

IVANHOE ENERGY INC
Form 10-Q
November 09, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-30586

IVANHOE ENERGY INC.

(Exact name of registrant as specified in its charter)

Yukon, Canada
*(State or other jurisdiction of
incorporation or organization)*

98-0372413
*(I.R.S. Employer
Identification No.)*

Suite 654 999 Canada Place
Vancouver, British Columbia, Canada
(Address of principal executive office)

V6C 3E1
(zip code)

(604) 688-8323

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As at October 29, 2010, Ivanhoe Energy Inc. had 334,233,100 Common Shares outstanding with no par value.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****IVANHOE ENERGY INC.****Unaudited Consolidated Balance Sheets**

(thousands of US dollars)

	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 90,248	\$ 21,512
Accounts receivable	4,332	5,021
Note receivable	260	225
Prepaid and other current assets	1,329	771
Restricted cash (<i>Note 12</i>)	2,850	2,850
	99,019	30,379
Oil and gas properties and development costs, net (<i>Note 2</i>)	213,685	158,392
Intangible assets HTE ^M technology (<i>Note 3</i>)	92,153	92,153
Long term assets	2,126	839
	\$ 406,983	\$ 281,763
Liabilities and Shareholders Equity		
Current Liabilities		
Debt (<i>Note 4</i>)	\$ 38,279	\$
Accounts payable and accrued liabilities	14,394	10,779
Income tax payable		530
Asset retirement obligations (<i>Note 5</i>)		753
	52,673	12,062
Long term debt (<i>Note 4</i>)		36,934
Asset retirement obligations (<i>Note 5</i>)	496	195
Long term obligation	1,900	1,900
Future income tax liability (<i>Note 11</i>)	22,624	22,643
	77,693	73,734
Commitments and contingencies (<i>Note 6</i>)		
Going concern and basis of presentation (<i>Note 1</i>)		
Shareholders Equity (<i>Note 7</i>)		
Share capital, issued 334,011,588 common shares		

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December 31, 2009 282,558,593 common shares	549,220	422,322
Purchase warrants	33,423	19,427
Contributed surplus	20,343	20,029
Convertible note	2,086	2,086
Accumulated deficit	(275,782)	(255,835)
	329,290	208,029
	\$ 406,983	\$ 281,763

(See Notes to the Unaudited Consolidated Financial Statements)

Table of Contents**IVANHOE ENERGY INC.****Unaudited Consolidated Statements of Operations and Comprehensive Loss**

(thousands of US dollars, except per share amounts)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2010	2009	2010	2009
		(Note 12)		(Note 12)
Revenue				
Oil revenue	\$ 4,177	\$ 7,917	\$ 15,554	\$ 19,659
Gain (loss) on derivative instruments		72		(1,020)
Interest	88	2	130	20
	4,265	7,991	15,684	18,659
Expenses				
Operating	1,975	2,907	6,577	8,052
General and administrative (Note 2)	6,055	4,412	16,510	14,126
Business and technology development	3,045	2,301	7,979	6,104
Depletion and depreciation	2,079	5,308	6,744	17,308
Foreign exchange (gain) loss	(1,188)	2,815	(2,289)	4,501
Interest and financing	6	177	14	512
Provision for impairment		948		948
	11,972	18,868	35,535	51,551
Loss from continuing operations before income taxes	(7,707)	(10,877)	(19,851)	(32,892)
(Provision for) recovery of income taxes				
Current		(618)	(115)	(1,624)
Future	479	8,700	19	8,700
	479	8,082	(96)	7,076
Net loss from continuing operations	(7,228)	(2,795)	(19,947)	(25,816)
Net loss from discontinued operations (net of tax of \$29.6 million for 2009) (Note 12)		(23,290)		(23,921)
Net loss and comprehensive loss	(7,228)	(26,085)	(19,947)	(49,737)
Accumulated deficit, beginning of period	(268,554)	(217,835)	(255,835)	(194,183)
Accumulated deficit, end of period	\$ (275,782)	\$ (243,920)	\$ (275,782)	\$ (243,920)

Net loss per share

Net loss from continuing operations, basic and diluted	\$	(0.02)	\$	(0.01)	\$	(0.06)	\$	(0.09)
Net loss from discontinued operations, basic and diluted				(0.08)				(0.09)
Net loss per share, basic and diluted	\$	(0.02)	\$	(0.09)	\$	(0.06)	\$	(0.18)

Weighted average number of shares

Basic and diluted (in thousands)	334,012	279,427	325,153	279,381
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(See Notes to the Unaudited Consolidated Financial Statements)

Table of Contents**IVANHOE ENERGY INC.****Unaudited Consolidated Statements of Cash Flows**

(thousands of US dollars)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2010	2009	2010	2009
Operating Activities				
Net loss	\$ (7,228)	\$ (26,085)	\$ (19,947)	\$ (49,737)
Net loss from discontinued operations		23,290		23,921
Items not requiring use of cash				
Depletion and depreciation	2,079	5,308	6,744	17,308
Provision for impairment		948		948
Stock based compensation	1,052	1,270	2,610	2,242
Unrealized (gain) loss on derivative instruments		(72)		1,632
Unrealized foreign exchange (gain) loss	(1,496)	2,786	(2,834)	4,432
Future income tax recovery	(479)	(8,700)	(19)	(8,700)
Other	4	104	14	268
Abandonment costs recovered (settled) (Note 5)	3		(179)	
Changes in non-cash working capital items (Note 10)	644	85	(151)	(3,177)
Net cash used in operating activities from continuing operations	(5,421)	(1,066)	(13,762)	(10,863)
Net cash (used in) provided by operating activities from discontinued operations		(135)		2,703
Net cash used in operating activities	(5,421)	(1,201)	(13,762)	(8,160)
Investing Activities				
Additions to oil and gas properties and development costs	(20,428)	(5,823)	(60,991)	(17,723)
Increase in restricted cash		(2,000)		(2,000)
Other	(442)	(202)	(1,288)	(355)
Changes in non-cash working capital items (Note 10)	525	(499)	3,358	(1,186)
Net cash used in investing from continuing operations	(20,345)	(8,524)	(58,921)	(21,264)
Net cash provided by investing activities from discontinued operations		35,878		35,292
Net cash (used in) provided by investing activities	(20,345)	27,354	(58,921)	14,028
Financing Activities				

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Shares issued on private placements, net of share issue costs	(69)		135,696	
Proceeds from exercise of options and warrants	8	98	2,102	98
Payments of debt obligations				(416)
Other				(100)
Changes in non-cash working capital items (<i>Note 10</i>)	(41)		(2)	(26)
Net cash (used in) provided by financing activities from continuing operations	(102)	98	137,796	(444)
Net cash used in financing activities from discontinued operations		(5,200)		(5,200)
Net cash (used in) provided by financing activities	(102)	(5,102)	137,796	(5,644)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	2,299	12	3,623	(23)
Increase (decrease) in cash and cash equivalents, for the period	(23,569)	21,063	68,736	201
Cash and cash equivalents, beginning of period	113,817	18,403	21,512	39,265
Cash and cash equivalents, end of period	\$ 90,248	\$ 39,466	\$ 90,248	\$ 39,466
Cash and cash equivalents, end of period continuing operations	\$ 90,248	\$ 39,466	\$ 90,248	\$ 39,466
Cash and cash equivalents, end of period discontinued operations	\$	\$	\$	\$

(See Notes to the Unaudited Consolidated Financial Statements)

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**Notes to the Unaudited Consolidated Financial Statements
September 30, 2010**

(all tabular amounts are expressed in thousands of US dollars except per share amounts)

1. GOING CONCERN AND BASIS OF PRESENTATION

The accounting policies of Ivanhoe Energy Inc. (the Company or Ivanhoe) are in accordance with accounting principles generally accepted in Canada. These policies are consistent with accounting principles generally accepted in the United States (US), except as outlined in Note 13. These unaudited interim consolidated financial statements do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the Company s most recent annual consolidated financial statements. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments necessary for the fair presentation of the interim periods. The results of operations and cash flows are not necessarily indicative of the results for a full year.

The Company s unaudited interim consolidated financial statements showing the financial position as at September 30, 2010, and the results of operations and cash flows for the three and nine months ended September 30, 2010 and 2009, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied in Canada for a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Ivanhoe incurred a net loss of \$19.9 million for the nine months ended September 30, 2010, and as of September 30, 2010, had an accumulated deficit of \$275.8 million. Cash flow consumed in operating activities to date in 2010 was \$13.8 million.

The Company currently anticipates incurring substantial expenditures to further its capital development programs, particularly those related to the development of exploration opportunities in China and Mongolia, the development of an oil sands project in Alberta and the development of a heavy oil field in Ecuador. The Company s cash flow from operating activities will not be sufficient to both satisfy its current obligations and meet the requirements of these capital investment programs. Completion of these projects by the Company is dependent upon its ability to obtain capital to fund further development of these projects and others in the portfolio and to meet ongoing obligations. Ivanhoe intends to finance its future funding requirements primarily through a combination of strategic private investors and/or public equity markets. Without access to financing, there is a chance that the Company may not be able to continue as a going concern. These unaudited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

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September 30, 2010

	Oil and Gas				Business and Technology	
	Integrated	Ecuador	Conventional	Corporate	Development	Total
	Canada		Asia			
Oil and gas properties						
Proved	\$	\$	\$ 153,963	\$	\$	\$ 153,963
Unproved	121,874	22,479	26,489			170,842
	121,874	22,479	180,452			324,805
Accumulated depletion			(106,398)			(106,398)
Accumulated provision for impairment			(16,550)			(16,550)
	121,874	22,479	57,504			201,857
Development costs						
Feasibility studies and other deferred costs						
Iraq and Libya HTE ^M					834	834
Egypt GTL					5,054	5,054
Accumulated provision for impairment					(5,888)	(5,888)
Feedstock test facility					11,357	11,357
Accumulated depreciation and impairment					(789)	(789)
					10,568	10,568
Furniture and equipment	30	408	543	1,429	68	2,478
Accumulated depreciation	(18)	(99)	(179)	(909)	(13)	(1,218)
	12	309	364	520	55	1,260
	\$ 121,886	\$ 22,788	\$ 57,868	\$ 520	\$ 10,623	\$ 213,685