



ACN 107 689 878

## TARGET'S STATEMENT

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This Target's Statement has been issued in response to the off-market takeover bid made by Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd, for all the ordinary Shares in Inova Resources Limited.

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**Your Recommending Directors recommend that at such time as the Offer has become unconditional and Turquoise Hill Resources Limited has accepted the Offer for all of its Shares, then you should accept the Offer, in the absence of a superior proposal. Shareholders should read this Target's Statement in full before deciding whether to accept the Offer.**

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Shareholders can call the Shareholder Information Line on 1300 551 547 (within Australia) or +61 1300 551 547 (outside Australia) at any time between 8:30am and 5:30pm (AEST) on Monday to Friday if they require assistance.

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**This document is important and requires your immediate attention.** You should read this document in its entirety. If you are in any doubt as to how to deal with this document you should consult your legal, financial or other professional advisers as soon as possible.

LEGAL ADVISER

CORRS  
CHAMBERS  
WESTGARTH  
lawyers

FINANCIAL ADVISER



# Information about this Target's Statement

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## Shareholder information

Inova has established a Shareholder Information Line which Shareholders may call if they have any queries in relation to the Offer. The telephone number for the Shareholder Information Line is 1300 551 547 (for calls made from within Australia), or +61 1300 551 547 (for calls made from outside Australia).

Further information relating to the Offer can be obtained from Inova's website at [www.inovaresources.com](http://www.inovaresources.com).

## Important information

This document is a Target's Statement issued by Inova under Part 6.5 of Division 3 of the Corporations Act in response to Shanxi Donghui's Bidder's Statement and Offer.

A copy of this Target's Statement was lodged with ASIC and given to the ASX on 27 September 2013. Neither ASIC, ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

As required under applicable Canadian securities laws, this Target's Statement will be filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and be available at [www.sedar.com](http://www.sedar.com).

## No investment advice

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. The Directors of Inova encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

## Forward-looking statements

Certain statements made and information contained in this Target's Statement are "forward-looking information" within the meaning of applicable legislation. These statements relate to future events or to Inova's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Inova believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and any such forward-looking statements included in this Target's Statement should not be unduly relied upon as actual results may vary. In particular, this Target's Statement may contain forward-looking statements, pertaining to the following:

- the estimates of production throughput at the Osborne Copper-Gold operation;
- the potential copper and gold production and the schedule relating to the extraction of the same, from the Osborne Copper-Gold operation;
- the potential to achieve planned cost savings;
- the potential for the economic development of the Merlin Project, the Mount Elliott Project and Inova's other projects and production from same;
- market prices for copper, gold, molybdenum, rhenium and other commodities;
- foreign exchange rates;
- anticipated results of exploration and development activities; and
- the price of Inova Shares.

Inova's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors herein and elsewhere in previously made public disclosures and the following factors: (i) volatility in the market price for commodities; (ii) the inability to obtain the projected production rates at the Osborne Copper-Gold operation; (iii) uncertainties associated with estimating resources and reserves; (iv) geological, technical, or drilling problems; (v) liabilities and risks, including environmental liabilities and risks, inherent in mineral extraction operations; (vi) fluctuations in currency exchange and interest rates; (vii) unanticipated results of exploration activities; (viii) competition for, amongst other things, capital, undeveloped lands and skilled personnel; (ix) lack of availability of additional financing and/or joint venture partners; and (x) changes in general economic conditions.

Forward-looking information contained herein is based on the opinions, estimates and assumptions of the Directors and management of Inova. There are a number of important risks, uncertainties and other factors that could cause actual actions, events or results to differ materially, or materially and adversely, from those described as forward-looking information. In particular, important factors that could cause actual results to differ from this forward-looking information. Inova disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates, opinions or assumptions, future events or results or otherwise except to the extent required by law. Inova and its Directors, officers and advisers can give no assurance that forward-looking information will ultimately prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking information in this Target's Statement is expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on forward-looking information.

### **Disclaimer as to information**

The information on the Bidder contained in this Target's Statement has been prepared by Inova using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by Inova. Accordingly, subject to the Corporations Act, Inova does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

### **Diagrams**

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables is based on information available at the date of this Target's Statement.

### **Rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

### **Notice to Canadian Shareholders**

This Target's Statement has been prepared in accordance with securities laws, stock exchange rules and other legal requirements of jurisdictions other than Canada or any province or territory of Canada. This Target's Statement is made in and to residents of Canada on the basis of an exemption from the formal takeover requirements of applicable Canadian provincial securities laws. Accordingly, the disclosures and other information contained in this Target's Statement may not be comparable to the disclosures and other information that would be contained in a Canadian directors' circular prepared in accordance with applicable Canadian provincial securities laws.

This Target's Statement has not been reviewed by any provincial securities commission in Canada.

### **Foreign jurisdictions**

The release, publication or distribution of this Target's Statement may, in some jurisdictions other than Australia, be restricted by law or regulation. Accordingly, persons who come into possession of this Target's Statement should inform themselves of, and observe, those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia, including a directors' circular under Canadian securities laws.

This Target's Statement has not been prepared in accordance with Canadian securities laws. Inova is relying on an exemption from Canadian securities laws with respect to the Offer.

### **Privacy**

Inova has collected your information from the Register for the purpose of providing you with this Target's Statement. The type of information Inova has collected about you includes your name, contact details and information on details of your shareholding in Inova. Your information may be disclosed on a confidential basis to Inova's related bodies corporate and external service providers (such as the share registry of Inova and print and mail providers) and may be required to be disclosed to regulators such as ASIC and ASX. If you would like to obtain details of the information held about you by Inova, please contact Computershare Investor Services, whose contact details are set out in the Corporate Directory to this Target's Statement.



# Information about this Target's Statement

## Continued

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### Internet

Inova maintains an internet site. The Inova internet site is [www.inovaresources.com](http://www.inovaresources.com). Information contained in, or otherwise accessible through, this internet site does not form part of this Target's Statement. All references in this Target's Statement to the Inova internet site are inactive textual references and are for your information only.

### Defined terms

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in section 6 of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

### Qualified & Competent Persons Statement

Certain scientific and technical information in this Target's Statement regarding the Osborne Copper-Gold operation, Merlin Project and Mount Elliott/SWAN Project is based on, and contained in certain Technical Reports filed at [www.sedar.com](http://www.sedar.com) and at [www.inovaresources.com](http://www.inovaresources.com):

- Osborne Copper-Gold Technical Report (effective date 2 November 2012), which was prepared by the following Qualified Persons: (i) Anne-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) Richard Lewis, FAusIMM, with Lewis Mineral Resource Consulting Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;
- Starra 276 Technical Report (effective date 13 July 2012), which was prepared by the following Qualified Persons: (i) Anne-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (ii) Peter Fairfield, FAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; and (iv) Peter Munro, FAusIMM, who is a Principal Consultant Engineer with Mineralurgy Pty Ltd;
- Merlin Feasibility Study (effective date 16 April 2012), which was prepared by the following Qualified Persons: (i) Neil Lincoln, P.Eng, Study Manager with Lycopodium Minerals Pty Ltd; (ii) Mehmet Yumlu, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (iii) John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd; (iv) Gordon McPhail, FSAIMM, Technical Discipline Executive with SLR Consulting Australia Pty Ltd; and (v) Art Ibrado, Ph.D, Project Manager & Metallurgist with M3 Engineering & Technology Corp; and
- Mount Elliott Preliminary Economic Assessment (effective date 17 April 2012), which was prepared by the following Qualified Persons: (i) Edward Gleeson, MAusIMM (CP), Principal Mining Engineer with AMC Consultants Pty Ltd; (ii) Rodney L Webster, MAusIMM (CP), Principal Geologist with AMC Consultants Pty Ltd; and (iii) Raymond Alfred Cantrell, FAusIMM (CP), Consultant Metallurgist with Alphrai Pty Ltd.

In addition to the Technical Reports listed above, certain scientific and technical information in this Target's Statement regarding the Osborne Copper-Gold operation, Merlin Project and Mount Elliott/SWAN Project has been extracted from certain prior market releases:

- "Starra 276 Reserves Update/Osborne Project Review", 19 September 2013, which was prepared by the following Qualified Persons: John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd and Anne-Marie Ebbels, MAusIMM (CP), who is a Principal Consultant with SRK Consulting (Australasia) Pty Ltd;
- "Merlin Molybdenum & Rhenium Project Phase 1 Value Engineering Program", 28 June 2013, which was prepared by the following Qualified Person: Nigel Thiel, MAusIMM (CP), Manager Metallurgy, who is a full-time employee of Inova; and
- "Mount Elliott/SWAN Resource Update", 12 August 2013, which was prepared by the following Qualified Person: John Horton, FAusIMM (CP) MAIG, who is a Principal Geologist with Golder Associates Pty Ltd.

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Scientific and technical information included in this Target's Statement regarding Inova's material mineral projects and market releases has been previously disclosed by Inova, and has been reviewed and approved as having been accurately reproduced in this Target's Statement:

- in respect of results and disclosures relating to the Merlin Feasibility Study (effective date 16 April 2012) and "Merlin Molybdenum & Rhenium Project Phase 1 Value Engineering Program" (28 June 2013): by Nigel Thiel, MAusIMM (CP), Manager, Metallurgy for Inova who is a full-time employee of Inova; and
- in respect of Osborne Copper-Gold Technical Report (effective date 2 November 2012), Starra 276 Technical Report (effective date 13 July 2012), Mount Elliott Preliminary Economic Assessment (effective date 17 April 2012), "Starra 276 Reserves Update/Osborne Project Review" (19 September 2013) and "Mount Elliott/SWAN Resource Update" (12 August 2013): by Adrian Pratt, FAusIMM, General Manager, Resource Planning for Inova who is a full-time employee of Inova.

Disclosures relating to exploration including results and programs were reviewed and approved by Mark McGeough, FAusIMM, General Manager, Exploration for Inova who is a full-time employee of Inova.

Mark McGeough, Nigel Thiel and Adrian Pratt, by virtue of their respective education, experience and professional association, are considered Qualified Persons (QP) as defined in Canada's NI 43-101 standard for the disclosures included in this Target's Statement. The Qualified Persons have verified the relevant data disclosed herein.

Mark McGeough, is a Fellow, of the Australasian Institute of Mining and Metallurgy and has sufficient experience to report exploration results relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he has undertaken to qualify as a 'Competent Person' as defined in the JORC code. Mark McGeough consents to the inclusion in this Target's Statement of the matters based on this information in the form and context in which it appears.

Nigel Thiel, is a Member, of the Australasian Institute of Mining and Metallurgy with certified Practicing status and has sufficient experience to review and approve the scientific and technical information in this Target's Statement in respect of the Merlin Project. Nigel Thiel has verified the relevant data disclosed herein during the course of his duties with Inova. Nigel Thiel consents to the inclusion in this Target's Statement of the matters based on this information in the form and context in which it appears.

Adrian Pratt, is a Fellow, of the Australasian Institute of Mining and Metallurgy and has sufficient experience to review and approve the scientific and technical information in this Target's Statement in respect of the Osborne Project, Mount Elliott/SWAN Project and Mount Dore Project. Adrian Pratt has verified the relevant data disclosed herein during the course of his duties with Inova. Adrian Pratt consents to the inclusion in this Target's Statement of the matters based on this information in the form and context in which it appears.

# Chairman's Letter

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27 September 2013

Dear fellow Inova Shareholders

## Takeover offer by Shanxi Donghui

On 21 August 2013, Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (**Shanxi Donghui**) announced that it intended to make an off-market takeover offer for all of the ordinary Shares in Inova at \$0.22 cash per Share (**Offer**). The Offer is subject to a number of conditions, including a 51% minimum acceptance condition, Australian foreign investment approval and approvals from Chinese regulatory bodies.

Shanxi Donghui also announced that it had entered into a Pre-Bid Agreement with Inova's majority Shareholder, Turquoise Hill Resources Limited (**Turquoise Hill**), which owns 56.1% of Inova Shares through its wholly owned subsidiary IAL. Under the Pre-Bid Agreement, Turquoise Hill has agreed to procure that IAL accept the Offer in respect of 14.9% of the Shares in Inova by no later than five Business Days after the day on which Shanxi Donghui declares or announces that all Conditions are satisfied or waived (apart from the 51% minimum ownership condition), and unless a Superior Third Party Offer emerges which is not matched by Shanxi Donghui. Turquoise Hill has also advised that, unless a superior proposal emerges, it intends to procure that IAL accept the Offer in respect of all its other Shares.

## Independent Board Committee

Following the announcement in April 2013 that Turquoise Hill was reviewing its shareholding in Inova, the Board formed an Independent Board Committee comprising Kyle Wightman, Jim Askew and myself. UBS was appointed as an independent adviser to identify, review and assess potential opportunities to optimise value for all Shareholders.

Your Independent Directors and the Managing Director (**Recommending Directors**) have carefully considered the advantages and disadvantages of the Offer, the intentions of its major Shareholder, Turquoise Hill, and the prospects of Inova. Having regard to these matters, the Recommending Directors recommend that at such time as the Offer becomes unconditional and Turquoise Hill has accepted for all of its Shares, then Shareholders should accept the Offer, in the absence of a superior proposal. If the Offer becomes unconditional and Turquoise Hill has accepted for all of its Shares, each Director who holds or controls Shares intends to accept the Offer in relation to their Shares in the absence of a superior proposal.

The reasons for your Recommending Directors' decision are as follows:

- The Offer price of \$0.22 per Share represents a 29% premium to the closing price of Shares on 20 August 2013, being the day before the Announcement Date, and a 23% premium to the one month volume weighted average price of Shares to 20 August 2013.<sup>1</sup>
- Should the Offer become unconditional, and in the absence of a superior proposal, Turquoise Hill has indicated its intention to accept all of its Shares (consisting of 56.1% of the Shares) into the Offer, which will result in Shanxi Donghui having control of Inova. This would enable Shanxi Donghui to determine the strategic direction of Inova and the composition of the Board.
- If Turquoise Hill accepts the Offer for all of its Shares and the Offer becomes unconditional, it is likely that Shanxi Donghui will achieve additional acceptances which will further reduce the free float of Shares. This may further reduce the liquidity and ability for Shareholders to sell Inova Shares on-market. Shanxi Donghui's offer represents a significant liquidity event for Shareholders.
- Whilst Inova's Osborne Copper-Gold operation is generating cashflow and its overall portfolio has potential value upside, some of its key assets (notably Merlin and Mount Elliott/SWAN) remain subject to financing and development risks. Inova's current operations may not generate sufficient cash to fund development of these projects and Inova may not be able to raise the capital required to develop these projects.
- Shanxi Donghui has stated that if it acquires at least 51% but less than 90% of the Shares, then it will assess the optimal funding for developing Inova's projects, including third party equity and/or debt finance. The nature of the capital that may be raised following a change of control is uncertain and there are implications for minority Shareholders in terms of value and potential dilution.

<sup>1</sup> Source: Trading data sourced from IRESS. IRESS has not consented to the use of this trading data in this Target's Statement.

- In 2012, Inova ran an extensive process to find potential investors and partners in its projects which did not yield a result.
- During 2013, Turquoise Hill ran a process with a view to divest its 56.1% shareholding. Shanxi Donghui's Offer is the only formal and binding proposal that has been announced since that process commenced.
- As at the date of this Target's Statement, no superior proposal had been received by Inova and the Recommending Directors are not aware of any party having an intention to make such a proposal.

Further details about these reasons are contained in section 1 of this Target's Statement.

### Accepting the Offer and Next Steps

The Offer is scheduled to close at 7:00pm (Melbourne time)/5:00am (Toronto time), on 14 October 2013, unless extended or withdrawn. If you wish to accept the Offer you should follow the instructions in the Bidder's Statement and on the Acceptance Form which you should have recently received. To be valid, your acceptance must be received before the close of the Offer Period.

Shareholders who accept the Offer will not be able to trade their Shares and may only withdraw their acceptance in the circumstances described in section 3.9 of this Target's Statement. This applies even if the Offer is still subject to Conditions when you accept. As at the date of this Target's Statement, the Offer remains subject to a number of Conditions as mentioned above.

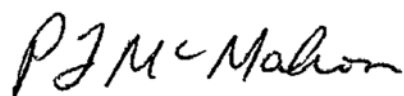
Before making your decision in relation to the Offer, the Directors encourage you to:

- read this Target's Statement in its entirety; and
- have regard to your individual investment objectives, financial situation and tax position and consult your independent legal, financial or other professional adviser on the effect of accepting the Offer.

Inova will keep Shareholders informed of any material developments in relation to the Offer through releases to ASX and in Canada (which will also be published on Inova's website at [www.inovaresources.com](http://www.inovaresources.com)).

I encourage you to read this document carefully. If you need any more information, I recommend that you seek professional advice or call the Shareholder Information Line between 8:30am and 5:30pm (AEST), Monday to Friday.

Yours sincerely



**Peter McMahon**  
Chairman and Lead Non-Executive Director

**Inova Resources Limited**

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## Key dates

Date of the Offer	12 September 2013
Date of this Target's Statement	27 September 2013
Close of the Offer Period (unless extended)*	7:00pm (Melbourne time)/5:00am (Toronto time), on 14 October 2013

\* This date is subject to change. Please also refer to section 3.6 of this Target's Statement for further details regarding any extension of the Offer.



WHY YOU  
SHOULD ACCEPT  
THE OFFER

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# 01 Why you should accept the Offer

## 1.1 Recommendation

Inova's Directors at the date of this Target's Statement are:

Name	Position
Mr Peter McMahon	Chairman and Lead Non-Executive Director
Mr Robert Vassie	Chief Executive Officer and Managing Director
Mr Kyle Wightman	Independent Non-Executive Director
Mr James Askew	Independent Non-Executive Director
Mr Stewart Beckman	Non-Executive Director
Mr Stephen McIntosh	Non-Executive Director

The Recommending Directors recommend that at such time as the Offer has become unconditional and Turquoise Hill has accepted for all of its Shares, Shareholders should accept the Offer, in the absence of a superior proposal.

Upon notification of the Offer becoming unconditional and Turquoise Hill having accepted for all of its Shares, each Director who holds or controls Shares intends to accept, or procure the acceptance of, the Offer in relation to all those Shares in the absence of a superior proposal.

The reasons why each Recommending Director makes their recommendation are set out below in section 1.2 of this Target's Statement.

The Turquoise Hill nominee directors (Stephen McIntosh and Stewart Beckman) recognise the merits of the Offer and the recommendation being made by the Recommending Directors.

However, the Turquoise Hill nominee directors have abstained from making a recommendation in this Target's Statement. While they feel that there is no conflict of interest, they have abstained to avoid any perception of conflict. Turquoise Hill has indicated its support for the Offer by entering into the Pre-Bid Agreement with Shanxi Donghui.

## 1.2 Reasons for the Recommending Directors' Recommendation

### (a) The Offer price is at a premium to recent trading in Inova

The Offer price of \$0.22 per Share represents a premium of:

- 29% to \$0.1700, the closing price of Shares on 20 August 2013 (being the day prior to the Announcement Date); and
- 23% to \$0.1796, the one month volume weighted average price of Shares prior to and including 20 August 2013.

Whilst Inova's Shares have traded higher than the Offer price in the past, the Shares have not closed above the Offer price during the four months prior to the Announcement Date.

Source: Trading data sourced from IRESS. IRESS has not consented to the use of this trading data in this Target's Statement.

### (b) Turquoise Hill has indicated its intention to accept for all of its Shares

Shanxi Donghui has entered into a Pre-Bid Agreement with Inova's majority shareholder, Turquoise Hill, which owns 56.1% of Inova Shares. Under the Pre-Bid Agreement, Turquoise Hill has agreed to procure that IAL accept the Offer in respect of 14.9% of the Shares by no later than five Business Days after the day on which Shanxi Donghui declares or announces that all Conditions are satisfied or waived (apart from the 51% minimum ownership condition), and unless a Superior Third Party Offer emerges which is not matched by Shanxi Donghui within five Business Days. Turquoise Hill has also advised that, unless a superior proposal emerges, it intends to procure that IAL accept the Offer in respect of all its other Shares.

If this occurs, Shanxi Donghui will control Inova and it will therefore have the ability to determine the strategic direction of Inova and the appointment of Directors. Whilst the Recommending Directors recognise the stated intention of Shanxi Donghui in relation to the operations, management and employees of Inova as detailed in the Bidder's Statement, the Recommending Directors cannot be certain of the impact of Shanxi Donghui taking control of Inova and the associated consequences for minority Shareholders.

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**(c) Should Shanxi Donghui achieve additional acceptances, the liquidity of Inova Shares may further reduce**

The liquidity of Shares is relatively low and the Offer represents a significant liquidity event for Shareholders.

If Shanxi Donghui reaches acceptances of more than 56.1% and the Offer becomes unconditional, then the limited liquidity of Shares is likely to be further reduced. This will limit the ability for Shareholders to sell their Shares on-market and potentially depress the market price.

Shanxi Donghui has stated in its Bidder's Statement that, should there be a limited spread or volume of Shareholders following completion of the Offer, it would look to procure the removal of Inova from the official lists of the ASX and the TSX, which would further materially reduce liquidity and the ability for Shareholders to sell their Shares on-market. A result of further limited liquidity may be that there is limited institutional support for Shares.

**(d) There may be additional disadvantages in being a minority Shareholder**

Should Turquoise Hill accept into the Offer as it has stated it intends to (subject to satisfaction or waiver of the Conditions and no superior proposal emerging), the Recommending Directors are of the opinion that there is considerably less opportunity for minority Shareholders to realise value from their investment. The Recommending Directors note the following:

- Shanxi Donghui will be in a position to cast the majority of votes at a general meeting of Inova, enabling it to control the composition of the Inova Board.
- If Shanxi Donghui acquires 75% or more of the Shares, then it will be able to pass a special resolution of Inova, allowing it to change Inova's constitution, amongst other things.
- Shanxi Donghui has also stated in its Bidder's Statement that following the close of its Offer, the Share price of Inova is likely to fall below the Offer Price. Your Recommending Directors believe there is a risk that this will happen.
- Your Recommending Directors believe that Shareholders may not receive a future takeover offer from any entity, other than from Shanxi Donghui itself. Further, there is no guarantee that Shanxi Donghui will make any such offer or that the offer price will be the same as or higher than the value of the Offer.
- Shanxi Donghui has stated that if it acquires at least 51% but less than 90% of the Shares, it will assess the optimal funding for developing Inova's projects, including third party equity and/or debt finance. The nature of the capital that may be raised following a change of control is uncertain and there are implications for minority Shareholders in terms of value and potential dilution.

**(e) A number of Inova's key assets are subject to development and financing risks**

Your Recommending Directors believe that Inova's portfolio includes a number of high quality projects such as Merlin, based on what is believed to be the world's highest grade molybdenum-rhenium deposit, and Mount Elliott/SWAN, a significant copper-gold resource. Inova also has a number of prospective tenements in the Cloncurry region and large landholdings. However, to realise value for these assets will require significant work and capital expenditure.

Shanxi Donghui's cash offer of \$0.22 per Share represents an alternative for Shareholders to waiting for Inova's Share price to reflect the potential value of its projects – Merlin and Mount Elliott/SWAN – being developed and reaching full production. To bring these assets into full production will take many years, will require significant additional funding and will involve material risks and uncertainties.

**(f) Inova has conducted previous searches for partners for its assets without any conclusive result**

In 2012, Inova (Ivanhoe Australia as it was then known) ran an extensive process to find one or more strategic partners for some or all of its operations and projects. A number of parties interested in becoming a strategic partner with Inova in its projects conducted due diligence on Inova and its operations. No party made a formal and binding proposal to become a strategic partner in the assets.

**(g) Turquoise Hill has run a process to divest its 56.1% Shareholding**

Before entering into the Pre-Bid Agreement, Turquoise Hill had run a process to divest its 56.1% interest in the Shares. A number of parties considered as potentially interested in acquiring Turquoise Hill's majority Shareholding in Inova conducted due diligence on Inova and its operations. Shanxi Donghui's Offer is the only formal and binding proposal that has been announced since that process commenced.

# 01 Why you should accept the Offer

## Continued

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### **(h) No superior proposal has emerged**

As at the date of this Target's Statement, no superior proposal had been received by Inova and the Recommending Directors are not aware of any party having an intention to make such a proposal.

### **1.3 Reasons to not accept the Offer**

Although the Recommending Directors recommend that you accept the Offer at such time as the Offer has become unconditional and Turquoise Hill has accepted for all of its Shares, in the absence of a superior proposal, reasons why some Shareholders might not wish to accept the Offer include those set out below.

#### **(a) You may disagree with the recommendation of the Recommending Directors**

Despite the recommendation of the Recommending Directors, you may take a different view and may believe that the Offer is not in your best interests.

#### **(b) You will no longer have a direct interest in Inova**

If you accept the Offer and the Offer becomes unconditional, you will no longer be a Shareholder.

This will mean that you will not participate in any potential upside that may result from Inova remaining as a stand-alone entity, including those that may result from the successful development of Merlin or Mount Elliott/SWAN, or from exploration success. You will also cease to have the right to influence the future direction of Inova through your voting rights as a Shareholder.

#### **(c) The tax consequences of accepting the Offer may not suit your financial position**

Accepting the Offer may trigger taxation consequences for you. You should read the tax information in section 5.13 of this Target's Statement and seek professional taxation advice with respect to your individual tax situation.

#### **(d) Possibility of a superior proposal emerging**

You may believe that there is potential for a superior proposal to be made in the foreseeable future.

However, from the Announcement Date until the date of this Target's Statement, no superior proposal has emerged. It is possible that a more attractive proposal for Shareholders could materialise in the future. However given the reasons set out above in section 1.2, the Recommending Directors do not consider the possibility of this occurring to be high.

#### **(e) Possibility to sell your Shares on-market**

You may decide, after taking into account the matters referred to in this Target's Statement (including the fact that the Offer remains conditional and those matters set out in section 1.2) and your own personal circumstances, that it is better to sell your Shares on the ASX, potentially for a higher price than the Offer price. Shareholders should however note the following:

- Between the Announcement Date and 23 September 2013, Shares have not closed at a price higher than the Offer price of \$0.22 per Share on the ASX.
- By selling Shares on-market, you will forego the possibility of a superior offer from Shanxi Donghui or from another party, although such an offer may not emerge.
- You are likely to incur additional costs by selling your Shares on-market, such as brokerage fees.

#### **(f) If Shanxi Donghui does not reach 90% acceptances, it could make a further offer to Shareholders later at a higher price**

There is the possibility that if Shanxi Donghui does not reach 90% acceptances that it may, at a later point, make a further offer to minority Shareholders at a higher price than the current Offer of \$0.22 per Share. However, there is no certainty that Shanxi Donghui will make any such offer or that, if it does, the offer price will be the same as or higher than the current Offer of \$0.22 per Share. Further, Shanxi Donghui has indicated in its Bidder's Statement that if it does not secure full control of Inova it may seek to acquire more Shares under the creep provisions in the Corporations Act. If this occurs, then Shanxi Donghui might end up with ownership of greater than 90% of the Shares and can proceed with compulsory acquisition at that point without making another takeover offer.



### 1.4 Frequently asked questions

This section answers some frequently asked questions about the Offer. This section should be read together with all other parts of this Target's Statement.

Question	Answer	Further information
What is the Offer?	The Bidder is offering \$0.22 cash for each Share you hold.	Section 3 of this Target's Statement.  Sections 1 and 12 of the Bidder's Statement.
Who is Shanxi Donghui?	Shanxi Donghui is a private company incorporated in China and based in Shanxi Province. Shanxi Donghui is privately owned by the Chairman Mr Ya Ping Zhang and his brother Mr Wei Dong Zhang. Shanxi Donghui was formed in 2003 and conducts coking coal mining and produces metallurgical coke and chemicals amongst other business activities.	Sections 1 and 5 of the Bidder's Statement.
Who are Turquoise Hill and IAL?	Turquoise Hill is Inova's largest Shareholder and, through IAL, holds approximately 56.1% of the Shares.  Rio Tinto is Turquoise Hill's largest Shareholder, holding approximately 51% of Turquoise Hill's ordinary shares.  IAL is IAL Holdings Singapore Pte Ltd, which is a 100% owned subsidiary of Turquoise Hill.	Sections 4.2 and 5.4 of this Target's Statement.  Chairman's Letter and section 2.1 of the Bidder's Statement.
What is the Pre-Bid Agreement?	On 21 August 2013, Turquoise Hill and Shanxi Donghui entered into a Pre-Bid Agreement for part of Turquoise Hill's Shares representing 14.9% of Inova Shares on issue (being 108,502,084 Shares).  Under the Pre-Bid Agreement: <ul style="list-style-type: none"><li>• Turquoise Hill agrees to procure that IAL accepts the Offer in respect of the Pre-Bid Agreement Shares by no later than five Business Days after the day on which Shanxi Donghui declares or announces that (except for the 51% minimum ownership condition) all of the Conditions to the Offer have been satisfied or waived (except that IAL will not be obliged to accept the Offer any earlier than two weeks after the Offer); and</li><li>• IAL is not required to accept the Offer if, prior to it accepting the Offer, a Superior Third Party Offer is publicly announced or made which is not at least matched by Shanxi Donghui within five Business Days.</li></ul> The Pre-Bid Agreement can be terminated in certain circumstances, including at Turquoise Hill's election four months after the date it was entered into.	Section 5.14(b) of this Target's Statement.  Section 2.1 of the Bidder's Statement.
What does Turquoise Hill propose to do with its other Shares?	Turquoise Hill has announced that unless a superior proposal emerges, it intends to accept the Offer in respect of all the other Shares it holds in Inova, but not before it has accepted in respect of the 14.9% under the Pre-Bid Agreement.	Section 5.14(b) of this Target's Statement.  Section 2.1 of the Bidder's Statement.

# 01 Why you should accept the Offer

## Continued

Question	Answer	Further information
What interest does the Bidder currently have in the Shares?	The Bidder has a relevant interest in 14.9% of the Shares under the Pre-Bid Agreement entered into with Turquoise Hill.	Section 7.2 of the Bidder's Statement.
What choices do I have as a Shareholder?	As a Shareholder you have the choice to: <ul style="list-style-type: none"> <li>• accept the Offer for part or all your Shares;</li> <li>• reject the Offer and remain a Shareholder, subject to your Shares not being compulsorily acquired by the Bidder (see sections 3.12 and 3.13 for further explanation); or</li> <li>• sell your Shares on-market.</li> </ul>	A summary of the implications for these choices is set out in sections 5.1 and 5.2 of this Target's Statement.  See also section 3 and 4.11 of the Bidder's Statement.
What do the Directors recommend?	Your Recommending Directors recommend that at such time as the Offer has become unconditional and Turquoise Hill has accepted for all of its Shares, you should accept the Offer, in the absence of a superior proposal. Shareholders should read this Target's Statement in full before deciding whether to accept the Offer.  The reasons for this recommendation are set out in section 1.2.  If there is a change in this recommendation or any material developments in relation to the Offer, Inova will lodge a supplementary Target's Statement.	Section 1 of this Target's Statement.
How do I accept or reject the Offer?	To follow your Recommending Directors' recommendation to accept the Offer, see section 2.  If you do not want to accept the Offer, simply do nothing.  If you do not understand the Offer or are in doubt as to how to act, you should seek independent financial and taxation advice from your professional adviser in relation to the action you should take.	Section 2 of this Target's Statement.
What do the Directors intend to do with their Shares?	Upon notification of the Offer becoming unconditional and Turquoise Hill having accepted for all of its Shares, each Director who holds or controls Shares intends to accept, or procure the acceptance of, the Offer in relation to all those Shares in the absence of a superior proposal.	Section 5.10 of this Target's Statement.
If I accept the Offer now, can I withdraw my acceptance or sell my Shares?	Once you have accepted the Offer, you will be legally bound to sell those Shares to the Bidder and you can only withdraw your acceptance in limited circumstances (see section 3.9). These circumstances include where the Offer remains conditional and has been extended for at least one month.  In the meantime, if you have accepted the Offer you can't otherwise sell your shares.	Section 3.9 of this Target's Statement.  Sections 4.10 and 12.5 of the Bidder's Statement.

Question	Answer	Further information
What are the Conditions to the Offer?	<p>There are a number of Conditions to the Offer.</p> <p>The Conditions are set out in full in section 12.8 of the Bidder's Statement, and in Annexure A of this Target's Statement.</p> <p>There is no certainty that the Conditions will be satisfied or waived. Under the Pre-Bid Agreement, Turquoise Hill has only agreed to procure that IAL accept the Offer in respect of the Pre-Bid Agreement Shares once Shanxi Donghui declares or announces that all Conditions (apart from the 51% minimum ownership condition) have been satisfied or waived, and unless a Superior Third Party Offer emerges which is not matched by Shanxi Donghui within five Business Days. Other Shareholders may also wish to consider waiting until these Conditions have been satisfied or waived before accepting the Offer.</p>	<p>Annexure A of this Target's Statement.</p> <p>Section 12.8 of the Bidder's Statement.</p>
What happens if I accept the Offer and the Conditions are not satisfied?	<p>If the Conditions are not satisfied and the Bidder has not waived the Conditions by the end of the Offer Period (or, in relation to the Condition in section 12.8(h) of the Bidder's Statement, not later than three Business Days after the end of the Offer Period), your acceptance will be of no effect and you will:</p> <ul style="list-style-type: none"> <li>• not receive any consideration from the Bidder; and</li> <li>• remain the holder of those Shares.</li> </ul> <p>If this is the case, you will then be free to deal with your Shares in the normal course.</p>	<p>Section 3.14 of this Target's Statement.</p> <p>Sections 4.13, 12.5 and 12.10 of the Bidder's Statement.</p>
Can the Bidder vary the Offer?	<p>Yes. The Bidder has not declared the Offer final. The Bidder can vary the Offer by extending the Offer Period on or before 7 October 2013, or by increasing the Offer price. Your Directors do not know if the Bidder will vary its Offer.</p>	<p>Section 3.6 of this Target's Statement.</p> <p>Section 12.13 of the Bidder's Statement.</p>
When does the Offer close?	<p>The Bidder has stated that the Offer remains open until 7:00pm (Melbourne time)/5:00am (Toronto time), on 14 October 2013. It is possible that the Bidder may choose to extend the Offer Period in accordance with the Corporations Act. The Offer Period may also be automatically extended in certain circumstances.</p>	<p>Sections 3.5 and 3.6 of this Target's Statement.</p> <p>Section 12.2 of the Bidder's Statement.</p>
What will happen if the Bidder raises its Offer price?	<p>If you have already accepted the Offer, you will be entitled to any such increase in the Offer price.</p>	<p>Section 3.10 of this Target's Statement.</p>

# 01 Why you should accept the Offer

## Continued

Question	Answer	Further information
What happens if I accept the Offer and a superior proposal is made for my Shares after I accept?	<p>If you accept the Offer whilst the Offer remains conditional, and a superior proposal is made for your Shares, you will only be permitted to withdraw your acceptance in limited circumstances.</p> <p>This is because by accepting the Offer whilst the Offer remains conditional, you agree to sell your Shares to the Bidder and give up your right to sell your Shares or otherwise deal with your Shares during the Offer Period.</p> <p>You may only withdraw your acceptance if the Bidder varies the Offer in a way that postpones the time by which the Bidder must satisfy the Conditions by more than one month.</p> <p>If the Offer closes without the Conditions being satisfied or waived, you will then be free to deal with your Shares, even if you accepted the Offer.</p>	Section 3.9 of this Target's Statement.
What happens if I do nothing?	<p>You will remain a Shareholder. However, if the Bidder acquires 90% or more Shares and the Offer becomes unconditional, it intends to compulsorily acquire your Shares. See section 3.12 of this Target's Statement for more details.</p> <p>If the Bidder acquires between 51% and 90% of Shares and the Offer becomes unconditional, you will be a minority Shareholder in Inova with Shanxi Donghui as Inova's majority shareholder. The consequences and risks of being a minority shareholder in these circumstances are discussed in section 5.2(c).</p>	<p>Section 5.2 of this Target's Statement.</p> <p>Sections 4.14, 7.5, 9.3, 9.4 and 9.5 of the Bidder's Statement.</p>
Can I be forced to sell my Shares?	You cannot be forced to sell your Shares unless the Bidder proceeds to compulsory acquisition of Shares. The Bidder will need to acquire at least 90% (by number) of Shares (under the Offer, or otherwise) in order to exercise compulsory acquisition rights. If the Bidder achieves this and proceeds to compulsory acquisition, then you will be paid the same consideration as is payable by the Bidder under the Offer, and you will be forced to sell your Shares.	Sections 3.12 and 3.13 of this Target's Statement.
If I continue to hold my Shares, are there risks?	Yes, Inova is subject to a number of risks. These risks include (but are not limited to) those outlined in section 4.9.	Section 4.9 of this Target's Statement.



Question	Answer	Further information
What are the tax consequences associated with accepting the Offer?	<p>A general description of the taxation treatment for certain Australian resident Shareholders accepting the Offer is set out in section 5.13 of this Target's Statement and in section 10 of the Bidder's Statement. Shareholders who are resident in a jurisdiction other than Australia should seek their own professional tax advice.</p> <p>Because this advice is general in nature and does not take into account your individual circumstances, you should not rely on those descriptions as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Shares. You may, for example, be liable for income tax (including under the CGT rules) if you sell your Shares.</p>	<p>Section 5.13 of this Target's Statement.</p> <p>Section 10 of the Bidder's Statement.</p>
Can I sell my Shares on-market?	<p>Yes, unless you have accepted the Offer, you can sell your Shares on-market. If you sell your Shares on-market:</p> <ul style="list-style-type: none"> <li>• you will not benefit from any possible increase in the value of the Shares; and</li> <li>• you will not benefit from any possible increase in the consideration that may be provided under the Offer, or a superior proposal, if one is made.</li> </ul> <p>The latest price for Shares may be obtained from the ASX website at <a href="http://www.asx.com.au">www.asx.com.au</a>. The latest price for Shares on the TSX in Canadian dollars may be obtained from the TSX website at <a href="http://www.tmx.com">www.tmx.com</a>.</p> <p>If you sell your Shares on-market, you may incur brokerage costs, which you would not otherwise incur if you accepted the Offer.</p>	<p>Section 5.1(b) of this Target's Statement.</p> <p>Sections 2.5, 4.6, 4.11 and 12.14 of the Bidder's Statement.</p>
Can Foreign Shareholders accept the Offer?	<p>Foreign Shareholders can accept the Offer.</p> <p>Canadian Shareholders, including shareholders that hold their Shares on the Canadian sub-register of Inova or through CDS Clearing and Depositary Services Inc., should contact their broker, financial adviser or call the Shareholder Information Line (details overpage) for assistance with respect to acceptance of the Offer.</p>	<p>Section 2 of this Target's Statement.</p>
What happens if I am an employee?	<p>Section 9 of the Bidder's Statement contains further information in relation to the Bidder's intentions, including in relation to employees. Shanxi Donghui has indicated that subject to a review of Inova's operations, it intends to continue the employment of Inova's existing employees.</p>	<p>Section 9 of the Bidder's Statement.</p>
What happens to my Performance Rights?	<p>The Offer extends to Shares that are issued on the exercise of Performance Rights during the period from the Register Date to the end of the Offer Period.</p> <p>Shanxi Donghui has indicated that it does not presently intend to make any separate offer to acquire or cancel the Performance Rights but reserves the right to do so.</p>	<p>Section 3.11 of this Target's Statement.</p> <p>Sections 7.5 and 11.1 of the Bidder's Statement.</p>

# 01 Why you should accept the Offer

## Continued

Question	Answer	Further information
If I accept the Offer, when will I be paid?	<p>If you accept the Offer, you may have to wait until the earlier of:</p> <ul style="list-style-type: none"> <li>• if the Offer is subject to a defeating condition, within one month after the Offer becomes unconditional or 21 days after the end of the Offer Period; and</li> <li>• if the Offer is unconditional when you provide your Acceptance Form, the earlier of one month after Shanxi Donghui is given your Acceptance Form, or 21 days after the end of the Offer Period,</li> </ul> <p>before you will be paid.</p> <p>It is uncertain when or if the Offer will become unconditional.</p>	<p>Section 3.2 of this Target's Statement.</p> <p>Sections 1 and 12.6 of the Bidder's Statement.</p>
Will I have to pay any fees?	<p>If you accept into the Offer, you will not have to pay any brokerage fees.</p> <p>If your Shares are held in a CHESS Holding or you hold your Shares through a bank, custodian or other nominee, you should ask your Controlling Participant or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.</p> <p>If you choose to sell your Shares on-market, you may incur brokerage fees.</p>	<p>Sections 2.5, 4.6 and 12.14 of the Bidder's Statement.</p>
What if I have any questions on the Offer?	<p>Inova has established a Shareholder Information Line for Shareholders in relation to the Offer. The telephone number is 1300 551 547 (within Australia), and +61 1300 551 547 (outside Australia). It is available between 8.30am and 5.30pm (AEST), Monday to Friday.</p> <p>Announcements made to ASX by Inova and other information relating to the Offer can be obtained from Inova's website at <a href="http://www.inovaresources.com">www.inovaresources.com</a>. Alternatively, you should obtain independent advice from your professional adviser, as necessary.</p>	

HOW TO  
ACCEPT  
THE OFFER

02

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## 02 How to accept the Offer

You may accept the Offer for all or part of your Shares. Acceptances must be received before 7.00pm (Melbourne time)/5.00am (Toronto time), on 14 October 2013 (unless the Offer Period is extended).

Your Recommending Directors recommend that at such time as the Offer has become unconditional and Turquoise Hill has accepted for all of its Shares, then you should accept the Offer, in the absence of a superior proposal.

### 2.1 For issuer sponsored holdings (Security Holder Reference Number beginning with "I")

To accept this Offer for Shares held in your name on Inova's issuer sponsored subregister (in which case your Security Holder Reference Number will commence with "I"), you must:

- (a) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (b) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address specified in the Acceptance Form.

Acceptance Forms must be received with original signatures – copies or electronic forms of Acceptance Forms will not be accepted by Shanxi Donghui.

### 2.2 For CHESS Holdings (Holder Identification Number beginning with "X")

- (a) If your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with "X") and you are not a Participant, you should instruct your broker or Controlling Participant (this is normally your Stockbroker) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (b) If your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with "X") and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (c) Alternatively, to accept this Offer for Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with "X"), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address specified in the Acceptance Form.
- (d) If your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with "X"), you must comply with any other applicable ASX Settlement Operating Rules.

Acceptance Forms must be received with original signatures – copies or electronic forms of Acceptance Forms will not be accepted by Shanxi Donghui.

### 2.3 Canadian Shareholders

If your Shares are held on the Canadian sub or branch register of Inova, including through a nominee or depositary identified on such register, the Bidder has indicated that you will need to move your Shares to an Issuer Sponsored Holding or CHESS holding in Australia and then accept the Offer as set out above in section 2.1 or 2.2.

The Bidder has not made arrangements for acceptances to be made through CDS Clearing and Depositary Services Inc., the settlement agency for trades on the TSX, nor through physical (paper) acceptance procedures that sometimes apply for TSX listed companies. Canadian Shareholders should contact their broker or financial adviser for assistance with respect to acceptance of the Offer.



IMPORTANT  
INFORMATION  
ABOUT  
THE OFFER

03

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# 03 Important information about the Offer

## 3.1 The Offer

The Bidder is offering to acquire all or part of your Shares for \$0.22 cash per Share.

Under the terms of the Offer, the amount of consideration you receive may be reduced by the amount of the value of any Rights (such as dividends) attaching to Shares and paid to you before the end of the Offer Period. Your Directors do not expect to pay a dividend before the end of the Offer Period.

For full details of the terms of the Offer, please refer to section 12 of the Bidder's Statement.

## 3.2 Timing of payment to Shareholders who accept the Offer

If you accept the Offer, subject to section 12.6 of the Bidder's Statement and to the Corporations Act, the Bidder will pay you the consideration under the Offer on or before the earlier of:

- if the Offer is subject to a Condition when you provide your acceptance and associated acceptance documentation – the earlier of one month after the takeover contract with you becomes unconditional, or 21 days after the end of the Offer Period; or
- if the Offer is unconditional when you provide your acceptance and associated documentation – the earlier of one month after the Bidder is given your acceptance documents, or 21 days after the end of the Offer Period.

Full details of when you will be paid your consideration are set out in section 12.6 of the Bidder's Statement.

## 3.3 Conditions to the Offer

The Offer is subject to a number of Conditions, which are set out in full in Annexure A of this Target's Statement and in section 12.8 of the Bidder's Statement.

The Condition specified in section 12.8(c) of the Bidder's Statement (Australian foreign investment approval) is a condition precedent and, as a result, no contract resulting from acceptance of the Offer will become binding unless and until that Condition is fulfilled.

Subject to the Corporations Act, the Bidder may declare the Offer to be free from any Condition or Conditions at any time, but must do so at least seven days prior to the end of the Offer Period.

## 3.4 Notice of Status of Conditions

Section 12.11 of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions on 7 October 2013 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

The Bidder is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as the Bidder knows, any of the Conditions have been fulfilled; and
- the Bidder's voting power in Inova.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, the Bidder is required, as soon as practicable after the extension, to give a notice to Inova and to ASX that states the new date for the giving of the Notice of Status of Conditions. Any such notice lodged with ASX is required to be filed by the Bidder under applicable Canadian securities law.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give notice to Inova and to ASX that states that the particular Condition has been fulfilled. Any such notice lodged with ASX is required to be filed by the Bidder under applicable Canadian securities law.

As at 23 September 2013, Shanxi Donghui has not given notice that any of the Conditions have been fulfilled.

## 3.5 Offer Period

The Offer is scheduled to close at 7:00pm (Melbourne time)/5:00am (Toronto time), on 14 October 2013 (but it may be extended or withdrawn in accordance with the Corporations Act).

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### 3.6 Extension of the Offer Period

The Bidder may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 3.4 of this Target's Statement) while the Offer is subject to the Conditions. However, if the Offer is unconditional (that is, all the Conditions are fulfilled or waived), the Bidder may extend the Offer Period at any time before the end of the Offer Period.

Further, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- the Bidder increases the amount of the Offer price of \$0.22 per Share (or otherwise improves the consideration offered under the Offer); or
- the Bidder's voting power in Inova increases to more than 50%.

In either of these circumstances, the Offer Period is automatically extended in accordance with section 624(2) of the Corporations Act so that it ends 14 days after the occurrence of the relevant event.

### 3.7 Withdrawal of Offer

The Bidder may not withdraw the Offer if you have already accepted it. However, if the Conditions have not been satisfied or waived at the end of the Offer Period, then all acceptances (and any contracts resulting from acceptances) will be void. Before you accept the Offer, the Bidder may withdraw the Offer with the written consent of ASIC and subject to any conditions as are specified in such consent.

### 3.8 Effect of acceptance

The effect of acceptance of the Offer is set out in section 12.5 of the Bidder's Statement. Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting the Offer.

### 3.9 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder needs to meet its obligations to pay for Shares under the Offer; and
- the Conditions have not been satisfied or waived at the time of your purported withdrawal.

### 3.10 Effect of an improvement in consideration on Shareholders who have already accepted the Offer

If the Bidder improves the consideration offered under the Offer, all Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration for those Shares accepted into the Offer.

### 3.11 Effect of the Offer on Performance Rights

The Offer extends to Shares that are issued on the exercise of Performance Rights during the period from the Register Date to the end of the Offer Period.

Shanxi Donghui has indicated that it does not presently intend to make any separate offer to acquire (or cancel) the Performance Rights but reserves the right to do so. However, Shanxi Donghui has indicated that if it has a relevant interest in at least 90% of the Shares during or at the end of the Offer Period, it may seek to acquire (or cancel) any outstanding Performance Rights or, if possible, to seek to compulsorily acquire (or cancel) any outstanding Performance Rights under Part 6A.2 of the Corporations Act.

Shanxi Donghui has indicated it may consider making separate offers to acquire (or cancel) the Performance Rights depending on its voting power in Inova and other relevant circumstances following the end of the Offer Period.

### 3.12 Compulsory acquisition

Shanxi Donghui has indicated in section 9.3 of its Bidder's Statement that if it becomes entitled to do so, it intends to compulsorily acquire any outstanding Shares in accordance with Part 6A.1 of the Corporations Act, including any Shares which are issued after the close of the Offer and as a result of the exercise of

## 03 Important information about the Offer

### Continued

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Performance Rights (see section 7.5 of the Bidder's Statement).

Shanxi Donghui will be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period Shanxi Donghui and its Associates have a relevant interest in at least 90% (by number) of the Shares.

If the relevant threshold is met, Shanxi Donghui will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer.

If compulsory acquisition occurs, Shareholders whose Shares are compulsorily acquired will be paid their consideration later than Shareholders who accepted the Offer.

#### **3.13 General compulsory acquisition**

Even if Shanxi Donghui does not satisfy the compulsory acquisition thresholds described in section 3.12, it may subsequently become the holder of full beneficial interests in at least 90% (by number) of the Shares (for example, by subsequently acquiring further Shares). In these circumstances, Shanxi Donghui will be entitled to compulsorily acquire any outstanding Shares in accordance with Part 6A.2 of the Corporations Act.

#### **3.14 Lapse of Offer**

The Offer will lapse if the Conditions are breached, or not fulfilled or freed (that is, the Conditions are not satisfied or waived) at the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Shares as you see fit.

OVERVIEW  
OF INOVA

04

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# 04 Overview of Inova

## 4.1 Introduction

Inova is a mining and exploration company operating in one of the world's most geologically prospective areas, the Cloncurry region in north-western Queensland. Inova has been built on minerals exploration success that has so far revealed a portfolio of copper, gold, molybdenum and rhenium Mineral Resources and Mineral Reserves.

Inova produces copper and gold at its Osborne Copper-Gold operation providing important cash flow to assist in funding Inova's ongoing exploration and development efforts. Inova's most advanced development project is Merlin, which is based on what is believed to be the world's highest-grade molybdenum and rhenium deposit (**Merlin Project**). A Feasibility Study was completed for the Merlin Project in 2012, with Phase I of the Value Engineering Program completed in June 2013. Inova also completed a scoping study on the Mount Elliott/SWAN project in 2012 (**Mount Elliott/SWAN Project**), which contains a large-scale, copper-gold mineralised system, and has recently updated the mineral resources model for the deposit.

Inova Shareholders can view Inova's most recent annual information form on Inova's website at [www.inovaresources.com](http://www.inovaresources.com).

## 4.2 Background and history

Inova was initially a wholly-owned subsidiary of Canadian-based Ivanhoe Mines Limited (now Turquoise Hill), operating as the Australian exploration arm of that company, with primary assets consisting of mining and exploration tenements acquired from the receivers of Selwyn Mines Limited. These tenements host former mining operations and exploration permits situated approximately 160 kilometres south-east of Mount Isa in north-western Queensland and include within their boundaries the Merlin and Mount Elliott/SWAN deposits. These holdings were supplemented by the 2010 acquisition of the nearby Osborne operations. Refer to Figure 1 for Inova's tenure within the Cloncurry district. Inova, through its wholly-owned subsidiaries Inova Resources (Osborne) Pty Ltd and Inova Resources Cloncurry Mines Pty Ltd, also holds titles for leasehold land in the Cloncurry district comprising over 110,000 hectares.

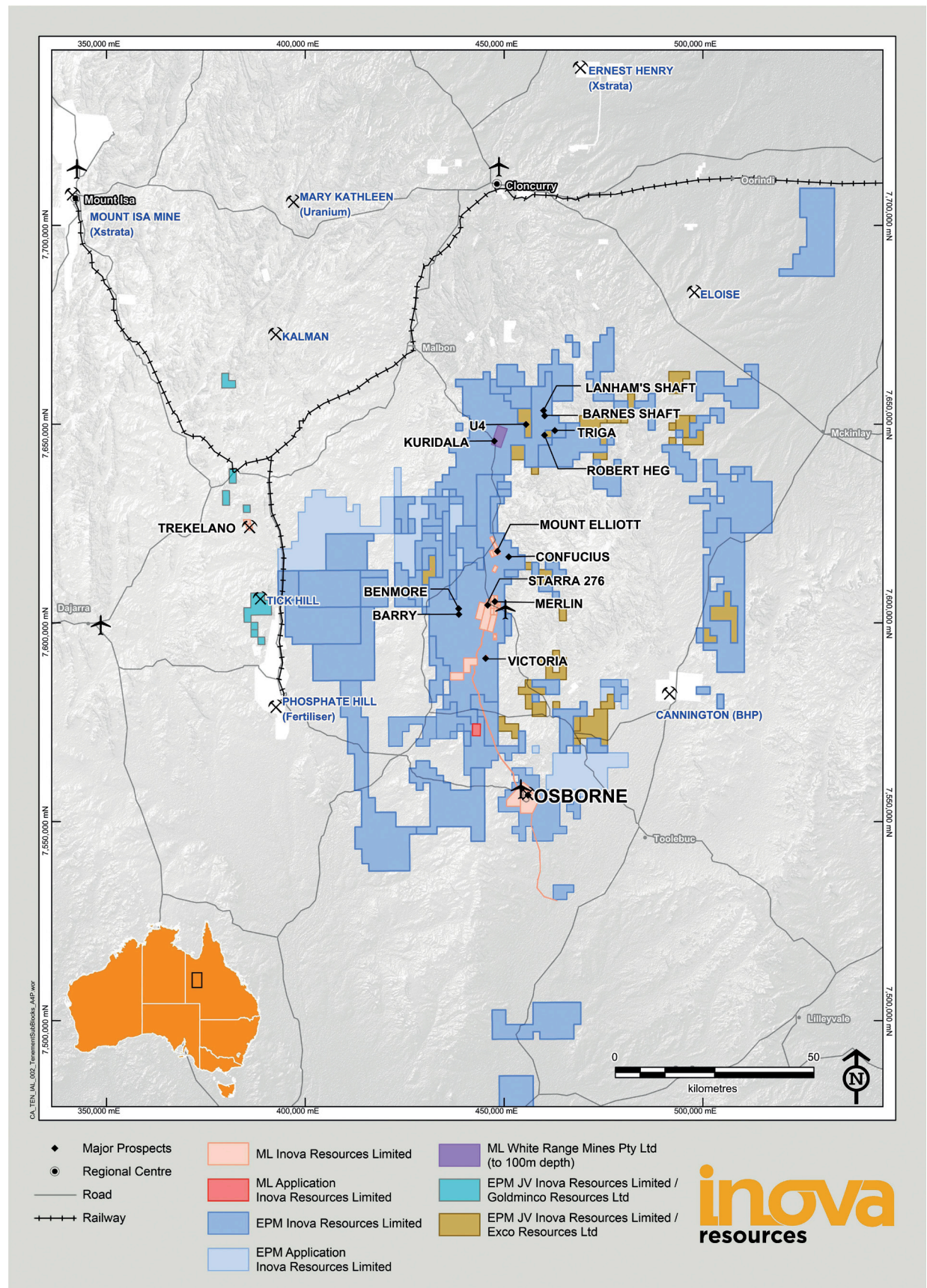
In August 2008, Inova completed an initial public offering of its shares on the ASX and established its own management and business operations, initially diluting Turquoise Hill to 80% ownership. Following subsequent share issues, Turquoise Hill still maintains a controlling interest in Inova, presently holding approximately 56.1% of Inova's issued Shares. Turquoise Hill is now 51% owned by Rio Tinto, making Rio Tinto the ultimate parent of Inova.

In late 2008, Inova discovered the high-grade Merlin molybdenum and rhenium deposit, currently believed to be the highest-grade molybdenum and rhenium deposit in the world. The Merlin Project has been developed to feasibility level status and is Inova's most advanced development project.

In early 2012, Inova commenced production of copper and gold from the Osborne Copper-Gold operation, initially mining at the Osborne and Kulthor underground mines. The Starra 276 mine commenced production in early 2013, with the throughput rate of the processing plant at Osborne reaching an annualised rate of approximately 1.5 million tonnes per annum in the second quarter of 2013. In June 2013, Inova changed its name from Ivanhoe Australia Limited to Inova Resources Limited.



**Figure 1: Inova's Tenure within the Cloncurry District showing major projects, deposits and selected exploration prospects**





## 04 Overview of Inova

### Continued

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#### 4.3 Osborne Copper-Gold operation

Inova owns 100% of the Osborne Copper-Gold operation, which is currently in production from three underground mines: Osborne, Kulthor and Starra 276. The Osborne and Kulthor mines are located proximal to the Osborne processing complex and are connected via a decline. The Starra 276 mine is located approximately 50 kilometres north of the Osborne processing complex. Ore mined from Starra 276 is trucked to the Osborne processing complex via a dedicated haul road, owned by Inova, which was completed in early 2013.

In 2012, the Osborne Copper-Gold operation produced in excess of 50,000 tonnes of copper-gold concentrate, containing 12,220 tonnes of copper. Gold production in both concentrate and doré totalled 17,269 ounces for the 2012 year. In the six months to 30 June 2013, the Osborne Copper-Gold operation has produced over 36,000 tonnes of copper-gold concentrate containing approximately 8,900 tonnes of copper and over 10,500 ounces of gold. Gold produced from the gravity circuit (including gold doré) added a further 736 ounces in the six months to 30 June 2013.

The Osborne project area is covered by seven mining leases: ML 2733, ML 90040, ML 90057, ML 90068, ML 90158, ML 90215 and ML 90217. There are no excluded surface rights on any of the seven leases. The Osborne and Kulthor deposits are covered by ML 90040 and ML 90158. Both mining leases are surrounded by exploration lease EPM 9624, which is held 100% by Inova Resources (Osborne) Pty Ltd. The Starra 276 deposit is on mining lease ML 2733. The holder, Inova Resources Cloncurry Mines Pty Ltd, is entitled to mine gold, silver ore, copper ore, iron ore, lead ore, zinc ore and sulphur on this mining lease. Inova Resources Cloncurry Mines Pty Ltd has additional neighbouring mining leases that cover the nearby Merlin Project to the north-east and the original Selwyn mines tailings and plant sites. There are no excluded surface rights on any of these mining leases.

ML 90215 and ML 90217 were granted in 2012 for infrastructure purposes for the haul road from the Mt Dore, Merlin and Starra 276 deposits to the Osborne processing complex.

Inova Resources Cloncurry Mines Pty Ltd also holds EPM 10783 that surrounds ML 2733 and adjoining mining leases which includes significant additional surrounding property. The EPM expires in October 2017. Inova continues to focus on drilling and exploring the areas surrounding the Osborne processing complex to identify new prospects and ore bodies to extend sources of mill feed.

**(a) Osborne Copper-Gold operation – Production and Cost Statistics**

Tables 1 and 2 below detail the production and cost statistics for the Osborne Copper-Gold operation as reported since startup in early 2012.

**Table 1: Osborne Copper-Gold operation Production Statistics – 2012 and 2013 to 30 June**

		2012 Year	Mar '13 QTR	June '13 QTR
Ore mined	Tonnes	773,928	260,439	365,149
Ore milled	Tonnes	788,820	254,639	393,251
Milled grade	Copper (%)	1.67	1.56	1.64
	Gold (g/t)	0.88	0.84	0.81
Recovery	Copper (%)	93.9	88.1	85.7
	Gold (%)	78.1	69.5	63.7
Copper concentrate produced	Dry Metric Tonnes	51,619	14,709	21,801
Concentrate grade	Copper (%)	23.6	23.5	25.0
	Gold (g/t)	9.3	9.2	8.8
Contained metal in concentrate produced	Copper (Tonnes)	12,220	3,461	5,451
	Gold (oz)	15,479	4,350	6,190
Gold doré produced	Ounces	1,790	467	269 <sup>1</sup>
Total concentrate sold	Dry Metric Tonnes	38,539	20,429	24,899
Concentrate inventory on hand	Dry Metric Tonnes	13,080 <sup>2</sup>	7,360	4,262

<sup>1</sup> Includes gravity gold produced in the quarter but not yet poured into doré bar.

<sup>2</sup> Dec '12 includes an additional 1,075 tonnes arising from the year-end concentrate inventory physical stocktake.

**Table 2: Osborne Copper-Gold operation Cost Statistics – 2012 and 2013**

	Aug-Sep '12 2 months	Dec '12 QTR	Mar '13 QTR	June '13 QTR
<b>\$A per lb Cu</b>				
Mining costs	1.49	1.50	1.83	1.89
Processing costs	0.31	0.28	0.44	0.40
General and administration	0.82	0.89	1.00	0.63
Transport and shipping	0.27	0.30	0.35	0.34
TC/RCs	0.08	0.16	0.17	0.18
Net by-product credits	(0.88)	(1.10)	(1.04)	(0.78)
<b>Total C1 Cash Costs</b>	<b>2.09</b>	<b>2.02</b>	<b>2.75</b>	<b>2.65</b>
Royalties	0.28	0.29	0.25	0.24
<b>Total Cash Costs</b>	<b>2.37</b>	<b>2.32</b>	<b>3.01</b>	<b>2.90</b>
Depreciation and amortisation	0.39	0.40	1.13	0.93
<b>Total Production Costs</b>	<b>2.76</b>	<b>2.72</b>	<b>4.14</b>	<b>3.82</b>
<b>\$US per lb Cu</b>				
<b>Total C1 Costs</b>	<b>2.17</b>	<b>2.11</b>	<b>2.85</b>	<b>2.57</b>
<b>Total Cash Costs</b>	<b>2.46</b>	<b>2.41</b>	<b>3.11</b>	<b>2.80</b>
<b>Total Production Costs</b>	<b>2.87</b>	<b>2.83</b>	<b>4.28</b>	<b>3.70</b>

## 04 Overview of Inova

### Continued

#### (b) Osborne Copper-Gold operation – Mineral Reserves and Resources

The Mineral Reserves and Resources declared for the Osborne Copper-Gold operation as at 31 December 2012 are detailed in Tables 3 and 4 below:

**Table 3: Mineral Resources for the Osborne Copper-Gold operation**

	Cut-off Grade eCu %	Measured & Indicated			Inferred		
		Tonnes Million	Grade		Tonnes Million	Grade	
			Cu %	Au g/t		Cu %	Au g/t
<b>Osborne Project</b>							
Osborne Open Pit Extension	0.5	2.4	0.74	0.57	0.07	0.61	0.56
Osborne Underground	1.2	2.2	1.3	0.85	0.47	1.2	0.87
Kulthor Underground	1.2	7.3	1.58	0.99	5.3	1.4	0.87
Starra 276	1.5	3.1	1.6	1.1	1.7	1.4	1.4
<b>Total Osborne Project</b>		<b>15.0</b>	<b>1.4</b>	<b>0.92</b>	<b>7.5</b>	<b>1.4</b>	<b>0.98</b>

**Table 4: Mineral Reserves for the Osborne Copper-Gold operation**

	Cut-off Grade eCu %	Proved			Probable			Total Reserves		
		Tonnes		Grade	Tonnes		Grade	Tonnes		Grade
		Million	Cu %	Au g/t	Million	Cu %	Au g/t	Million	Cu %	Au g/t
Osborne Project										
Osborne Open Pit Extension	0.35	2.4	0.83	0.57	0.09	0.72	0.54	2.5	0.82	0.57
Osborne Underground	1.50	0.26	2.0	0.95	-	-	-	0.26	2.0	0.95
Kulthor Underground	1.40	-	-	-	2.5	1.5	0.94	2.5	1.5	0.94
Starra 276	1.50	-	-	-	1.5	1.2	0.81	1.5	1.2	0.81
Total Osborne Project		2.7	1.0	0.61	4.0	1.4	0.88	6.7	1.2	0.77

Inova announced updated Mineral Resources and Mineral Reserves (as at 14 April 2013) for Starra 276 in September 2013. These are detailed in Tables 5 and 6 overpage.

Table 5: Mineral Resources for Starra 276

Cut-off Grade eCu %	Resource Classification	Material Type	Mt	Cu %	Au g/t	eCu %
0.5	Indicated	Oxide	2.7	1.15	0.91	1.70
		Transition	1.1	1.44	1.02	2.06
		Sulphide	1.5	1.22	0.56	1.56
		<b>Total</b>	<b>5.4</b>	<b>1.23</b>	<b>0.83</b>	<b>1.73</b>
	Inferred	Oxide	1.0	0.98	1.01	1.58
		Transition	0.7	0.80	1.09	1.45
		Sulphide	1.0	0.99	0.93	1.54
		<b>Total</b>	<b>3.5</b>	<b>0.94</b>	<b>1.00</b>	<b>1.55</b>
1.5	Indicated	Oxide	1.4	1.54	1.17	2.24
		Transition	0.8	1.75	1.19	2.47
		Sulphide	0.7	1.54	0.8	2.02
		<b>Total</b>	<b>2.9</b>	<b>1.60</b>	<b>1.08</b>	<b>2.25</b>
	Inferred	Oxide	0.8	1.36	1.49	2.25
		Transition	0.2	1.23	1.55	2.16
		Sulphide	0.4	1.45	1.31	2.24
		<b>Total</b>	<b>1.4</b>	<b>1.36</b>	<b>1.45</b>	<b>2.23</b>

Table 6: Mineral Reserves for Starra 276

Classification	kt	Cu %	Au g/t	eCu %	Contained Copper (kt)	Contained Gold (koz)
Proved	-	-	-	-	-	-
Probable	854	1.52	0.87	2.05	13	24
<b>Total Mineral Reserves</b>	<b>854</b>	<b>1.52</b>	<b>0.87</b>	<b>2.05</b>	<b>13</b>	<b>24</b>

1 The Mineral Reserves are reported as at 31 May 2013 and exclude material mined to 20 September 2013.

2 The cut-off grade used to determine the Mineral Reserves is 1.5% copper equivalent (eCu), where  $eCu = Cu (\%) + 0.6 * Au (g/t)$ .

3 Rounding is to the nearest 1,000.

4 The information in this report that relates to Mineral Reserves is based on information compiled by Anne-Marie Ebbels, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy, and is a full-time employee of SRK Consulting (Australasia) Pty Ltd. Anne-Marie Ebbels has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Anne-Marie Ebbels consents to the inclusion in this report of matters based on her information in the form and context in which it appears.

The Mineral Reserve was estimated from the underground mine design for the Starra 276 deposit based on the geotechnical parameters and a cut-off grade of 1.5% eCu. The Mineral Reserve includes the Indicated Mineral Resource and has been classified as Probable Mineral Reserve based on the geological confidence.

An update of the Mineral Resource estimate for Kulthor is in preparation and is expected to be released with a Mineral Reserve update later in 2013.



## 04 Overview of Inova

### Continued

#### 4.4 Merlin Molybdenum-Rhenium Project

The Merlin Project is based on what is believed to be the world's highest-grade molybdenum and rhenium deposit, discovered by Inova in late 2008 with an initial Mineral Resource announced in mid-2009. The project has successfully progressed through the scoping, pre-feasibility and feasibility study phases. The key strengths of the project include the high-grade of the resource and relatively shallow depth for an underground mine.

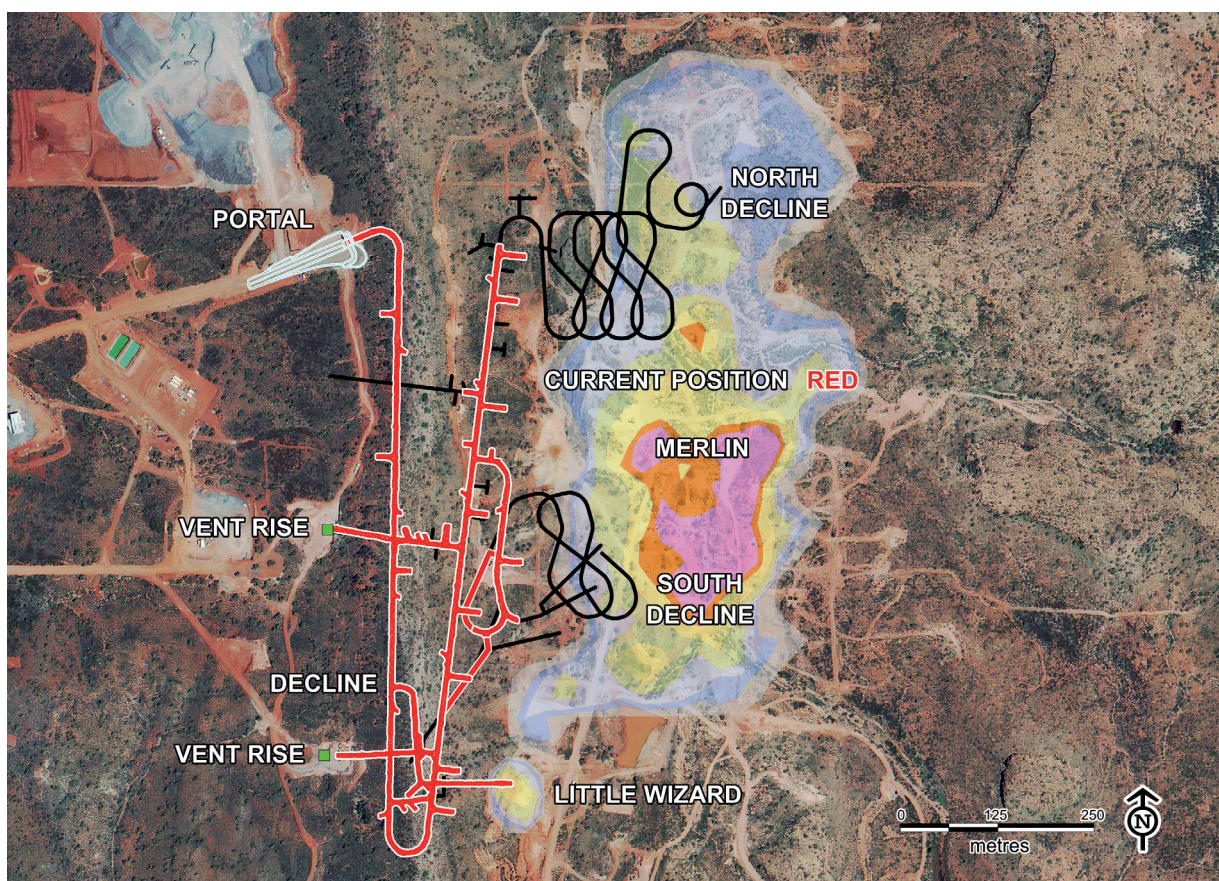
The extremely high-grade "Little Wizard" zone of mineralisation, located up-dip and south of the main Merlin zone, was discovered in October 2009. The Little Wizard zone lies only 90 metres below surface and has been incorporated into the declared Merlin Mineral Resources and Reserves.

Construction of the Merlin decline began in late 2010, with Phase 1 of the decline development completed in January 2012. Decline development to date has enabled underground diamond drilling of the Merlin and Little Wizard deposits and a cross cut to be developed into the Little Wizard deposit. Total development to date is 3,440 metres of decline and level development with the south decline at 4,130 metres RL (nearly 260 metres below surface) and the north decline at 4,140 metres RL. It is anticipated that Phase 2 of the Merlin decline development will commence upon final investment decision.

The Merlin deposit is located on a granted mining lease that will allow mining development to commence quickly upon project go-ahead.

The Merlin development will leverage off existing infrastructure where possible. The mine will utilise the existing facilities that were constructed as part of Stage 1 of the Merlin decline development program plus the addition of a paste plant and optimisation of existing power facilities. A proposed new processing plant located adjacent to the existing Osborne processing complex will utilise the existing power, water, village accommodation and maintenance facilities.

**Figure 2: Phase 1 Merlin Decline - completed January 2012**



A Feasibility Study for Merlin was completed and released in April 2012. Since that release, Inova has also undertaken substantial additional work in the form of a Value Engineering Program, Phase 1 of which was completed in June 2013.

Based on the results of Phase 1 of the Value Engineering Program (which built on the results of the Feasibility Study), Inova's current plans are for Merlin to be mined using drift and fill and long hole open stoping methods, producing approximately 550,000 tonnes of ore per year. This ore would be transported via Inova's dedicated haul road to the Osborne processing complex, where it would be processed at the new processing facility. Average production of approximately 5,800 tonnes of molybdenum and 8,000 kilograms of rhenium per year is expected for the first seven years following ramp-up.

It is currently estimated that A\$300 to \$350 million of capital expenditure is required to reach first production.

#### (a) Merlin Project – Mineral Reserves and Resources

The Mineral Reserves and Resources declared for the Merlin Project as at 31 December 2012 are detailed in Tables 7 and 8 below:

**Table 7: Mineral Resources for the Merlin Project**

Cut-off Grade Mo %	Measured & Indicated			Inferred		
	Tonnes Million	Grade Mo %	Grade Re g/t	Tonnes Million	Grade Mo %	Grade Re g/t
0.3	6.7	1.4	23	0.18	0.78	13

**Table 8: Mineral Reserves for the Merlin Project**

Cut-off Grade eCu %	Proved			Probable			Total Reserves		
	Tonnes Million	Grade Mo %	Grade Re g/t	Tonnes Million	Grade Mo %	Grade Re g/t	Tonnes Million	Grade Mo %	Grade Re g/t
0.3	–	–	–	7.1	1.1	18	7.1	1.1	18

#### 4.5 Mount Elliott/SWAN Copper-Gold Project

The Mount Elliott/SWAN Project is located entirely on a granted mining lease and is situated approximately 70 kilometres north of Inova's Osborne processing complex, and 17 kilometres north of the Merlin Project /Mount Dore village.

The Mount Elliott/SWAN Project is based on a large copper-gold mineralised system incorporating and adjacent to the historic Mount Elliott mine. A Mineral Resource for the deposit was prepared and issued by Inova in October 2010. A scoping study was completed in early 2012 and the results were used in the NI 43-101 Preliminary Economic Assessment technical report which outlined the development options for Mount Elliott/SWAN.

During 2012 and 2013, further work was progressed on Mount Elliott/SWAN and a revised mineral resource model, based on further recent drilling data and a comprehensive review of the geology, was produced. The overall result from this update provided a tighter, more constrained mineral resource estimate which integrates previous information with the new work completed. The current update to the Mineral Resource for Mount Elliott/SWAN has been prepared by Inova and its consultant, Golder.

The original Mount Elliott deposit has been the site of historical mining activities since the early 1900s, with a number of historic structures still standing within the project area. Mining last occurred at Mount Elliott in 2003.

Exploration drilling and mapping by Inova and previous owners has demonstrated that the main mineralised zones identified in the Mount Elliott/SWAN Project area are part of a single system that can be classed with the iron oxide copper gold ore deposits (IOCG) models of mineralisation. The current drilling and geological interpretation of the Mount Elliott area generally shows a north-dipping (local grid) sequence of geological units that are associated with the Mount Elliott/SWAN deposits.

## 04 Overview of Inova

### Continued

Since 2004, Inova has drilled 234 holes totalling 132,000 metres of drilling. Most of these holes have targeted SWAN and the adjacent SWELL zone, with a limited number testing other mineralisation. The 2013 Mineral Resource update incorporates revisions to the geology and mineralisation interpretations completed by Inova's geologists, and reviewed and modified by Golder. The geological revisions include the re-logging of approximately 30,000 metres of core samples. In addition to the prior drilling, this update includes the following additional drilling data:

- five surface diamond drill holes by Inova totalling 4,700 metres and the results from the resurveys of 15 holes at SWAN in 2012 and 2013;
- 202 drill holes by Selwyn Mines between 2001 and 2003 at Mount Elliott;
- nine surface drill holes by Inova between 2010 and 2012 intersecting Mount Elliott while targeting SWAN; and
- 11 surface RC holes targeting Mount Elliott near surface areas.

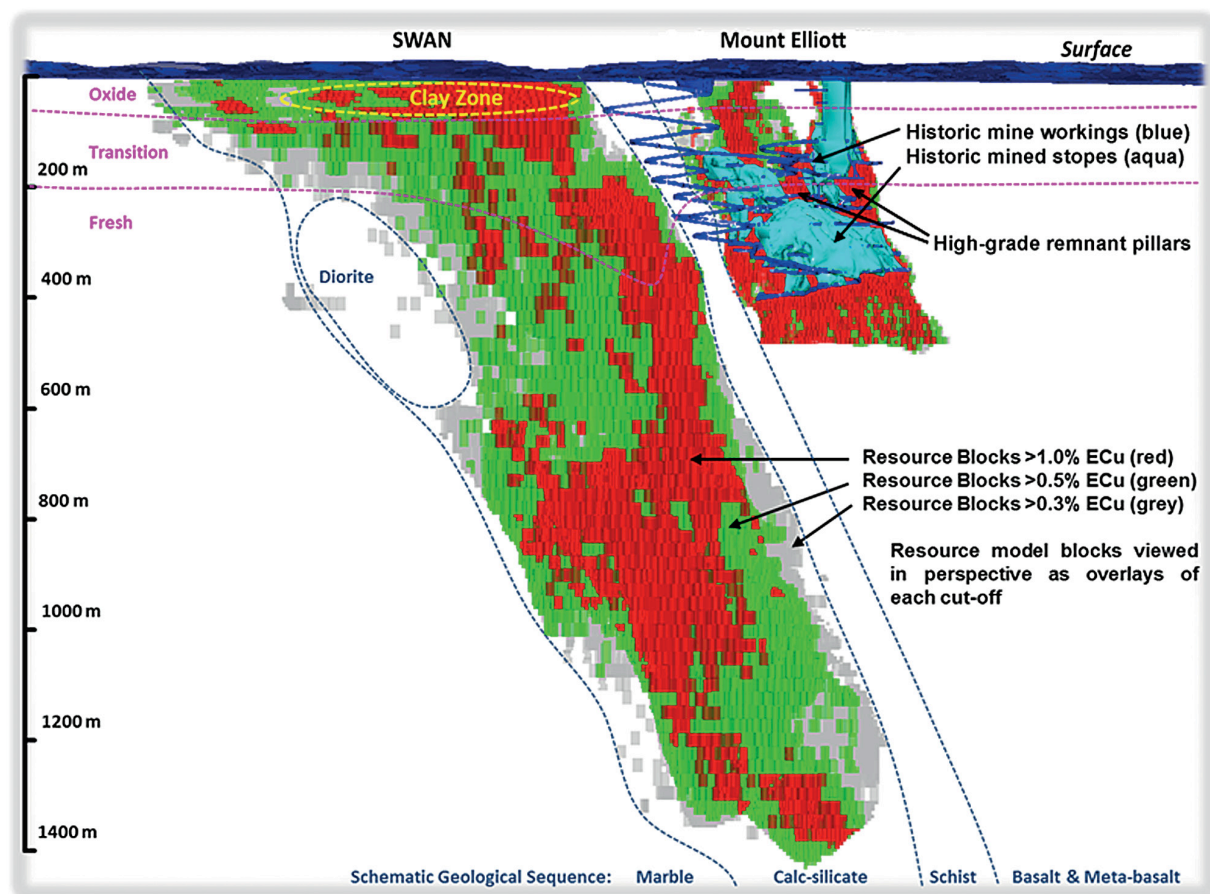
The total Mineral Resource estimate for the Mount Elliott/SWAN deposit, at a 0.5% equivalent copper cutoff grade ("eCu"), is shown below:

**Table 9: Mount Elliott/SWAN in situ Mineral Resources (as at June 2013) at a 0.5% eCu cut-off grade**

Resource Classification	Deposit	Material Type	Mt	Cu %	Au g/t	eCu %	U ppm
Indicated	Mount Elliott	Oxide	0.1	0.71	0.31	0.89	-
		Transition	3.9	1.10	0.59	1.45	-
		Sulphide	12.1	1.12	0.58	1.46	-
		Total	16.1	1.11	0.58	1.45	-
	SWAN	Oxide	8.9	0.73	0.38	0.96	15
		Transition	29.6	0.59	0.38	0.82	49
		Sulphide	102.2	0.62	0.38	0.85	47
		Total	140.7	0.62	0.38	0.85	46
Total			156.8	0.67	0.40	0.91	41
Inferred	Mount Elliott	Oxide	1.0	0.70	0.31	0.89	-
		Transition	1.7	0.80	0.45	1.07	-
		Sulphide	2.3	0.66	0.33	0.86	-
		Total	5.0	0.72	0.37	0.94	-
	SWAN	Oxide	1.5	0.53	0.23	0.67	13
		Transition	2.4	0.47	0.29	0.65	43
		Sulphide	98.3	0.53	0.31	0.72	43
		Total	102.2	0.53	0.31	0.71	43
Total			107.3	0.54	0.31	0.72	41

1 Equivalent copper cut-off grade (eCu% = Cu (%) + 0.6\*Au g/t).



**Figure 3: Mount Elliott/SWAN Long Section**

The recent Mineral Resource update for the Mount Elliott/SWAN Project, as detailed above, also included substantial near-surface oxide and transition mineralisation at SWAN.

**Table 10: Near-surface oxide and transition mineralisation at SWAN (as at June 2013) (sub-set of information in Table 9)**

	Tonnes Million	Grade Cu %	Grade Au g/t
<b>Indicated Mineral Resource</b>			
Oxide	8.9	0.73	0.38
Transition	29.6	0.59	0.38
<b>Inferred Mineral Resource</b>			
Oxide	1.5	0.53	0.23
Transition	2.4	0.47	0.29

Further work is also being conducted on this prospect to provide information for a scoping study and to evaluate the economic potential of the leachable resource at SWAN.

## 04 Overview of Inova

### Continued

#### 4.6 Leachable Copper Project

Inova is assessing the prospects and deposits (e.g. near-surface oxide and transition material at SWAN) that have potential to support either stand-alone heap leach projects or to provide incremental tonnage and copper grade to enhance a regional heap leach project. Initial work is reviewing prospects that are spread along a 55 kilometre long north-south section of Inova's mineral tenements.

To date, Inova has taken the Mount Dore heap leach project to pre-feasibility stage.

#### 4.7 Exploration

In the Cloncurry region of north-western Queensland, Inova has 44 granted EPMs with a total area of 5,657 square kilometres including joint ventures, and three EPM applications with a total area of 601 square kilometres.

Inova's long-term exploration goal is to discover the next world-class ore body within its extensive Cloncurry exploration tenements with a focus on five key aspects being:

- (a) Copper-gold exploration and copper oxide exploration;
- (b) Molybdenum-rhenium exploration;
- (c) Uranium exploration;
- (d) Gold exploration; and
- (e) Joint venture holdings

##### (a) Copper-gold exploration and copper oxide exploration

Examples of Inova's copper exploration prospects are provided below.

##### (i) Barry and Benmore Prospects – Large-scale IOCG targets

The **Barry** and **Benmore** Prospects represent large-scale IOCG style drill targets identified through a combination of seismic reflectors, IP chargeability, magnetic and gravity anomalies, surface geological mapping and rock-chip geochemistry. IP surveying is underway to further define drill targets.

##### (ii) Elana M Trend

The **Elana M Trend** lies approximately 30 kilometres north of the Mount Elliott/SWAN deposits and consists of eight prospects over 12 kilometres of strike of prospective carbonaceous silts and calc-silicate units. Planning is underway to drill both copper oxide and sulphide targets.

##### (iii) Mount Elliott Region

Exploration continues within the **Mount Elliott Region** targeting high-grade copper in structural and stratigraphic locations similar to the Mount Elliott deposit. A recent, large scale 3DIP survey defined numerous chargeability anomalies that are being assessed.

##### (b) Molybdenum-rhenium exploration

Molybdenum-rhenium targeting is currently focused on an area along strike of Merlin and also along the Elana M Trend where previous drilling has returned significant results.

In addition, a broader, regional review is being undertaken of areas with similar geological, geophysical and geochemical characteristics to Lanham's Shaft and the Merlin area. These similar characteristics extend over approximately 70 kilometres of strike length (from Victoria in the south to Lanham's Shaft in the north), indicating areas of strong molybdenum-rhenium prospectivity along this trend. This has the potential to be a significant new province that could add to the life or scale of the Merlin Project.

##### (c) Uranium exploration

Inova's uranium exploration has been concentrated on Robert Heg, where five shallow reverse circulation drill holes recently returned significant results. In addition, a number of Inova's tenements are prospective for palaeochannel and sediment hosted uranium deposits. Reconnaissance air-core drilling is being designed to drill test targets.

##### (d) Gold exploration

Inova has undertaken a new effort to define gold mineralised areas within its tenement package. The first target, Confucius, was drilled in August 2013, reporting gold mineralisation over a 400 metre strike length. Further work is being directed to soil sampling areas to the west of the Starra Line.

**(e) Joint venture holdings**

Inova has interests in various other tenements through its joint ventures. Inova continues to review and rationalise these interests.

**4.8 Financial information****(a) Historical financial statements**

The following financial information is extracted from the audited consolidated financial statements of Inova and its controlled entities for the 12 months ended 31 December 2012, and from the unaudited consolidated financial statements of Inova and its controlled entities for the six months ended 30 June 2013. Further information in relation to prior financial periods is available on Inova's website at [www.inovaresources.com](http://www.inovaresources.com).

**Table 11: Statement of Financial Position**

	<b>Consolidated</b>	
	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	32,782	45,809
Trade and other receivables	5,077	7,443
Inventories	16,425	30,882
<b>Total current assets</b>	<b>54,284</b>	<b>84,134</b>
<b>Non-current assets</b>		
Other receivables	212	225
Other financial assets	791	2,193
Property, plant and equipment	109,023	155,002
Intangible assets	13,904	13,904
Bank security deposits	24,684	24,881
<b>Total non-current assets</b>	<b>148,614</b>	<b>196,205</b>
<b>Total assets</b>	<b>202,898</b>	<b>280,339</b>
<b>Current liabilities</b>		
Trade and other payables	22,448	22,461
Provisions	3,836	3,475
<b>Total current liabilities</b>	<b>26,284</b>	<b>25,936</b>
<b>Non-current liabilities</b>		
Provisions	39,384	39,288
<b>Total non-current liabilities</b>	<b>39,384</b>	<b>39,288</b>
<b>Total liabilities</b>	<b>65,668</b>	<b>65,224</b>
<b>Net assets</b>	<b>137,230</b>	<b>215,115</b>
<b>Equity</b>		
Issued capital	668,677	662,023
Reserves	28,615	28,113
Accumulated losses	(560,062)	(475,021)
<b>Total equity</b>	<b>137,230</b>	<b>215,115</b>

## 04 Overview of Inova

### Continued

**Table 12: Statement of Profit and Loss**

	<b>Consolidated</b>	
	<b>Six months to 30 June 2013 \$'000</b>	<b>12 months to 31 December 2012 \$'000</b>
Revenue	97,233	86,639
Interest revenue	812	3,489
Operating expenses	(156,704) <sup>1</sup>	(75,542)
Evaluation expenses	(5,877)	(48,809)
Exploration expenses	(7,201)	(47,380)
Other expenses	(13,528)	(27,892)
Loss before tax	(85,265)	(109,495)
Income tax benefit/(expense)	224	(733) <sup>2</sup>
<b>Loss for the period</b>	<b>(85,041)</b>	<b>(110,228)</b>
Other comprehensive income (loss)/income for the period net of tax	522	(1,710)
<b>Total comprehensive loss for the period</b>	<b>(84,519)</b>	<b>(111,938)</b>

1 An impairment loss of \$43.2 million was included in "operating expenses" in the Statement of Profit and Loss for the six months ended 30 June 2013. The impairment loss arose due to decreases in commodity prices and increases in mining costs. The Inova Group assessed the recoverable amount of the Osborne Copper-Gold operation as a single cash-generating unit (CGU). The recoverable amount of the CGU was estimated based on its value in use, assuming that operations would carry through until the end of the 2016 calendar year based on the depletion of the current declared Mineral Reserves and Resources in the Osborne, Kulthor and Starra 276 mines. The estimate of value in use was determined using a discount rate of 7.97%. Based on the assessment during 2013, the net carrying amount of the CGU was determined to be \$43.2 million higher than its recoverable amount, and therefore an impairment loss was recognised.

2 As at 31 December 2012, the Inova Group had available revenue tax losses of approximately \$136.1 million (tax benefit) (approximately \$453.5 million on a gross basis), which have not been brought to account.

Table 13: Statement of Cash Flows

	Consolidated	
	Six months to 30 June 2013 \$'000	12 months to 31 December 2012 \$'000
<b>Cash flows from operating activities</b>		
Sales revenue	97,233	84,675
Payments to suppliers and employees	(95,465)	(209,623)
Interest received	477	3,343
Interest and finance costs paid	(51)	(2,554)
Net cash provided by/(used in) operating activities	2,194	(124,159)
<b>Cash flows from investing activities</b>		
Payment/(refund) of security deposits	197	(1,222)
Payment for property, plant and equipment	(19,738)	(87,602)
Proceeds from sale of assets held for sale	-	19,192
Net cash used in investing activities	(19,541)	(69,632)
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	4,464	75,546
Payment for share issue costs	(144)	(2,365)
Proceeds from borrowings	-	30,298
Repayment of borrowings	-	(30,298)
Net cash (used in)/provided by financing activities	4,320	73,181
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Net decrease in cash and cash equivalents	(13,027)	(120,610)
Cash and cash equivalents at the beginning of the period	45,809	166,419
<b>Cash and cash equivalents at the end of the period</b>	<b>32,782</b>	<b>45,809</b>

**(b) Material changes in financial position of Inova**

Following the results for the half year to 30 June 2013, released to the ASX on 12 August 2013, Inova updated the Mineral Resources and Mineral Reserves of Starra 276 and also undertook a review of the Osborne Copper-Gold operation. As a result of this review, a preliminary estimate is that the carrying value of the Osborne Copper-Gold operation may be reduced, which may lead to an impairment of between \$10 million to \$20 million. With the exception of this, to the knowledge of each of the Directors, the financial position of Inova has not materially changed since results for the half year to 30 June 2013 were released to the ASX on 12 August 2013.

## 04 Overview of Inova

### Continued

#### 4.9 Key business and operational risks associated with Inova

There are a number of general risks affecting the operations of Inova and various risks which affect companies operating in the mining industry. The following is a description of some of the business and operational risks associated with Inova.

##### **(a) Limited history as a mineral production company**

Although Inova has been in existence since 2004, it only commenced generating revenues from mineral production in 2012. Inova's success will depend largely upon its ability to locate and develop additional commercially viable mineral reserves, which may never happen. In addition, putting an additional mining project into production requires substantial planning and expenditures. As a result of these factors, it is difficult to evaluate Inova's future prospects.

As Inova is still in the early stages of being a mineral producer, it has not yet achieved profitable operations and may incur further losses in the operations of its business.

##### **(b) Future prospects reliant on planned properties being commercially viable**

Inova's business strategy depends in large part on discovering and developing mineral deposits within its tenement holdings into commercially viable mines. If Inova is unable to develop all or any of its identified projects, both current and future, into commercial working mines, its business and financial condition will be materially adversely affected.

##### **(c) Funding requirements**

Inova's planned exploration, development and future production activities may require substantial expenditures. As a result, Inova may require additional funds in the future to develop opportunities, which may result in Inova engaging in the sale of some or all of its interests in one or more of its projects, the issuance of equity or the incurrence of debt.

There is no assurance that Inova will be able to generate funds from operations or to obtain sufficient financing in the future on terms acceptable to it.

##### **(d) Mineral Resources and Reserves disclosed by Inova are only estimates**

Inova's Mineral Resources and Reserves estimates have been made in accordance with JORC and CIM Definition Standards. These estimates were appropriate when made, but may change significantly when new information becomes available.

Investors are cautioned not to assume that any part or all of those mineral deposits classified as "Measured Mineral Resources" or "Indicated Mineral Resources" will ever be converted into ore reserves. Further, it cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category.

##### **(e) General operational, development and exploration risks**

Inova's operations may encounter operational difficulties that may impact the amount of ore it can mine and process, and also the cost at which it can produce saleable product from its operations. Such difficulties include weather and natural disasters, unexpected maintenance or technical problems, failure of key equipment, industrial accidents and disputes and interruption of consumables supply (e.g. water, electricity, reagents). These difficulties have the potential to impact the financial position of Inova.

Inova's development and exploration activities may also encounter a number of difficulties and risks. Development projects may take longer and/or cost more to develop than planned and targeted production rates and costs may not be achieved.

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**(f) Currency exchange rates**

Revenues from the sale of Inova's mineral products are primarily transacted in US\$. Costs incurred by Inova are primarily in A\$. Inova's projects and operations are located in Australia and most of the property related expenditures, production expenditures and exploration and development costs are denominated in A\$. Movements in exchange rates may have a material impact on Inova's A\$ cash balances and reported earnings.

**(g) Impact of commodity prices**

Inova's operating results and financial condition depend upon the market prices of metals, which are cyclical and can fluctuate widely with demand for Inova's metals. Demand is affected by numerous factors beyond Inova's control, including the overall state of the economy, general level of industrial production, interest rates, rate of inflation, foreign exchange rates and investment demand for commodities. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

Future price declines may, depending on hedging practices, materially reduce Inova's profitability and could cause Inova to reduce output at its operations (including, possibly, closing one or more of Inova's mines), all of which could reduce Inova's cash flow from operations and result in liquidity pressure.

**(h) Title risk**

Although Inova has taken steps to verify title to the mineral properties in which it has an interest, these procedures do not guarantee Inova's title to those mineral properties. Furthermore, Inova could lose title to its tenements if tenement conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

**(i) Regulatory changes**

Inova must comply with a number of government regulations when conducting its operations and carrying out work on its properties. Changes in these regulations, including mineral rights tenure, environmental approval, native title and also any increased taxes, may adversely impact Inova's ability to conduct its operations as planned and may also result in increased costs.

**(j) Dependence on key individuals**

The success of Inova is largely dependent upon the performance of its key officers and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Operating mines and processing facilities also requires key technical skills of the personnel involved. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a material adverse impact upon Inova's success.



ADDITIONAL  
INFORMATION

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# 05 Additional information

## 5.1 Consequences of accepting the Offer

### (a) You will not have ongoing exposure to Inova

If you accept the Offer and it becomes unconditional, you will no longer be a Shareholder. This means you will not participate in any potential upside that may exist where Inova remains a stand-alone entity, including any potential increase in the Share price. You will also cease to have any influence on Inova through your voting rights as a Shareholder.

### (b) You will not be able to sell your Shares on-market

If you accept the Offer, you will no longer be able to trade your Shares on-market (subject to limited withdrawal rights and the Offer not lapsing). This applies even where the Offer is still subject to Conditions when you accept it. The Offer may remain open for an extended period and the Share price may exceed the Offer price during this period and the Conditions may not ultimately be satisfied or waived.

### (c) You will not be able to accept any superior proposal which may emerge

If you accept the Offer, you will no longer be able to accept any superior proposal from another party which may emerge (subject to limited withdrawal rights and the Offer not lapsing).

As at the date of this Target's Statement, there is no superior proposal available to be accepted by Shareholders.

## 5.2 Consequences of not accepting the Offer

### (a) Ongoing exposure to risks associated with Inova

If you do not accept the Offer and Inova remains as a stand-alone entity, you will continue to have exposure to the business and operational risks associated with Inova described in section 4.9.

### (b) Equity markets volatility

If you do not accept the Offer and Inova remains listed, its market price may be affected by many variables in addition to those directly related to operations, exploration successes or failures. Such factors include the general condition of markets for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public markets for the stock. Therefore, investors could suffer significant losses if the market price of the Shares is depressed or illiquid when an investor seeks liquidity.

### (c) Minority ownership risks

If you do not accept the Offer by the end of the Offer Period and, at the end of that period, the Bidder has relevant interests in more than 51% but less than 90% of the Shares and the Offer becomes unconditional, you will end up holding Shares in a company with Shanxi Donghui as the controlling Shareholder. This will have a number of possible implications, including that:

- Shanxi Donghui will be in a position to cast the majority of votes at a general meeting of Inova. This will enable it to control the composition of the Board and senior management of Inova, determine Inova's dividend policy, and control the strategic direction of the business.
- The Bidder intends to procure the appointment of a majority of Shanxi Donghui nominees to the Inova Board, so that the proportion of Shanxi Donghui nominees is broadly in line with Shanxi Donghui's voting power in Inova.
- Shanxi Donghui has indicated that it may seek to delist Inova from ASX and TSX.
- If Inova remains listed, the liquidity of Shares may be lower than at present and there may be limited institutional support for the Shares.
- If Shanxi Donghui acquires 75% or more of the Shares, the Bidder will be able to pass a special resolution of Inova. This will enable the Bidder to, among other things, change Inova's constitution.
- Even if Shanxi Donghui is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act – for example, as a result of acquisitions of Shares in reliance on the "3% creep" exception in item 9 of section 611 of the Corporations Act. The Bidder has indicated that it may determine whether to acquire additional Shares under the "creep" provisions, but that whether it seeks to acquire Shares under the "creep" provisions will depend on, amongst other things, the extent of its voting power in Inova, and Inova's position, at the relevant time.

## 05 Additional information

### Continued

Shareholders should take all of these possible implications into account in considering whether or not to accept the Offer.

#### (d) Later payment on compulsory acquisition

If you do not accept the Offer and during, or at the end of, the Offer Period the Bidder has relevant interests in at least 90% (by number) of the Shares and the Offer becomes unconditional, the Bidder will be entitled to proceed to compulsory acquisition of all outstanding Shares. Shareholders who have their Shares compulsorily acquired will receive consideration for their Shares later than those Shareholders who accept the Offer. For further information regarding compulsory acquisition, please refer to section 3.12 of this Target's Statement.

#### 5.3 Outstanding Shares

As at the date of this Target's Statement, Inova's issued capital comprises 729,665,661 Shares. There are also 4,506,882 Performance Rights on issue.

#### 5.4 Substantial Shareholders

As at the date of this Target's Statement, and based on information available to Inova, the substantial holders of Shares, the number of Shares in which they had a relevant interest, and their voting power in Inova, is set out below:

Substantial holder*	Number of Shares	Voting power
Turquoise Hill Resources Limited	409,488,666	56.1%*
M&G Investment Funds	79,000,064	10.8%
Franklin Resources Inc	37,708,479	5.2%

\* Shanxi Donghui has an interest in 108,502,084 Shares (representing an interest of 14.9%) under the Pre-Bid Agreement with Turquoise Hill.

#### 5.5 Directors of Inova

As at the date of this Target's Statement, the Directors are:

Name	Position
Mr Peter McMahon	Chairman and Lead Non-Executive Director
Mr Robert Vassie	Chief Executive Officer and Managing Director
Mr Kyle Wightman	Independent Non-Executive Director
Mr James Askew	Independent Non-Executive Director
Mr Stewart Beckman	Non-Executive Director
Mr Stephen McIntosh	Non-Executive Director

#### 5.6 Independent Board Committee

Following the announcement in April 2013 that Turquoise Hill was reviewing its shareholding in Inova, the Inova Board formed an Independent Board Committee comprising Mr Peter McMahon (Chair), Mr Kyle Wightman and Mr Jim Askew.

To ensure that potential developments and transactions relating to Turquoise Hill are aligned to the best interests of all Shareholders, the Board established a number of protocols. These include that:

- the Independent Board Committee has primary responsibility for considering and advancing the process by which Turquoise Hill may exit its shareholding in Inova, and any alternate transactions; and
- any binding decision in relation to any proposed transaction involving Turquoise Hill should be made by the full Board (subject to the requirements of Inova's constitution and applicable laws).

Mr Stewart Beckman and Mr Stephen McIntosh (each of whom are Directors – see section 5.5 of this Target's Statement above) are officers of Turquoise Hill and Rio Tinto respectively and, along with Mr Robert Vassie (as Chief Executive Officer and Managing Director of Inova), did not form part of the Independent Board Committee.

### 5.7 Directors' interests and dealings in Inova securities

#### (a) Directors' interests in Shares and Performance Rights

As at the date of this Target's Statement, the Directors had the following relevant interests in Shares and Performance Rights:

Director	Number of Shares	Number of Performance Rights
Mr Peter McMahon	296,818	–
Mr Robert Vassie	516,810	1,033,620 <sup>2</sup>
Mr Kyle Wightman	300,000 <sup>1</sup>	166,666 <sup>3</sup>
Mr James Askew	194,063	–
Mr Stewart Beckman	–	–
Mr Stephen McIntosh	–	–
<b>Total</b>	<b>1,307,691</b>	<b>1,200,286</b>

1 153,475 Shares held direct by Mr Kyle Wightman; 146,525 Shares held indirectly by Wightman Superannuation Fund, whose Trustee is Tait Capital Pty Ltd, which may act upon direction from Mr Kyle Wightman.

2 On vesting, each Performance Right entitles Mr Robert Vassie to acquire, by issue, one Share.

3 Performance Rights vested on 15 April 2013 and expire on 15 April 2015 and each Performance Right entitles Mr Kyle Wightman to acquire, by issue, one Share.

#### (b) Dealings in Shares or other securities of Inova

No Director has acquired or disposed of a relevant interest in any Shares or Inova securities in the four month period ending on the date immediately before the date of this Target's Statement, other than:

- the Shares described in section 5.7(a) of this Target Statement held by Mr Peter McMahon include 296,818 Shares which were issued on 5 June 2013 upon the vesting of Performance Rights for nil consideration; and
- the Shares described in section 5.7(a) of this Target's Statement held by Mr Robert Vassie include 516,810 Shares which were issued on 5 June 2013 upon the vesting of Performance Rights for nil consideration.

### 5.8 Directors' interests and dealings in Bidder's securities

No Director has a relevant interest in any shares or other securities of Shanxi Donghui, or any other company in the Shanxi Donghui Group.

No Director has acquired or disposed of a relevant interest in any Shanxi Donghui Group securities in the four month period ending on the date immediately before the date of this Target's Statement.

### 5.9 Benefits and agreements

As at the date of this Target's Statement, no Director is a director of Shanxi Donghui.

Other than in their capacity as a holder of Shares or as otherwise disclosed in this Target's Statement, there are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer.

### 5.10 Directors' intentions

The Directors who hold or control Shares have informed Inova that they intend to accept the Offer in respect of all Shares that they hold or control upon notification of the Offer becoming unconditional and Turquoise Hill has accepted for all of its Shares, in the absence of a superior proposal.

Details of the relevant interests of each Director in the Shares are set out in section 5.7(a) of this Target's Statement.

## 05 Additional information

### Continued

#### 5.11 Payments and benefits

Other than as described below, no benefit has been, or will be given to a person (other than a benefit which can be given without member approval under the Corporations Act):

- in connection with the retirement of that person, or someone else, from a board or managerial office of Inova or a related body corporate of Inova; or
- who holds, or has held a board or managerial office in Inova or a related body corporate of Inova, or a spouse, relative or Associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Inova.

Inova may make or has made payments or benefits to certain employees as part of resignation or redundancy arrangements, including due to the proposed relocation of Inova's head office to Brisbane. Certain Directors and employees also hold Performance Rights in Inova, some or all of which may vest following a change of control event (as defined in the relevant incentive plans) and in other circumstances.

#### 5.12 Continuous disclosure and recent announcements

Inova is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Inova to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Inova has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Shares.

A list of market releases from Inova since 1 January 2012 to 20 September 2013 is contained in Annexure B. Copies of the documents filed with ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) and Inova's website at [www.inovaresources.com](http://www.inovaresources.com).

Copies of documents lodged with ASIC in relation to Inova may be obtained from, or inspected at, an ASIC office.

Inova is also a reporting issuer under the securities laws of the Province of Ontario, Canada. As a result, it is subject to regular reporting and disclosure under the Securities Act (Ontario) and related rules and regulations (in addition to the requirements of the TSX Company Manual). Inova's disclosures in Canada are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### 5.13 Taxation consequences

The following is a general outline of the main Australian income tax consequences for an Australian resident individual Shareholder. Taxation consequences for Shareholders resident in any other jurisdiction are not provided. The outline is not exhaustive of all income tax considerations which could apply in the circumstances of any given Shareholder and there are a number of limitations to the outline including that:

- it applies only to Australian resident individual taxpayers who acquired their Shares otherwise than in respect of employment with Inova or its associated companies. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, companies, banks, insurance organisations, superannuation funds or trusts;
- it applies only where Shareholders hold their Shares on capital account. It does not apply where the shares are held on revenue account (e.g. shares held by Shareholders who trade in shares or hold Shares as trading stock); and
- it is based on current Australian tax law as at the date of this Target's Statement. It does not take into account or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

This outline does not constitute, and should not be construed as, taxation advice. Inova and its Directors and advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves.

All Shareholders, and particularly those Shareholders not specifically addressed by this outline as noted above, should consult their own independent professional taxation advisers regarding the Australian and, if applicable, foreign income tax consequences of disposing of Shares given the particular circumstances which apply to them.

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**(i) If you accept the Offer**

If you accept the Offer, it may result in taxation consequences, including exposure to tax under the CGT rules. The sale of the Shares under the Offer will constitute a CGT event and you may make a capital gain or loss. A general outline of the taxation consequences of accepting the Offer is set out in section 10 of the Bidder's Statement. By way of a summary, a capital gain will arise to the extent that the capital proceeds from the sale of the Shares exceed the cost base of those Shares. Certain Shareholders may be eligible to a discount in respect of any capital gain. A capital loss will be incurred if the capital proceeds are less than the reduced cost base of the Shares. The outline provided in the Bidder's Statement has been prepared by or on behalf of the Bidder (and not Inova nor its Directors) and Inova and its Directors and advisers do not accept any liability or responsibility in respect of that outline.

**(ii) If you sell your Shares on-market**

If you sell your shares on-market for the market price at the time, the sale will constitute a CGT event and you may make a capital gain or loss in accordance with the principles described in section 10 of the Bidder's Statement. Your capital proceeds will be equal to the price for which you sell the Shares (which may be above or below the Offer price of \$0.22 per Share).

**(iii) If you reject the Offer by doing nothing**

If you do not wish to accept the Offer or sell your Shares on market and instead you do nothing, then if the Bidder satisfies the required thresholds, it will be entitled to compulsorily acquire the Shares that it and its Associates do not already own.

At the time of compulsory acquisition, there will be CGT consequences and you may make a capital gain or loss in accordance with the principles described in section 10 of the Bidder's Statement. The CGT event will occur at the time the compulsory acquisition becomes effective.

**5.14 Other relevant information for Shareholders****(a) No material agreements subject to change in control**

As far as the Directors are aware, no agreement which is material in the context of Inova's business contains a change of control clause which may be triggered if Shanxi Donghui is successful in acquiring control of Inova and which may result in that agreement being terminated or the business of Inova being materially adversely affected.

**(b) Pre-Bid Agreement**

On 21 August 2013, Turquoise Hill and Shanxi Donghui entered into a Pre-Bid Agreement for part of Turquoise Hill's shares representing 14.9% of Inova Shares on issue (being 108,502,084 Shares) (**Pre-Bid Agreement Shares**).

Under the Pre-Bid Agreement:

- (i) Turquoise Hill agrees to procure that its wholly-owned subsidiary, IAL, accepts the Offer in respect of the Pre-Bid Agreement Shares by no later than five Business Days after the day on which Shanxi Donghui declares or announces that (except for the 51% minimum ownership condition) all of the Conditions to the Offer have been satisfied or waived (except that IAL will not be obliged to accept the Offer any earlier than two weeks after the Offer); and
- (ii) IAL is not required to accept the Offer if, prior to it accepting the Offer, a Superior Third Party Offer is publicly announced or made which is not at least matched by Shanxi Donghui within five Business Days.

## 05 Additional information

### Continued

Turquoise Hill has announced that, unless a superior proposal emerges, it intends to procure that IAL accept the Offer for all of the other Shares it holds in Inova but it does not intend to do so before IAL accepts for the Pre-Bid Agreement Shares.

Under the Pre-Bid Agreement dated 21 August 2013, Turquoise Hill is entitled to terminate the agreement four months after the date of the Pre-Bid Agreement.

#### (c) Foreign investment and regulatory approvals

Shanxi Donghui is a foreign person under the FATA because it is owned by foreign persons. Accordingly, as a Condition to the Offer, Shanxi Donghui is required to obtain the approval or non-objection of the Treasurer of the Commonwealth of Australia, who receives advice from FIRB, under the FATA. Approval will not be given for the Offer if the Treasurer, on advice from FIRB, considers that the result of the acquisition of Shares by Shanxi Donghui will be contrary to the national interest.

Shanxi Donghui has informed Inova that they have filed the necessary application, together with a detailed submission, with FIRB.

As a Condition of the Offer, Shanxi Donghui is required to obtain the following approvals:

- (i) **(NDRC)** the Chinese National Development and Reform Commission (Central Level and Shanxi Level) must approve the Bidder's acquisition of the Shares under the Bid;
- (ii) **(MOFCOM)** the Chinese Ministry of Commerce must approve the Bidder's acquisition of the Shares under the Bid; and
- (iii) **(SAFE)** the Chinese State Administration of Foreign Exchange must give approval to any member of the Bidder Group paying the aggregate price for the Shares under the Bid and transferring funds in AUD or another approved currency out of China to Australia for that purpose.

Shanxi Donghui has indicated that such approvals must be granted, given, made or obtained by the Bidder on an unconditional basis and at the end of the Offer Period remain in force and effect in all respects and do not become subject to any notice or indication of intention from a Chinese public authority (national, provincial or otherwise) to revoke, suspend, restrict, modify or not renew.

There is no certainty that the Bidder will obtain all necessary approvals. Some Shareholders may consider waiting until these approvals have been obtained before accepting the Offer.

#### 5.15 Consents

Each of UBS, Corrs Chambers Westgarth, Stikeman Elliott (Sydney) LLP, Rio Tinto, Mertons Corporate Services Pty Ltd, Golder (John Horton), AMC Consultants Pty Ltd (Mehmet Yumlu, Edward Gleeson and Rodney L Webster), SRK Consulting (Australasia) Pty Ltd (Anne-Marie Ebbels and Peter Fairfield), Lewis Mineral Resource Consulting Pty Ltd (Richard Lewis), Computershare Investor Services Pty Ltd, Mineralurgy Pty Ltd (Peter Munro), Lycopodium Minerals Pty Ltd (Neil Lincoln), SLR Consulting Australia Pty Ltd (Gordon McPhail) and Alphrai Pty Ltd (Raymond Alfred Cantrell):

- (a) has consented to be named in this Target's Statement in the form and context in which they are named;
- (b) has consented to the inclusion of each statement they have made, and each statement which is based on a statement they have made, in the form and context in which the statements appear; and
- (c) has not withdrawn that consent before this Target's Statement was lodged with ASIC.

Each of UBS, Corrs Chambers Westgarth, Stikeman Elliott (Sydney) LLP, Rio Tinto, Mertons Corporate Services Pty Ltd, Golder (John Horton), AMC Consultants Pty Ltd (Mehmet Yumlu, Edward Gleeson and Rodney L Webster), SRK Consulting (Australasia) Pty Ltd (Anne-Marie Ebbels and Peter Fairfield), Lewis Mineral Resource Consulting Pty Ltd (Richard Lewis), Computershare Investor Services Pty Ltd, Mineralurgy Pty Ltd (Peter Munro), Lycopodium Minerals Pty Ltd (Neil Lincoln), SLR Consulting Australia Pty Ltd (Gordon McPhail) and Alphrai Pty Ltd (Raymond Alfred Cantrell):

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.



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As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Shanxi Donghui and various other parties (including IAL, Turquoise Hill, Emmerson, Exco and M3 Engineering & Technology Corp) with ASIC or given to ASX or TSX, or announced on the ASX or TSX, by Shanxi Donghui and such other parties. Pursuant to the Class Order, the consent of Shanxi Donghui and such other parties is not required for the inclusion of such statements in this Target's Statement. Any Shareholder who would like to receive a copy (or part) of any of those documents may request during the Offer Period a copy from Inova. Inova will provide a copy free of charge within two Business Days of the request being made.

In addition, as permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

As permitted by ASIC Class Order 07/429, this Target's Statement contains security price trading data sourced from IRESS without its consent, and may include or be accompanied by statements containing:

- (a) credit rating references;
- (b) historical geological reports; or
- (c) other trading data references,

without the consent of the person to whom those statements are attributed.

#### **5.16 No other material information**

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Directors.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement or any supplementary Bidder's Statement);
- the information contained in Inova's releases to the ASX, and in the documents lodged by Inova with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and
- the time available to Inova to prepare this Target's Statement.

## 05 Additional information

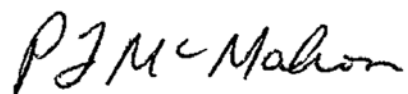
### Continued

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#### 5.17 Approval

This Target's Statement has been approved by a resolution passed by the Directors of Inova.

**Signed** for and on behalf of Inova:

A handwritten signature in black ink, appearing to read 'P J McMahon', written in a cursive style.

27 September 2013

**Peter McMahon**  
**Chairman and Lead Non-Executive Director**

**Inova Resources Limited**

GLOSSARY AND  
INTERPRETATION

# 06

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# 06 Glossary and interpretation

In this Target's Statement defined terms have the meanings set out below:

Term	Meaning
3DIP	Three Dimensional Induced Polarisation, as referred to in section 4 of this Target's Statement
\$, A\$ or AUD	Australian dollar
Acceptance Form	the form of acceptance of the Offer enclosed with the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Shanxi Donghui (and includes to avoid doubt, both the issuer Acceptance Form and the CHES Acceptance Form)
AEST	Australian Eastern Standard Time
AGM	Annual General Meeting of Inova
Announcement Date	the date of the announcement of the Offer to acquire all of the Shares in Inova by Shanxi Donghui, being 21 August 2013
ASIC	Australian Securities and Investments Commission
Associate	the meaning given to it in section 12 of the Corporations Act
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the "Australian Securities Exchange" operated by that entity
ASX Listing Rules	the official listing rules of ASX as amended or varied from time to time
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement as amended or varied from time to time
Au	gold
Bid	an off-market takeover bid by Shanxi Donghui for all Shares under Chapter 6 of the Corporations Act
Bidder Group	Shanxi Donghui and each of its related bodies corporate
Bidder's Statement	the statement of Shanxi Donghui under Part 6.5 Division 2 of the Corporations Act issued in relation to the Offer dated 29 August 2013
Board	the board of Directors of Inova
Business Day	a day on which banks are open for business in Melbourne, Australia, excluding a Saturday, Sunday or public holiday
CDS	CDS Clearing and Depository Services Inc., the settlement agency for trades on the TSX
CGT	capital gains tax
CHES	the Clearing House Electronic Subregister System operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities
CHES Holding	a holding of Shares which are registered on the Inova share register being a register administered by ASX Settlement and which records uncertificated holdings of Shares
CHES Subregister	the meaning set out in the ASX Settlement Operating Rules
CIM	Canadian Institute of Mining, Metallurgy and Petroleum
Conditions	the conditions set out in section 12.8 of the Bidder's Statement and Annexure A of this Target's Statement
Controlling Participant	in relation to Shares, the same meaning as in the ASX Settlement Operating Rules
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC)
Cu	copper

Term	Meaning
Directors	the directors of Inova
EPM	Exploration Permit for Minerals granted under the <i>Mineral Resources Act 1989</i> (QLD)
eCu	copper equivalent
Emmerson	Emmerson Resources Limited
Exco	Exco Resources Limited
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
FIRB	the Australian Foreign Investment Review Board
FY	financial year
Golder	Golder Associates Pty Ltd
GST	the same meaning as in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
g/t	grams per tonne
JORC	Australasian Joint Ore Reserves Committee
Holder Identification Number or HIN	the same meaning as in the ASX Settlement Operating Rules
IAL	means IAL Holdings Singapore Pte Ltd (a company incorporated in Singapore)
Independent Board Committee or IBC	the sub-committee of the Board comprising the Independent Directors
Independent Directors	means each of Mr Peter McMahon, Mr Jim Askew and Mr Kyle Wightman, and all of them together
Inova	Inova Resources Limited (ACN 107 689 878)
Inova Board	the Board of Directors of Inova
Inova Group	Inova and each of its Subsidiaries
Inova Share Plan	the Employee Share Plan adopted by the Inova Board in 2008 as amended by the Inova Board from time to time
IOCG	Iron Oxide Copper Gold, as referred to in section 4 of this Target's Statement
IP	Induced Polarisation, as referred to in section 4 of this Target's Statement
Issuer Sponsored Holding	a holding of Shares on the Inova issuer sponsored sub-register
Merlin Project	has the meaning in section 4.1 of this Target's Statement
Mineral Reserve	the economically mineable part of a Measured and/or Indicated Mineral Resource. All Mineral Resource estimates provided in this document are shown inclusive of Mineral Reserves
Mineral Resource	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
ML	mining lease granted under the <i>Mineral Resources Act 1989</i> (QLD)
Mo	molybdenum
Mount Elliott/SWAN Project	has the meaning in section 4.1 of this Target's Statement
Offer	the offer by Shanxi Donghui for the Shares, which is contained in section 12 of the Bidder's Statement
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 12.2 of the Bidder's Statement

## 06 Glossary and interpretation

### Continued

Term	Meaning
Participant	an entity admitted to participate in CHESS under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules
Performance Rights	performance rights issued and vested under the Inova Share Plan which, once exercised, convert to Shares
ppm	parts per million
Pre-Bid Agreement	the Pre-bid Acceptance Deed dated 21 August 2013 between Turquoise Hill and Shanxi Donghui
Pre-Bid Agreement Shares	the Shares defined as “Pre-Bid Agreement Shares” in section 2.1 of the Bidder’s Statement, and referred to in section 5.14(b) of this Target’s Statement
QAQC	quality assurance and quality control
RC	refining charge
Re	rhenium
Recommending Directors	the Independent Directors and the Managing Director (Robert Vassie)
Register	the register of Shareholders maintained by Inova in accordance with the Corporations Act
Register Date	the date set by Shanxi Donghui under section 633(2) of the Corporations Act, being 29 August 2013
Rights	all accreditations, rights or benefits of whatever kind attaching to or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Inova or any of its subsidiaries)
RL	reduced level
Rio Tinto	Rio Tinto Limited and Rio Tinto plc
Security Holder Reference Number or SRN	the same meaning as in the ASX Settlement Operating Rules
Shanxi Donghui or Bidder	Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (a company incorporated in the People’s Republic of China)
Shanxi Donghui Group	the group set out in section 5.5 of the Bidder’s Statement
Share Registrar	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shareholder	a person who is registered as the holder of one or more Shares on the Register
Shareholder Information Line	1300 551 547 (within Australia) +61 1300 551 547 (outside Australia)
Shares or Inova Share	fully paid ordinary shares in the capital of Inova
Stockbroker	a member organisation admitted to participate in the CHESS under rule 2.1.1 of the ASX Settlement Operating Rules
Subsidiary	has the meaning given in the Corporations Act
Superior Third Party Offer	a Third Party Offer which: <ul style="list-style-type: none"> <li>(a) provides for a price per Share which exceeds the price per Share offered under the Offer; and</li> <li>(b) is reasonably capable of being valued and implemented, taking into account all aspects of the Third Party Offer, including its conditions, as determined in accordance with the Pre-Bid Agreement</li> </ul>
Target’s Statement	this document (including its annexures), being the statement of Inova under Part 6.5 Division 3 of the Corporations Act

Term	Meaning
TC	treatment charge
Third Party Offer	<p>means offers under a takeover bid pursuant to Chapter 6 of the Corporations Act, a scheme of arrangement pursuant to Part 5.1 of the Corporations Act or any other transaction which is subject to approval by Shareholders or has been approved by the Inova Board, which, if completed, would mean that a person other than Shanxi Donghui or its associate would:</p> <p>(a) directly or indirectly, acquire or have a right to acquire an interest in, a relevant interest in or become the holder of:</p> <p>(i) more than 50% of the Shares; or</p> <p>(ii) whole or a material part of the business or property of Inova; or</p> <p>(b) acquire "control" (as defined in section 50AA of the Corporations Act) of Inova</p>
TSX	Toronto Stock Exchange
Turquoise Hill	Turquoise Hill Resources Limited (a company incorporated in Canada)
UBS	UBS AG, Australia Branch
US\$ or USD	United States dollar
your Shares	<p>subject to section 12.1(e) and section 12.1(f) of the Bidder's Statement, the Shares:</p> <p>(a) in respect of which you are registered, or entitled to be registered, as holder in the Register of Shareholders of Inova at 7.00pm (Melbourne time)/5.00am (Toronto time) on the Register Date;</p> <p>(b) in respect of which you are registered, or entitled to be registered, as holder during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights attached to any Performance Rights; or</p> <p>(c) to which you are able to give good title at the time you accept this Offer during the Offer Period</p>

Dated: 27 September 2013



ANNEXURE A  
- CONDITIONS

A

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# Annexure A Conditions

According to section 12.8 of the Bidder's Statement, subject to section 12.9 of the Bidder's Statement, the Offer and any contract resulting from acceptance of the Offer is subject to fulfilment (or waiver by Shanxi Donghui in its discretion, which in relation to each Condition may be in whole or in part) of each of the following Conditions:

- (a) **(Minimum ownership)** during, or at the end of, the Offer Period, the number of Shares in which Shanxi Donghui and its associates together have relevant interests is at least 51% (by number) of all Shares on issue;
- (b) **(Chinese regulatory approval)** prior to the end of the Offer Period:
  - (i) **(NDRC)** the Chinese National Development and Reform Commission (Central Level and Shanxi Level) approves the Shanxi Donghui's acquisition of Shares under the Offer;
  - (ii) **(MOFCOM)** the Chinese Ministry of Commerce approves Shanxi Donghui's acquisition of Shares under the Offer; and
  - (iii) **(SAFE)** the Chinese State Administration of Foreign Exchange approves of any member of the Shanxi Donghui Group paying the aggregate price for the Shares under the Offer and transferring funds in AUD or another approved currency out of China to Australia for that purpose,

and such approvals are granted, given, made or obtained by Shanxi Donghui on an unconditional basis and at the end of the Offer Period remain in force and effect in all respects and do not become subject to any notice or indication of intention from a Chinese public authority (national, provincial or otherwise) to revoke, suspend, restrict, modify or not renew;
- (c) **(Foreign Acquisitions and Takeovers Act)** prior to the end of the Offer Period, the Treasurer of the Commonwealth of Australia or their agent consents under the FATA to the proposed acquisition by Shanxi Donghui of Shares under the Offer and the Treasurer is taken to have so consented:
  - (i) if Shanxi Donghui receives written notice from or on behalf of the Treasurer to the effect that the acquisition of Shares is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the Act; or
  - (ii) if notice of the Offer or proposed acquisition of Shares is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the FATA in relation to the proposed acquisition by Shanxi Donghui of Shares under the Offer because of lapse of time;
- (d) **(No Public Authority intervention)** that between the Announcement Date and the end of the Offer Period (each inclusive):
  - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
  - (ii) no application is made to any Public Authority (other than by any member of Shanxi Donghui and any of its Subsidiaries); and
  - (iii) no action or investigation is instituted or threatened by any Public Authority with respect to any member of the Shanxi Donghui Group,

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Offer), which:

  - (iv) restrains or prohibits (or, if granted, could restrain or prohibit), or otherwise materially adversely affect the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Shanxi Donghui in respect of Inova and the Shares to be acquired under the Offer; or
  - (v) requires the divestiture by any member of the Shanxi Donghui Group of any Shares, or the divestiture of any material assets of the Inova Group or any member of the Shanxi Donghui Group;
- (e) **(No material acquisitions, disposals, cancellations or new commitments)** except for any proposed transaction or item fairly disclosed in writing to the Bidder, or publicly announced by Inova, before the Announcement Date, none of the following events occurs during the period on and from the Announcement Date to the end of the Offer Period:
  - (i) Inova or another member of the Inova Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets, other than an interest in a member of the Inova Group which is held by another person

## Annexure A Conditions

### Continued

for the benefit of any other member of the Inova Group) or makes an announcement in relation to such an acquisition or agreement for an amount or consideration in excess of AUD 1,000,000 for any individual item or in excess of AUD 5,000,000 in aggregate;

- (ii) Inova or another member of the Inova Group disposes of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) or makes an announcement in relation to such a disposition or agreement for an amount or consideration in excess of AUD 1,000,000 for any individual item or in excess of AUD 5,000,000 in aggregate;
  - (iii) a member of the Inova Group enters into or agrees to enter into any offtake or marketing agreement in relation to any of the commodities currently produced or forecast to be produced by the Target that is either not on arms' length terms or that lasts for a period of longer than six months;
  - (iv) a member of the Inova Group enters into or agrees to enter into any farm-in, farm-out, joint venture or partnership or other management agreement that requires or is reasonably likely to involve payments, expenditure or the foregoing of revenue, by a member of the Target Group in excess of AUD 2,000,000 in aggregate; or
  - (v) a mining lease, permit or licence granted to or held by any member of the Inova Group relating to the Merlin Project, the Mt Elliott Project or the Osborne Project is revoked, surrendered or terminated or a member of the Inova Group agrees to the same without there being a reasonable likelihood of such tenement, permit or licence being allowed to continue, renewed or extended on terms which are no less favourable to the member of the Inova Group;
- (f) **(No persons exercising rights under certain agreements or instruments)** after the Announcement Date and before the end of the Offer Period, no person exercises or announces its intention to exercise any rights under any provision of any agreement or other instrument to which a member of the Inova Group is a party, or by or to which a member of the Inova Group or any of its assets may be bound or be subject (which, if exercised, will have or is reasonably likely to have a material adverse effect on the Inova Group taken as a whole), to:
- (i) require monies borrowed by, or other financial accommodation provided to, a member of the Inova Group to be paid or repaid immediately or earlier than the repayment or maturity date stated in such agreement or other instrument;
  - (ii) terminate or modify any such agreement or instrument or require that any action be taken thereunder (including the acceleration of the performance of any obligation thereunder);
  - (iii) terminate or modify the interest of a member of the Inova Group in any farm-in, farm-out, partnership, joint venture, trust, corporation or other entity (or any arrangements relating to such interest); or
  - (iv) require that any assets, shares or business of a member of the Inova Group be sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions,
- as a result of the acquisition of Shares by Shanxi Donghui;
- (g) **(Distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Inova does not make or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), except for any distribution which has been publicly announced by Inova on the ASX before the Announcement Date;
- (h) **(Prescribed occurrences)** during the period beginning on the date the Bidder's Statement is given to Inova and ending at the end of the Offer Period, none of the following events happen:
- (i) Inova converts all or any of its shares into a larger or smaller number of shares;
  - (ii) a member of the Inova Group resolves to reduce its share capital in any way;
  - (iii) a member of the Inova Group:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;

- 
- (iv) a member of the Inova Group issues Shares, or grants an option over its Shares, or agrees to make such an issue or grant such an option, in each case other than:
    - (A) an issue of Shares: (A) as a result of the vesting and exercise of a Performance Right on issue as at the Announcement Day by an eligible member of the plan in accordance with the Performance Right plan rules, or (B) otherwise in accordance with the Performance Right plan rules where there is no exercise of any Inova Board discretion to permit early vesting, or pursuant to the exercise of Inova Board discretion taking effect under the Performance Right plan rules upon the Offer becoming unconditional; or
    - (B) an issue or grant of options over Shares (including Performance Rights) to any of the officers, directors, executives or employees of the Inova Group pursuant to offers that were made prior to the Announcement Date or contractual arrangements in existence prior to the Announcement Date;
  - (v) a member of the Inova Group issues, or agrees to issue, convertible notes;
  - (vi) a member of the Inova Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Inova Group's business or property;
  - (vii) a member of the Inova Group resolves to be wound up;
  - (viii) a liquidator or provisional liquidator of a member of the Inova Group is appointed;
  - (ix) a court makes an order for the winding up of a member of the Inova Group;
  - (x) an administrator of a member of the Inova Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xi) a member of the Inova Group executes a deed of company arrangement;
  - (xii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Inova Group; or
  - (xiii) a member of the Inova Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Inova Group's business or property.
  - (i) **(No prescribed occurrence prior to dispatch)** none of the events referred to in conditions (h)(i) [-] (xiii) happen during the period commencing on the Announcement Date and ending at the end of the day immediately preceding the day the Bidder's Statement is given to Inova;
  - (j) **(Conduct of Target's affairs)** during the period commencing on the Announcement Date and ending on the end of the Offer Period no member of the Inova Group without the prior written consent of Shanxi Donghui:
    - (i) changes its constitution or passes any special resolution;
    - (ii) enters into any guarantee, indemnity or guarantee and indemnity on behalf of any member of the Inova Group in relation to amount in excess of AUD 10,000,000;
    - (iii) increases the remuneration or otherwise materially varies the engagement terms of or employment arrangements with any director of a member of the Inova Group or any key management personnel of the Inova Group where the total annual employment cost of that director or employee equals or exceeds AUD 200,000, except in accordance with contractual arrangements in existence on the Announcement Date or any determination of a board of a member of the Inova Group made prior to the Announcement Date; or
  - (iv) without prejudice to conditions (e) and (f) above and paragraphs (i) to (iii) above enters into or agrees to enter into any agreement or commitment with a third party that would require expenditure, the foregoing of revenue or the incurring of a liability by one or more members of the Inova Group in excess of AUD 10,000,000.

ANNEXURE B  
- MARKET  
RELEASES

B

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# Annexure B Market releases

A list of material releases from Inova from 1 January 2012 to 20 September 2013 is provided below.

Date	Announcement
20-Sep-13	Joint Company Secretary Appointment
19-Sep-13	Significant Copper gold at Kulthor/Positive SWAN Results
19-Sep-13	Starra 276 Reserves Update/Osborne Project Review
13-Sep-13	Announcement regarding Shanxi Donghui Dispatches Bidders Statement
5-Sep-13	Positive Initial Gold Results from Drilling at Confucius
4-Sep-13	Company Presentation
30-Aug-13	Shanxi Donghui Bidders Statement Lodged
22-Aug-13	Update on Shanxi Donghuis intended takeover offer
21-Aug-13	Intended Takeover Offer
21-Aug-13	Intended Takeover Offer and Form 603
12-Aug-13	Management's Discussion and Analysis Results to 30 June 2013
12-Aug-13	Appendix 4D Half Year Report to 30 June 2013
12-Aug-13	Mount Elliott-SWAN Resource Update
9-Aug-13	Company Secretary Appointment/Resignation
7-Aug-13	Retirement of Directors
6-Aug-13	Inova Resources Limited appoints new Chief Financial Officer
2-Aug-13	Anticipated Impairment of Osborne Copper-Gold Asset
31-Jul-13	Quarterly Report
9-Jul-13	Market Update on Exploration and Drilling Programs
28-Jun-13	Merlin Value Engineering Update
19-Jun-13	Senior Management Changes
18-Jun-13	Company Presentation
17-Jun-13	Name Change Announcement
28-May-13	Results of Meeting
28-May-13	Board changes
28-May-13	CEO's AGM Address
28-May-13	Chairman's AGM Address
23-May-13	Proposed Company Name Change
30-Apr-13	Company Presentation
29-Apr-13	Quarterly Report
29-Apr-13	Notice of Annual General Meeting/Proxy Form
26-Apr-13	Annual Report to shareholders
24-Apr-13	Appointment of General Manager, Exploration
11-Apr-13	Response to media article
19-Mar-13	Starra 276 Stope Mining
25-Feb-13	Company Investor Presentation
22-Feb-13	Annual Financial Report
11-Feb-13	Amended Share Trading Policy
31-Jan-13	Quarterly Report
29-Jan-13	Pro-Rata Entitlement Issue Shortfall Placement
17-Jan-13	Company Secretary Appointment/Resignation
15-Jan-13	Company Secretary Appointment/Resignation

## Annexure B Market releases

### Continued

Date	Announcement
7-Jan-13	Correction to Date – Announces new MD/CEO
7-Jan-13	Ivanhoe Australia announces new Managing Director and CEO
19-Dec-12	Ivanhoe Australia Completes Retail Component of Entitlement
30-Nov-12	Notification to Ineligible Retail Shareholders
30-Nov-12	Retail Entitlement Offer Booklet
30-Nov-12	Allotment of shares under Institutional Entitlement Offer
27-Nov-12	Ivanhoe acquisition of 51% interest in Emmerson JV Tenements
27-Nov-12	Emmerson Resources and Ivanhoe Australia JV
23-Nov-12	Ivanhoe Australia Completes Institutional Entitlement Offer
21-Nov-12	ASX Circular – Accelerated Entitlement Offer
21-Nov-12	Entitlement Offer to Raise up to A\$80 million – Presentation
2-Nov-12	Brisbane Mining Conference Presentation
31-Oct-12	Quarterly Cashflow and Activities Report 30 September 2012
19-Sep-12	Over 60% Upgrade to Kulthor Mineral Resource
31-Aug-12	Sale of Exco Limited Shares
23-Aug-12	Sale of Exco Resources Limited Shares
16-Aug-12	Strategic & Business Review Complete
10-Aug-12	Half-Year Financial Report
7-Aug-12	Diggers and Dealers Mining Conference Presentation
30-Jul-12	Quarterly Report 30 June 2012
30-Jul-12	Ivanhoe Australia secures US\$50 million Capital Facility
26-Jun-12	First Phase of Strategic and Business Review
15-Jun-12	First Shipment of Copper Concentrate
8-Jun-12	Change of CEO
1-Jun-12	Amended Constitution (shareholder approved at AGM)
29-May-12	AGM Presentation
7-May-12	Ivanhoe Mines Nominees Appointed/Reaffirms Support
1-May-12	Investor Presentation
30-Apr-12	Quarterly Report 31 March 2012
30-Apr-12	Significant Drilling Results at Kulthor Deposit
19-Apr-12	Board Change and Strategy Confirmation
17-Apr-12	Mount Elliott Study Completed/Osborne Mill Feed Increased
16-Apr-12	Merlin Feasibility Study Completed
12-Apr-12	Board Changes
10-Apr-12	Annual Report
15-Mar-12	Annual Financial Report
8-Mar-12	Ivanhoe Australia Achieves Producer Status
27-Feb-12	Investor Roadshow Presentation
31-Jan-12	Quarterly Activities and Cashflow Report
31-Jan-12	Ivanhoe appoints UBS to advise on Strategic Partnership
31-Jan-12	Little Wizard Very High Grade Ore Body Accessed
19-Jan-12	Significant High-Grade Copper-Gold Intercepts at Starra 276
12-Jan-12	Ivanhoe receives \$30.1 million from Exco Distribution



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# Corporate Directory

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## **Inova Board**

Mr Peter McMahon	Chairman and Lead Non-Executive Director
Mr Robert Vassie	Chief Executive Officer and Managing Director
Mr Kyle Wightman	Independent Non-Executive Director
Mr James Askew	Independent Non-Executive Director
Mr Stewart Beckman	Non-Executive Director
Mr Stephen McIntosh	Non-Executive Director

## **Joint Company Secretaries**

Mr Kerry Parker  
Mark Licciardo  
Mertons Corporate Services Pty Ltd  
Level 6, 350 Collins Street  
Melbourne VIC 3000

## **Registered Office**

Level 13, 484 St Kilda Road  
Melbourne VIC 3004 Australia

## **Share Registrar**

Computershare Investor Services Pty Ltd  
GPO Box 52  
Melbourne VIC 3001 Australia

## **Financial adviser**

UBS AG, Australia Branch  
Level 16, 8 Exhibition Street  
Melbourne VIC 3000 Australia

## **Australian Legal Adviser**

Corrs Chambers Westgarth  
Level 36, Bourke Place  
600 Bourke Street  
Melbourne VIC 3000 Australia

## **Canadian Legal Adviser**

Stikeman Elliott (Sydney) LLP  
Level 12, Suite 1  
50 Margaret Street  
Sydney NSW 2000

