

# A Leading Copper and Gold Producer, Developing a Tier-1 Copper Asset



Second Quarter 2019 Financial Results  
August 01, 2019



TURQUOISE HILL

TSX-NYSE-NASDAQ: TRQ

# Forward-Looking Statements

This presentation includes certain “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the “safe harbour” provisions of the United States *Private Securities Litigation Reform Act of 1995*.

All statements and information, other than statements of historical fact, are forward-looking statements and information that involve various risks and uncertainties. There can be no assurances that such statements or information will prove accurate and actual results and future events could differ materially from those expressed or implied in such statements. Such statements and information contained herein, which include, but are not limited to, information regarding the timing and amount of production and potential production delays, statements in respect of the impacts of any delays on the Company’s cash flows, liquidity, funding requirements and planning, statements regarding timing and status of underground development, the development options under consideration for the design of Panel 0, capital and operating cost estimates, mill throughput, timing and status of the Tavan-Tolgoi based power project, timing of completion of the definitive estimate review, corporate strategies and other statements that are not historical facts, represent the Company’s best judgment as of the date hereof based on information currently available to the Company, including information received from Rio Tinto that is in the process of being independently reviewed by the Company and its Qualified Person. The Company does not assume any obligation to update any forward-looking statements or information or to conform these forward-looking statements or information to actual results, except as required by law.

For a more detailed list of specific forward-looking statements and information applicable to the Company, refer to the “Forward-Looking Information and Forward-Looking Statements” section of the Annual Information Form dated as of March 13, 2019 in respect of the year ended December 31, 2018 as supplemented by our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2019, and the six months ended June 30, 2019.

All amounts are in U.S. dollars, unless otherwise stated.

Disclosure of information of a scientific or technical nature in this presentation in respect of the Oyu Tolgoi mine was approved by Jo-Anne Dudley, Chief Operating Officer of Turquoise Hill. Ms. Dudley is a “qualified person” as that term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”)



# Presenters

3

**Ulf Quellmann**

Chief Executive Officer

**Luke Colton**

Chief Financial Officer

**Jo-Anne Dudley**

Chief Operating Officer



## Q2'19 Highlights

4



- ✓ All-Injury Frequency Rate of 0.12 per 200,000 hours worked for the six months ended June 30, 2019
- ✓ Revenue of \$382.7 million in Q2'19 is an increase of 12% over Q2'18
- ✓ During Q2'19, Oyu Tolgoi produced 39,156 tonnes of copper and 71,825 ounces of gold and remains on track to meet 2019 copper and increased gold production guidance
- ✓ C1 cash costs and AISC were \$0.79 and \$1.54 per pound of produced copper, respectively
- ✓ Completion of multiple infrastructure projects
- ✓ Shaft 2 continues to progress as we transition to Rope Up phase
- ✓ As at June 30 2019, Turquoise Hill has \$3.0 billion of available liquidity, which is expected to fund operations and underground development through the end of 2020

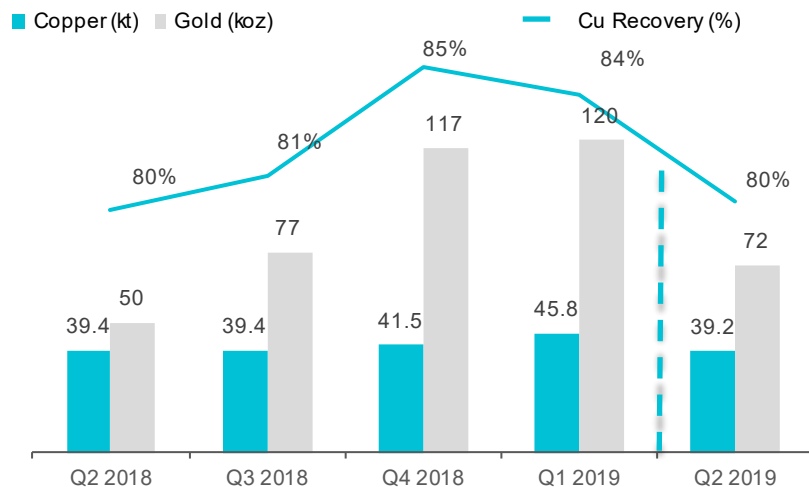


# Q2'19 Production

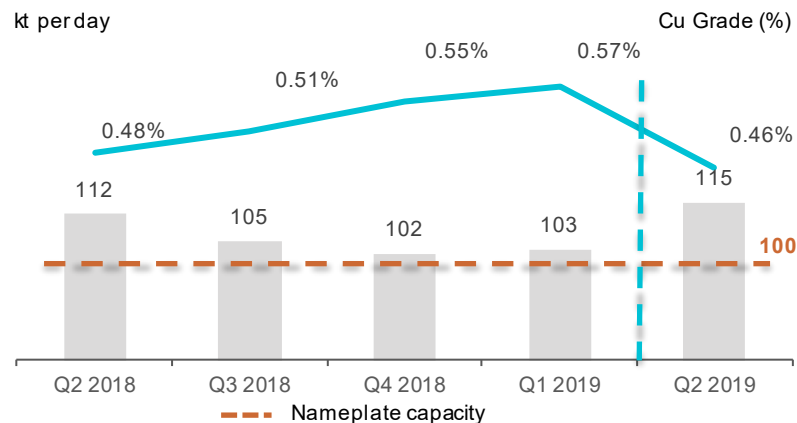
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- Strong mill performance
- C1 – robust cost control supported by strong gold production
- Remain on track to achieve 2019 copper and increased gold production guidance

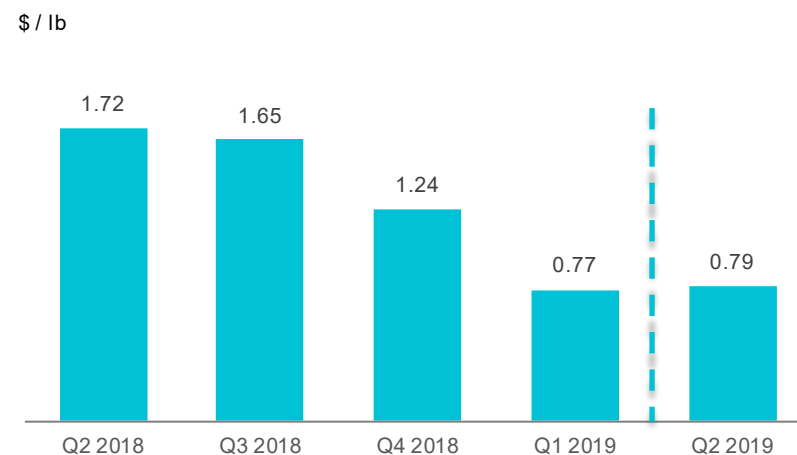
## Oyu Tolgoi Metal Production (100%Basis)



## Oyu Tolgoi Ore Processing Rate and Grade



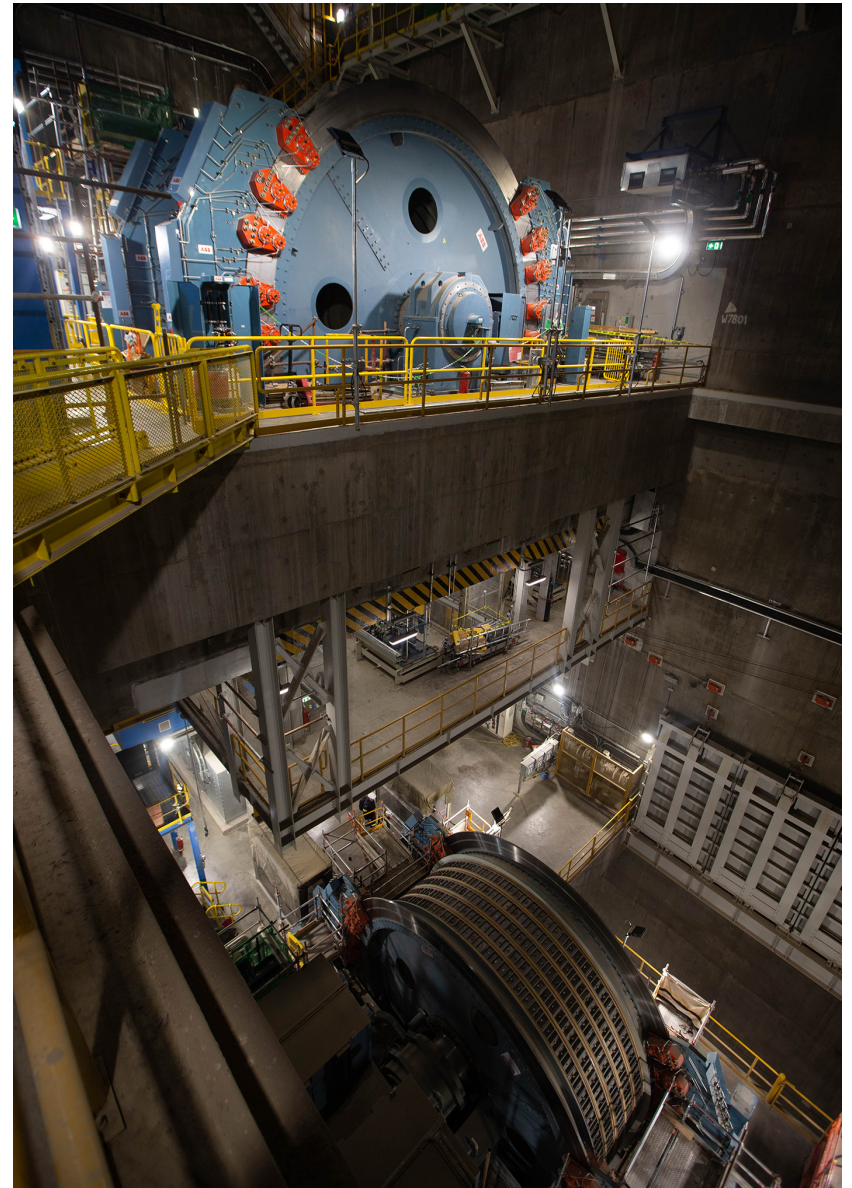
## Oyu Tolgoi C1 Cash Costs



## Underground Development – Shaft 2

6

- Shaft 2 construction work is progressing well and holding to October 2019 commissioning schedule, with rope up preparation well advanced and expected to continue through the third quarter
- Shaft 2 Jaw Crusher has been no-load commissioned



# Critical Infrastructure Progress

7

## Above ground infrastructure



**Mine dry building**

- ✓ Mine dry and control center
- ✓ Central heating plant
- ✓ Surface discharge conveyor linking Shaft 2 to existing Overland conveyor
- ✓ Shaft 5 ventilation fans
- ✓ Mine air heaters
- ✓ Batch plant 4 & quarry

## Shafts & below ground hard infrastructure



**Load commissioning of Jaw crusher**

- ✓ Shaft 5 sinking to 1.2km
- ✓ Shaft 2 sinking to 1.3km
- ✓ Shaft 2 Jaw Crusher
- ✓ Ore bin 11 & transfer station
- ✓ Excavation of the Primary Crusher 1 chamber
- ✓ Critical underground facilities

## Mine development



**Lateral mine footprint development**

- ✓ A record 1,000 m of lateral underground development was achieved in June



- The Parliamentary Working Group Report was presented to the Economic Standing Committee in early May.
- Following the presentation, a new working group of nine Members of Parliament was established to draft a resolution directing the Cabinet on recommendations related to Oyu Tolgoi.
- The newly established Working Group is in the process of drafting the resolution with the draft resolution expected to be discussed during an extraordinary session to be held until September 1.
- In the interim, Turquoise Hill remains engaged with the Government of Mongolia on multiple fronts including the Tavan Tolgoi Power Plant.



- Governance framework established with key stakeholders
- Initial licenses and permits received
- Technical specifications for the plant have been developed.
- Commenced competitive tender process for EPC contract.
- The power plant will be majority owned by Oyu Tolgoi and will be situated close to the Tavan Tolgoi coalfields.



# Q2 Financial Performance Overview

10

## Key Financial Metrics of Turquoise Hill

All values on a consolidated basis unless otherwise stated and in millions of United States dollars except where stated

	Second Quarter of 2019	Second Quarter of 2018	Change
<b>Revenue</b>	<b>382.7</b>	341.7	12.0%
<b>Cash generated from operating activities before interest and tax</b>	<b>262.6</b>	149.6	75.5%
<b>Basic and diluted income per share attributable to owners of Turquoise Hill (\$ per share)<sup>1</sup></b>	(0.22)	0.09	
<b>C1 cash costs</b>	<b>0.79</b>	1.72	-54.1%
<b>All-in-sustaining costs</b>	<b>1.54</b>	2.42	-36.4%
<b>Capital expenditures</b>	<b>335.0</b>	318.0	5.3%
<b>Liquidity (billions of dollars)<sup>2</sup></b>	<b>3.0</b>		

1. Attributable to Turquoise Hill

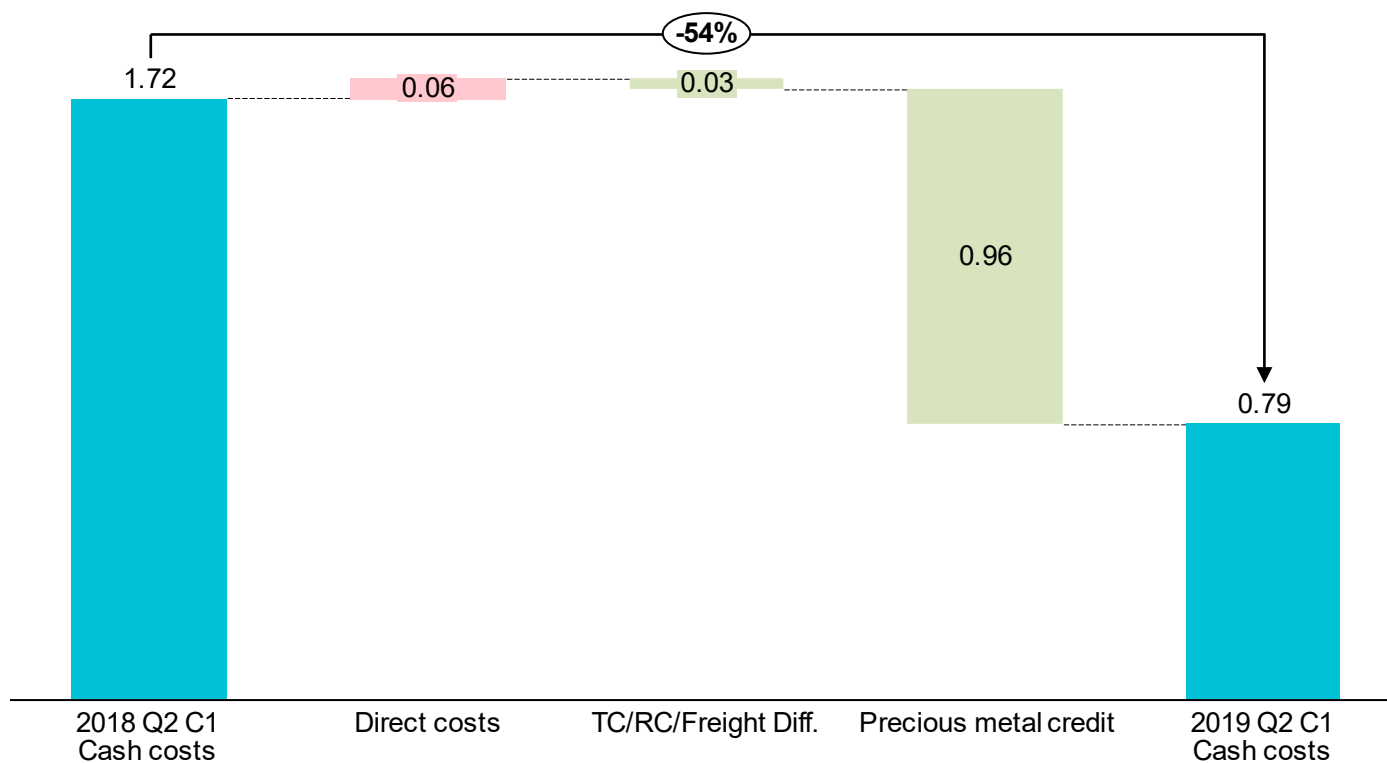
2. Cash and cash equivalents, and available and undrawn funds under the project finance facility



# 54% Reduction in C1 Cash Costs over 2018 Q2

11

## Reconciliation of C1 Cash Costs<sup>1</sup>



All values on a consolidated basis unless otherwise stated and in United States dollars per pound of copper produced

1. Based on the reconciliation of C1 cash costs in the MD&A



# Turquoise Hill has a Strong Liquidity Position to ensure Continued Funding of Oyu Tolgoi

12

- Total underground capex spent to date of approximately \$2.9 billion
- Turquoise Hill has total liquidity available today of approximately \$3 billion
  - Remaining project finance proceeds of \$1.4 billion
  - Cash of \$1.6 billion
- Additionally, Turquoise Hill expects to generate additional cash from ongoing open-pit operations
- Completion of the mine optimization and the Definitive Estimate will provide an updated view of the underground schedule and budget
- Turquoise Hill has engaged the services of external financial advisors to evaluate available sources of capital.



# Underground Development Update

13

- Refinement of mine design continues
- Cave initiation still targeted for Panel 0
- No material change to Reserves & Resources anticipated
- UG Development Capex is anticipated to increase by \$1.2 billion to \$1.9 billion
- 16 – 30 month delay to first sustainable production from feasibility study guidance in 2016
- Independent consultants engaged to assist on Definitive Estimate work now due H2'20



# Mine Design Refinement Decision Points

14

Q3'19

Q4'19

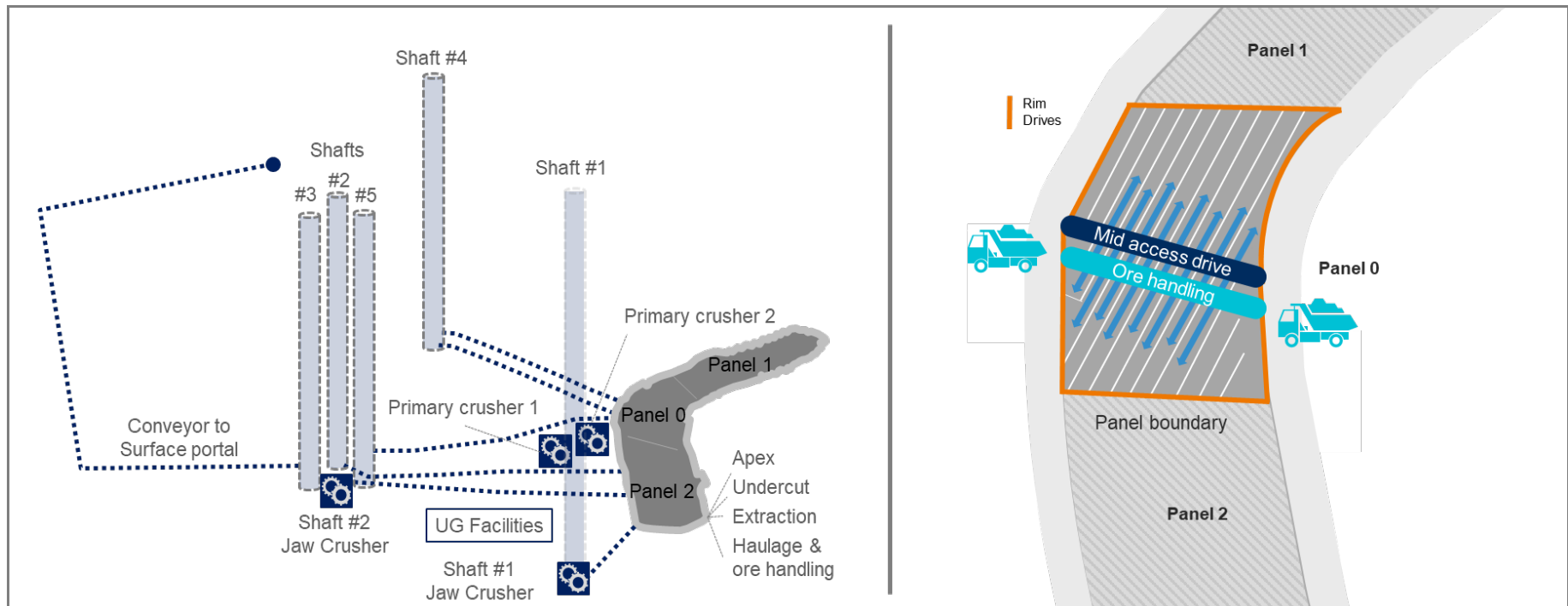
Q1 20

Mid access drives

Footprint development  
productivity

Location of ore  
handling infrastructure

Panel boundary  
transitions



# Priorities for 2019

15

- Uncompromising focus on safety
- Remain on track to achieve revised 2019 production guidance
- Continue to progress and de-risk the underground development
  - Complete Shaft 2 by end of October
  - Focused on accelerating underground development once Shaft 2 is complete
  - Continue to progress Shafts 3 & 4 and Conveyor to Surface
- Complete the mine optimization work by end Q4'19'
- Award Power Plant EPC contract
- Progress work streams with the Government of Mongolia





# A Leading Copper and Gold Producer Developing the Next Tier-1 Copper Asset

16

- ✓ Strong safety record
- ✓ Proven track record of operational excellence
- ✓ Well advanced in transforming a world-class copper and gold deposit into a tier-1 operation
- ✓ Agreed framework to secure long-term power solution
- ✓ Flexible financing strategy
- ✓ Industry-leading copper growth profile
- ✓ Significant future cash flows expected from underground



# Appendix





# 2019 Operational and Financial Guidance

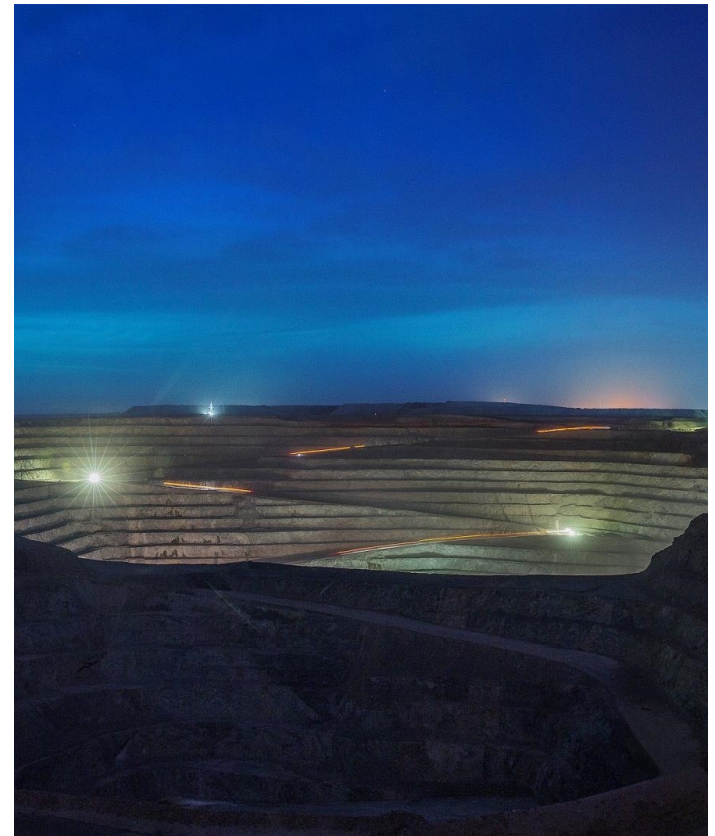
18

## Operational guidance

<b>Mill throughput (million tonnes)</b>	40
<b>Copper production (tonnes)</b>	125,000 – 155,000
<b>Gold production (ounces)</b>	Up to 230,000
<b>Underground lateral development (kilometres)</b>	Under review

## Financial guidance

<b>Operation cash costs (\$ million)</b>	800 - 850
<b>C1 cash costs (\$/lb)<sup>1</sup></b>	1.75 – 1.95
<b>Capital expenditure</b>	
<b>Open pit (\$ million)</b>	150 – 180
<b>Underground (\$ million)</b>	1,100 – 1,200



1. Unit cost guidance assumes the midpoint of expected 2019 copper and gold production ranges and a gold price of \$1,281 per ounce



# turquoisehill.com

Turquoise Hill Resources Ltd.  
Suite 354 - 200 Granville Street  
Vancouver, BC, Canada V6C 1S4

TRQ: TSX, NYSE & NASDAQ

Turquoise Hill is an international mining company focused on the operation and development of the Oyu Tolgoi copper-gold mine in southern Mongolia.

