

I. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation of the Company**

The Company was incorporated on February 14, 2002 as 5119 Investments Ltd under the British Columbia Company Act (the predecessor statute to the BCBCA) under incorporation number 642164. The Company changed its name to MX Capital Corp. effective March 28, 2002, and was then continued under the Canada Business Corporations Act on November 4, 2002. The Company was registered as an extra-provincial company under the Company Act on November 8, 2002 under certificate number A-58061. On October 2, 2003, the Company changed its name to Asia Gold Corp. The Company was listed on the TSX-V on December 15, 2003 and began trading on the TSX-V under the symbol ASG. The Company continued into British Columbia from the jurisdiction of Canada under the Business Corporations Act and changed its name to SouthGobi Energy Resources Ltd. on May 29, 2007 under certificate number C0792451 and changed its trading symbol on the TSX-V to SGQ. On December 3, 2009 the Company graduated from the TSX-V and began trading on the TSX.

The Company has established a place of business in Hong Kong at Suite 3311, The Center, 99 Queen's Road, Central, Hong Kong. The Company has been registered as an overseas company under Part XI of the Companies Ordinance. Erik Cheng, whose office is located at 22/F, China Hong Kong Tower, 8-12 Hennessy Road, Wan Chai, has been appointed as its agent for the acceptance of service of process in Hong Kong. As the Company is incorporated in British Columbia, Canada, its corporate structure and Articles are subject to the relevant laws of British Columbia, Canada. Please refer to "Appendix VI — Summary of the Articles of Our Company, Certain TSX Listing Policies, Certain British Columbia Laws and Canadian Federal Laws, and Shareholders Protection Matters" of this prospectus.

The Company's head office and registered office in Canada are located at Suite 654, 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1, and the Company's stock code on the TSX is SGQ.

2. Subsidiaries

Below are brief particulars of the subsidiaries of the Company:

(i) Asia Gold International Holding Company Ltd.

Date of Incorporation:	November 30, 2004
Place of Incorporation:	British Virgin Islands
Nature:	International business company
Authorised number of shares:	50,000 shares of no par value
Paid-up capital:	US\$NTC, 2 issued shares

(ii) Dayarbulag LLC

Date of Incorporation:	December 21, 2004, registered as a foreign incorporated company January, 20, 2005
Place of Incorporation:	Mongolia
Nature:	Foreign incorporated limited liability company
Authorised number of shares:	100,000 common shares each with par value MNT 1,000
Paid-up capital:	MNT 12,120,000 representing 12,120 common shares

(iii) SGQ Coal Investment Pte. Ltd.

Date of Incorporation:	July 9, 2007
Place of Incorporation:	Singapore
Nature:	Private company limited by shares
Authorised number of shares:	Not applicable
Issued and paid-up capital:	US\$1, 1 issued share

(iv) SGQ Dayarcoal Mongolia Pte. Ltd.

Date of Incorporation:	July 6, 2007
Place of Incorporation:	Singapore
Nature:	Private company limited by shares
Authorised number of shares:	Not applicable
Issued and paid-up capital:	US\$1, 1 issued share

(v) SGS

Date of Incorporation:	August 24, 2006, registered as a foreign incorporated company September 19, 2006
Place of Incorporation:	Mongolia
Nature:	Limited liability company
Authorised number of shares:	100,000 common shares with par value of MNT1,000
Paid-up capital:	MNT11,655,000 representing 11,655 common shares

(vi) SouthGobi Energy Resources (Hong Kong) Ltd.

Date of Incorporation:	February 14, 2008
Place of Incorporation:	Hong Kong
Nature:	Private company limited by shares
Authorised number of shares:	10,000 ordinary shares with par value of HK\$1.00
Paid-up capital:	HK\$1.00 representing one ordinary share

(vii) Transbaikal Gold LLC

Date of Incorporation:	April 25, 2005, state registration May 18, 2005
Place of Incorporation:	Russian Federation
Nature:	Limited liability company
Authorised number of shares:	10,000 Russian Roubles
Paid-up capital:	10,000 Russian Roubles

II. CHANGE IN SHARE CAPITAL OF THE COMPANY

On February 14, 2002, the Company was incorporated with an authorised share capital of 1,000,000 Shares without par value and, on the same day, the authorised share capital of the Company was increased to 100,000,000 Shares without par value. On May 29, 2007, the Company changed its authorised capital to increase the number of Shares authorised for issuance to an unlimited number and to create an unlimited number of Preferred Shares without par value.

III. CHANGE IN SHARE CAPITAL OF SUBSIDIARIES

Other than as set out in this prospectus, there has been no change in the share capital of any of the subsidiaries of the Company since their respective dates of incorporation or within the two years immediately preceding the date of this prospectus, whichever is the later.

IV. FURTHER INFORMATION ABOUT THE BUSINESS**Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years preceding the date of this prospectus and are or may be material:

1. An acknowledgement agreement between Ivanhoe, BHP Asia and SGS dated June 12, 2008 under which, inter alia, (i) SGS warranted it was the legal owner of certain licences and beneficially owned a 100% interest in certain carbon products extracted from the geographical areas that were the subject of certain licences, and SGS declared that it held and would continue to hold certain interests of BHP Asia and

Ivanhoe in certain minerals other than certain carbon products in respect of certain licences in trust for the sole benefit of Ivanhoe and BHP Asia; (ii) Ivanhoe and BHP Asia warranted that they collectively owned 100% interest in and entitlement to certain minerals other than certain carbon products extracted from the geographical areas that were the subject of certain licences; and (iii) SGS covenanted it would, subject to Ivanhoe and BHP Asia performing certain obligations, maintain certain licences in good standing.

2. A subscription agreement dated October 26, 2009 between the Company and Fullbloom Investment Corporation, a wholly-owned subsidiary of CIC under which Fullbloom Investment Corporation, or its permitted assignee, would subscribe for a convertible debenture in the principal amount of US\$500 million inter alia (i) which is convertible into common shares of the Company; (ii) under which the Company would pay interest on the principal amount, as such amount may be reduced, at an interest rate as therein defined; and (iii) under which the outstanding principal amount, as therein defined, would mature on the maturity date, as therein defined.
3. A convertible debenture dated November 19, 2009 issued by the Company to or to the order of the holder or holders thereof, which as of the date of issue of the debenture was CIC Subco, in the principal amount of US\$500 million pursuant to the subscription agreement referred to in 2 above.
4. A cornerstone investor agreement dated January 8, 2010 between the Company, the Joint Global Coordinators and Baytree Investments (Mauritius) Pte. Ltd. pursuant to which Baytree Investments (Mauritius) Pte. Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount up to US\$50 million at the Offer Price which shall not exceed the lesser of (i) an amount equal to the Hong Kong dollar equivalent of C\$17.00 as calculated using the last published Bank of Canada noon buying rate before the signing of the Price Determination Agreement, and (ii) the maximum Offer Price of HK\$133.50.
5. A cornerstone investor agreement dated January 8, 2010 between the Company, the Joint Global Coordinators and CIC Subco pursuant to which CIC Subco agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount up to US\$50 million at the Offer Price which shall not exceed the lesser of (i) an amount equal to the Hong Kong dollar equivalent of C\$17.00 as calculated using the last published Bank of Canada noon buying rate before the signing of the Price Determination Agreement, and (ii) the maximum Offer Price of HK\$133.50.
6. The Hong Kong Underwriting Agreement.

Exploration licences

The following table sets forth details of the Company's exploration and mining licences as at the Latest Practicable Date:

<u>Number</u>	<u>Date granted</u>	<u>Area/Licence Type</u>	<u>Area(ha)</u>	<u>Current term expiry date</u>	<u>Ultimate expiry date</u>
5267X	December 28, 2002	Tovon Uul/MEL	33328	December 27, 2010	December 27, 2010
5275X	December 28, 2002	Goyt Uul/MEL	38103	December 27, 2010	December 27, 2010
5277X	December 28, 2002	Tsetsii Uul/MEL	61472	December 27, 2010	December 27, 2010
5278X	December 28, 2002	Burkhant Uul/MEL	10633	December 27, 2010	December 27, 2010
6359X	September 30, 2003	Nariin Uvuljuu/MEL	8589	September 29, 2011	September 29, 2012
7262X	April 14, 2004	Ajlyn Talbai/MEL	30717	April 13, 2010	April 13, 2013
9442X	December 28, 2002	Khuvguun-1/MEL	27338	December 27, 2010	December 27, 2010
9443X	December 28, 2002	Uvuljuu Uul-1/MEL	34882	December 27, 2010	December 27, 2010
9446X	December 28, 2002	Ikh Uul-1/MEL	13759	December 27, 2010	December 27, 2010
9449X	December 28, 2002	Galyn Ovoo-1/MEL	169183	December 27, 2010	December 27, 2010
11181X	June 11, 2002	Nomgon/MEL	10317	June 10, 2010	June 10, 2010
11187X	May 22, 2003	Gashuu Tolgoi-1/MEL	66193	May 21, 2012	May 21, 2012
11192X	June 11, 2002	Ulziit/MEL	6247	June 10, 2010	June 10, 2010
12388X	January 2, 2002	Gun Gashuun-1/MEL	84699	January 1, 2010	January 1, 2010
12389X	January 2, 2002	Goyot-1/MEL	56190	January 1, 2010	January 1, 2010
12421X	March 15, 2002	Luusyn Khudag/MEL	38254	March 14, 2010	March 14, 2010
12726A	September 20, 2007	Ovoot Tolgoi/Mining Licence	9308	September 19, 2037	September 19, 2077
13779X	December 28, 2002	Khongil Uul-1/MEL	67915	December 27, 2010	December 27, 2010
13916X	July 23, 2008	Ulziit/MEL	26538	July 22, 2011	July 22, 2017
15041A	August 3, 2009	Tsagaan Tolgoi/Mining Licence	10552	August 2, 2039	August 27, 2079

V. DISCLOSURE OF INTERESTS

1. Interest of Directors in the Share Capital of the Company and its Associated Corporations

So far as the Directors are aware, immediately following the completion of the International Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the EIP), the interests or short positions of the Directors in the Shares or underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will, in the absence of any waivers to the contrary, have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange, or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, once the Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Shares</u>	<u>Options</u>	<u>Total Number of Shares and Options</u>	<u>Approximate Percentage Interest in the Company</u>
Peter Graham Meredith	SouthGobi Energy Resources Ltd.	Personal	nil	665,000	665,000	0.47%
	Ivanhoe Mines Ltd.	Personal	22,000	2,170,000	2,192,000	
Alexander Alan Molyneux	SouthGobi Energy Resources Ltd.	Personal	nil	625,000	625,000	0.44%
	Ivanhoe Mines Ltd.	Personal	nil	100,000	100,000	
John Anthony Macken	SouthGobi Energy Resources Ltd.	Personal	nil	376,000	376,000	0.26%
	Ivanhoe Mines Ltd.	Personal	97,177	4,900,000	4,997,177	
Raymond Edward Jr. Flood	SouthGobi Energy Resources Ltd.	Personal	nil	130,001	130,001	0.09%
	Ivanhoe Mines Ltd.	Personal	102,534	329,500	432,034	
Robert William Hanson	SouthGobi Energy Resources Ltd.	Personal	17,500	230,000	247,500	0.17%
	Ivanhoe Mines Ltd.	Personal	150,000	147,500	297,500	
Pierre Bruno Lebel	SouthGobi Energy Resources Ltd.	Personal	5,100	190,000	195,100	0.14%
	Ivanhoe Mines Ltd.	N/A	nil	nil	nil	
Andre Henry Deepwell	SouthGobi Energy Resources Ltd.	Personal	2,000	165,000	167,000	0.12%
	Ivanhoe Mines Ltd.	N/A	nil	nil	nil	
Robert Stuart Angus	SouthGobi Energy Resources Ltd.	Personal	nil	200,000	200,000	0.14%
	Ivanhoe Mines Ltd.	N/A	nil	nil	nil	

These figures assume that the Directors will not participate in the International Offering or in the trading of any Shares between the Latest Practicable Date and the Listing Date. See the section in this prospectus headed “Directors and Parties involved in the International Offering” for the residential address of each of the Directors.

2. Interest of Senior Management in the Share Capital of the Company and its Associated Corporations

So far as the Directors and the chief executive officer of the Company are aware, immediately following the completion of the International Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the EIP), the interests or short positions of the senior management in the Shares or underlying Shares of the Company which may fall to be disclosed to the Company under provisions of Division 7 and 8 of Part XV of the SFO will be as follows:

Name of Senior Management	Residential Address	Name of Corporation	Nature of interest	Shares	Options	Total number of Shares and Options	Approximate percentage interest in the Company
Terry John Krepiakevich . . .	4064 W32 Avenue Vancouver, B.C. Canada	SouthGobi Energy Resources Ltd. Ivanhoe Mines Ltd.	Personal N/A	— nil	400,000 25,000	400,000 25,000	0.28%
Gavin Peter May	27 Warragal Road Turramurra, N.S.W Australia	SouthGobi Energy Resources Ltd. Ivanhoe Mines Ltd.	Personal N/A	nil nil	400,000 nil	400,000 nil	0.28%

These figures assume that senior management will not participate in the International Offering or in the trading of any Shares between the Latest Practicable Date and the Listing Date.

3. Substantial Shareholders

Please refer to section headed “Substantial Shareholders” in this prospectus.

4. Directors’ remuneration

Remuneration and benefits in kind of a total of approximately US\$2.2 million were paid and granted by the Company to the Directors in respect of the financial year ended December 31, 2008.

Under the arrangements presently in force, it is estimated that for the year ending December 31, 2009, the Directors will be entitled to receive aggregate remuneration of approximately US\$460,000, excluding the discretionary bonuses and share-based compensation payable to the executive Directors. See also the section headed “Directors and Senior Management — Remuneration of Executives and Directors” in this document.

Except as disclosed in this prospectus, no Director in the promotion of the Company has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Company.

6. Commissions and brokerages received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the issue of the listing document.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2, 3, 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the

SFO, to be entered in the register referred to therein, or which will, in the absence of any waiver to the contrary, be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (ii) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (iii) taking no account of Shares which may be taken up under the International Offering, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the International Offering, have an interest or short position in the shares or underlying shares of the Company which would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (iv) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the customers and the five largest suppliers of the Group.

VI. OTHER INFORMATION

1. Equity Incentive Plan

Purpose

The purpose of the EIP is to provide a means through which the Company and its subsidiaries may provide incentives to their directors, employees and service providers, who will be largely responsible for the Company's future growth and success, by permitting them to participate in the equity ownership of the Company through the issuance of options to purchase Shares, the grant of bonus Shares and the opportunity to purchase Shares on a periodic basis through participant and matching corporate contributions. The EIP has three components, referred to as the share option plan, the share bonus plan and the share purchase plan.

Eligibility

Any officer or other employee or Director of the Company or any of its subsidiaries or any consultant providing ongoing services to the Company or any of its subsidiaries will be eligible to participate in the EIP; provided, that only key employees or consultants who have been continuously employed by or providing services to the Company or any of its subsidiaries for twelve (12) months may be designated to participate in the Share Purchase Plan, unless otherwise determined by the Board.

The Board has the authority to determine the participants to whom awards shall be granted under the EIP.

Number of Shares Authorised

The aggregate maximum number of Shares which may at any time be subject to issuance under the EIP will not exceed 10% of the total number of Shares, on a non-diluted basis, that are issued and outstanding as of the date that any Shares are issued or reserved for issuance pursuant to an award under the EIP to an insider or such insider's associates, excluding any Shares issued under the EIP during the immediately preceding 12 month period. If the Company were to issue the maximum number of Options permitted under the EIP at any time and all such Options were exercised, the maximum dilution effect at any time would be equal to 9.09% of all Shares. As at November 30, 2009, the Company could have issued up to 13,401,570 Options, of which 7,893,215 were issued and 5,508,355

were available for issue. If an award expires or terminates for any reason prior to the holder of such award exercising the award or receiving any other economic benefit therefrom, as the case may be, the number of Shares previously subject to but not delivered under such award shall be available to be awarded thereafter.

Transferability

Each benefit, right or option accruing under the EIP may be exercised during the participant's lifetime only by the participant and may not be transferred by a participant other than, in the case of options, by will or by the laws of descent and distribution.

Amendment

The Board may amend, modify or terminate the EIP at any time in its absolute discretion; provided, that any material changes to the EIP are subject to approval by any exchanges on which the Shares are listed if such approval is necessary to comply with any regulatory requirement; provided further that certain specified material changes to the terms of the EIP including those involving material increases in the number of Shares available under the plan or material modification to the eligibility requirement for participation in the plan is effective only upon approval of the disinterested Shareholders of the Company. No action that would change any previous award to a participant will be effective without the consent of the participant to whom such award was made.

Administration

The EIP will be administered by the Compensation and Benefits Committee, who will make recommendations to the Board with respect to the recipients and terms of all awards under the EIP. The Board is ultimately responsible for approving all such awards.

Share Option Plan

An Option granted under the Share Option Plan provides a participant with the right to purchase, within a specified period of time, a stated number of Shares at a specified exercise price. Options granted under the Share Option Plan will be subject to terms and conditions, including exercise price and conditions and timing of exercise, not inconsistent with the EIP, as may be determined by the Board and specified in the applicable option agreement. The maximum term of an option granted under the Share Option Plan is five years from the date of grant, or such greater or lesser term as permitted by any exchanges on which the Shares are then listed. No participant may be granted more than 5% of the Shares of the Company. There are no performance targets which must be met before an option may be exercised.

The exercise price for each Option granted under the Share Option Plan will be determined by the Board at the time of grant and will not be less than 100% of the fair market value of one common share on the date the option is granted. Pursuant to TSX Listing Policies, the exercise price must also not be less than the market price (as defined in such policies). If there is any change in the Shares through the declaration of stock dividends of Shares or consolidations, subdivisions or reclassification of Shares, or otherwise, the number of Shares available under the Share Option Plan, the Shares subject to any Option, and the option price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes on the Share Option Plan. Unless otherwise determined by the Board, an option becomes vested and exercisable in equal annual increments over the life of the option, subject to the earlier termination or forfeiture of the options due to the termination of the participant's employment or engagement by the Company as described below.

The exercise price must be fully paid by the participant in cash at the time of exercise.

The EIP contains a provision that allows the Board to authorise the Company to loan money to a participant employee or consultant to pay the exercise price of an option on terms and conditions that include:

- interest at a prevailing market rate,
- a maximum one-year repayment term, and
- the Shares underlying the option that are equal in value to the loan amount, or its equivalent, must be held as security, or collateral, for the loan, which security may be held on a non-recourse basis.

In addition, the EIP allows the Board to permit a participant to exercise his or her option on a “cashless” basis without paying the exercise price. Instead of receiving all of the Shares underlying the option, the participant would receive the number of Shares equal to:

- the aggregate fair market value of the Shares underlying the portion of the option being exercised on the day immediately preceding the date of exercise, minus the aggregate exercise price of the portion of the option being exercised, divided by
- the fair market value of a common share on the day immediately preceding the date of exercise.

If, prior to the end of the option term, the participant dies while still employed by or providing services to the Company or its subsidiaries, the participant’s options that were vested at the time of his or her death will remain exercisable until twelve months following the date of the participant’s death or, if earlier, until the end of the option term. If, prior to the end of the option term, the participant’s employment or engagement by the Company or its subsidiaries terminates for any reason other than cause or death, the participant may exercise any vested portion of the participant’s option within ninety days of the date of such termination of employment or services. If a participant’s employment or service with the Company or its subsidiaries is terminated for cause, the option shall expire immediately upon termination of employment or service. If options are surrendered, terminated or expire without being exercised in whole or in part, new options may be granted covering the Shares not purchased under such lapsed options, subject in the case of the cancellation of an Option in connection with the grant of a new option to the same person on different terms, subject to the consent of the stock exchange on which the Shares are listed at the relevant time.

Share Bonus Plan

The Board, on the recommendation of the Compensation and Benefits Committee, and subject to approval of any stock exchange on which the Shares are listed at the relevant time, may, in its discretion, grant awards of Shares as discretionary bonuses up to a maximum in any calendar year of 1,000,000 Shares. Any such awards may be subject to any restrictions or provisions as the Board may determine.

Share Purchase Plan

Once a key employee or consultant has been designated by the Board, on the recommendation of the Committee, as an eligible participant in the Share Purchase Plan, he or she may elect to contribute a certain amount of money to the Share Purchase Plan; provided, that the participant’s contribution may not exceed 10% of his or her annual base salary from the Company or any of its affiliates in effect at the time of the election. The participant’s election will remain effective, from year to year, until revoked in writing by the participant or, if earlier, until the Board terminates or suspends the Share Purchase Plan.

The Company will, at the same time as each participant contribution to the Share Purchase Plan is made, credit and hold in trust an amount equal to the participant’s contribution until immediately prior to the date Shares are issued to the participant pursuant to the Share Purchase Plan.

On a quarterly basis, the Company will issue to the participant the number of whole Shares equal to the sum of the participant's contribution plus the Company's contribution, divided by the weighted average price per share of the Shares on the exchange or exchanges on which the Shares may be traded at the time of issuance for the 90-day period immediately preceding the date of issuance.

Following a participant's termination of employment or service with the Company or any of its subsidiaries (including the participant's death), the participant will cease participation in the Share Purchase Plan and any participant contributions then held by the Company will be distributed to the participant, or his or her estate, as the case may be.

In the event that the Company combines or merges with or into another company, on the first date Shares would be issued pursuant to the Share Purchase Plan that follows the combination or merger, the participant will receive the securities, property or cash to which the participant would have been entitled in the combination or merger had the Shares been issued immediately prior to the combination or merger.

Shareholder Approval

The EIP must be approved annually by the Shareholders annually in order to remain in effect by way of "disinterested shareholder approval", which means the affirmative vote of not less than a majority of the votes cast at the meeting, excluding votes cast by Shareholders who are insiders of the Company and who are eligible to receive awards under the EIP and the associates of such insiders.

Additionally, pursuant to the TSX Listing Policies, every three years after institution, all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed maximum number of securities issuable, must be approved by:

- (i) a majority of the Company's directors; and
- (ii) the Company's security holders.

Insiders of the listed issuer entitled to receive a benefit under the arrangement are not eligible to vote their securities in respect of the approvals required unless the aggregate of the Company's securities;

- (i) issued to insiders of the Company, within any one year period, and
- (ii) issuable to insiders of the Company, at any time,

under the arrangement, or when combined with all of the Company's other security based compensation arrangements, could not exceed 10% of the Company's total issued and outstanding securities.

Proposed TSX Plan

As disclosed in the section headed "Share Capital — Equity Based Plans" in this prospectus, the Company's existing EIP was put in place in compliance with TSX-V requirements. As a condition to the Company's recent graduation from the TSX-V to the TSX, the Company has agreed to adopt an equity incentive plan that conforms to the TSX requirements (the "TSX Plan") at its next annual general meeting. Although the TSX and TSX-V requirements are in most respects similar, there are some differences between TSX compliant plans and TSX-V compliant plans. Set out below are the material differences between the existing EIP and the proposed TSX Plan. The proposed TSX Plan may be amended by the Company before its Shareholders are asked to consider it, and implementation of the TSX Plan is subject to approval by Shareholders and by the TSX.

- In the TSX Plan the exercise price must not be less than 100% of the fair market value of Shares on the date of the grant, while the EIP permitted discounts.
- The TSX Plan requires certain amendments to the plan to be approved by Shareholders including any amendment: to the aggregate number of Shares reserved for issuance under the Share bonus plan; to the

number of Shares reserved for issuance under the plan; to the limitation on the issuance of Shares to insiders; that would reduce the exercise price of an insider's outstanding Options; that would extend the expiry date of an Option issued to an insider (except pursuant to the blackout period extension); and any amendment to the plans amendment procedure.

- Under the TSX Plan, if the expiry date of an Option occurs during a blackout period then such expiry date shall be deemed to be the date that is the tenth business date following the expiry of the blackout period.
- The TSX Plan does not have prescriptive restrictions on Options issued to service providers or individuals conducting investor relation activities.
- The TSX Plan allows loans to employees to exercise Options. The TSX Plan provides that such a loan must be fully secured over the issued Shares with interest payable at the prevailing market rate and with a term not exceeding one year.
- The TSX Plan allows the Company to grant Options to employees of affiliates (which includes parent companies), while the EIP permitted grants to employees of subsidiaries only.

Other relevant TSX requirements include (i) the obligation to disclose, on an annual basis, the terms of the Company's Share option schemes, (ii) the requirement for shareholders to approve unallocated rights if a scheme does not have a fixed maximum number of securities issuable and (iii) the obligation to provide monthly reporting requirements to the TSX disclosing all options that have been granted, exercised or cancelled.

Waivers

The Company has applied for and the Stock Exchange and SFC have granted a waiver from Chapter 17 of the Listing Rules relating to Share Option Schemes, in its entirety and a partial exemption from Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance which require disclosure of the names and addresses of each person who has been granted options. Please refer to the sections headed "Inclusion of names and addresses of Option holders in this prospectus" and "Share Option Schemes" in the "Waivers" section of this prospectus for more details.

2. Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Hong Kong or any other relevant jurisdiction in which one or more of the companies comprising the Group are incorporated.

3. Litigation

Save as disclosed in this prospectus, no member of the Group is engaged in any litigation or arbitration or material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. Name and Contact Information for Service of Process and Notices

Erik Cheng
 22/F China Hong Kong Tower
 8-12 Hennessy Road
 Wan Chai, Hong Kong
 Telephone: 2802 0633
 Facsimile: 2802 0323

5. Sponsor

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee for listing of and permission to deal in the Shares in issue and to be issued pursuant to the International Offering as mentioned herein and any Shares to be issued pursuant to the exercise of options granted under the EIP and any other agreements or plans.

6. Preliminary expenses

Our preliminary expenses are estimated to be approximately US\$11.2 million and are payable by the Company.

7. Promoter

There is no promoter for the Company.

8. Qualifications of experts

The following are the qualifications of the experts who have given an opinion or advice which is contained in this document.

<u>Name</u>	<u>Qualification</u>
Citigroup Global Markets Asia Limited	Licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management)
Macquarie Capital Securities Limited	Licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising in corporate finance)
American Appraisal China Limited	Property Valuers
Deloitte Touche Tohmatsu	Certified Public Accountants
Goodmans	Canadian Lawyers
Lynch & Mahoney	Mongolian Lawyers
Norwest Corporation	Technical Expert
Shanxi Fenwei Energy Consulting Co., Ltd.	Industry Expert

9. Consents of experts

Each of the experts set out above has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion and/or references to its name (as the case may be) included in the form and context in which it respectively appears.

10. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This prospectus shall have the effect, if an application is made pursuant hereto, of rendering the persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) so far as applicable.

12. Miscellaneous

Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus;
 - (a) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration otherwise than in cash;
 - (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the company or any of its subsidiaries;
- (ii) since September 30, 2009, there has been no material adverse change in the financial or trading position or prospects of the Group;
- (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus;
- (iv) no Share is subject to an option granted or created by the Group or is agreed conditionally or unconditionally to be put under an option granted or created by the Company;
- (v) no founder, management or deferred Shares have been issued by the Group;
- (vi) no promoter or technical advisor has an interest in the Shares;
- (vii) none of the Directors or experts referred to under the heading “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group; and
- (viii) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.