
RELATIONSHIP WITH THE IVANHOE GROUP

As at the Latest Practicable Date, approximately 79% of the Company's issued Shares were owned by Ivanhoe.

Ivanhoe is a mining company with a market capitalisation of US\$6.8 billion as at the Latest Practicable Date. Ivanhoe has been a publicly listed company since 1996 and is listed on the Toronto Stock Exchange, the New York Stock Exchange and the NASDAQ. Ivanhoe has mining operations and indirectly holds exploration licences in Mongolia, the PRC, Australia and Kazakhstan. Its projects include the Oyu Tolgoi Project, the world's largest copper-gold development project, located 80 kilometres from the PRC border in Mongolia, for which it has partnered with Rio Tinto, one of the world's largest mining companies.

In July 2003, Ivanhoe transferred metals mining projects and related assets and exploration licences to the Company in exchange for Shares in the Company and became a substantial Shareholder of the Company. The Company then listed on the TSX-V in December 2003.

In May 2007, the Company and Ivanhoe completed the Coal Transaction, in which the Company acquired all of Ivanhoe's coal assets, including all related subsidiaries, exploration licences and projects, including the Ovoot Tolgoi Complex. In exchange, the Company issued new Shares and Preferred Shares to Ivanhoe.

A special committee of independent non-executive Directors of the Company was formed to consider and review all relevant matters and obtain such advice as it considered necessary to make a recommendation to the Board with respect to the Coal Transaction. The special committee concluded that the Coal Transaction was likely to deliver more value to Shareholders than if the Company continued to pursue separately acquisitions, and was likely to transform the Company from being primarily an exploration company into a company with near-term prospects for production. The special committee unanimously recommended that the Company proceed with the Coal Transaction. Following the Coal Transaction, Ivanhoe became a majority Shareholder of the Company.

In December 2008, the Company announced the sale of its Metals Division to Ivanhoe. The transaction was completed in February 2009.

Ivanhoe holds no interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Company.

For further details on Ivanhoe's shareholding in the Company, refer to the sections headed "Corporate Structure — Changes in Shareholding Structure" and "Substantial Shareholders" in this prospectus.

In December 2008, in connection with the disposal of the Metals Division, we obtained a credit facility from Ivanhoe, which allowed us to receive loan advances from Ivanhoe to an aggregate maximum of US\$30 million. The credit facility is for a one year term with a one year discretionary extension. The credit facility was unsecured and carries an interest rate equal to LIBOR plus 750 basis points. In July 2009, we agreed with Ivanhoe to increase the credit facility to US\$60 million. The amended credit facility was to mature on December 31, 2010, was unsecured and bears interest at LIBOR plus 750 basis points. The amended facility also required repayment in the event that we acquired additional financing from a third party and provided for an extension fee for US\$1.5 million payable in the event any portion of the facility was outstanding past March 31, 2010. This credit facility was repaid in full (including accrued interest) on November 30, 2009 from the proceeds of the CIC investment. Along with the full repayment of the Ivanhoe credit facility, we have terminated this credit facility and will not be able to drawdown on the facility in the future.

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The Company does not consider that it is unduly reliant on Ivanhoe or unable to carry on its business independently of Ivanhoe because:

- The Company has a record of fund raising on a stand-alone basis without any credit support from Ivanhoe. Please refer to the section of this prospectus headed “Corporate Structure” for details of several instances in which the Company has raised capital without involving Ivanhoe.
- Based on discussions with various independent financial institutions, the Company is confident that if necessary it can obtain requisite financing, on a stand-alone basis, to provide the Company with sufficient working capital.
- The Company is in a cash-flow generating position. It has commenced selling coal and anticipates an increase in production and sale of coal. Please refer to the sections of this prospectus headed “Business” and “Financial Information”.

The table below sets out the details of the Directors’ positions with Ivanhoe and the Company.

<u>Name</u>	<u>Position in the Company</u>	<u>Position in Ivanhoe</u>
Peter Graham Meredith	Chairman of the Board, Non-Executive Director (former Chief Executive Officer)	Deputy Chairman
Alexander Alan Molyneux	President and Chief Executive Officer, Director	None
John Anthony Macken	Non-Executive Director (former Chairman of the Board)	Chief Executive Officer, President and Director
Pierre Bruno Lebel	Independent Non-Executive Director, Lead Director	None
Raymond Edward Jr. Flood	Non-Executive Director	Non-Executive Director
Robert William Hanson	Independent Non-Executive Director	Independent Non-Executive Director
Andre Henry Deepwell	Independent Non-Executive Director	None
Robert Stuart Angus	Independent Non-Executive Director	None

If the Company is considering a transaction with Ivanhoe, the Board will do so in accordance with applicable law and the Company’s Articles and by-laws. Depending on the materiality of the transaction to the Company, the Board may appoint a special committee of Directors independent of Ivanhoe to consider the transaction and make a recommendation to the Board, as occurred in connection with the Coal Transaction. Directors of Ivanhoe would then abstain from voting on the resolution to consider the transaction.