

## News Release

### AUD\$0.22 PER SHARE CASH OFFER BY SHANXI DONGHUI COAL COKING & CHEMICALS GROUP CO., LTD FOR INOVA RESOURCES LTD

Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (**Shanxi Donghui**) wishes to announce its intention to make an off-market takeover bid to acquire all of the ordinary shares in Inova Resources Ltd (**Inova**) (the **Takeover Offer**).

#### Highlights

- Shanxi Donghui's offer is for AUD\$0.22 cash per Inova share.
- Premium of 55% to the 3 month volume weighted average ASX trading price (VWAP) of \$0.142 and 29% to the ASX closing price of \$0.170 per Inova share on 20 August 2013.
- Shanxi Donghui's offer provides Inova shareholders with certainty of value at an attractive, risk-free, cash premium for their investment.
- Inova's largest shareholder, Turquoise Hill Resources Ltd has entered into a pre-bid acceptance agreement for 14.9% of Inova.

Mr Zhang Yaping, Chairman of Shanxi Donghui, said:

*"Shanxi Donghui looks forward to progressing the development of Inova's mines and growth projects and managing the inherent risks involved. We believe our offer provides Inova shareholders with a full and fair risk-free cash premium for their investment."*

#### Details of the Takeover Offer

Shanxi Donghui's offer is for AUD\$0.22 cash per share, valuing Inova at approximately AUD\$160 million. The Takeover Offer represents a 29% premium over the closing price of \$0.170 per Inova share on the Australian Securities Exchange (**ASX**) on 20 August 2013 and a 55% premium over the volume weighted average price of Inova shares over the last 3 month VWAP on the ASX of \$0.142. The Takeover Offer will be financed through Shanxi Donghui's existing cash resources.

The consideration under the Takeover Offer is equivalent to approximately \$0.207 Canadian dollars per share assuming the closing AUDCAD exchange rate of 0.9426 on the 20<sup>th</sup> August 2013.

#### Conditions to the Takeover Offer

The Takeover Offer will be subject to a number of conditions, all of which are set out in Annexure A to this Announcement.

#### Pre-bid Acceptance Deed

Shanxi Donghui has entered into a pre-bid acceptance deed (**PBAD**) with Turquoise Hill Resources Ltd (Turquoise Hill) in respect of 14.9% of the issued shares in Inova equating to 108,502,084 Inova shares (**Sale Shares**). Prior to entering the PBAD Shanxi Donghui did not hold a relevant in any Inova securities.

Turquoise Hill owns approximately 56.2% of Inova's issued capital via its wholly owned subsidiary, IAL Holdings Singapore Pte Ltd, an unlisted Singaporean company. In total (including the Sale Shares), IAL Holdings Singapore Pte Ltd currently holds approximately 56.2% of the shares in Inova.

Under the PBAD:

- (a) Turquoise Hill agrees to procure that IAL Holdings Singapore Pte Ltd accepts the Takeover Offer in respect of the Sale Shares by not later than 5 business days after the day on which Shanxi Donghui declares or announces that except for the 51% minimum ownership condition all other Bid conditions attaching to the Takeover Offer have been satisfied or waived.
- (b) IAL Holdings Singapore Pte Ltd is not required to accept the Takeover Offer in respect of the Sale Shares earlier than 2 weeks after the date of the offer under the Takeover Offer or if a superior proposal is publicly announced or made which is not at least matched by Shanxi Donghui within 5 business days.

A copy of the PBAD is set out in Annexure B to this Announcement.

### **About Shanxi Donghui**

Shanxi Donghui is a leading coking coal, coke and chemicals producer in Shanxi province, China. Shanxi Donghui is privately owned by the Chairman Mr Zhang Yaping and his brother Mr Zhang Weidong.

Shanxi Donghui has in excess of 1 billion Chinese Renminbi cash on hand to enable it to fund the Takeover Offer.

Shanxi Donghui's head office is located at 95 Xinjian North Road, Yingze District, Taiyuan, Shanxi, China.

### **Benefits of the Takeover Offer**

Shanxi Donghui's offer provides Inova shareholders with certainty of value at an attractive, risk-free, cash premium for their investment.

### **Bidders Statement**

Shanxi Donghui expects to dispatch shortly its Bidder's Statement to all Inova shareholders containing detailed information relevant to the Takeover Offer.

The Takeover Offer will be open for acceptance for a period of not less than one month from the date the documents are mailed.

### **Intention of Shanxi Donghui**

If Shanxi Donghui receives acceptances for 90% or more of Inova shares, Shanxi Donghui intends to take steps available to it to acquire compulsorily any outstanding Inova shares.

Shanxi Donghui has retained Thomsons Lawyers to act as legal adviser and PricewaterhouseCoopers Securities Limited and Sapphire International Capital as joint financial advisers in relation to the Takeover Offer.

## Annexure A – Bid Conditions

The Offer and any contract resulting from acceptance of the Offer is subject to fulfilment (or waiver by the Bidder in its discretion, which in relation to each condition may be in whole or in part) of each of the following Bid Conditions:

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 51% (by number) of all Target 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 and Shanxi Level) approves the Bidder's acquisition of Target Shares under the Bid;
  - (ii) (MOFCOM) the Chinese Ministry of Commerce approves the Bidder's acquisition of Target Shares under the Bid; and
  - (iii) (SAFE) the Chinese State Administration of Foreign Exchange approves of any member of the Bidder Group paying the aggregate price for the Target Shares under the Bid 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 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;

- (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 *Foreign Acquisitions and Takeovers Act 1974* (Cth) (**Act**) to the proposed acquisition by Bidder of Target Shares under the Bid and the Treasurer is taken to have so consented:
  - (i) if Bidder receives written notice from or on behalf of the Treasurer to the effect that the acquisition of Target 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 Bid or proposed acquisition of Target Shares is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition by Bidder of Target Shares under the Bid 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 Bidder 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 Target 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 Bidder in respect of Target and the Target Shares to be acquired under the Offer; or

- (v) requires the divestiture by any member of the Bidder Group of any Target Shares, or the divestiture of any material assets of the Target Group or any member of the Bidder 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 Target, 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) Target or another member of the Target 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 Target Group which is held by another person for the benefit of any other member of the Target 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) Target or another member of the Target 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 Target 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 6 months;
  - (iv) a member of the Target 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 Target Group relating to the Merlin Project, the Mt Elliott Project or the Osborne Project is revoked, surrendered or terminated or a member of the Target 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 Target 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 Target Group is a party, or by or to which a member of the Target 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 Target Group taken as a whole), to:
- (i) require monies borrowed by, or other financial accommodation provided to, a member of the Target 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 Target 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 Target 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 Target Shares by Bidder;

- (g) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Target 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 Target on the ASX before the Announcement Date;
- (h) **(prescribed occurrences)** during the period beginning on the date the Bidder's Statement is given to Target and ending at the end of the Offer Period, none of the following events happen:
  - (i) Target converts all or any of its shares into a larger or smaller number of shares;
  - (ii) a member of the Target Group resolves to reduce its share capital in any way;
  - (iii) a member of the Target 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 Target 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 an EPRP right on issue as at the Announcement Day by an eligible member of the plan in accordance with the EPRP plan rules, or (B) otherwise in accordance with the EPRP plan rules where there is no exercise of any Target Board discretion to permit early vesting, or pursuant to the exercise of Target Board discretion taking effect under the EPRP plan rules upon the Offer becoming unconditional; or
    - (B) an issue or grant of options over Shares (including EPRP rights) to any of the officers, directors, executives or employees of the Target 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 Target Group issues, or agrees to issue, convertible notes;
  - (vi) a member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Target Group's business or property;
  - (vii) a member of the Target Group resolves to be wound up;
  - (viii) a liquidator or provisional liquidator of a member of the Target Group is appointed;
  - (ix) a court makes an order for the winding up of a member of the Target Group;
  - (x) an administrator of a member of the Target Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xi) a member of the Target 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 Target Group; or
  - (xiii) a member of the Target Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Target Group's business or property.
- (i) **(no prescribed occurrence prior to dispatch)** none of the events referred to in condition (h)(i)-(xiii) happens 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 Target;
- (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 Target Group without the prior written consent of the Bidder:
- (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 Target 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 Target Group or any key management personnel of the Target 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 Target 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 Target Group in excess of AUD 10,000,000.

## Definitions

The following definitions apply in interpreting the Bid Conditions:

**Announcement Date** means the date on which the Bidder publicly proposes to make the Bid;

**associate** has the meaning given to that term in the Corporations Act;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ABN 98 008 624 691;

**Bid** means an off-market takeover bid by Bidder for all Target Shares under Chapter 6 of the Corporations Act;

**Bidder** means Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd;

**Bid Condition** means each condition set out above;

**Bidder Group** means the Bidder and each of its 'related bodies corporate' (as defined in the Corporations Act);

**Bidder's Statement** means the bidder's statement to be issued by Bidder in respect of the Bid;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or

- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**EPRP** means the Target Employee Share Plan adopted by the Target Board in 2008 as amended by the Target Board from time to time;

**Offer** means each offer to acquire Target Shares to be made by Bidder to Target Shareholders in connection with the Bid;

**Offer Period** means the period during which Offers are open for acceptance;

**Public Authority** means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX or TSX) whether of or in Australia or Canada;

**Register** means the register of Target Shareholders maintained by Target in accordance with the Corporations Act;

**Subsidiary** has the meaning given in the Corporations Act;

**Takeovers Panel** means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act;

**Target Board** means the board of directors of Target;

**Target Group** means Target and each of its Subsidiaries;

**Target** means Inova Resources Limited ACN 107 689 878;

**Target Shares** means fully paid ordinary shares in Target;

**Target Shareholder** means a person who is registered as the holder of Target Shares in the Register;

## **Interpretation**

- (a) Headings are for convenience only, and do not affect the interpretation of this document.
- (b) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
  - (i) the singular includes the plural, and the converse also applies;
  - (ii) a gender includes all genders;
  - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
  - (iv) unless otherwise stated references in this document to sections, paragraphs and sub-paragraphs are to sections, paragraphs and sub-paragraphs of this document;
  - (v) a reference to a person includes a corporation; and
  - (vi) a reference to **dollars, \$ or AUD** is to Australian currency.
- (c) References to time are references to the time in Melbourne, Australia on the relevant date, unless stated otherwise.

## **Annexure B – Pre-Bid Acceptance Deed**



## **Pre-Bid Acceptance Deed**

between

**Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd  
(Buyer)**

and

**Turquoise Hill Resources Ltd  
(Seller)**

This deed is made on

21 August

2013

Between **Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd** of 95 Xinjian North Road, Yingze District, Taiyuan, Shanxi, China (**Buyer**)

and **Turquoise Hill Resources Ltd** of Suite 615, 999 Canada Place, Vancouver BC, Canada V6C 3E1 (**Seller**)

## Recitals

- A At the date of this deed, IAL is the legal and beneficial owner of fully paid ordinary shares in the Company in excess of the number of the Sale Shares.
- B The Seller agrees to procure that IAL sells the Sale Shares on the terms and conditions set out in this deed.
- C The Buyer agrees to purchase the Sale Shares on the terms and conditions set out in this deed.

## Operative Provisions

### 1 Interpretation

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#### 1.1 Definitions

The following definitions apply in this deed.

**Agreed Bid Terms** means the terms set out in Schedule 1 of this deed, with such other terms being no less favourable to Company Shareholders than are customary in the Australian market for such transactions;

**Associate** includes:

- (a) in respect of the Buyer, any person who is a wholly-owned subsidiary of the Buyer; and
- (b) in any other case, any person who is an "associate" under section 12 of the Corporations Act;

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the Australian Securities Exchange operated by it;

**Bid Conditions** means the conditions set out in Schedule 2 of this deed;

**Business Day** means a day on which:

- (a) banks are open for general banking business in Melbourne, Victoria excluding Saturdays and Sundays; and
- (b) ASX is open for trading in securities;

**Company** means Inova Resources Limited ACN 107 689 878;

**Company Group** means the Company and each of its Subsidiaries;

**Company Shareholder** means a holder of a Share;

**Contacted Third Party** means a Third Party who the Seller (or any Associate, officer or advisor of the Seller) has, prior to the date of this deed, approached, solicited, or encouraged

inquiries from, or initiated or encouraged discussions with, in connection with a possible Third Party Offer;

**Control** has the meaning given in section 50AA of the Corporations Act;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**End Date** means the second Business Day after the date of this deed;

**IAL** means IAL Holdings Singapore Pte Ltd;

**Minimum Ownership Condition** means the minimum ownership condition referred to in paragraph (a) of the Bid Conditions;

**Offer Period** means the period of time during which offers under a Takeover Offer remain open for acceptance;

**relevant interest** has the meaning given by sections 608 and 609 of the Corporations Act;

**Revised Proposal** means an increase by Buyer or its Associate (as applicable) of the Takeover Offer Price such that the Takeover Offer Price equals or exceeds a Third Party Offer Price under a Third Party Offer, which Third Party Offer has not been withdrawn or otherwise terminated;

**Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from the Shares including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions;

**Sale Shares** means 108,502,084 Shares;

**Share** means a fully paid ordinary share in the Company;

**Subsidiary** has the meaning given in the Corporations Act;

**Substantial Shareholder Notice** means the Buyer's notice as required by section 671B of the Corporations Act as a result of the entry into this deed.

**Superior Third Party Offer** means a Third Party Offer which:

- (a) provides for a Third Party Offer Price which exceeds the Takeover Offer Price under a Takeover Offer or (if applicable) a Revised Proposal; and
- (b) is reasonably capable of being valued and implemented, taking into account all aspects of the Third Party Offer, including its conditions.

**Takeover Offer** means offers by the Buyer (or offers by one of its Associates which are guaranteed by the Buyer) under a takeover bid pursuant to Chapter 6 of the Corporations Act to acquire all the Shares on terms no less favourable to the Company Shareholders than the Agreed Bid Terms;

**Takeover Offer Price** means the price per Share in cash offered under a Takeover Offer, allowing for the value of Rights that are retained by Company Shareholders under the terms of the Takeover Offer and not passed onto the person making the Takeover Offer (with the value

of such Rights being determined in accordance with clause 6.4), and includes any variation thereof;

**Third Party** means a person other than the Buyer (or, if an Associate of the Buyer makes the Takeover Offer, that Associate);

**Third Party Offer** 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 the Company's shareholders or has been approved by the Board of the Company, which, if completed, would mean that a Third Party would:

- (a) directly or indirectly, acquire or have a right to acquire an interest, a relevant interest in or become the holder of:
  - (i) more than 50% of the Shares; or
  - (ii) the whole or a material part of the business or property of the Company; or
- (b) acquire Control of the Company;

**Third Party Offer Price** means:

- (a) where the consideration is 100% cash or the consideration includes a 100% cash alternative, the highest cash price per Share to be paid or made available to Company Shareholders under a Third Party Offer; or
- (b) otherwise, the highest value per Share to be paid or made available to Company Shareholders under a Third Party Offer (as determined in accordance with clause 6.4 to the extent that the consideration consists of a non-cash component),

in each case, allowing for the value of Rights that are retained by Company Shareholders under the terms of the Third Party Offer and not passed onto the person making the Third Party Offer, calculated per Share (with the value of any Rights taking a non-cash form being determined in accordance with clause 6.4);

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a **person** includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this deed.
- (f) A reference to an agreement or document (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document.
- (g) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

- (h) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (i) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (j) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (k) A reference to an **agreement** includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (l) A reference to **dollars** and **\$** or **AUD** is to Australian currency.
- (m) Mentioning anything after **includes, including, for example** or similar expressions, does not limit what else might be included.
- (n) All references to time are to Melbourne time.
- (o) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (p) A matter is taken to have been announced, made or publicly proposed if it has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in shares on the ASX (for example, by release via the ASX company announcements platform).

### 1.3 Business Day

- (a) Except where otherwise expressly provided, where under this deed the day on or by which any act, matter or thing is to be done is not a Business Day, that act, matter or thing must be done on or by the following Business Day.
- (b) A Business Day will end at 11.59pm Melbourne time.

### 1.4 Payments

Any payments to be made under this deed must be made without deduction, set off or counterclaim in immediately available funds by bank cheque or electronic transfer.

## 2 Takeover Offer

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### 2.1 Obligation to Accept

In consideration of:

- (a) the mutual promises set out in this deed; and
- (b) the Buyer paying the Seller \$1.00 (receipt of which is acknowledged by the Seller),

subject to the Buyer publicly proposing on or prior to the End Date (and in any event at or around the same time that the Buyer lodges its Substantial Shareholder Notice), to make the Takeover Offer, the Seller undertakes to:

- (c) procure that IAL irrevocably accepts the Takeover Offer in respect of the Sale Shares by 5pm on the day which is five Business Days after the day on which the Buyer declares or announces that except for the Minimum Ownership Condition all other Bid Conditions attaching to offers under the Takeover Offer have been satisfied or waived

(except that IAL will not be obliged to accept the Takeover Offer any earlier than two weeks after the date of the offers under the Takeover Offer); and

- (d) do everything (including executing any document and making any election) that the Buyer reasonably requires, to give full effect to the Seller's obligations to procure acceptance of the Takeover Offer in respect of the Sale Shares.

## **2.2 No withdrawal of acceptance**

The Seller agrees to procure that, upon acceptance as contemplated by clause 2.1(c), IAL does not exercise any rights it may have to withdraw its acceptance of the Takeover Offer in respect of the Sale Shares, including under section 650E of the Corporations Act.

## **2.3 Announcement of Takeover Offer**

The Buyer must publicly propose to make the Takeover Offer at or around the same time that the Buyer lodges its Substantial Shareholder Notice with the ASX and the Company on or prior to the End Date.

# **3 Acknowledgement**

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Seller acknowledges and agrees that:

- (a) the Buyer is permitted to vary the terms and conditions of the Takeover Offer (if made) in accordance with the Corporations Act, provided that the varied terms and conditions are no less favourable to the Company Shareholders than the Agreed Bid Terms; and
- (b) subject to the Corporations Act and clause 3(a), the Buyer has the right to waive or vary any conditions in the Takeover Offer, declare the Takeover Offer unconditional or extend it at any time.

# **4 Warranties**

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## **4.1 Warranties by Seller**

Seller represents and warrants to the Buyer that each of the following statements is true and correct as at the date of this deed and will be true and correct at all times up to and including the date of acceptance of a Takeover Offer under clause 2.1:

- (a) each of the Sale Shares is fully paid up;
- (b) IAL is the legal owner of the Sale Shares with full power to transfer good title to the Buyer (or, where an Associate of the Buyer makes the Takeover Offer, its Associate);
- (c) on acceptance of a Takeover Offer under clause 2.1, the Sale Shares will be free from Encumbrances;
- (d) Seller has full power and authority to enter into this deed and perform its obligations under this deed;
- (e) by entering into and performing its obligations under this deed Seller does not breach any trust or any agreement or arrangement with any third party;
- (f) the entry into and performance by the Seller of this deed does not violate, breach or result in a contravention of any law by it; and
- (g) IAL is a wholly owned subsidiary of Seller.

#### 4.2 Warranties by the Buyer

The Buyer represents and warrants to Seller that each of the following statements is true and correct as at the date of this deed and will be true and correct at all times up to and including the date of acceptance of a Takeover Offer under clause 2.1:

- (a) Buyer has full power and authority to enter into and perform its obligations under this deed;
- (b) by entering into and performing its obligations under this deed Buyer (or its Associate) does not breach any agreement or arrangement with any third party or the terms of its constitution or other constituent documents; and
- (c) the entry into and performance by it (or its Associate) of this deed does not violate, breach or result in a contravention of any law by it or its Associates.

#### 4.3 Survival

The provisions of this clause 4 remain in full force and effect after the date of acceptance under clause 2.1.

### 5 Obligations of Seller

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- (a) Seller covenants to procure that IAL does not dispose of, transfer, encumber or otherwise deal with any of the Sale Shares or any interests in the Sale Shares, except:
  - (i) if this deed is terminated in accordance with clause 6; or
  - (ii) to the Buyer (or an Associate of the Buyer).
- (b) Seller acknowledges and agrees that nothing in this deed restricts:
  - (i) IAL disposing of, transferring, encumbering or otherwise dealing with any of the Shares held by IAL other than the Sale Shares; or
  - (ii) the ability of IAL to exercise the votes attaching to any of the Sale Shares and any other Shares held by IAL in its absolute discretion.
- (c) Subject to clauses 5(d), the Seller agrees that, from the date of this deed until the end of the Offer Period, it and each of its Associates, officers and advisors (excluding each member of the Company Group and any of their officers and advisors) will not approach, solicit or encourage inquiries from, or initiate or encourage discussions with, any person (excluding the Buyer and its Associates, officers and advisors) in relation to the acquisition or a proposal for the acquisition of an interest in any or all of the Sale Shares.
- (d) The restrictions in clause 5(c) do not restrict the Seller or any of its Associates, officers and advisors taking or refusing to take any action (including entering into, continuing with or participating in any negotiations or discussions):
  - (a) with a Contacted Third Party in connection with a possible Third Party Offer; or
  - (b) with respect to a possible Third Party Offer which was not solicited or encouraged by any of them in contravention of clause 5(c).



## 6 Termination

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### 6.1 Termination

This deed terminates automatically and will cease to be of any effect, without any further action being required of either party, if:

- (a) the Buyer does not publicly propose to make the Takeover Offer on or before the End Date or at or around the same time that the Buyer lodges its Substantial Shareholder Notice with the ASX and the Company;
- (b) offers to Company Shareholders under the Takeover Offer are not dispatched within 6 weeks after the date of this deed;
- (c) the Takeover Offer is withdrawn;
- (d) the Takeover Offer lapses or expires because a bid condition has not been fulfilled by the end of the Offer Period; or
- (e) the Sale Shares have been transferred to the Buyer or its Associate who makes a Takeover Offer as a result of the Seller's acceptance referred to in clause 2.1(c).

Without limiting the foregoing, Seller may terminate this deed by notice in writing to Buyer on the date that is four months after the date of this deed.

### 6.2 Third Party Offer— Following announcement of the Takeover Offer

- (a) Seller may, at any time prior to IAL accepting the Takeover Offer as contemplated by clause 2.1(c), terminate this deed by notice in writing to the Buyer if:
  - (i) a Superior Third Party Offer is publicly announced or made; and
  - (ii) the Buyer (or an Associate of the Buyer who makes a Takeover Offer) has not within five Business Days after the Superior Third Party Offer having been publicly announced or made publicly (the **Response Period**), publicly made or announced a Revised Proposal.
- (b) Any material modification to, or development of, any Third Party Offer (which will include any modification relating to the price or value of any Third Party Offer) which is or has been a Superior Third Party Offer, and after the modification or development is a Superior Third Party Offer, will be taken to constitute a new Superior Third Party Offer in respect of which clause 6.2(a) will apply.
- (c) Clause 6.2(a) may be applied in respect of more than one Superior Third Party Offer.
- (d) If a Superior Third Party Offer is publicly announced or made, Seller is not obliged to procure IAL, and IAL is not obliged, to accept the Takeover Offer any earlier than the end of the next Business Day after the Response Period in respect of that Superior Third Party Offer.

### 6.3 No Liability

If this deed terminates, neither Seller nor Buyer is liable to the other party for any damages, costs, expenses, losses, liabilities, actions, claims or demands arising out of, or in connection with, this deed, save for any antecedent breach of this deed.

### 6.4 Scrip offer

- (a) In the event that a Third Party Offer Price is a consideration which consists wholly or partly of a security which is in a class which is quoted on a public stock exchange (**Listed Security**), the value of the securities shall be calculated using the volume weighted average sale price of that security over the preceding five days on which that security was publicly traded.



- (b) In the event that the Third Party Offer Price is a consideration which does not consist wholly of cash, for the purposes of determining the value of the Third Party Offer Price, the value of the non-cash component of the consideration (other than Listed Securities which are to be valued in accordance with clause 6.4(a)) shall be agreed between the Seller and the Buyer and failing agreement within three Business Days, shall be determined by an independent expert appointed by agreement between the Seller and the Buyer and failing agreement between them the expert is to be appointed at the request of the Seller or the Buyer by the President for the time being of the Institute of Chartered Accountants Australia or his or her nominee. The independent expert shall act as an expert and not as an arbitrator and its decision as to the value of the consideration shall be binding on the Seller and the Buyer. The costs of the independent expert shall be borne equally between the Seller and the Buyer.

## **7 Disclosure**

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- (a) The parties acknowledge that, within two Business Days after the date of this deed, the Buyer will give to the Company and the ASX the Substantial Shareholder Notice in relation to the Sale Shares (which will attach a copy of this deed) as required under the Corporations Act.
- (b) The Seller acknowledges that, pending the lodgement of the Substantial Shareholder Notice pursuant to paragraph (a) above, it will be in possession of inside information in respect of the Company, and that it is aware of and agrees to comply with the provisions of the Corporations Act relating to such inside information.

## **8 Notices**

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### **8.1 How to give a notice**

A notice, consent or other communication under this deed is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) given in one of the following ways:
- (i) sent by prepaid mail (by airmail, if the addressee is overseas) or delivered to that person's address;
  - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full without error; or
  - (iii) given personally.

### **8.2 When a notice is given**

A notice, consent or other communication that complies with this clause 8 is conclusively regarded as given and received:

- (a) if it is sent by fax or delivered, if received:
- (i) by 5pm (local time in the place of receipt) on a Business Day (in the place of receipt) — on that day; or
  - (ii) after 5pm (local time in the place of receipt) on a Business Day (in the place of receipt), or on a day that is not a Business Day (in the place of receipt) — on the next Business Day (in the place of receipt);

- (b) if it is sent by mail, when it would be delivered in the ordinary course of post, but in any event:
  - (i) not later than five Business Days after posting within Australia; or
  - (ii) not later than seven Business Days after posting to or from a place outside Australia; and
- (c) if given personally, when actually received by that person.

### 8.3 Address for notices

A person's mail address and fax number are those set out below, or as the person notifies the sender:

**Buyer: Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd**

Address: c/- Thomsons Lawyers  
19 Gouger Street  
ADELAIDE SA 5000

Fax number: +61 8 8232 1961

Email ldewhirst@thomsonslawyers.com.au

Attention: Lee Dewhirst

**Seller: Turquoise Hill Resources Limited**

Address: Suite 615, 999 Canada Place, Vancouver BC, Canada V6C 3E1

Fax number: +1.604.688.7168

Email stephen.scott@turquoisehill.com

Attention: Stephen Scott, General Manager – Commercial

### 8.4 Notices sent by email

The parties acknowledge that any notice, consent or other communication under this deed which may be given or made under this deed may be sent by email if:

- (a) the notice, consent or other communication is signed by an authorised person of the sender; and
- (b) the notice, consent or other communication is sent to the email address set out above or the email address last notified by the intended recipient to the sender.

### 8.5 Receipt of notices sent by email

A notice, consent or other communication sent under clause 8.4 will be conclusively taken to be duly given or made on the first to occur of:

- (a) receipt by the sender of an email acknowledgement from the recipient's information system showing that the notice, consent or other communication has been delivered to the email address stated above;
- (b) the time that the notice, consent or other communication enters an information system which is under the control of the recipient; and
- (c) the time that the notice, consent or other communication is first opened or read by an employee of the recipient.

## **9 Costs and stamp duty**

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### **9.1 Costs generally**

Subject to clause 9.2 and except as otherwise expressly provided in this deed, each party must pay its own expenses incurred in negotiating, preparing, executing, completing and carrying into effect this deed.

### **9.2 Stamp duty generally**

The Buyer must pay, and must indemnify the Seller against the amount of, any duty (including stamp duty, fines, penalties and interest) that is payable on or in connection with this deed and the transactions it contemplates.

## **10 General**

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### **10.1 Governing law and jurisdiction**

- (a) This deed is governed by the laws of Victoria, Australia.
- (b) Each party submits to the jurisdiction of the courts of that State, and of any court that may hear appeals from any of those courts, for any proceedings in connection with this deed.

### **10.2 Third Party Rights**

If a provision of this deed is expressed to benefit an Associate of a party (**Beneficiary**), that party agrees to hold that benefit in its own capacity and as trustee for the Beneficiary, and may enforce this deed on their behalf and for their benefit.

### **10.3 Giving effect to this deed**

Each party must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that the other party may reasonably require to give full effect to this deed.

### **10.4 Operation of this deed**

- (a) This deed contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this deed and has no further effect.
- (b) Any provision of this deed which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this deed enforceable, unless this would materially change the intended effect of this deed.

### **10.5 Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right);
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

### **10.6 Amendment**

This deed can only be amended or replaced by another deed signed by the parties.

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Reference: LSD 3490137

**10.7 Assignment**

No party can assign or otherwise transfer any of its rights arising under this deed without the prior written consent of the other party.

**10.8 Counterparts**

This deed may be executed in any number of counterparts amongst the parties and exchanged by electronic transmission including facsimile and portable document format.

**Schedule 1**  
**Agreed Bid Terms**

**1 Offer Price**

Buyer offers to each Company Shareholder to purchase Shares held by that Shareholder for \$0.22 per Share in cash.

**2 Conditions**

The offer by Buyer under the Takeover Offer may be subject only to conditions that are no less favourable to Company Shareholders than the Bid Conditions.

**Schedule 2**  
**Bid Conditions**

## Bid Conditions

The Offer and any contract resulting from acceptance of the Offer is subject to fulfilment (or waiver by the Bidder in its discretion, which in relation to each condition may be in whole or in part) of each of the following Bid Conditions:

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 51% (by number) of all Target 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 Bidder's acquisition of Target Shares under the Bid;
  - (ii) (MOFCOM) the Chinese Ministry of Commerce approves the Bidder's acquisition of Target Shares under the Bid; and
  - (iii) (SAFE) the Chinese State Administration of Foreign Exchange approves of any member of the Bidder Group paying the aggregate price for the Target Shares under the Bid 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 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;

- (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 *Foreign Acquisitions and Takeovers Act 1974* (Cth) (**Act**) to the proposed acquisition by Bidder of Target Shares under the Bid and the Treasurer is taken to have so consented:
  - (i) if Bidder receives written notice from or on behalf of the Treasurer to the effect that the acquisition of Target 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 Bid or proposed acquisition of Target Shares is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition by Bidder of Target Shares under the Bid 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 Bidder 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 Target 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 Bidder in respect of Target and the Target Shares to be acquired under the Offer; or
  - (v) requires the divestiture by any member of the Bidder Group of any Target Shares, or the divestiture of any material assets of the Target Group or any member of the Bidder 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 Target, 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) Target or another member of the Target 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 Target Group which is held by another person for the benefit of any other member of the Target 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) Target or another member of the Target 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 Target 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 6 months;
  - (iv) a member of the Target 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 Target Group relating to the Merlin Project, the Mt Elliott Project or the Osborne Project is revoked, surrendered or terminated or a member of the Target 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 Target 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 Target Group is a party, or by or to which a member of the Target 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 Target Group taken as a whole), to:



- (i) require monies borrowed by, or other financial accommodation provided to, a member of the Target 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 Target 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 Target 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 Target Shares by Bidder;

- (g) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Target 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 Target on the ASX before the Announcement Date;
- (h) **(prescribed occurrences)** during the period beginning on the date the Bidder's Statement is given to Target and ending at the end of the Offer Period, none of the following events happen:
  - (i) Target converts all or any of its shares into a larger or smaller number of shares;
  - (ii) a member of the Target Group resolves to reduce its share capital in any way;
  - (iii) a member of the Target 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 Target 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 an EPRP right on issue as at the Announcement Day by an eligible member of the plan in accordance with the EPRP plan rules, or (B) otherwise in accordance with the EPRP plan rules where there is no exercise of any Target Board discretion to permit early vesting, or pursuant to the exercise of Target Board discretion taking effect under the EPRP plan rules upon the Offer becoming unconditional; or
    - (B) an issue or grant of options over Shares (including EPRP rights) to any of the officers, directors, executives or employees of the Target 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 Target Group issues, or agrees to issue, convertible notes;
  - (vi) a member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Target Group's business or property;

- (vii) a member of the Target Group resolves to be wound up;
  - (viii) a liquidator or provisional liquidator of a member of the Target Group is appointed;
  - (ix) a court makes an order for the winding up of a member of the Target Group;
  - (x) an administrator of a member of the Target Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xi) a member of the Target 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 Target Group; or
  - (xiii) a member of the Target Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Target Group's business or property.
- (i) **(no prescribed occurrence prior to dispatch)** none of the events referred to in condition (h)(i)-(xiii) happens 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 Target;
- (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 Target Group without the prior written consent of the Bidder:
- (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 Target 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 Target Group or any key management personnel of the Target 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 Target 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 Target Group in excess of AUD 10,000,000.

## Definitions

The following definitions apply in interpreting the Bid Conditions:

**Announcement Date** means the date on which the Bidder publicly proposes to make the Bid;

**associate** has the meaning given to that term in the Corporations Act;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ABN 98 008 624 691;

**Bid** means an off-market takeover bid by Bidder for all Target Shares under Chapter 6 of the Corporations Act;

**Bidder** means Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd;

**Bid Condition** means each condition set out above;

**Bidder Group** means the Bidder and each of its 'related bodies corporate' (as defined in the Corporations Act);

**Bidder's Statement** means the bidder's statement to be issued by Bidder in respect of the Bid;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**EPRP** means the Target Employee Share Plan adopted by the Target Board in 2008 as amended by the Target Board from time to time;

**Offer** means each offer to acquire Target Shares to be made by Bidder to Target Shareholders in connection with the Bid;

**Offer Period** means the period during which Offers are open for acceptance;

**Public Authority** means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX or TSX) whether of or in Australia or Canada;

**Register** means the register of Target Shareholders maintained by Target in accordance with the Corporations Act;

**Subsidiary** has the meaning given in the Corporations Act;

**Takeovers Panel** means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act;

**Target Board** means the board of directors of Target;

**Target Group** means Target and each of its Subsidiaries;

**Target** means Inova Resources Limited ACN 107 689 878;

**Target Shares** means fully paid ordinary shares in Target;

**Target Shareholder** means a person who is registered as the holder of Target Shares in the Register;

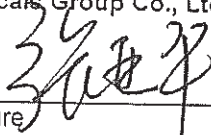
## Interpretation

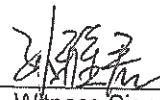
- (a) Headings are for convenience only, and do not affect the interpretation of this document.
- (b) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
  - (i) the singular includes the plural, and the converse also applies;
  - (ii) a gender includes all genders;
  - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

- (iv) unless otherwise stated references in this document to sections, paragraphs and sub-paragraphs are to sections, paragraphs and sub-paragraphs of this document;
  - (v) a reference to a person includes a corporation; and
  - (vi) a reference to **dollars, \$ or AUD** is to Australian currency.
- (c) References to time are references to the time in Melbourne, Australia on the relevant date, unless stated otherwise.

Executed and delivered as a deed

Executed by Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd in the presence of:

  
\_\_\_\_\_  
Signature  
*Chairman of the Board*  
\_\_\_\_\_  
Position  
*Zhang Yaping*  
\_\_\_\_\_  
Print Name

  
\_\_\_\_\_  
Witness Signature  
*SUN Ya Jun*  
\_\_\_\_\_  
Print Name

Executed by Turquoise Hill Resources Ltd in the presence of:

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Position  
\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Witness Signature  
\_\_\_\_\_  
Print Name

**Executed** and delivered as a deed

**Executed by Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd** in the presence of:

\_\_\_\_\_  
Signature

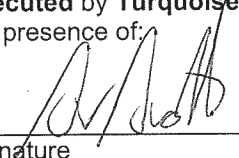
\_\_\_\_\_  
Witness Signature

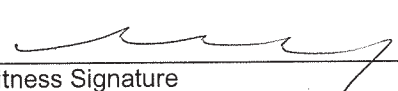
\_\_\_\_\_  
Position

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**Executed by Turquoise Hill Resources Ltd** in the presence of:

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Witness Signature

*GENERAL MANAGER COMMERCIAL*  
\_\_\_\_\_  
Position

*NICHOLAS KENNEDY*  
\_\_\_\_\_  
Print Name

*STEPHEN SCOTT*  
\_\_\_\_\_  
Print Name

**Form 603**  
Corporations Act 2001  
Section 671B

**Notice of initial substantial holder**

To Company Name/Scheme **Inova Resources Ltd**

ACN/ARSN **ACN 107 689 878**

**1. Details of substantial holder (1)**

Name **Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (Shanxi Donghui)**  
ACN/ARSN (if applicable) **Not applicable**

The holder became a substantial holder on 21/08 /2013

**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	108,502,084	108,502,084	14.9%

**3. Details of relevant interests**

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Shanxi Donghui	Relevant interest held under s608(8) Corporations Act under the Pre-Bid Acceptance Agreement with Turquoise Hill Resources Limited attached as Annexure A	108,502,084 Ordinary Shares
Ya Ping ZHANG	Relevant interest under section 608(3) Corporations Act	108,502,084 Ordinary Shares
Wei Dong ZHANG	Relevant interest under section 608(3) Corporations Act	108,502,084 Ordinary Shares

**4. Details of present registered holders**

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Shanxi Donghui	IAL Holdings Singapore Pte Ltd	IAL Holdings Singapore Pte Ltd	108,502,084 Ordinary Shares
Ya Ping ZHANG	IAL Holdings Singapore Pte Ltd	IAL Holdings Singapore Pte Ltd	108,502,084 Ordinary Shares
Wei Dong ZHANG	IAL Holdings Singapore Pte Ltd	IAL Holdings Singapore Pte Ltd	108,502,084 Ordinary Shares

**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Shanxi Donghui	21/08/2013	For details, see Annexure A		108,502,084 Ordinary Shares



**6. Associates**

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Ya Ping ZHANG	Acting in concert with the substantial holder (section 12(2) (c) of the Corporations Act)

**7. Addresses**

The addresses of persons named in this form are as follows:

Name	Address
Shanxi Donghui	95 Xijian North Road, Yingze District, Taiyuan, Shanxi, China
Ya Ping ZHANG	95 Xijian North Road, Yingze District, Taiyuan, Shanxi, China
Wei Dong ZHANG	95 Xijian North Road, Yingze District, Taiyuan, Shanxi, China
Inova Resources Ltd	Level 13, 484 St Kilda Road, Melbourne Victoria, 3004
IAL Holdings Singapore Pte Ltd	World Trade Centre, 654-999 Canada Place, Vancouver, BC V6C 3E1 Canada
Turquoise Hill Resources Limited	Suite 615, 999 Canada Place, Vancouver BC, Canada V6C 3E1

**Signature**

print name Ya Ping ZHANG

capacity Chairman of Directors

sign here

date 21/08/2013

**DIRECTIONS**

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
  - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.



ANNEXURE A

Inova Resources Ltd ACN 107 689 878

This is Annexure A of 22 pages referred to in form 603 Notice of Initial Substantial Holder

Signed by  .....

Signature

Ya Ping ZHANG

.....  
Name

Chairman of Directors

.....  
Office/Position with Shanxi Donghui Group



## **Pre-Bid Acceptance Deed**

between

**Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd  
(Buyer)**

and

**Turquoise Hill Resources Ltd  
(Seller)**

Level 7, 19 Gouger Street  
Adelaide SA 5000 Australia  
T +61 8 8236 1300 • F +61 8 8232 1961

**[www.thomsonslawyers.com.au](http://www.thomsonslawyers.com.au)**

Sydney  
Melbourne  
Brisbane  
Adelaide

This deed is made on

21 August

2013

Between **Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd** of 95 Xinjian North Road, Yingze District, Taiyuan, Shanxi, China (**Buyer**)

and **Turquoise Hill Resources Ltd** of Suite 615, 999 Canada Place, Vancouver BC, Canada V6C 3E1 (**Seller**)

## Recitals

- A At the date of this deed, IAL is the legal and beneficial owner of fully paid ordinary shares in the Company in excess of the number of the Sale Shares.
- B The Seller agrees to procure that IAL sells the Sale Shares on the terms and conditions set out in this deed.
- C The Buyer agrees to purchase the Sale Shares on the terms and conditions set out in this deed.

## Operative Provisions

### 1 Interpretation

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#### 1.1 Definitions

The following definitions apply in this deed.

**Agreed Bid Terms** means the terms set out in Schedule 1 of this deed, with such other terms being no less favourable to Company Shareholders than are customary in the Australian market for such transactions;

**Associate** includes:

- (a) in respect of the Buyer, any person who is a wholly-owned subsidiary of the Buyer; and
- (b) in any other case, any person who is an "associate" under section 12 of the Corporations Act;

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the Australian Securities Exchange operated by it;

**Bid Conditions** means the conditions set out in Schedule 2 of this deed;

**Business Day** means a day on which:

- (a) banks are open for general banking business in Melbourne, Victoria excluding Saturdays and Sundays; and
- (b) ASX is open for trading in securities;

**Company** means Inova Resources Limited ACN 107 689 878;

**Company Group** means the Company and each of its Subsidiaries;

**Company Shareholder** means a holder of a Share;

**Contacted Third Party** means a Third Party who the Seller (or any Associate, officer or advisor of the Seller) has, prior to the date of this deed, approached, solicited, or encouraged

inquiries from, or initiated or encouraged discussions with, in connection with a possible Third Party Offer;

**Control** has the meaning given in section 50AA of the Corporations Act;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**End Date** means the second Business Day after the date of this deed;

**IAL** means IAL Holdings Singapore Pte Ltd;

**Minimum Ownership Condition** means the minimum ownership condition referred to in paragraph (a) of the Bid Conditions;

**Offer Period** means the period of time during which offers under a Takeover Offer remain open for acceptance;

**relevant interest** has the meaning given by sections 608 and 609 of the Corporations Act;

**Revised Proposal** means an increase by Buyer or its Associate (as applicable) of the Takeover Offer Price such that the Takeover Offer Price equals or exceeds a Third Party Offer Price under a Third Party Offer, which Third Party Offer has not been withdrawn or otherwise terminated;

**Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from the Shares including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions;

**Sale Shares** means 108,502,084 Shares;

**Share** means a fully paid ordinary share in the Company;

**Subsidiary** has the meaning given in the Corporations Act;

**Substantial Shareholder Notice** means the Buyer's notice as required by section 671B of the Corporations Act as a result of the entry into this deed.

**Superior Third Party Offer** means a Third Party Offer which:

- (a) provides for a Third Party Offer Price which exceeds the Takeover Offer Price under a Takeover Offer or (if applicable) a Revised Proposal; and
- (b) is reasonably capable of being valued and implemented, taking into account all aspects of the Third Party Offer, including its conditions.

**Takeover Offer** means offers by the Buyer (or offers by one of its Associates which are guaranteed by the Buyer) under a takeover bid pursuant to Chapter 6 of the Corporations Act to acquire all the Shares on terms no less favourable to the Company Shareholders than the Agreed Bid Terms;

**Takeover Offer Price** means the price per Share in cash offered under a Takeover Offer, allowing for the value of Rights that are retained by Company Shareholders under the terms of the Takeover Offer and not passed onto the person making the Takeover Offer (with the value

of such Rights being determined in accordance with clause 6.4), and includes any variation thereof;

**Third Party** means a person other than the Buyer (or, if an Associate of the Buyer makes the Takeover Offer, that Associate);

**Third Party Offer** 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 the Company's shareholders or has been approved by the Board of the Company, which, if completed, would mean that a Third Party would:

- (a) directly or indirectly, acquire or have a right to acquire an interest, a relevant interest in or become the holder of:
  - (i) more than 50% of the Shares; or
  - (ii) the whole or a material part of the business or property of the Company; or
- (b) acquire Control of the Company;

**Third Party Offer Price** means:

- (a) where the consideration is 100% cash or the consideration includes a 100% cash alternative, the highest cash price per Share to be paid or made available to Company Shareholders under a Third Party Offer; or
- (b) otherwise, the highest value per Share to be paid or made available to Company Shareholders under a Third Party Offer (as determined in accordance with clause 6.4 to the extent that the consideration consists of a non-cash component),

in each case, allowing for the value of Rights that are retained by Company Shareholders under the terms of the Third Party Offer and not passed onto the person making the Third Party Offer, calculated per Share (with the value of any Rights taking a non-cash form being determined in accordance with clause 6.4);

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a **person** includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this deed.
- (f) A reference to an agreement or document (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document.
- (g) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

- (h) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (i) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (j) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (k) A reference to an **agreement** includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (l) A reference to **dollars** and **\$** or **AUD** is to Australian currency.
- (m) Mentioning anything after **includes, including, for example** or similar expressions, does not limit what else might be included.
- (n) All references to time are to Melbourne time.
- (o) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (p) A matter is taken to have been announced, made or publicly proposed if it has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in shares on the ASX (for example, by release via the ASX company announcements platform).

### 1.3 Business Day

- (a) Except where otherwise expressly provided, where under this deed the day on or by which any act, matter or thing is to be done is not a Business Day, that act, matter or thing must be done on or by the following Business Day.
- (b) A Business Day will end at 11.59pm Melbourne time.

### 1.4 Payments

Any payments to be made under this deed must be made without deduction, set off or counterclaim in immediately available funds by bank cheque or electronic transfer.

## 2 Takeover Offer

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### 2.1 Obligation to Accept

In consideration of:

- (a) the mutual promises set out in this deed; and
- (b) the Buyer paying the Seller \$1.00 (receipt of which is acknowledged by the Seller),

subject to the Buyer publicly proposing on or prior to the End Date (and in any event at or around the same time that the Buyer lodges its Substantial Shareholder Notice), to make the Takeover Offer, the Seller undertakes to:

- (c) procure that IAL irrevocably accepts the Takeover Offer in respect of the Sale Shares by 5pm on the day which is five Business Days after the day on which the Buyer declares or announces that except for the Minimum Ownership Condition all other Bid Conditions attaching to offers under the Takeover Offer have been satisfied or waived

(except that IAL will not be obliged to accept the Takeover Offer any earlier than two weeks after the date of the offers under the Takeover Offer); and

- (d) do everything (including executing any document and making any election) that the Buyer reasonably requires, to give full effect to the Seller's obligations to procure acceptance of the Takeover Offer in respect of the Sale Shares.

## 2.2 No withdrawal of acceptance

The Seller agrees to procure that, upon acceptance as contemplated by clause 2.1(c), IAL does not exercise any rights it may have to withdraw its acceptance of the Takeover Offer in respect of the Sale Shares, including under section 650E of the Corporations Act.

## 2.3 Announcement of Takeover Offer

The Buyer must publicly propose to make the Takeover Offer at or around the same time that the Buyer lodges its Substantial Shareholder Notice with the ASX and the Company on or prior to the End Date.

# 3 Acknowledgement

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Seller acknowledges and agrees that:

- (a) the Buyer is permitted to vary the terms and conditions of the Takeover Offer (if made) in accordance with the Corporations Act, provided that the varied terms and conditions are no less favourable to the Company Shareholders than the Agreed Bid Terms; and
- (b) subject to the Corporations Act and clause 3(a), the Buyer has the right to waive or vary any conditions in the Takeover Offer, declare the Takeover Offer unconditional or extend it at any time.

# 4 Warranties

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## 4.1 Warranties by Seller

Seller represents and warrants to the Buyer that each of the following statements is true and correct as at the date of this deed and will be true and correct at all times up to and including the date of acceptance of a Takeover Offer under clause 2.1:

- (a) each of the Sale Shares is fully paid up;
- (b) IAL is the legal owner of the Sale Shares with full power to transfer good title to the Buyer (or, where an Associate of the Buyer makes the Takeover Offer, its Associate);
- (c) on acceptance of a Takeover Offer under clause 2.1, the Sale Shares will be free from Encumbrances;
- (d) Seller has full power and authority to enter into this deed and perform its obligations under this deed;
- (e) by entering into and performing its obligations under this deed Seller does not breach any trust or any agreement or arrangement with any third party;
- (f) the entry into and performance by the Seller of this deed does not violate, breach or result in a contravention of any law by it; and
- (g) IAL is a wholly owned subsidiary of Seller.

#### 4.2 Warranties by the Buyer

The Buyer represents and warrants to Seller that each of the following statements is true and correct as at the date of this deed and will be true and correct at all times up to and including the date of acceptance of a Takeover Offer under clause 2.1:

- (a) Buyer has full power and authority to enter into and perform its obligations under this deed;
- (b) by entering into and performing its obligations under this deed Buyer (or its Associate) does not breach any agreement or arrangement with any third party or the terms of its constitution or other constituent documents; and
- (c) the entry into and performance by it (or its Associate) of this deed does not violate, breach or result in a contravention of any law by it or its Associates.

#### 4.3 Survival

The provisions of this clause 4 remain in full force and effect after the date of acceptance under clause 2.1.

### 5 Obligations of Seller

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- (a) Seller covenants to procure that IAL does not dispose of, transfer, encumber or otherwise deal with any of the Sale Shares or any interests in the Sale Shares, except:
  - (i) if this deed is terminated in accordance with clause 6; or
  - (ii) to the Buyer (or an Associate of the Buyer).
- (b) Seller acknowledges and agrees that nothing in this deed restricts:
  - (i) IAL disposing of, transferring, encumbering or otherwise dealing with any of the Shares held by IAL other than the Sale Shares; or
  - (ii) the ability of IAL to exercise the votes attaching to any of the Sale Shares and any other Shares held by IAL in its absolute discretion.
- (c) Subject to clauses 5(d), the Seller agrees that, from the date of this deed until the end of the Offer Period, it and each of its Associates, officers and advisors (excluding each member of the Company Group and any of their officers and advisors) will not approach, solicit or encourage inquiries from, or initiate or encourage discussions with, any person (excluding the Buyer and its Associates, officers and advisors) in relation to the acquisition or a proposal for the acquisition of an interest in any or all of the Sale Shares.
- (d) The restrictions in clause 5(c) do not restrict the Seller or any of its Associates, officers and advisors taking or refusing to take any action (including entering into, continuing with or participating in any negotiations or discussions):
  - (a) with a Contacted Third Party in connection with a possible Third Party Offer; or
  - (b) with respect to a possible Third Party Offer which was not solicited or encouraged by any of them in contravention of clause 5(c).



## 6 Termination

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### 6.1 Termination

This deed terminates automatically and will cease to be of any effect, without any further action being required of either party, if:

- (a) the Buyer does not publicly propose to make the Takeover Offer on or before the End Date or at or around the same time that the Buyer lodges its Substantial Shareholder Notice with the ASX and the Company;
- (b) offers to Company Shareholders under the Takeover Offer are not dispatched within 6 weeks after the date of this deed;
- (c) the Takeover Offer is withdrawn;
- (d) the Takeover Offer lapses or expires because a bid condition has not been fulfilled by the end of the Offer Period; or
- (e) the Sale Shares have been transferred to the Buyer or its Associate who makes a Takeover Offer as a result of the Seller's acceptance referred to in clause 2.1(c).

Without limiting the foregoing, Seller may terminate this deed by notice in writing to Buyer on the date that is four months after the date of this deed.

### 6.2 Third Party Offer— Following announcement of the Takeover Offer

- (a) Seller may, at any time prior to IAL accepting the Takeover Offer as contemplated by clause 2.1(c), terminate this deed by notice in writing to the Buyer if:
  - (i) a Superior Third Party Offer is publicly announced or made; and
  - (ii) the Buyer (or an Associate of the Buyer who makes a Takeover Offer) has not within five Business Days after the Superior Third Party Offer having been publicly announced or made publicly (the **Response Period**), publicly made or announced a Revised Proposal.
- (b) Any material modification to, or development of, any Third Party Offer (which will include any modification relating to the price or value of any Third Party Offer) which is or has been a Superior Third Party Offer, and after the modification or development is a Superior Third Party Offer, will be taken to constitute a new Superior Third Party Offer in respect of which clause 6.2(a) will apply.
- (c) Clause 6.2(a) may be applied in respect of more than one Superior Third Party Offer.
- (d) If a Superior Third Party Offer is publicly announced or made, Seller is not obliged to procure IAL, and IAL is not obliged, to accept the Takeover Offer any earlier than the end of the next Business Day after the Response Period in respect of that Superior Third Party Offer.

### 6.3 No Liability

If this deed terminates, neither Seller nor Buyer is liable to the other party for any damages, costs, expenses, losses, liabilities, actions, claims or demands arising out of, or in connection with, this deed, save for any antecedent breach of this deed.

### 6.4 Scrip offer

- (a) In the event that a Third Party Offer Price is a consideration which consists wholly or partly of a security which is in a class which is quoted on a public stock exchange (**Listed Security**), the value of the securities shall be calculated using the volume weighted average sale price of that security over the preceding five days on which that security was publicly traded.

- (b) In the event that the Third Party Offer Price is a consideration which does not consist wholly of cash, for the purposes of determining the value of the Third Party Offer Price, the value of the non-cash component of the consideration (other than Listed Securities which are to be valued in accordance with clause 6.4(a)) shall be agreed between the Seller and the Buyer and failing agreement within three Business Days, shall be determined by an independent expert appointed by agreement between the Seller and the Buyer and failing agreement between them the expert is to be appointed at the request of the Seller or the Buyer by the President for the time being of the Institute of Chartered Accountants Australia or his or her nominee. The independent expert shall act as an expert and not as an arbitrator and its decision as to the value of the consideration shall be binding on the Seller and the Buyer. The costs of the independent expert shall be borne equally between the Seller and the Buyer.

## **7 Disclosure**

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- (a) The parties acknowledge that, within two Business Days after the date of this deed, the Buyer will give to the Company and the ASX the Substantial Shareholder Notice in relation to the Sale Shares (which will attach a copy of this deed) as required under the Corporations Act.
- (b) The Seller acknowledges that, pending the lodgement of the Substantial Shareholder Notice pursuant to paragraph (a) above, it will be in possession of inside information in respect of the Company, and that it is aware of and agrees to comply with the provisions of the Corporations Act relating to such inside information.

## **8 Notices**

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### **8.1 How to give a notice**

A notice, consent or other communication under this deed is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) given in one of the following ways:
  - (i) sent by prepaid mail (by airmail, if the addressee is overseas) or delivered to that person's address;
  - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full without error; or
  - (iii) given personally.

### **8.2 When a notice is given**

A notice, consent or other communication that complies with this clause 8 is conclusively regarded as given and received:

- (a) if it is sent by fax or delivered, if received:
  - (i) by 5pm (local time in the place of receipt) on a Business Day (in the place of receipt) — on that day; or
  - (ii) after 5pm (local time in the place of receipt) on a Business Day (in the place of receipt), or on a day that is not a Business Day (in the place of receipt) — on the next Business Day (in the place of receipt);

- (b) if it is sent by mail, when it would be delivered in the ordinary course of post, but in any event:
  - (i) not later than five Business Days after posting within Australia; or
  - (ii) not later than seven Business Days after posting to or from a place outside Australia; and
- (c) if given personally, when actually received by that person.

### 8.3 Address for notices

A person's mail address and fax number are those set out below, or as the person notifies the sender:

**Buyer: Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd**

Address: c/- Thomsons Lawyers  
19 Gouger Street  
ADELAIDE SA 5000

Fax number: +61 8 8232 1961

Email ldewhirst@thomsonslawyers.com.au

Attention: Lee Dewhirst

**Seller: Turquoise Hill Resources Limited**

Address: Suite 615, 999 Canada Place, Vancouver BC, Canada V6C 3E1

Fax number: +1.604.688.7168

Email stephen.scott@turquoisehill.com

Attention: Stephen Scott, General Manager – Commercial

### 8.4 Notices sent by email

The parties acknowledge that any notice, consent or other communication under this deed which may be given or made under this deed may be sent by email if:

- (a) the notice, consent or other communication is signed by an authorised person of the sender; and
- (b) the notice, consent or other communication is sent to the email address set out above or the email address last notified by the intended recipient to the sender.

### 8.5 Receipt of notices sent by email

A notice, consent or other communication sent under clause 8.4 will be conclusively taken to be duly given or made on the first to occur of:

- (a) receipt by the sender of an email acknowledgement from the recipient's information system showing that the notice, consent or other communication has been delivered to the email address stated above;
- (b) the time that the notice, consent or other communication enters an information system which is under the control of the recipient; and
- (c) the time that the notice, consent or other communication is first opened or read by an employee of the recipient.

## **9 Costs and stamp duty**

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### **9.1 Costs generally**

Subject to clause 9.2 and except as otherwise expressly provided in this deed, each party must pay its own expenses incurred in negotiating, preparing, executing, completing and carrying into effect this deed.

### **9.2 Stamp duty generally**

The Buyer must pay, and must indemnify the Seller against the amount of, any duty (including stamp duty, fines, penalties and interest) that is payable on or in connection with this deed and the transactions it contemplates.

## **10 General**

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### **10.1 Governing law and jurisdiction**

- (a) This deed is governed by the laws of Victoria, Australia.
- (b) Each party submits to the jurisdiction of the courts of that State, and of any court that may hear appeals from any of those courts, for any proceedings in connection with this deed.

### **10.2 Third Party Rights**

If a provision of this deed is expressed to benefit an Associate of a party (**Beneficiary**), that party agrees to hold that benefit in its own capacity and as trustee for the Beneficiary, and may enforce this deed on their behalf and for their benefit.

### **10.3 Giving effect to this deed**

Each party must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that the other party may reasonably require to give full effect to this deed.

### **10.4 Operation of this deed**

- (a) This deed contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this deed and has no further effect.
- (b) Any provision of this deed which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this deed enforceable, unless this would materially change the intended effect of this deed.

### **10.5 Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right);
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

### **10.6 Amendment**

This deed can only be amended or replaced by another deed signed by the parties.

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Reference: LSD 3490137

**10.7 Assignment**

No party can assign or otherwise transfer any of its rights arising under this deed without the prior written consent of the other party.

**10.8 Counterparts**

This deed may be executed in any number of counterparts amongst the parties and exchanged by electronic transmission including facsimile and portable document format.

**Schedule 1**  
**Agreed Bid Terms**

**1 Offer Price**

Buyer offers to each Company Shareholder to purchase Shares held by that Shareholder for \$0.22 per Share in cash.

**2 Conditions**

The offer by Buyer under the Takeover Offer may be subject only to conditions that are no less favourable to Company Shareholders than the Bid Conditions.

**Schedule 2**  
**Bid Conditions**

## Bid Conditions

The Offer and any contract resulting from acceptance of the Offer is subject to fulfilment (or waiver by the Bidder in its discretion, which in relation to each condition may be in whole or in part) of each of the following Bid Conditions:

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 51% (by number) of all Target 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 Bidder's acquisition of Target Shares under the Bid;
  - (ii) (MOFCOM) the Chinese Ministry of Commerce approves the Bidder's acquisition of Target Shares under the Bid; and
  - (iii) (SAFE) the Chinese State Administration of Foreign Exchange approves of any member of the Bidder Group paying the aggregate price for the Target Shares under the Bid 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 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;

- (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 *Foreign Acquisitions and Takeovers Act 1974* (Cth) (**Act**) to the proposed acquisition by Bidder of Target Shares under the Bid and the Treasurer is taken to have so consented:
  - (i) if Bidder receives written notice from or on behalf of the Treasurer to the effect that the acquisition of Target 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 Bid or proposed acquisition of Target Shares is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition by Bidder of Target Shares under the Bid 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 Bidder 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 Target 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 Bidder in respect of Target and the Target Shares to be acquired under the Offer; or
  - (v) requires the divestiture by any member of the Bidder Group of any Target Shares, or the divestiture of any material assets of the Target Group or any member of the Bidder 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 Target, 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) Target or another member of the Target 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 Target Group which is held by another person for the benefit of any other member of the Target 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) Target or another member of the Target 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 Target 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 6 months;
  - (iv) a member of the Target 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 Target Group relating to the Merlin Project, the Mt Elliott Project or the Osborne Project is revoked, surrendered or terminated or a member of the Target 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 Target 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 Target Group is a party, or by or to which a member of the Target 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 Target Group taken as a whole), to:

- (i) require monies borrowed by, or other financial accommodation provided to, a member of the Target 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 Target 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 Target 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 Target Shares by Bidder;

- (g) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Target 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 Target on the ASX before the Announcement Date;
- (h) **(prescribed occurrences)** during the period beginning on the date the Bidder's Statement is given to Target and ending at the end of the Offer Period, none of the following events happen:
  - (i) Target converts all or any of its shares into a larger or smaller number of shares;
  - (ii) a member of the Target Group resolves to reduce its share capital in any way;
  - (iii) a member of the Target 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 Target 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 an EPRP right on issue as at the Announcement Day by an eligible member of the plan in accordance with the EPRP plan rules, or (B) otherwise in accordance with the EPRP plan rules where there is no exercise of any Target Board discretion to permit early vesting, or pursuant to the exercise of Target Board discretion taking effect under the EPRP plan rules upon the Offer becoming unconditional; or
    - (B) an issue or grant of options over Shares (including EPRP rights) to any of the officers, directors, executives or employees of the Target 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 Target Group issues, or agrees to issue, convertible notes;
  - (vi) a member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Target Group's business or property;

- (vii) a member of the Target Group resolves to be wound up;
  - (viii) a liquidator or provisional liquidator of a member of the Target Group is appointed;
  - (ix) a court makes an order for the winding up of a member of the Target Group;
  - (x) an administrator of a member of the Target Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xi) a member of the Target 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 Target Group; or
  - (xiii) a member of the Target Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Target Group's business or property.
- (i) **(no prescribed occurrence prior to dispatch)** none of the events referred to in condition (h)(i)-(xiii) happens 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 Target;
- (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 Target Group without the prior written consent of the Bidder:
- (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 Target 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 Target Group or any key management personnel of the Target 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 Target 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 Target Group in excess of AUD 10,000,000.

## Definitions

The following definitions apply in interpreting the Bid Conditions:

**Announcement Date** means the date on which the Bidder publicly proposes to make the Bid;

**associate** has the meaning given to that term in the Corporations Act;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ABN 98 008 624 691;

**Bid** means an off-market takeover bid by Bidder for all Target Shares under Chapter 6 of the Corporations Act;

**Bidder** means Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd;

**Bid Condition** means each condition set out above;

**Bidder Group** means the Bidder and each of its 'related bodies corporate' (as defined in the Corporations Act);

**Bidder's Statement** means the bidder's statement to be issued by Bidder in respect of the Bid;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**EPRP** means the Target Employee Share Plan adopted by the Target Board in 2008 as amended by the Target Board from time to time;

**Offer** means each offer to acquire Target Shares to be made by Bidder to Target Shareholders in connection with the Bid;

**Offer Period** means the period during which Offers are open for acceptance;

**Public Authority** means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX or TSX) whether of or in Australia or Canada;

**Register** means the register of Target Shareholders maintained by Target in accordance with the Corporations Act;

**Subsidiary** has the meaning given in the Corporations Act;

**Takeovers Panel** means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act;

**Target Board** means the board of directors of Target;

**Target Group** means Target and each of its Subsidiaries;

**Target** means Inova Resources Limited ACN 107 689 878;

**Target Shares** means fully paid ordinary shares in Target;

**Target Shareholder** means a person who is registered as the holder of Target Shares in the Register;

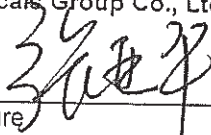
## Interpretation

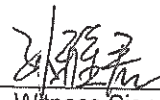
- (a) Headings are for convenience only, and do not affect the interpretation of this document.
- (b) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
  - (i) the singular includes the plural, and the converse also applies;
  - (ii) a gender includes all genders;
  - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

- (iv) unless otherwise stated references in this document to sections, paragraphs and sub-paragraphs are to sections, paragraphs and sub-paragraphs of this document;
  - (v) a reference to a person includes a corporation; and
  - (vi) a reference to **dollars, \$ or AUD** is to Australian currency.
- (c) References to time are references to the time in Melbourne, Australia on the relevant date, unless stated otherwise.

Executed and delivered as a deed

Executed by Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd in the presence of:

  
\_\_\_\_\_  
Signature  
*Chairman of the Board*  
\_\_\_\_\_  
Position  
*Zhang Yaping*  
\_\_\_\_\_  
Print Name

  
\_\_\_\_\_  
Witness Signature  
*SUN Ya Jun*  
\_\_\_\_\_  
Print Name

Executed by Turquoise Hill Resources Ltd in the presence of:

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Position  
\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Witness Signature  
\_\_\_\_\_  
Print Name

**Executed** and delivered as a deed

**Executed by Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd** in the presence of:

\_\_\_\_\_  
Signature

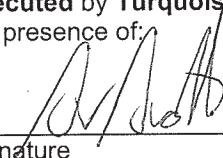
\_\_\_\_\_  
Witness Signature

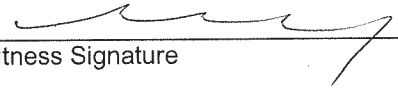
\_\_\_\_\_  
Position

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**Executed by Turquoise Hill Resources Ltd** in the presence of:

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Witness Signature

*GENERAL MANAGER COMMERCIAL*  
\_\_\_\_\_  
Position

*NICHOLAS KENNEDY*  
\_\_\_\_\_  
Print Name

*STEPHEN SCOTT*  
\_\_\_\_\_  
Print Name