Amended and Restated Shareholders' Agreement

Erdenes MGL LLC

and

Ivanhoe Oyu Tolgoi (BVI) Ltd

and

Oyu Tolgoi Netherlands B.V.

and

Oyu Tolgoi LLC (formerly known as Ivanhoe Mines Mongolia Inc LLC)

Amended and Restated Shareholders' Agreement

Date

8 June 2011

Parties

1. **Erdenes MGL LLC**, a State owned company, duly incorporated under the Company Law of Mongolia (*SHC*).

2. **Ivanhoe Oyu Tolgoi (BVI) Ltd**, a body corporate, duly incorporated under the laws of the British Virgin Islands and having an office at 9 Columbus Centre Building, Road Town, Tortola, British Virgin Islands (*IVN*).

3. **Oyu Tolgoi Netherlands B.V.**, a body corporate, duly incorporated under the laws of The Netherlands and having an office at Prins Bernhardplein 200, 1097 JB, Amsterdam, The Netherlands (*OTN*).

4. **Oyu Tolgoi LLC** (formerly known as Ivanhoe Mines Mongolia Inc LLC), a body corporate, duly incorporated under the Company Law of Mongolia (the ***Company***).

Recitals

IVN, OTN and SHC are the Shareholders in the Company at the date of this Agreement and, together with the Company, are parties to the Shareholders' Agreement dated 6 October 2009 (***Previous Shareholders' Agreement***), which regulates their rights and obligations as Shareholders of the Company.

On the date of the Previous Shareholders' Agreement, the Government of Mongolia and the Company, Ivanhoe Mines Ltd and Rio Tinto International Holdings Limited entered into an Investment Agreement, to regulate the terms and conditions under which the development and operation of the OT Project will occur.

The Shareholders and the Company now wish to amend the Previous Shareholders' Agreement on and from the date of this Agreement, and to restate it on the terms set out in this Agreement.

1. Definitions

The definitions set out in clause 25 shall apply in this Agreement.

2. Effect of this Agreement

(a) Subject to clause 12(b), on and from the date of this Agreement, this Agreement amends and restates the Previous Shareholders' Agreement.

(b) For the avoidance of doubt, subject to clause 12(b), the activities of the Company and the Shareholders have been and will be governed by:

(i) the Previous Shareholders' Agreement prior to the date of this Agreement; and

(ii) this Agreement on and from the date of this Agreement.

3. Conditions Precedent

This Agreement and the obligations of the Parties under this Agreement (other than this clause 3 and clauses 4.3(d) (Completion obligations), 17 (Representations and warranties), 23 (Dispute resolution) and 24 (Miscellaneous)) do not become binding on the Parties unless and until the Effective Date occurs.

4. Equity structure of Company

4.1 Government Issue Shares – 34%

On the Completion Date, SHC, on behalf of the Government of Mongolia, shall hold 34% of the Company's Shares free from all Pledges on the terms set out in this Agreement. Such Percentage Interest of SHC shall not be diluted without its consent, by the issue of any new Shares.

4.2 Share issue

(a) As consideration for the contribution to be made by the Government of Mongolia to the OT Project under the Investment Agreement, upon the Investment Agreement being signed by and on behalf of the Government of Mongolia (in accordance with the Resolution and the Minerals Law), the Company agrees to issue the Government Issue Shares to SHC in accordance with this Agreement.

(b) The Company shall issue the Government Issue Shares to SHC on the Completion Date on the terms set out in this Agreement. All existing Shareholders agree not to exercise their right to pre-empt the issue of the Government Issue Shares issued in accordance with this clause 4.

4.3 Completion obligations

(a) Within not later than fourteen (14) days after the Effective Date, the Company must authorise the issue to SHC of the Government Issue Shares on the Completion Date.

(b) The Company must do all things necessary to issue to SHC the Government Issue Shares on the Completion Date.

(c) On the Completion Date, in Ulaanbaatar, the Company must:

(i) record in its books the issue of the Government Issue Shares to SHC;

(ii) deliver to SHC the share certificate in respect of the Government Issue Shares; and

(iii) lodge with the State Registration Agency and the Foreign Investment and Foreign Trade Agency documents recording the issue to SHC of the Government Issue Shares.

(d) Before the Completion Date, SHC and the Ivanhoe Shareholders shall deliver written notice to the Company and each other nominating its Directors under clause 5.3(a). The nominated Directors will be considered as appointed on the Completion Date.

4.4 Percentage Interest of SHC as at Completion Date

Immediately after the issue of the Government Issue Shares to SHC, the Percentage Interest of SHC in the Company will be 34%.

5. Business and management of Company

5.1 Scope of Company business

The Company may conduct any activities not prohibited by law and shall exercise rights and incur obligations necessary to conduct such activities as are related to Core Operations.

5.2 Authority of Board of Directors

The Board of Directors shall exercise authority with respect to all matters in connection with the Company, except for those matters reserved to the exclusive authority of a meeting of Shareholders under clause 5.10(a).

5.3 Directors

(a) The Parties acknowledge that, for the purpose of appointing members of the Board of the Directors on the Completion Date, SHC is entitled to nominate three Directors and the Ivanhoe Shareholders are entitled to nominate six Directors, in accordance with clause 5.3(b).

(b) Subject to clause 5.3(c), each Shareholder having a Percentage Interest of 10% or more is entitled to directly nominate and replace from time to time, a number of Directors equivalent to the number of percentage points of its Percentage Interest divided by ten (10). Fractions in the number of Directors are to be disregarded in this calculation.

(c) For the purpose of determining a Shareholder's Percentage Interest under clause 5.3(b), the shareholding of the Shareholder and its Related Corporations will be aggregated and such aggregate Percentage Interest will confer upon such Shareholders collectively (acting through one or more of such Shareholders) the rights set out in clause 5.3(b).

(d) The Directors nominated in accordance with clause 5.3(b) from time to time shall be appointed at the next meeting of Shareholders in accordance with clause 5.10(b), at which meeting each Shareholder agrees to vote in favour of the other Shareholders' nominated Directors.

(e) Each Director may appoint any person to act as an alternate Director in the Director's place, either for a stated period or until the happening of a specified event, whenever by temporary absence or illness or otherwise the Director is unable to attend to duties as a Director. The appointment must be in writing and signed by the appointing Director and a copy of the appointment must be given to the Company.

(f) With notification to the other Shareholders, a Shareholder may replace an appointed Director, and such appointment will be confirmed at a Shareholders' meeting.

5.4 Voting

Each Director is entitled to one vote.

5.5 Nominee Directors

Provided that a Director acts in good faith in the best interests of the Company as a whole, a Director appointed by a Shareholder may take into account the interests of that Director's appointor and may act on the wishes of that appointor in performing any of his or her duties or exercising any power, right or discretion as a Director in relation to the Company.

5.6 Meetings of Board of Directors

(a) The Directors must meet quarterly or more frequently as requested by any three Directors (provided that three Directors cannot require a meeting to be held within 30 days of the most recent meeting, except in the case of an emergency). Unless otherwise agreed by resolution of the Board of Directors:

(i) each meeting of the Board of Directors must be held in Ulaanbaatar; and

(ii) at least 21 days' notice must be given to each Director of all meetings of the Board of Directors.

The Board of Directors by its resolution may hold its meeting using video conferencing or similar instantaneous communication technology, provided such meeting is held in Ulaanbaatar.

(b) Each notice of meeting must contain, among other things, an agenda specifying in reasonable detail the matters to be discussed at the relevant meeting and must be accompanied by any relevant papers for discussion at that meeting. Unless otherwise agreed by each of the Directors, a meeting of the Board of Directors may only resolve matters specifically described in the agenda.

(c) Each Shareholder must bear all travelling and other expenses incurred by any Director appointed by it in attending and returning from meetings of the Board of Directors and performing his or her duties as a Director. The Company will supply or provide transport to and from Ulaanbaatar, accommodation and meals for Directors in respect of a meeting of the Board of Directors held at the OT Project site.

(d) A quorum for a meeting of the Board of Directors is constituted by the attendance (in person or by alternate) of an Overwhelming Majority of the Directors (which must include at least one Director appointed by the Ivanhoe Shareholders and one Director appointed by SHC). No business is to be transacted at a meeting of the Board of Directors meeting unless a quorum is present, except for the adjournment of the meeting.

(e) If there is not a quorum at a meeting of Directors within 30 minutes after the time specified in the notice of meeting, the meeting will stand adjourned for two days. No changes may be made in the agenda for the adjourned meeting. There shall be a quorum at the adjourned meeting if an Overwhelming Majority of members of the Board of Directors are present.

5.7 Chair

(a) The Ivanhoe Shareholders may appoint one of the Directors appointed by them to be the Chair of the Board of Directors.

(b) If the Chair of the Board of Directors is not present at any meeting of the Board of Directors, the Ivanhoe Shareholders may appoint one of their Directors to act as Chair for the purpose of that meeting.

(c) The Chair of the Board of Directors has a casting vote in the event that there is a tied vote cast by the Directors on any matter.

5.8 Board of Directors' decisions

Any resolution or decision of the Board of Directors must be made at a meeting of Directors by the affirmative vote of an Overwhelming Majority of votes of the Directors of the Company who are present (in person or by alternate) at the meeting and entitled to vote.

5.9 Board of Directors' committees

The Board of Directors may constitute one or several committees of the Board of Directors which may be entrusted with any matter(s) which the Board of Directors determines to be appropriate.

5.10 Shareholder approvals

(a) All matters in connection with the Company are within the authority of the Board of Directors in accordance with clause 5.2, other than the matters set out below in this clause 5.10(a), which matters are within the authority of a meeting of Shareholders to consider and decide:

(i) amendments to the Charter or the adoption of a new version of the Charter;

(ii) reorganization of the Company by consolidation, merger, division or transformation;

(iii) an exchange of the Company's debts for Shares;

(iv) reorganization of the Company by transformation;

(v) liquidation of the Company and the appointment of a liquidation commission;

(vi) a split of or consolidation of the Company's Shares;

(vii) subject to clause 6 of this Agreement, the completion of any conflict of interest transaction specified in Chapter 12 of the Company Law;

(viii) election of members of the Board of Directors and termination of their powers prior to the expiration of their terms;

(ix) election of members of the Supervisory Board and termination of their powers prior to the expiration of their terms;

(x) subject to clauses 4.2, 10.2, 10.3 and 11.1, whether the Shareholders shall have the pre-emptive rights to acquire the Company's shares or other securities as provided for in Article 39 of the Company Law;

(xi) consideration and approval of reports prepared by the Board of Directors with respect to the Company's annual operations and financial statements;

(xii) approval of any major transactions specified in Chapter 11 of the Company Law;

(xiii) approval of any acquisition of its shares by the Company pursuant to the Company Law;

(xiv) approving the amount of salaries and bonuses to be given to the members of the Board of Directors unless otherwise provided in the Company's Charter;

(xv) other matters submitted to the meeting by the Board of Directors; and

(xvi) other matters required to be submitted to a shareholder meeting for approval as provided in the Company Law or in the Company's Charter.

(b) Matters that require shareholder approval under clause 5.10(a)(i) to clause 5.10(a)(vii) (inclusive) will be made by the affirmative vote of the representatives of a Shareholder or Shareholders holding an Overwhelming Majority of the total voting rights present at a meeting of Shareholders. All other matters under clause 5.10(a) will be made by the affirmative vote of the representatives of a Shareholder or Shareholders holding a majority of the total voting rights present at a meeting of Shareholders.

(c) A resolution by the Board of Directors to convene a Shareholders' meeting must include that the Shareholders be given at least two (2) weeks prior notice of the Shareholders' meeting.

(d) A quorum for a meeting of Shareholders is constituted by the presence of one representative of SHC, and one representative of the Ivanhoe Shareholders. No business may be transacted at any meeting of Shareholders unless a quorum is present at the commencement of the meeting, except for the adjournment of the meeting.

(e) If there is not a quorum at a meeting of Shareholders within 30 minutes after the time specified in the notice of meeting, the meeting will stand adjourned to the same day in the following week at the same time and place. No changes may be made in the agenda for the adjourned meeting. If there is not a quorum at the adjourned meeting within 30 minutes after the time for that meeting, the meeting will stand adjourned again to the same day in the following week at the same time and place. No changes may be made in the agenda for the adjourned meeting. There shall be a quorum at the second adjourned meeting if a representative or representatives of a Shareholder or Shareholders entitled to vote, and holding at least twenty percent (20%) of the Shares of the Company, are present.

5.11 Voting by Shareholders

Each Shareholder is entitled to that number of votes which is equivalent to the number of Shares held by it.

5.12 Domestic procurement obligation

The Company shall, on a priority basis, purchase and utilize services supplied by Mongolian citizens and/or legal entities, and equipment, raw materials, materials and spare parts manufactured in Mongolia, with preference to businesses operating in the Umnugovi Aimag, to the extent such services and materials are available on a competitive time, cost, quantity and quality basis, and shall give preference to Mongolian suppliers of freight and transportation services required for the OT Project.

6. Conflict of interest transactions

6.1 Application of Chapter 12 of the Company Law

Except in the circumstances described in clause 6.2, the provisions of the Company Law of Mongolia relating to conflict of interest transactions including Chapter 12 of the Company Law shall apply with respect to the Company.

6.2 Relevant Transactions

In accordance with Article 86.4 of the Company Law of Mongolia, the Company's Charter shall state that Chapter 12 of the Company Law shall not apply to any transaction between the Company (on the one hand) and any Shareholder or Related Corporation of any Shareholder (on the other hand). In respect of Relevant Transactions, the following provisions apply:

(a) The Company is permitted, without the prior approval of the Shareholders, to enter into Relevant Transactions, provided that each Relevant Transaction must be:

(i) at a competitive market price;

(ii) on commercial terms comparable to what would be agreed between unrelated parties; and

(iii) promptly disclosed to the Shareholders.

(b) Each Director shall vote on any Relevant Transaction. If a Shareholder considers that a Relevant Transaction does not meet the criteria of clause 6.2(a), then it may give notice to the Company and the other Shareholders, and the following provisions shall apply:

(i) The notice shall be given within 30 days of the Relevant Transaction being disclosed to the Shareholder and shall include reason(s) why the Shareholder believes the Relevant Transaction does not meet the criteria of clause 6.2(a).

(ii) The Relevant Transaction shall be discussed at the next meeting of the Board of Directors.

(iii) If a Shareholder is not satisfied with the discussion on the Relevant Transaction at that meeting of the Board of Directors, it shall give notice to the other Shareholders and the Board of Directors within 7 days after that meeting, and the Shareholders shall then jointly appoint a suitably qualified independent expert to assess whether or not the Relevant Transaction meets the criteria in clause 6.2(a).

(iv) If the Shareholders cannot agree on an independent expert within 15 days of the notice under clause 6.2(b)(iii), the independent expert shall be chosen by an internationally recognised and reputable audit and accounting firm jointly agreed upon by the Shareholders.

(v) If the independent expert finds that the Relevant Transaction does not meet the criteria in clause 6.2(a), that Relevant Transaction shall not be void, however, the Shareholder that is a party to the Relevant Transaction (or whose Related Corporation is a party to the Relevant Transaction) shall be liable for any loss caused to the Company as a result of the departure from the criteria in clause 6.2(a).

(vi) Notwithstanding the finding of the independent expert, the Company shall bear all the costs of the independent expert.

(c) At the request of a Shareholder, the Company and the other Shareholders will provide that Shareholder with information reasonably necessary to satisfy that the Relevant Transaction meets the criteria in clause 6.2(a).

7. Executive body and Management Team

7.1 Executive body

The executive body of the Company shall comprise the Company's senior management and shall be responsible for the Company's day-to-day activities.

7.2 Management Team

(a) The Board of Directors shall engage IVN or OTN, or one or more Related Corporations of IVN or OTN, to act individually, or collectively as a group (the ***Management Team***). The Management Team shall provide services and support to the executive body described in clause 7.1 in respect to the Company's operations and activities, including the Core Operations.

(b) The Ivanhoe Shareholders may, from time to time, nominate a replacement Management Team and the Board of Directors shall resolve to appoint the nominated replacement Management Team.

(c) The services and support provided by the Management Team to enable the executive body to fulfil the Company's day-to-day activities may include engineering, operational, planning and evaluation, environmental, marketing, procurement, legal, commercial, treasury and financial services, and any other services that are reasonably considered to be necessary for the efficient conduct of Core Operations.

7.3 Management Team functions

(a) The Management Team shall have all rights and authorities required to provide services and support to the executive body described in clause 7.1 in respect to the Company's operations and activities, including the Core Operations.

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(b) The Board of Directors shall monitor the activities of and liaise with the Management Team as necessary or appropriate. The Management Team shall report on a quarterly basis in writing to the Board of Directors in relation to the Company's operations and activities. The individual responsible for the Management Team (or in his or her absence, their representative) will attend each quarterly meeting of the Board of Directors under clause 5.6(a). Each report shall be given to the Board of Directors within 30 days after the end of a Quarter.

7.4 Management Services Payment

(a) The Company must pay to the Management Team the Management Services Payment.

(b) The Management Services Payment will be calculated and payable quarterly in arrears and within 10 Working Days of the end of that Quarter.

(c) The amount of the Management Services Payment will be:

(i) 3% of all Capital Costs and Operating Costs incurred in the period from the Effective Date up to the Commencement of Production; and

(ii) 6% of all Capital Costs and Operating Costs incurred after the Commencement of Production.

(d) As soon as practicable after the audited financial statements for the Company for a Financial Year are available, which audit shall be conducted by an internationally recognised and reputable audit and accounting firm appointed by the Board of Directors, the Shareholders will reconcile the Capital Costs and Operating Costs shown in those statements against the Capital Costs and Operating Costs used in the calculation of the Management Services Payment in respect of that Financial Year. If there is a discrepancy, then the Company or the Management Team (as the case may be) shall promptly make a payment to the other in order to adjust the Management Services Payment that has been paid in respect of that Financial Year.

(e) The Management Team may sub-contract or assign part of its service and support functions to a Related Corporation of IVN or OTN. If the Management Team does so, then the Company shall directly pay to that Related Corporation of IVN or OTN (as applicable) the part of the Management Services Payment relating to such functions (as may be specified by the Management Team). The Management Team may also direct the Company in writing to directly pay to any member of the Ivanhoe Group or the Rio Tinto Group the whole or any part of the Management Services Payment.

(f) During the final calendar Quarter of each Financial Year, the Board of Directors will conduct an annual review of the Management Team's performance of its functions during that Financial Year.

(g) Either or both of the Ivanhoe Shareholders may enforce this Agreement for and on behalf of the Management Team (including by the issue of a notice of dispute under clause 23).

8. Budgets & financial information

8.1 Annual plans & budgets

(a) Within 10 Working Days after the Completion Date, the Company (or the Management Team) shall submit to the Board of Directors the first operating program and budget for the Company in respect of the remainder of the Financial Year and the Board of Directors shall meet in order to consider and vote on that program and budget.

(b) Before the commencement of each Financial Year thereafter, the Company (or the Management Team) must prepare and submit to the Board of Directors, for approval, a draft operating program and budget for the Company for that Financial Year.

(c) The Board of Directors must consider and vote on each program and budget at least 30 days before the commencement of the Financial Year. Approval of a program and budget constitutes authority for the Company and Management Team to undertake all relevant action and incur all approved expenditure for that program and budget.

(d) The Company (or the Management Team) may, if circumstances require it, prepare a revised or supplementary program and budget and submit it to the Board of Directors for approval.

8.2 Financial information

The Company must provide to each Director and Shareholder:

(a) after the end of each calendar month, unaudited management accounts;

(b) after the end of each Financial Year, copies of the audited financial statements of the Company;

(c) at the time of the approval of the annual operating program and budget, an annual plan for the cash requirements of the Company, indicating forecast sources and uses of cash over the following 12 month period; and

(d) any other information the Shareholders or a Director may at any time reasonably require.

8.3 Management accounts

The Company shall maintain its management accounts in conformity with GAAP or IFRS, and applicable Mongolian accounting standards.

9. Financing of Company

9.1 Called Sums

The Company (or on its behalf, the Management Team) may by notice in writing request the Shareholders to contribute funds in accordance with their Percentage Interests to meet the projected cash requirements of the Company under the programs and budgets approved by the Board of Directors (each a ***Called Sum***). At the Ivanhoe Shareholders request, Called Sum notices will be issued to one or more Ivanhoe Shareholders for the whole or any part of their combined Called Sums in the proportions directed by the Ivanhoe Shareholders (for example, to OTN for the whole

amount of the OTN and IVN combined Called Sums, in which case IVN would not be issued a Called Sum notice).

9.2 Financing of Called Sums

The Parties intend that Called Sums shall be discharged by the methods (or by a combination of methods) as determined by the Board of Directors from time to time, including:

(a) by way of common equity (via the issue of Shares); and

(b) by debt (via Shareholder Debt),

and during the Funding Period clauses 11, 12 and 13 shall apply.

9.3 Contributions to Called Sums

(a) The Parties agree that an Ivanhoe Shareholder's obligations to contribute to Called Sums may be discharged in whole or in part by the IVN Provider or another Ivanhoe Shareholder or Ivanhoe Shareholders (for example, OTN may discharge the whole of IVN's obligation and OTN's obligation to contribute to a Called Sum, in which case IVN would not contribute its Called Sum).

(b) All contributions of Called Sums must be in USD unless required otherwise by the Board of Directors. If the Board of Directors so resolves, then the Parties must make contributions in the currency or currencies specified in any notice of a Called Sum given under clause 9.1.

9.4 Periods covered by Called Sums

(a) On and from the Completion Date, requests for contributions under clause 9.1 may be made for each calendar Quarter (or for more frequent periods as may be required) and delivered to the Shareholders before the start of each calendar Quarter (or other applicable period)

(b) The first request for contributions may be made in respect of the program and budget approved in accordance with clause 8.1(a) immediately after that program and budget is approved.

9.5 When Called Sums are due

A Called Sum will be due and payable to the Company within 30 days of receipt of the request under clause 9.1.

9.6 Application of Clause 9

The Company shall not issue Called Sums after the commencement of the liquidation of the Company pursuant to clause 5.10(a)(v) or Article 26.1 of the Company Law.

9.7 Interest on Existing Shareholder Loans

Interest on the Existing Shareholder Loans shall accrue on and from the Effective Date.

9.8 Conversion of Existing Shareholder Loans

(a) At any time, the Ivanhoe Shareholders may, by providing notice to the Company and each other Shareholder, elect to:

(i) convert any of the Existing Shareholder Loans into Shares in accordance with paragraph (b); and/or

(ii) have any of the Existing Shareholder Loans treated as if they were Shareholder Debt under clause 13.1, in which case the provisions of clauses 13.1(d) to (f) shall apply to the Existing Shareholder Loans,

in each case with effect on and from the Conversion Date.

(b) If the IVN Shareholders elect to convert any of the Existing Shareholder Loans into Shares in accordance with paragraph (a)(i):

(i) on conversion the Company shall issue that number of Shares equal to the total amount of the Existing Shareholder Loans (including principal and all unpaid and accrued interest) as at the Conversion Date (the ***Loan Conversion Amount***);

(ii) such Shares shall be issued to each Shareholder in proportion to their respective Percentage Interests; and

(iii) SHC's Percentage Interest of the Loan Conversion Amount shall be deemed to be a Funded Amount and shall be added to the Outstanding Balance (and a Lending Certificate shall be issued in respect of this deemed Funded Amount in accordance with clause 11.1(d)).

10. Financing arrangements

10.1 Contributions during Funding Period

The Parties agree that, during the Funding Period:

(a) SHC has the right to elect (but is not obliged) to contribute to Called Sums in accordance with clauses 11.1 and 13.1; and

(b) the IVN Provider shall contribute the whole of all Called Sums (subject to SHC's right to elect to contribute in accordance with clauses 11.1 and 13.1),

and the Ivanhoe Shareholders shall determine what method or methods of finance set out in clause 9.2 will apply in respect to those contributions (subject to the 'thin capitalisation' restrictions contained in the Investment Agreement).

10.2 After Funding Period

(a) At any time after the Funding Period, where the Company requests Shareholders to contribute to a Called Sum, if SHC elects (or is deemed to have elected) not to contribute to a Called Sum in accordance with clauses 11.1(a) or 13.1(a), then the Ivanhoe Shareholders may elect in accordance with clause 11.1(c) or 13.1(c) (but are not obliged) to contribute to that part of the SHC Called Sum to which SHC elects not to contribute, in which case the Ivanhoe Shareholders shall determine which of the financing methods described in clauses 11 and 13 shall apply and SHC and the Company must accept such

contribution. For the avoidance of doubt, if SHC elects not to contribute to all or that part of a SHC Called Sum there shall be no dilution of SHC's Percentage Interest (being 34% immediately after the issue of the Government Issue Shares to SHC). If SHC elects not to contribute to all or part of the SHC Called Sum, the Ivanhoe Shareholders shall not be obliged to fund the SHC Called Sum or their own Percentage Interest of a Called Sum. The Board of Directors shall thereafter determine any alternative methods of funding.

(b) During and after the Funding Period, Shares in the Company must be issued to each Shareholder:

(i) in proportion to the Called Sums which relate to each Shareholder's Percentage Interest; and

(ii) on the same terms and conditions.

(c) For the avoidance of doubt, if SHC elects not to contribute to a Called Sum, its Percentage Interest (being 34% immediately after the issue of the Government Issue Shares to SHC) cannot be diluted and if, after the Funding Period, Shares are issued to the IVN Shareholders because the Ivanhoe Shareholders have elected to fund under or in a manner similar to clause 11 then Shares must also be issued in proportion to SHC's Percentage Interest on the same terms and conditions.

(d) Nothing in this clause 10.2 restricts the rights of SHC to fund a SHC Called Sum and the Company must accept such contribution.

10.3 Financing arrangements

The Shareholders agree not to exercise any rights of pre-emption which are inconsistent with the common equity financing arrangements set out in clause 11.

11. Common equity funding

11.1 Carry of SHC Called Sums to be made by way of common equity

(a) Where the Ivanhoe Shareholders (during the Funding Period) or the Board of Directors (after the Funding Period) determine that funding will be made by way of common equity, SHC may elect (but is not obliged to) contribute to the whole or part of each SHC Called Sum. SHC shall give prior written notice (no later than 5 Working Days after receipt of the Called Sum request) to the Company and the Ivanhoe Shareholders of its election to so contribute to the whole or part of an SHC Called Sum. If SHC does not elect to contribute within such time period, SHC will be deemed to have elected not to contribute to the relevant SHC Called Sum. After the Funding Period, the Ivanhoe Shareholders shall give prior written notice (no later than 5 Working Days after receipt of the Called Sum request) to the Company and SHC if they elect not to contribute to the whole or any part of their own Percentage Interest of a Called Sum. If the Ivanhoe Shareholders do not make such an election within such time period, they will be deemed to have elected, subject to clause 10.2(a), to contribute to the whole of their Called Sum.

(b) During the Funding Period, if SHC elects (or is deemed to have elected) not to contribute to the whole or part of a SHC Called Sum by way of common equity, the IVN Provider must provide that part of the SHC Called Sum, to which SHC does not elect to contribute, to the Company on behalf of SHC, in accordance with this clause 11.

(c) After the expiry of the Funding Period, if SHC elects within the 5 Working Day period (or is deemed to have elected) not to contribute to the whole or part of a SHC Called Sum the IVN Provider may elect within a further 5 Working Days (but is not obliged) to contribute by way of common equity funding that part of the SHC Called Sum, to which SHC does not elect to contribute, to the Company on behalf of SHC, in accordance with this clause 11.

(d) Each amount funded by the IVN Provider in respect of which Shares are issued to SHC shall be a ***Funded Amount*** and shall be evidenced by the issue by the Company of a certificate to the IVN Provider (and with a copy to each Shareholder) confirming the Funded Amount, to be referred to as a ***Lending Certificate***.

(e) During and after the Funding Period, Shares in the Company must be issued to each Shareholder:

(i) in proportion to the Called Sums which relate to each Shareholder's Percentage Interest; and

(ii) on the same terms and conditions,

such that SHC's Percentage Interest (being 34% immediately after the issue of the Government Issue Shares to SHC) shall not be diluted without its consent, whether or not SHC elects to contribute to any SHC Called Sum.

(f) From the Completion Date, the Ivanhoe Shareholders will consult with SHC when determining financing plans for the Company. This will include involving SHC in presentations to potential financiers and other fundraising activities.

(g) The Ivanhoe Provider shall only be obliged to contribute SHC Called Sums (in whole or in part) to the Company on behalf of SHC under clause 11.1(b) for so long as SHC remains wholly owned and Controlled by the State as contemplated by clause 16.6.

(h) If SHC elects not to provide funding in respect of the whole or relevant part of a Called Sum, then SHC's Percentage Interest (being 34% immediately after the issue of the Government Issue Shares to SHC) cannot be diluted, and if Shares are issued to the Ivanhoe Shareholders because the Ivanhoe Provider has elected to fund under or in a manner similar to this clause 11 then Shares must also be issued in proportion to SHC's Percentage Interest on the same terms and conditions.

During the Funding Period, SHC shall be entitled to make contributions to SHC Called Sums in accordance with this clause 11 and clause 13 where the terms of such contributions and the terms of any financing arrangements that SHC wishes to utilize do not interfere or conflict with any Project Financing then existing or anticipated and are no less favourable to the Company than the contributions of the IVN Providers.

11.2 Funded Amounts

(a) The Funded Amounts provided by the IVN Provider shall have interest calculated on them at the Carry Rate in accordance with clause 11.3, and the IVN Provider (or IVN or OTN on behalf of the IVN Provider, if the Ivanhoe Shareholders direct) has the right to receive payments in accordance with clause 11.4 until there is no longer an Outstanding Balance, without limiting the IVN Provider's right to receive the full amount of the Outstanding Balance under clauses 16.6(c) and 16.7(b), or where the Outstanding Balance is reduced in accordance with clause 11.4(d).

(b) The aggregate of all Funding Equity shall not exceed 60% of the Total Capital of the Company.

11.3 Carry Rate

(a) Interest shall be calculated on the Outstanding Balance (as defined in clause 11.3(e)(ii)) and accrued on a quarterly basis using, in respect of each Quarter the Carry Rate for that calendar Quarter.

(b) For the purposes of clause 11.3(a), interest will be computed on the basis of the actual number of days elapsed and a year of 360 days. If a calendar Quarter ends on a day which is not a Working Day, that calendar Quarter will be extended to the next Working Day.

(c) Immediately after each accrual of interest pursuant to clause 11.3(a) prior to the Conversion Date, the sum of the Outstanding Balance shall be adjusted for the variation in the US CPI over the preceding Quarter. On and from the Conversion Date, the Outstanding Balance will not be adjusted for US CPI.

(d) The Parties acknowledge that the Company should when and if necessary consider funding hedging options with regards to the Carry Rate and take decisions on such options in the best interests of all the Shareholders.

(e) For the purposes of this Agreement:

(i) ***Carry Rate*** for a calendar Quarter means the rate of:

(A) on and from the Effective Date until the day prior to the Conversion Date, the interest rate for a calendar Quarter that results in an effective annual interest rate of 9.9%; and

(B) from and after the Conversion Date, LIBOR plus 6.50% for the relevant Quarter;

For the avoidance of doubt, the reference to LIBOR (for the relevant Quarter) plus 6.50% in clause 11.3(e)(i)(B) is an annual effective rate.

(ii) ***Outstanding Balance*** means, at any point in time, the aggregate of:

(A) all Funded Amounts that have been funded by the IVN Provider up to that point in time (including any amounts deemed to be Funded Amounts under clause 9.8(b)(iii) or 12(a)(iii));

(B) all interest that has accrued under clause 11.3(a) prior to that point in time; and

(C) all US CPI-related adjustments made to the sum of the Outstanding Balance pursuant to clause 11.3(c) up to that point in time (if applicable),

less all amounts repaid by SHC pursuant to clause 11.4 prior to that point in time; and

(iii) ***US CPI*** means the Annual Index at the end of each Quarter contained in Table 1, Consumer Price Index for all Urban Consumers (CPI-U): US City Average, by Expenditure Category and Commodity and Service Group, series ID number CUUR0000SAO, published by the Bureau of Labor Statistics, which forms part of the United States Department of Labor and if the index ceases to be published, such new, revised or substitute index as is agreed between the Shareholders following reasonable and in good faith negotiations, and failing agreement such new, revised or substitute index as determined by an internationally recognised audit and accounting firm selected by the Company.

(f) SHC and the Ivanhoe Shareholders shall together confirm the calculation of the Outstanding Balance on an annual basis.

(g) Every seven years following the Conversion Date the Parties will consider the appropriateness of the Carry Rate and the rates referred to in clause 13.1(d)(ii) and in the definition of Existing Shareholder Loans in clause 25 and these rates may be changed with the agreement of all Parties.

11.4 Reduction of Outstanding Balance

(a) All monies payable to SHC as Dividends in respect of the Shares held by SHC must be paid by the Company to the IVN Provider (or to IVN or OTN on behalf of the IVN Provider, if the Ivanhoe Shareholders direct) until such time as all of the Outstanding Balance is repaid, in accordance with clause 15.2.

(b) For the purposes of clause 11.4(a), SHC hereby gives an irrevocable direction to the Company to pay all of its Dividends directly to the IVN Provider (or to IVN or OTN on behalf of the IVN Provider, if the Ivanhoe Shareholders direct) until such time as all of the Outstanding Balance is repaid, in accordance with clause 15.2 and this clause 11.4. SHC grants a security over its Dividends to the IVN Provider in order to secure receipt of the Outstanding Balance to the IVN Provider.

(c) Any amount paid pursuant to this clause 11.4 will constitute a payment made by SHC to the IVN Provider to reduce the Outstanding Balance and, for the avoidance of doubt, will not be treated as a Dividend paid to, or received by, IVN or OTN.

(d) In addition to the reduction of the Outstanding Balance achieved through the arrangement described in clauses 11.4(a) to 11.4(c) (inclusive), SHC has the right to reduce the Outstanding Balance by making payments directly to the IVN Provider (or to IVN or OTN on behalf of the IVN Provider, if the Ivanhoe Shareholders direct), and the Parties will agree on the most appropriate method for the making and receipt of such payments.

(e) The Parties agree that no recourse will be had to the assets of SHC or the Government of Mongolia in respect to any portion of the Outstanding Balance, other than the Dividends of SHC in accordance with this Agreement.

11.5 No limitation or dilution

Nothing in this Agreement shall limit the Company's ability to issue preferred shares in accordance with the Company Law of Mongolia, provided that the Company shall not issue any preferred shares which convert to Shares and which would have the effect of diluting SHC's Percentage Interest.

12. Conversion of Funding Shares

(a) With effect on and from the Conversion Date, all outstanding Funding Shares that have been issued in accordance with clause 11.1 of the Previous Shareholders' Agreement shall be converted into Shares in accordance with the following provisions:

(i) on conversion the Company shall issue that number of Shares equal to the aggregate of the par value of each Funding Share and the value of any unpaid and accrued dividends on each such Funding Share as at the Conversion Date (together the ***Conversion Amount***);

(ii) such Shares shall be issued to each Shareholder in proportion to their respective Percentage Interests;

(iii) 34% of the Conversion Amount shall be deemed to be a Funded Amount and shall be added to the Outstanding Balance (and a Lending Certificate shall be issued in respect of this deemed Funded Amount in accordance with clause 11.1(d)); and

(iv) the parties shall take all necessary steps, and sign all required documents, to formally replace each Funding Share with the new Shares to be issued, and the parties agree that, following such replacement, the Funding Shares shall be of no further force and effect.

(b) Until, and subject to, their conversion to Shares under this clause 12, notwithstanding this Agreement, the terms of all Funding Shares will continue to be governed by and subject to clause 11, and the other provisions, of the Previous Shareholders' Agreement.

13. Debt funding by Shareholders

13.1 Shareholder Debt

(a) Where the Ivanhoe Shareholders (during the Funding Period) or the Board of Directors (after the Funding Period) determine that funding will be made by way of debt provided by the Shareholders, SHC may elect (but is not obliged) to contribute to the whole or part of the SHC Called Sums. SHC shall give prior written notice (no later than 5 Working Days after receipt of the Called Sum request) to the Company and the Ivanhoe Shareholders of its election to so contribute to the whole of the SHC Called Sum. If SHC does not elect to contribute to the whole of the SHC Called Sum within such time period, SHC will be deemed to have elected not to contribute to the relevant SHC Called Sum. After the Funding Period, the Ivanhoe Shareholders shall give prior written notice (no later than 5 Working Days after receipt of the Called Sum request) to the Company and SHC if they elect not to contribute to the whole or any part of their own Percentage Interest of a Called Sum. If the Ivanhoe Shareholders do not make such an election within such time period, they will be deemed to have elected, subject to clause 10.2(a), to contribute to the whole of their Called Sum.

(b) During the Funding Period, if SHC elects (or is deemed to have elected) not to contribute to the whole or part of a SHC Called Sum by way of Shareholder Debt, the IVN Provider must provide that part of the SHC Called Sum to which SHC does not elect to contribute in accordance with this clause 13.

(c) After the expiry of the Funding Period, if SHC elects within the 5 Working Day period (or is deemed to have elected) not to contribute to the whole or part of a SHC Called Sum the IVN Provider may elect within a further 5 Working Days (but is not obliged) to contribute by way of Shareholder Debt that part of the SHC Called Sum, to which SHC does not elect to contribute in accordance with this clause 13.

(d) Interest shall be calculated on the aggregate of the Shareholder Debt and any accrued interest, and accrued on a quarterly basis at the rate of:

(i) on and from the Effective Date until the day prior to the Conversion Date, the Quarterly US CPI Adjusted Carry Rate for that calendar Quarter; and

(ii) from and after the Conversion Date, the rate of LIBOR plus 6.50% for that calendar Quarter.

For the avoidance of doubt, the reference to LIBOR (for the relevant Quarter) plus 6.50% in clause 13.1(d)(ii) is an annual effective rate.

(e) At the end of each Quarter, interest will be calculated on principal amounts advanced by a Shareholder plus accrued interest to that point in time less all repayments made by the Company to that Shareholder to that point in time. A separate loan agreement shall be promptly entered into by the Company and the Shareholders to record the terms of Shareholder Debt.

(f) Interest will be computed on the basis of the actual number of days elapsed and a year of 360 days. If a calendar Quarter ends on a day which is not a Working Day, that calendar Quarter will be extended to the next Working Day.

13.2 Priority repayment of Shareholder Debt

In accordance with clause 15.1(d), Shareholder Debt provided under clause 13.1 must be repaid before the Company commences paying Dividends (on common shares).

14. Third party project financing

(a) The Board of Directors may, from time to time, resolve to fund the projected cash requirements of the Company by means of borrowings by the Company from internationally recognised financial institutions (***Project Financing***).

(b) Without limiting the discretion of the Board of Directors under paragraph (a), the Shareholders agree to use their commercially reasonable endeavours to:

(i) use Project Financing for the Company as a priority funding mechanism if beneficial and appropriate from an overall project perspective for the OT Project; and

(ii) assist the Company to obtain such Project Financing as soon as practicable on the best terms that can be reasonably obtained in the international banking market for project finance for a project like the OT Project.

(c) The Shareholders acknowledge that, subject to taxation requirements, there shall be no charge or pass on of any margin or premium on the full cost of funds that are procured by means of any third party Project Financing for the Company by any of the Shareholders and/or IVN Providers for the purposes of the OT Project over and above the margins or premiums imposed by such third parties providing Project Financing.

(d) Each of the Shareholders acknowledges that it shall provide and procure all reasonable assistance to the other and the Company in order to obtain funds as contemplated by clause 14(a), provided that there shall be no recourse to the assets of SHC or the Government of Mongolia as a result of any financing arrangements.

15. Dividend distribution

15.1 Payment of Dividends

(a) Subject to the other provisions of this clause 15 (including, without limitation, clause 15.1(d) and clause 15.2(c)) and the commitments provided under the terms of any third party Project Financing contemplated by clause 14, if, in respect of any Financial Year of the Company, the Company has profits available for distribution, the Board of Directors shall declare that at least 100% of those profits must be distributed by way of cash Dividends within 3 months after the end of that Financial Year, subject to the retention of reasonable and proper reserves for the Company's future cash requirements (including potential expansions, working capital, and the maintenance of funds for capital costs and other actual or contingent liabilities).

(b) The profits available for distribution of Dividends referred to in clause 15.1(a) will be based on the audited annual results of the Company and subject to prior satisfaction of the requirements of clause 15.1(d).

(c) The Board of Directors is entitled to declare interim Dividends.

(d) Notwithstanding any other provision of this Agreement, Dividends (on common shares) are not payable by the Company unless and until the Company has discharged the following obligations, which shall be discharged in the following order of priority:

(i) third party Project Financing described in clause 14, in the priority for repayment of such borrowings required by the third party;

(ii) the Existing Shareholder Loan has been repaid in full by the Company;

(iii) (ranking equally) any interest on Shareholder Debt provided under clause 13, and all dividends on Funding Shares (unless they have been converted into Shares in accordance with clause 12), have been paid in full by the Company;

(iv) (ranking equally) all principal of Shareholder Debt provided under clause 13 has been repaid in full by the Company, and the redemption of the capital of all Funding Shares by the Company (unless they have been converted into Shares in accordance with clause 12); and

(v) all dividends on all preferred shares (other than Funding Shares) have been paid in full by the Company, and all preferred shares (other than Funding Shares) have been redeemed by the Company.

15.2 Application of Dividends payable to SHC

(a) To the extent (if any) that the Outstanding Balance under clause 11 has not been repaid, any Dividends payable by the Company to SHC must be applied in the following order of priority:

(i) first, to the repayment of the Outstanding Balance; and

(ii) secondly, to SHC.

(b) The payment by the Company of such amounts to the IVN Provider of the Outstanding Balance under clause 15.2(a)(i) shall be treated as discharging the obligation of the Company to pay that amount of Dividends to SHC.

(c) Unless otherwise agreed by the Parties, and to ensure that Dividends are distributed in accordance with the distribution arrangements contained in this Agreement, SHC agrees that it will not exercise or give effect to the entitlement to mobilize its Dividends set out in Article 21.8 of the Corporate Income Tax Law.

16. Transfer of Shares

16.1 Consent to transfer Shares

Except as expressly provided in this Agreement (including clause 16.3), a Shareholder shall not Dispose of all or any of its Shares (or any interest in all or any of its Shares) unless it has received the prior written consent of each of the other Shareholders (***Other Shareholders***).

16.2 Pre-emptive rights applicable on transfer of Shares

(a) Subject to clauses 16.3 and 16.7, a Shareholder may transfer all or any of its Shares if the transfer is conducted in accordance with the provisions of clauses 16.2(b) to (j) (inclusive).

(b) If a Transferor wishes to transfer all or any of its Shares to a third party (***Disposal Shares***), it must first offer the Disposal Shares to each of the Other Shareholders.

(c) Any offer made by a Transferor pursuant to clause 16.2(b) must be made pursuant to a written notice (***Transfer Notice***). A Transfer Notice must:

(i) specify the number of Disposal Shares and the cash price in USD for the Disposal Shares (***Transfer Price***);

(ii) contain the terms upon which the Disposal Shares are offered for sale; and

(iii) specify the third party to whom the Transferor proposes to sell the Disposal Shares in the event that the Other Shareholders do not accept the offer of the Transferor (***Nominated Third Party***).

(d) A Transfer Notice constitutes an unconditional offer to sell the Disposal Shares, upon the terms set out in the Transfer Notice, which offer must remain open for acceptance by each of the Other Shareholders until the expiry of 50 Working Days after the date of service of the Transfer Notice on the Other Shareholders (***Offer Period***).

(e) At any time during the Offer Period, any of the Other Shareholders may by notice in writing to the Transferor (with a copy to be provided to the other Shareholders) reject or accept in full the Disposal Shares offered in a Transfer Notice. If there is more than one Other Shareholder, the Disposal Shares will be deemed to be offered to each of them. If more than one accepts they will purchase (severally and not jointly) the Disposal Shares in the proportions that their respective Percentage Interests bear to the aggregate of their Percentage Interests (or in any other proportions as those Other Shareholders agree and notify in writing to the Transferor).

(f) If one or more Other Shareholders do not accept the offer made in respect of the Disposal Shares, the remaining Other Shareholder or Other Shareholders may accept the offer in respect of all of the Disposal Shares in the proportions that their respective Percentage Interests bear to the aggregate of their Percentage Interests (or in any other proportions as those Other Shareholders agree and notify to the Transferor).

(g) If any one or more of the Other Shareholders do not accept all of the Disposal Shares following the application of the provisions of clauses 16.2(e) and 16.2(f), by the expiry of the Offer Period, the offer in the Transfer Notice is deemed to have been rejected.

(h) Acceptances of offers made pursuant to clause 16.2(b) must be unconditional other than any necessary authorisations.

(i) If any one or more of the Other Shareholders accept all of the Disposal Shares, the transfer of the Disposal Shares must be completed on the tenth Working Day after the last day of the Offer Period, when the Transferor must sell and the applicable Other Shareholder or Other Shareholders must purchase the Disposal Shares at the Transfer Price.

(j) If acceptances are not received in respect of all of the Disposal Shares following compliance with clauses 16.2(b) to (h) (inclusive), the Transferor may, subject to clause 16.7, at any time within 90 days after the expiry of the Offer Period transfer all but not some of the Disposal Shares to the Nominated Third Party, at a cash price only that must not be less than the Transfer Price and on terms no more favourable to the Nominated Third Party than as set out in the Transfer Notice.

(k) If the transfer of all of the Disposal Shares does not occur within 90 days after the expiry of the Offer Period, the Transferor may not transfer the Disposal Shares without first complying with the requirements of clauses 16.2(b) to (h) (inclusive).

16.3 Permitted transfers

(a) Any member of the Ivanhoe Group or any member of the Rio Tinto Group that is a Shareholder or preferred shareholder may transfer all or part of the Shares or any preferred shares (as applicable) held by it to any other member of the Ivanhoe Group or the Rio Tinto Group without obtaining the prior written consent of the other Shareholders or preferred shareholders, or first complying with the requirements of clause 16.2.

(b) SHC may transfer all or part of the Shares or any preferred shares (as applicable) held by it to any other company wholly-owned by the State, duly incorporated under the Company Law of Mongolia, and Controlled solely by the State, without obtaining the prior written consent of the other Shareholders or preferred shareholders, or first complying with the requirements of clause 16.2.

(c) In accordance with Clause 1.9 of the Investment Agreement, SHC shall be responsible for listing that proportion of the Government Issue Shares which represent not less than ten percent (10%) of the Shares in the Company on the Mongolian Stock Exchange in satisfaction of the requirements of Article 5.6 of the Minerals Law of Mongolia, and the transfer of such Shares shall be and remain exempt from the transfer restrictions of this clause 16. Without limiting Clause 1.9 of the Investment Agreement, the Ivanhoe Shareholders and the Company cannot compel performance of SHC's obligations under this clause 16.3(c).

16.4 Mortgaging Shares

A Shareholder must not create a mortgage, pledge, charge or other security interest (***Pledge***) in respect of its Shares (including, to avoid doubt, the rights associated with such Shares) unless as provided in clause 16.5.

16.5 Pledge over Shares

(a) The Parties agree that the requirements of this clause 16.5 are not required terms of any security or other third party Project Financing arrangements described under clause 14 (notwithstanding that establishing the requirements set out in this clause 16.5 may be necessary or desirable in order to obtain such finance).

(b) Except as provided in clause 16.5(d), a Shareholder may create a Pledge in respect of its Shares (a ***Permitted Charge***) only if:

(i) the Pledge is created in favour of an internationally recognised financial institution providing financing as contemplated by clause 14(a) (relating to third party Project Financing) (the ***Permitted Chargee***);

(ii) the Shareholder first notifies the Board of Directors in writing; and

(iii) the following requirements are first satisfied:

(A) The Permitted Charge must be in writing and comply with the requirements of a Permitted Charge described in this clause 16.5.

(B) A copy of the Permitted Charge must be given to each other Shareholder at least 30 Working Days before it is executed and must not be amended (before or after execution) without the prior written consent of each other Shareholder.

(C) The Permitted Chargee must sign and deliver to each Shareholder and the Company a deed of covenant in a form acceptable to the other Shareholders under which the Permitted Chargee agrees that its rights and entitlements in connection with the Permitted Charge:

(1) are subject to this Agreement; and

(2) must be subordinated in priority to the rights and entitlements of IVN, OTN and the IVN Provider to receive Dividends otherwise payable to SHC in accordance with clauses 11.4 and 15.2.

(c) The Permitted Charge must:

(i) not prejudice or affect the rights and remedies under this Agreement of any Shareholder, including the right to be repaid any sum, including the Outstanding Balance, under this Agreement;

(ii) expressly provide that the Permitted Chargee (or any person claiming through the Permitted Chargee) in the exercise or enforcement of any power of sale or other power of its security is subject to this clause 16 (including the rights of pre-emption in clause 16.2); and

(iii) expressly provide that the rights of the Permitted Chargee are subordinated in priority to the rights and entitlements of IVN, OTN and the IVN Provider to receive Dividends otherwise payable to SHC in accordance with clauses 11.4 and 15.2.

(d) Any Pledge existing at the date of the Previous Shareholders' Agreement between any member of the Ivanhoe Group and any member of the Rio Tinto Group shall not require the prior written consent of the other Shareholders or compliance with the requirements of clauses 16.5(b) and 16.5(c).

16.6 SHC ownership and listing

(a) SHC must remain:

(i) wholly-owned by the State; and

(ii) Controlled solely by the State,

for the life of the OT Project, except as provided in clause 16.6(b) in relation to the listing of shares of SHC by the State.

(b) The State may list its shares in SHC on the Mongolian Stock Exchange or any internationally recognised stock exchange.

(c) If SHC ceases to be wholly-owned and Controlled by the State (including as a result of the listing of the shares in SHC) then, at the Ivanhoe Shareholders' election and on written notice from the Ivanhoe Shareholders to SHC, any Outstanding Balance at that time shall immediately become due and payable in full to the IVN Provider (or to IVN or OTN on behalf of the IVN Provider, if the Ivanhoe Shareholders direct).

16.7 Further restrictions on Disposal of Shares

A Shareholder may not Dispose of all or any of its Shares (or any interest in all or any of its Shares) unless, prior to registration of the transfer of the Shares:

(a) (except where the Disposal of Shares is to an existing Shareholder) the transferee enters into a deed of accession and assumption with the Parties in a form acceptable to the Parties agreeing to be bound by and assume the obligations of the Transferor;

(b) in the case where SHC is the Transferor, at the IVN Provider's election (to be notified in writing to SHC), either:

(i) the transferee or SHC pays or procures the payment of any Outstanding Balance in full at the time of transfer; or

(ii) the transferee assumes the obligation to repay any Outstanding Balance or, if SHC is not transferring all its Shares, that proportion of the Outstanding Balance as is the same proportion as the number of Shares being transferred bears to the total number of Shares held by the Transferor immediately before registration of the transfer by the Company (and, for the avoidance of doubt, the Dividends to which such transferee would otherwise be entitled shall be applied in priority to the repayment of the Outstanding Balance or the relevant proportion of the Outstanding Balance, as the case may be, as contemplated by clause 15.2);

(c) subject to clause 16.7(b), in the case of any Transferor, the transferee, at the time of transfer, pays or procures the payment to each other Shareholder and the Company of all amounts which the Transferor is obliged to pay to each other Shareholder or the Company (as the case may be) under the terms of this Agreement; and

(d) the transferee obtains all necessary authorisations.

16.8 Ineffective transfer

The Company shall not register any transfer made in breach of this clause 16. Any purported transfer so made will be void and of no effect.

16.9 Disposal of rights in this Agreement

Without the prior written consent of the other Parties, a Party must not Dispose of any of its rights under this Agreement or attempt to do so, otherwise than in connection with a transfer of Shares in accordance with this clause 16.

16.10 SHC option to acquire an additional 16% shareholding in the Company

(a) SHC shall have the option (***Option***) to acquire an additional number of common shares in the capital of the Company which will, after such acquisition, result in SHC holding a further 16% of the total issued common shares in the capital of the Company (***Option Shares***), provided terms are agreed between SHC and the Ivanhoe Shareholders.

(b) SHC may only exercise the Option by written notice to the Ivanhoe Shareholders and the Company during the period commencing on and from the date upon which the term of the Investment Agreement is first extended in accordance with Clause 15.11 of the Investment Agreement, and ending on the date which is one (1) calendar year after such date.

(c) Immediately after the acquisition of the Option Shares to SHC, the respective Percentage Interests of the Shareholders in the Company would be as follows:

(i) SHC – 50%; and

(ii) the Ivanhoe Shareholders – 50%.

(d) Notwithstanding any acquisition of the Option Shares by SHC in accordance with this clause 16, the Ivanhoe Shareholders shall retain full and unrestricted management rights over the OT Project, and have a casting vote at all meetings of the Board of Directors of the Company, and at all Shareholder meetings for all matters described in clauses 5.10(a)(viii) to 5.10(a)(xvi) (inclusive), and the Ivanhoe Shareholders and SHC shall make, or shall procure the making of, all amendments to the Shareholders' Agreement and any other documents that the Ivanhoe Shareholders deem necessary to give effect to this clause 16.10(d).

17. Representations and warranties

(a) Each Party represents and warrants to each other Party that:

(i) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation (and, in the case of SHC, it is duly incorporated under the Company Law of Mongolia and is and will continue to be subject to the Company Law of Mongolia); and

(ii) it has the power to enter into and perform its obligations under this Agreement and to carry on its business as now conducted or contemplated.

(b) Each Party must comply with the obligations of confidentiality specified by the Board of Directors from time to time in respect of Proprietary Information of the Company, the Shareholders (and their respective Related Corporations) and the Management Team. In specifying such confidentiality obligations, the Board of Directors will take into consideration the disclosure requirements under Mongolian law, financial reporting requirements and the protection of commercially sensitive information. If required by the Board of Directors, each Shareholder shall procure that its appointed Directors and officers, employees, contractors or agents sign undertakings with respect to Proprietary Information. Each Shareholder shall be responsible for the misuse or unauthorised disclosure of Proprietary Information by its appointed Directors, or any of the Shareholder's officers, employees, contractors or agents.

(c) The Ivanhoe Shareholders acknowledge that as SHC is representing the Mongolian Government, it may disclose to the Mongolian Government the Proprietary Information and such other information that is necessary to perform its obligations.

18. Covenants of SHC

In accordance with Clause 2.27 of the Investment Agreement, SHC shall pay any taxes imposed by the State upon or payable by the Company or by any Related Corporation of either the Ivanhoe Group or the Rio Tinto Group that may be or become a holder of either common or preferred shares of the Company as may result from any of the following transactions:

(a) the transfer or issue of the Government Issue Shares by the Company to SHC;

(b) the provision of funds or loans to SHC under clause 11 of this Agreement (or any similar arrangements), to fund SHC's investment in the Company, including all repayments of principal and interest, including stamp duties and transaction taxes;

(c) the provision of funds or loans by a member of the Ivanhoe Group or a member of the Rio Tinto Group to the Company on behalf of or attributable to SHC, under clause 13 of this Agreement (or any similar arrangements), in order to fund investment by SHC in the Company, including all repayments of principal and interest;

(d) the transfer of any tenement of the Company referred to in clause 20, or the transfer of licences or rights to the Company in accordance with Clause 15.7.8 of the Investment Agreement; and

(e) dividends paid by the Company in respect of the Shares held by SHC from time to time (or any successor).

19. Operation of Agreement

19.1 Shareholders' Agreement to override Charter

If there is any inconsistency between the provisions of this Agreement and the provisions of the Company's Charter, then the provisions of this Agreement prevail to the extent of the inconsistency.

19.2 Agreement provision deemed to be in Charter

If it is necessary to amend or include a provision in the Charter to ensure that a provision of this Agreement is effective in accordance with its terms, then the relevant provision of this Agreement shall be deemed to form part of the Charter and, if required, the Shareholders shall approve by affirmative vote the necessary amendments to be made to the Charter.

20. Transfer of non-OT Project tenements

(a) The tenement holding of the Company will be transferred (to the extent this has not already been done prior to the date of the Previous Shareholders' Agreement) such that all tenements retained and held by the Company will be those that are connected to the OT Project. Accordingly, following the restructure, the Company will hold the following:

(i) mining license 6709A;

(ii) mining licenses 6708A and 6710A; and

(iii) the contractual rights of the Company to earn an interest in exploration and mining licenses adjacent to or surrounding mining license 6709A.

(b) The Company intends to transfer all other licenses, leases, permits or other tenements and authorities (and related assets) that are not related to the OT Project to another Mongolian entity nominated by the Ivanhoe Shareholders. Accordingly, such tenements, rights and related assets will no longer be held by the Company.

(c) The transfers and transactions under this clause 20 shall be completed within 45 Working Days of the receipt of all of the Government approvals and authorisations required for the completion of the transfers and transactions under this clause 20.

21. Mutual indemnity

(a) In the event of a breach of a material obligation of this Agreement, the Shareholder in breach shall indemnify the other Shareholder(s) and the Company for the direct damages and loss suffered by the other Shareholder(s) and the Company, including all costs, expenses, interest and legal fees, experts' fees and other disbursements incurred.

(b) Indemnification shall be paid within sixty (60) days of the date of occurrence of the damage or loss. The indemnification shall be paid in USD.

22. Duration and termination

22.1 Former Shareholder not bound

Subject to clause 22.3, this Agreement ceases to apply to a Shareholder which has transferred all of its Shares as permitted by this Agreement.

22.2 Term

This Agreement continues in full force and effect until the conclusion of the liquidation of the Company or its earlier termination by written agreement between the Parties.

22.3 Termination not to affect certain provisions

The termination of this Agreement however caused and the ceasing by any Shareholder to hold any Shares:

(a) will be without prejudice to any obligation of the Parties which has accrued prior to that termination or cessation and which remains unsatisfied; and

(b) will not affect any provision of this Agreement which is expressed to come into effect on, or to continue in effect after, that termination or cessation.

23. Dispute resolution

23.1 Negotiation of dispute

Any disputes between the Parties arising out of or in connection with this Agreement shall be settled by the Parties first attempting in good faith to negotiate a resolution and if a negotiated resolution to the dispute is not agreed to within 60 (sixty) Working Days of the date of a Party's request in writing for such negotiation, or such other time period as may be agreed, then the dispute shall be settled in accordance with clause 23.2.

23.2 Arbitration

If a dispute is not settled by negotiation in accordance with clause 23.1, it shall be resolved by binding arbitration in accordance with the procedures under the Arbitration Rules of the United Nations Commission on International Trade Law (the ***UNCITRAL Rules***) as in force at the time of the dispute. Accordingly, the following shall apply:

(a) the number of arbitrators shall be 3 (three);

(b) the 3 (three) arbitrators shall be appointed in accordance with rules 7 and 8 of the UNCITRAL Rules;

(c) the language of the arbitration shall be English;

(d) the arbitrators shall apply the laws and regulations of Mongolia to the interpretation of this Agreement;

(e) the place of arbitration shall be in London, United Kingdom; and

(f) the arbitral proceedings shall be administered under the UNCITRAL Rules by the London Court of International Arbitration.

23.3 Execution and enforcement of arbitral award

The arbitral award shall be final and binding on the Parties, and judgment on the award may be entered by any court having competent jurisdiction, provided that an arbitral award shall first be presented in an appropriate court of Mongolia for execution and enforcement. If such execution and enforcement has not occurred within 30 (thirty) days of presentation, the award may be presented in any other court having competent jurisdiction. The Parties hereby commit to fulfil the execution and enforcement of the arbitral award and shall not raise any defence to its execution and enforcement.

23.4 Continued application of clause

The provisions of this clause 23 shall continue to apply to any dispute that arises during the term of this Agreement or any dispute that occurs after the expiry or earlier termination of this Agreement in regard to activities arising out of or in connection with this Agreement.

24. Miscellaneous

24.1 Notices

Any notice, demand, consent or other communication (a ***Notice***) given or made under this Agreement:

(a) must be in writing and signed by a person duly authorised by the sender;

(b) for Notices delivered within Mongolia, must be delivered to the intended recipient by hand, and for Notices delivered outside Mongolia, must be delivered by hand or by any recognized express courier service, to the address below or the address last notified by the intended recipient to the sender:

(i) to SHC:

Erdenes MGL (SHC) Limited
Jigjidjav street 6,
1 khoroo, Chingiltei District
Ulaanbaatar-15172, Mongolia

Attention: Executive Director
Fax No: +976 70110725

(ii) to the Ivanhoe Shareholders:

to IVN:
Ivanhoe Oyu Tolgoi (BVI) Limited
9 Columbus Centre Building
Road Town
Tortola
British Virgin Islands
Attention: Corporate Secretary

to OTN:
Oyu Tolgoi Netherlands B.V.
Prims Bernhardplein 200
1097 JB
Amsterdam
The Netherlands
Attention: Corporate Secretary

with a copy to IVN / OTN (as applicable) (which shall not constitute notice):
c/o Oyu Tolgoi LLC

12th Floor, Monnis Tower
Chinggis Avenue 15
Sukhbaatar District
Ulaanbaatar 14240
MONGOLIA

Attention: Managing Director

Fax No: +976 1133 1890

with a copy to (which shall not constitute notice):
Ivanhoe Mines Ltd
999 Canada Place
Suite 654
Vancouver
British Columbia V6C3E1
Canada
Attention: Corporate Secretary
Fax No: +1 604-682-2060

and

with a copy to (which shall not constitute notice):
Rio Tinto International Holdings Limited:
2 Eastbourne Terrace
Paddington
London W26LG
United Kingdom
Attention: Company Secretary
Fax No: +44 20 7781 1800

(iii) to the Company: Oyu Tolgoi LLC

12th Floor, Monnis Tower
Chinggis Avenue 15
Sukhbaatar District
Ulaanbaatar 14240
MONGOLIA

Attention: Managing Director

Fax No: +976 1133 1890

(c) will be taken to be duly given or made:

(i) in the case of delivery in by hand, when delivered; and

(ii) in the case of delivery by recognized express courier service, two Working Days after the date of despatch (if despatched to an address in the same country) or seven Working Days after the date of despatch (where despatch to an address in another country),

but if the result is that a Notice would be taken to be given or made on a day that is not a Working Day in the place to which the Notice is sent or is later than 4pm (local time) it will be taken to have been duly given or made at the start of business on the next Working Day in that place; and

(d) must be in English and Mongolian.

24.2 Civil Code application

Articles 5.1, 5.2 and 5.3 of the Civil Code apply to this Agreement.

24.3 Compliance with laws

Each Shareholder and its Related Corporations are subject to the anti-bribery/corruption laws of the jurisdictions in which the Shareholder or its Related Corporations (as applicable) are organized, including Mongolia, and the Shareholder and its Related Corporations shall conduct their activities in Mongolia in accordance with their obligations under such laws.

24.4 Further assurances

The Parties shall co-operate in compiling and delivering all documents necessary or convenient to carry out the provisions of this Agreement.

24.5 Entire agreement

The provisions of this Agreement contain the entire agreement between the Parties with respect to the subject matter of this Agreement.

24.6 Amendment

This Agreement may be amended only by another agreement executed by all the Parties.

24.7 Governing law

This Agreement shall be governed by and interpreted in accordance with the laws of Mongolia and the international treaties to which Mongolia is a party.

24.8 Language

This Agreement will be provided in the Mongolian and English languages each in six (6) original copies, with each Party retaining one copy in each language. The Parties agree that the Mongolian and English language versions will be treated equally except that, in the event of any discrepancies between the two language versions, the English version shall prevail.

25. Definitions

Capital Costs means all costs, expenses and charges that are recognised as capital costs in accordance with internationally generally accepted accounting principles in relation to the OT Project and Core Operations.

Carry Rate means the carry rate defined in clause 11.3(e)(i).

Commencement of Production has the meaning given to that term in Chapter 16 of the Investment Agreement.

Completion Date means the date which is 21 Working Days after the Effective Date, or such other date after the Effective Date as may be agreed between the Parties.

Contract Area has the meaning given to that term in Chapter 16 of the Investment Agreement.

Control means, with respect to a body corporate, the right to, directly or indirectly, exercise a majority of the votes which may be cast at a general meeting of the shareholders of the body corporate or the right to elect or appoint, directly or indirectly, a majority of the directors of the body corporate and ***Control*** used as a noun means an interest of any kind which gives the holder the ability to exercise any of the foregoing powers (and ***Controlled*** has a corresponding meaning).

Core Operations has the meaning given to that term in Chapter 16 of the Investment Agreement.

Conversion Date means 31 January 2011.

Director means a person appointed or elected to the office of director of the Company in accordance with the Charter and in accordance with clause 5.3.

Disposal Shares means the disposal shares defined in clause 16.2(b).

Dispose in relation to any property means to sell, transfer, assign, create a Pledge over, declare oneself a trustee of or part with the benefit of or otherwise dispose of that property (or any interest in it or any part of it) or to attempt to do so.

Dividend includes a cash or non-cash distribution that is declared payable by the Board of Directors in respect to Shares out of the operating profit after tax of the Company (but does not include a dividend on preferred shares or Funding Shares).

Effective Date has the meaning given to that term in Chapter 16 of the Investment Agreement, being 31 March 2010.

Existing Shareholder Loans means all funds advanced to the Company up to the Effective Date (the quantum having been determined in accordance with Clause 15.7.5 of the Investment Agreement) by the Ivanhoe Group or the Rio Tinto Group in relation to the OT Project and Core Operations (irrespective of the terms on which those funds were advanced and whether expended by the Company as Operational Costs or Capital Costs), including interest on such amounts calculated, subject to clause 9.8:

(a) on and from the Effective Date, at an effective annual rate of 9.9% adjusted, on a quarterly basis, by the percentage of the variation in the US CPI over the preceding Quarter; and

(b) from and after the Conversion Date, at the rate of LIBOR (for the relevant Quarter) plus 6.5% (being an effective annual rate).

Financial Year means 1 January to 31 December.

Funded Amount has the meaning given in clause 11.1(d).

Funding Equity means, subject to the Project Financing unconditionally being made available to the Company, common equity issued from 1 January 2012 to the end of the Funding Period.

Funding Period means the period commencing on the Completion Date and ending three years after the Commencement of Production.

Funding Shares has the meaning given in the Previous Shareholders' Agreement.

Government Issue Shares means the number of Shares issued by the Company to SHC as at the Completion Date which will, after such issue, result in SHC holding 34% of the Shares in the Company.

Investment Agreement means the Investment Agreement dated 6 October 2009, in relation to the OT Project, entered into between the Government of Mongolia, the Company, Ivanhoe Mines Ltd and Rio Tinto International Holdings Limited pursuant to Article 29 of the Minerals Law of Mongolia.

Ivanhoe Group means Ivanhoe Mines Ltd (incorporated in Yukon, Canada) and any entity Controlled by Ivanhoe Mines Ltd.

Ivanhoe Shareholders means IVN and OTN.

IVN Provider means IVN, OTN or their nominated representative(s) including any Related Corporation of IVN or OTN.

Loan Conversion Amount has the meaning given in clause 9.8(b)(i).

Lending Certificate has the meaning given in clause 11.1(d).

LIBOR means for the relevant currency (other than euro) the three-month British Bankers Association Interest Settlement Rate published at or about 11.00am (London time) on the second Business Day before the commencement of an interest period of any Funded Amounts, any Shareholder Debt or of the Existing Shareholder Loan, such rate to be accessed through the appropriate page of the Reuters screen (or if this ceases to be available then another page or service displaying the appropriate rate selected in good faith by the party providing the relevant Funded Amount, Shareholder Debt or Existing Shareholder Loan (***Screen Rate***). If no Screen Rate is available for the currency or the period there shall be taken instead:

(a) the arithmetic mean of the rates found by interpolating on a time-weighted basis the fixing rates quoted for the period of three months, being shorter, which is closest to the three month period and the period, being longer, which is closest to the three month period, rounded, if necessary, to the nearest fifth decimal place; and

(b) if there is no rate quoted for a period which is shorter or longer than the three month period, the rates (rounded upwards to five decimal places) as supplied to the party providing the relevant Funded Amount, Shareholder Debt or Existing Shareholder Loan at their request quoted by a prime bank or banks in the London interbank market at or about 11.00am (London time) on the second Business Day before the commencement of the interest period.

Management Services Payment has the meaning given to that term in Chapter 16 of the Investment Agreement.

Management Team means the management team defined in clause 7.2(a).

Nominated Third Party means the nominated third party defined in clause 16.2(c)(iii).

Notice means the notice defined in clause 24.1.

Offer Period means the offer period defined in clause 16.2(d).

Operating Costs means all costs, expenses and charges incurred by or on behalf of the Management Team or the Company in relation to the OT Project and Core Operations (other than Capital Costs).

Option means the option defined in clause 16.10(a).

Option Shares means the option shares defined in clause 16.10(a).

Other Shareholders means the other shareholders defined in clause 16.1.

OT Project has the meaning given to that term in Chapter 16 of the Investment Agreement.

Outstanding Balance means the outstanding balance defined in clause 11.3(e)(ii).

Overwhelming Majority means two thirds (⅔) or more.

Party means each of SHC, IVN, OTN, the Company and their successors and assigns as permitted in accordance with this Agreement or the Investment Agreement.

Pledge means the pledge defined in clause 16.4.

Percentage Interest means, in relation to a Shareholder, that Shareholder's percentage interest of Shares it holds directly in the Company (and immediately after the issue of the Government Issue Shares to SHC, the Percentage Interest of SHC will be 34%).

Permitted Charge means the permitted charge defined in clause 16.5(b).

Permitted Chargee means the permitted chargee defined in clause 16.5(b)(i).

Previous Shareholders' Agreement has the meaning given in the Recital.

Project Financing means the third party project financing defined in clause 14(a).

Proprietary Information means that information of a Shareholder or its Related Corporations, the Company or the Management Team which is disclosed to another Party, which is confidential in nature and not in the public domain, including, without limitation, information relating to technology, processes, products, specifications, inventions, trade secrets, know-how and other information of a commercially sensitive nature.

Quarter means a period of three consecutive calendar months starting on one of 1 January, 1 April, 1 July or 1 October.

Quarterly US CPI Adjusted Carry Rate means the quarterly rate that results in an effective annual rate of 9.9% and which is then adjusted, on a quarterly basis, by the percentage of the variation in the US CPI over the preceding Quarter.

Related Corporation means:

(a) in relation to any member of the Ivanhoe Group – any other member of the Ivanhoe Group and any member of the Rio Tinto Group;

(b) in relation to any member of the Rio Tinto Group – any other member of the Rio Tinto Group and any member of the Ivanhoe Group; and

(c) in relation to SHC – any other corporation that is wholly-owned and Controlled solely by the State.

Relevant Transaction means any transaction between the Company (on the one hand) and any Shareholder or Related Corporation of any Shareholder (on the other hand) where the total consideration payable under the contract documenting the transaction exceeds one million five-hundred thousand USD (USD1.5 million) (and, for the avoidance of doubt, the Relevant Transaction provisions in clause 6.2 do not apply to a contract for the engagement of the Management Team as described in clause 7.2(a)).

Resolution means Resolution Number 57 of the State Great Khural dated 16 July 2009.

Rio Tinto Group means Rio Tinto plc (incorporated in England) and Rio Tinto Limited (incorporated in Australia), and any entity Controlled by Rio Tinto plc and/or Rio Tinto Limited.

Share means a common share in the capital of the Company.

Shareholder means each of SHC, IVN and OTN, and each other Party who holds Shares.

Shareholder Debt means, at any time, the aggregate principal amount outstanding at the time of all sums advanced to the Company by or on behalf of Shareholders on or after the Effective Date, including as contemplated by clause 13, and interest on such sums.

SHC Called Sum means SHC's Percentage Interest of a Called Sum.

State means Mongolia.

Total Capital means the aggregate funding requirements of the Company (historic and future) until the end of the Funding Period which include, without limitation, funding provided or to be provided by common equity, preferred shares, Shareholder Debt, debt, funds made available from any Project Financing and from operational cash flows of the Company.

Transfer Notice means the transfer notice defined in clause 16.2(c).

Transfer Price means the transfer price defined in clause 16.2(c)(i).

Transferor means a Shareholder which proposes to transfer all or some of its Shares in accordance with this Agreement and refers to the Shareholder both before and after registration of the relevant transfer of Shares.

US CPI means US CPI defined in clause 11.3(e)(iii).

USD and ***$*** means the lawful currency of the United States of America.

Working Day has the meaning given to that term in Chapter 16 of the Investment Agreement.

IN WITNESS WHEREOF, this Agreement is executed and signed on 8 June 2011.

Signed for and on behalf of **Erdenes MGL LLC** by:

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Enebish Baasangombo, Executive Director

8 June 2011

Signed for and on behalf of **Ivanhoe Oyu Tolgoi (BVI) Ltd** by:

.....

John Fognani, Executive VP, Legal and General Counsel

8 June 2011

Signed for and on behalf of **Oyu Tolgoi Netherlands B.V.** by:

.....

Sam Riggall

Executive Vice President - Business Development

Signed for and on behalf of **Oyu Tolgoi LLC** by:

.....

Cameron McRae

President and Chief Executive Officer