



**TURQUOISE HILL**

# Investor Presentation

**Starting the Oyu Tolgoi Underground & Unlocking Asset Value**

**A Renewed Partnership with the Government of Mongolia**

**A Comprehensive Funding Arrangement**

**January 25, 2022**

# Forward-looking Statements and Forward-looking Information

---

Certain statements made herein, including statements relating to matters that are not historical facts and statements of the Company's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements and information relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "plan", "estimate", "will", "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. Forward-looking statements and information are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are reasonable and appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements or information and therefore there can be no assurance that such statements or information will prove to be accurate. With respect to specific forward-looking information concerning the continued operation and development of the OT project, the Company has based its assumptions and analyses on certain factors which are inherently uncertain.

# Forward-looking Statements and Forward-looking Information - Continued

---

Readers are cautioned not to place undue reliance on forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements are included in the “Risk Factors” section in the Company’s annual information form for the year ended December 31, 2020 (“AIF”), as supplemented by the “Risks and Uncertainties” section in the Company’s management’s discussion and analysis for the third quarter ended September 30, 2021 as well as for the year ended December 31, 2021 (collectively, the “MD&A”). Readers are further cautioned that the list of factors enumerated in the “Risk Factors” section of the AIF and in the “Risks and Uncertainties” section of the MD&A that may affect future results is not exhaustive. When relying on the Company’s forward-looking statements and information to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking statements and information contained herein are made as of the date of this document and the Company does not undertake any obligation to update or to revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements and information contained herein are expressly qualified by this cautionary statement.

This presentation also specifically incorporates by reference the section titled “Forward-looking statements and forward-looking information” included in the Company’s press release dated January 24, 2022, which press release will be filed and available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and its EDGAR profile at [www.sec.gov](http://www.sec.gov).



**TURQUOISE HILL**



## Presenters

**Steve Thibeault**  
Interim Chief Executive Officer

**Luke Colton**  
Chief Financial Officer

**Jo-Anne Dudley**  
Chief Operating Officer

# A Major Milestone in the Development of the Oyu Tolgoi Underground Mine

---

- Oyu Tolgoi has commenced blasting the undercut, an essential step in unlocking the full economic potential of this world-class, high-grade asset
- The start of the undercut was made possible by the finalisation of new agreements and approvals following months of negotiations, between TRQ, Rio Tinto and the Government of Mongolia (GoM)
- The new agreements and approvals:
  - ✓ reset the relationship among the partners
  - ✓ enhance the economic benefits to the people of Mongolia
  - ✓ resolve key outstanding issues relative to starting the undercut
  - ✓ provide a path forward to address the Company's estimated funding requirements
  - ✓ provide a path forward for long-term access to a secure, reliable, affordable power supply
- Turquoise Hill remains on-track to achieve sustainable production from Panel 0 in the first half of 2023

# Key Outcomes of the Negotiations

---

- Turquoise Hill has agreed to waive in full the US\$2.4 billion carry account loan of the Government of Mongolia's state-owned entity through which it owns its interest in OT LLC ("Erdenes Oyu Tolgoi" or "EOT"). The loan comprises the amount of equity investments in OT LLC funded by Turquoise Hill on behalf of EOT to date plus US\$1 billion of accrued interest<sup>1</sup>
- The parties have agreed to terminate the OT Mine Development and Financing Plans ("UDP") and continue to work towards finalisation of the formal termination
- The parties have agreed to improve cooperation with EOT in monitoring OT underground development and enhancing ESG matters
- Approval by the OT Board of an electricity agreement to help secure a long-term source of power from the Mongolian grid and to negotiate an extension of the existing power contract
- The Company will make additional investment in OT LLC as outlined in the Amended and Restated Heads of Agreement ("Amended HoA")

1. The expected impact on Net Present Value is approximately US\$1.0 billion. The model assumes a long-term price for copper of US\$3.43/lb and a discount rate of 10%.

# Benefits of the GoM resolution and Amended HoA

---

## **Turquoise Hill**

- The critical step to unlocking the value potential of the underground mine
- Provides an approved financing plan to address the Company's estimated funding requirements
- Enables engagement with project finance lenders to minimise the estimated funding requirement by up to US\$1.7 billion through re-scheduling principal payments on existing debt (Re-profiling) to better match currently forecast cash flows
- Establishes a long term pathway for power supported by all stakeholders

## **Government of Mongolia**

- Rebalances equity returns from the project and brings forward the economic benefits from Oyu Tolgoi
- Secures additional material Foreign Direct Investment to Mongolia supporting further development of Mongolia as a mining jurisdiction
- Provides significant and continued employment, training and development
- Provides additional transparency to the Oyu Tolgoi operations

# Amended & Restated Heads of Agreement

- A comprehensive strategy to fund TRQ and OT LLC
- Amended Heads of Agreement to match current circumstances and reflecting the reset of the relationship with Rio Tinto
- Rio Tinto Co-lend no longer a backstop; now offered in addition to re-profiling and supplemental senior debt

Key Funding Area	Terms
Re-profiling of existing Project Finance debt	Up to US\$1.7 billion
Supplemental Senior 3 <sup>rd</sup> Party Debt (SSD)	Up to US\$500 million of additional A-loans at the OT LLC level once sustainable production achieved
Co-lending by Rio Tinto	Up to US\$750 million to be available once sustainable production achieved Incremental to re-profiling and supplemental senior debt Up to US\$300 million available under short-term secured advance directly to TRQ to be indirectly repaid out of the proceeds of the Co-lending
Equity	TRQ agreeing to conduct an equity offering of at least US\$650 million (including a Rio Tinto <i>pro rata</i> participation) by no later than August 31, 2022 and, if necessary, TRQ could be required to raise up to a total of US\$1.5 billion (less the amount raised in the initial equity offering) via equity in a form of its choosing <sup>2</sup>

- The total amount of equity raised dependent on ultimate funding gap (determined by OT LLC's operating cash flows, timing of sustainable production, COVID-19 impacts, macroeconomic conditions, success in implementing Amended HoA, etc.)
- Success of re-profiling and SSD dependent on discussions with Lenders, market conditions, GoM consent, etc.
- Until sustainable production, TRQ will fund OT through cash on hand, Re-profiling and a pre-paid copper concentrate sales arrangement between TRQ and OT LLC

2. Under the current base case assumptions, additional equity in excess of the initial US\$650 million would not be required if the Re-Profiling, SSD and Co-Lending are fully successful.

# Stable, Reliable, Long-term Power

---

## Energy Supply Agreement approved by the OT LLC Board

- Key terms include a long-term (20+ year) agreement with price stability in an unregulated tariff regime (US dollar denominated, US CPI escalation)
- The selection of the Mongolian National Grid as the power solution should satisfy OT LLC and TRQ's obligations under the IA for power (clause 7.3.3)
- OT will formally provide notice to the Ministry of Energy at the appropriate time that it will select the grid option pursuant to clause 7.4(b) of the amended PSFA

## Inner Mongolia Power International Corporation (IMPIC) extension agreement in-principle

- Current IMPIC supply contract expires in 2023
- Agreement in-principle between the National Power Transmission Grid (NPTG) and IMPIC on a 3-year fixed extension to July 2026
- IMPIC and NPTG have both expressed a willingness to extend the supply term to 2030, if needed, depending on the timing of Mongolian grid readiness
- Other areas of the existing contractual arrangements (incl. notice period, market-tariff, price and annual subscription nominations) are being negotiated

**Non-Technical Undercut Criteria for Power satisfied with these agreements**

# Project Next Steps

2022

2023

Q1'22

Q2'22

Q3'22

Q4'22

H1'23

Undercut commencement  
MHS 1 commissioned  
First truck chute complete

First P0 drawbell blast

Sustainable Production

Truck Chute Construction



Primary Crusher 1



Drawpoint Construction



