,230	-	**4,230**

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

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 long term loan 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 period ended March 31, 2020 would have increased or decreased by $4.2 million (March 31, 2019: $5.1 million) and is comprised as follows:

	Three months ended, March 31,	
	2020	2019
	$'000	$'000
Cash and cash equivalents	**3,017**	2,608
Loan advanced to the joint venture (see Note 4)	**944**	2,528
Other interest bearing amounts	**277**	12
	4,238	5,148

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.

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 March 31, 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
As at March 31, 2020					
Shaft 1 construction (Platreef project)	6,884	-	-	-	**6,884**
As at December 31, 2019					
Shaft 1 construction (Platreef project)	12,964	-	-	-	**12,964**

The Company contracted Moolmans (formerly known as Aveng Mining) for the sinking of shaft 1 at the Platreef Project. The contract will conclude once the shaft reaches 1,000 metres below surface.

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

34. Segmented information

At March 31, 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 upgrading of mining infrastructure and refurbishment of a mine in the DRC respectively (see Note 6).

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

34. Segmented information (continued)

	South Africa	DRC	Other	**Total**
	$'000	$'000	$'000	**$'000**
Non-current assets				
As at March 31, 2020	227,459	1,402,278	122,239	**1,751,976**
As at December 31, 2019	276,491	1,331,741	119,890	**1,728,122**

	March 31, 2020	December 31, 2019
	$'000	$'000
Segment assets		
Kamoa Holding joint venture	**985,053**	912,636
Treasury (ii)	**651,857**	752,675
Kipushi properties	**454,364**	453,784
Platreef property	**240,841**	287,828
All other segments (i)	**33,586**	37,799
Total	**2,365,701**	2,444,722
Segment liabilities		
Platreef property	**35,716**	36,531
Kipushi properties	**21,567**	22,643
All other segments (i)	**12,791**	16,475
Treasury (ii)	**5,524**	6,219
Total	**75,598**	81,868

34. Segmented information (continued)

	Three months ended, March 31, 2020	2019
	$'000	$'000
Segment losses (profits)		
Kipushi properties	**9,470**	(443)
Kamoa Holding Limited joint venture	**6,728**	5,879
All other segments (i)	**1,601**	2,217
Platreef properties	**587**	350
Treasury (ii)	**(4,297)**	(11,850)
Total	**14,089**	(3,847)
Capital expenditures		
Platreef properties	**10,381**	13,250
All other segments (i)	**297**	457
Kipushi properties	**161**	17,328
Total	**10,839**	31,035
Exploration expenditure		
Kipushi properties	**9,982**	-
All other segments (i)	**1,998**	1,399
Total	**11,980**	1,399

(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 three months ended March 31, 2020, were approved and authorized for issue by the Board of Directors on May 12, 2020.