

# Turquoise Hill announces financial results and review of operations for the first quarter of 2020, and updated Panel 0 mine design

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MONTREAL, May 13, 2020 - [Turquoise Hill Resources Ltd.](#) ("Turquoise Hill" or the "Company") today announced its financial results for the period ended March 31, 2020. All figures are in U.S. dollars unless otherwise stated.

"Our first quarter of 2020 delivered strong operational results in the open-pit mine, whilst importantly achieving an excellent record that the Oyu Tolgoi team has continued to maintain.

The COVID-19 pandemic has, provided unprecedented challenges, yet the Oyu Tolgoi open pit has continued to operate with minimal interruptions, and the underground development, although experiencing delays with the construction of some underground infrastructure, has continued to progress. We are seeing the benefits of a highly skilled local workforce being able to address the challenges presented by the restrictions imposed due to the COVID-19 pandemic.

In addition to presenting another solid quarter, we are announcing that the updated Panel 0 mine design is complete. This is an important milestone and is the basis of the Definitive Estimate due in the second half of 2020.

The block cave design anticipates a delay to OTFS16 key project milestones of sustainable production by 25 months (versus a range of 21 to 29 months) and an increase in development capital cost of \$1.5 billion (with a range of \$1.3 to \$1.8 billion). The block cave design is a more resilient mine plan that provides the best opportunity for success based on an extensive trade-off analysis taking into account the reserve recovery, geotechnical, constructability, operability, schedule, cost and value realized. Due to the importance of the Panel 0 mine design, Turquoise Hill engaged subject matter experts to undertake an external and independent assurance process that focused on the technical review of the proposed mine re-design options, and a revised schedule and estimating process.

As at March 31, 2020, Turquoise Hill has \$1.8 billion of available liquidity, which is sufficient to fund operations, underground development and power development into Q3 2021. The Company is well progressed in its discussions with Rio Tinto regarding its proposed sourcing incremental interim funding to provide flexibility to explore and evaluate long term financing options." stated Udo Quellmann, Chief Executive Officer of Turquoise Hill.

## HIGHLIGHTS

- Safety is a top priority and is critical to our continued success. Oyu Tolgoi achieved another strong AIFR of 0.20 per 1,000 hours worked for the three months ended March 31, 2020.
- In Q1'20, Oyu Tolgoi produced 35,203 tonnes of copper and 26,154 ounces of gold and is on track to achieve 2020 copper and gold production guidance.
- Mill throughput was 10,889,000 tonnes and increased 17% versus Q1'19 due to lower ore hardness as well as high ore availability and effective utilisation performance.
- Our Oyu Tolgoi team has continued to maximise the production from the open pit and is expected to produce 140,000 to 170,000 tonnes of copper and 120,000 to 150,000 ounces of gold in concentrates in 2020 from both the open pit and the beginning of the underground development material being processed. Initiatives have been implemented by Oyu Tolgoi to bring forward the higher gold bearing ore into 2020; consequently, if these initiatives are successful, we anticipate 2020 production will be at the upper end of the guidance range.

- As anticipated, a design change for Panel 0 has been approved, which is supported by extensive geotechnical monitoring and a thorough technical assurance program including independent third parties. The caving method of mining remains unchanged. Many fundamentals of the mine design have remained unchanged. The approved design that now progresses to execution-level planning is based on a block cave approach, which leaves two pillars to the north and south of Panel 0. The design change results in a more resilient mine plan able to effectively operate with the Panel 0 geotechnical conditions understood. The Definitive Estimate of project cost and schedule currently remains on track for the second half of 2021, subject to any delays due to the impacts of the COVID-19 pandemic.
- The block cave design anticipates a delay to OTFS16 key project milestones of sustainable production of 25 million tonnes (a range of 21 to 29 months) inclusive of an allowance for schedule contingency, and an increase in development capital of \$1.5 billion (with a range of \$1.3 to \$1.8 billion), subject to any additional scheduling delays or increases in capital expenditure from the impacts of the COVID-19 pandemic, which may also reduce the available contingency in these estimates. Schedule and cost delays are within the estimates previously disclosed to the market and will undergo a period of detailed design, engineering and optimisation to support the Definitive Estimate.
- Revenue of \$130.7 million in Q1'20 decreased 62.9% from \$352.7 million in Q1'19, primarily due to both a 78.2% decrease in gold production and a 23.1% decrease in copper production, reflecting the planned transition from mining Phase 6A to lower grade Phase 4B, Phase 6B and stockpiles. Further, the average price of copper fell by 9.1% from Q1'19 to Q1'20, primarily due to the impact of the COVID-19 pandemic on global copper demand.
- Income for the period was \$19.0 million compared with income of \$105.2 million in Q1'19. This was primarily due to a \$86.2 million lower gross margin driven by the reduced revenue, partly offset by a higher deferred tax recovery of \$107.1 million resulting from higher deferred tax assets recognised in Q1'20 compared to Q1'19. Income attributable to owners of Turquoise Hill in Q1'20 was \$55.4 million or \$0.03 per share, compared with income of \$111.2 million or \$0.06 per share in Q1'19.
- Cash generated from operating activities before interest and taxes was \$1.5 million, a decrease from \$49.8 million in Q1'19, primarily reflecting the impact of reduced revenue partly offset with favourable movements in working capital.
- Cost of sales was \$2.57 per pound of copper sold, C1 cash costs<sup>1</sup> were \$2.07 per pound of copper produced, and sustaining costs<sup>1</sup> were \$2.39 per pound of copper produced.
- Total operating cash costs<sup>1</sup> of \$188.1 million in Q1'20 decreased 5.1% from \$198.1 million in Q1'19. This was primarily due to lower milling and mining costs, lower maintenance costs, and lower fuel costs. Additionally, royalty costs were lower as a result of the lower sales revenue.
- During Q1'20 underground development spend was \$291.5 million, resulting in total project spend since January 2019 of approximately \$3.8 billion.
- At the end of March 2020, Turquoise Hill had approximately \$1.8 billion of available liquidity, split between remaining cash and cash equivalents of \$0.2 billion and \$1.6 billion of cash and cash equivalents. We currently expect to have enough liquidity to fund our operations and underground development into Q3 2021.
- Productivity improvements resulted in increased underground lateral development rates during Q1'20, with an average monthly rate of 1,822 equivalent metres (eqm) compared to 1,607 eqm in Q4'19, with March 2020 seeing a record rate of 2,000 eqm. Despite the challenges of personnel movements posed by COVID-19, underground development performance continues to be expected.
- Despite these gains, the unprecedented circumstances of the ongoing COVID-19 pandemic have had an impact on several aspects of the underground development, as local governments have restricted access to the mine for teams from Rio Tinto and our construction partners, and although the open pit has continued to operate uninterrupted, COVID-19 restrictions have challenged our supply logistics.
- Shafts 3 and 4 have been placed into care and maintenance until expert service providers can complete technical assessments and commissioning of specialised equipment and commence sinking activities. The possibility of specialised support vehicles is being explored to minimise the impact of travel restrictions currently in place due to the COVID-19 pandemic on development progress, but delays are still anticipated. Work has also slowed on some critical underground material handling infrastructure, in particular the construction of primary crusher one, which has currently been reduced to day shift from late March. The opportunity to return to a double shift pattern is currently being assessed.
- Ordinary course elongation of newly commissioned ropes may impact Shaft 2 ore hoisting. Payload and speed have been reduced to prolong the ability to use the hoist until specialised personnel are able to reach the site to perform the necessary adjustments. These mitigations allow development to proceed unimpeded and management is discussing the potential for remote support to rectify the situation whilst travel restrictions remain in place. People and materials movement via the hoist continue to operate normally.

- The Company recognises the unprecedented situation surrounding the ongoing COVID-19 pandemic. Turquoise established a business resiliency team and is closely monitoring the effect of the COVID-19 pandemic on its business operations and will continue to update the market on the impacts to the Company's business and operations in these extraordinary circumstances. See the "RISKS AND UNCERTAINTIES" section of the Company's management discussion and analysis of financial condition and results of operations for the three months ended March 31, 2020 MD&A).

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<sup>1</sup> Please refer to Section "NON-GAAP MEASURES"; on page 19 of this press release for further information  
OPERATIONAL OUTLOOK FOR 2020

Oyu Tolgoi is expected to produce 140,000 to 170,000 tonnes of copper and 120,000 to 150,000 ounces of gold in 2020 from both the open pit and the beginning of the underground development material being processed. Although the copper production range guidance is higher in 2020 versus the 2019 guidance, a lower gold production year is expected. This is due to the need to mine through lower grade material on the periphery of the South West pit as Phase 4B sinks the highest gold and copper grades lower in the pit. It is anticipated that the higher grade ore will be accessed in 2021, resulting in a significant increase in gold production in 2021. Initiatives have been implemented by Oyu Tolgoi to bring forward some higher gold bearing ore into 2020; consequently, if these initiatives are successful, we anticipate gold production will be at the upper end of the guidance range. Mill throughput for 2020 is expected to be approximately 40 million tonnes.

Operating cash costs<sup>2</sup> for 2020 are expected to be \$800 million to \$850 million.

Capital expenditure for 2020 on a cash-basis is expected to be approximately \$80 million to \$100 million for open-pit operations and \$1.0 billion to \$1.1 billion for the underground development, exclusive of any expenditure on power. The upper end of the open-pit operations guidance range was reduced from \$120 million due to lower capitalised deferred stripping costs and estimated spend as a result of COVID-19. The underground development guidance was reduced from the original range of \$1.3 billion to \$1.3 billion as a result of the estimated impact of COVID-19, which has restricted access to the mine for teams from Oyu Tolgoi, Rio Tinto and our construction partners.

Open-pit capital is mainly comprised of deferred stripping, equipment purchases, tailings storage facility construction and maintenance componentization. Underground development capital includes both expansion capital and VAT.

C1 cash costs<sup>2</sup> are expected to be in the range of \$1.80 to \$2.20 per pound of copper produced, up from 2019 guidance of \$1.50 to \$2.00 per pound of copper produced, reflecting the reduced gold production estimate. Unit cost guidance assumes the midpoint of expected 2020 copper and gold production ranges and commodity price assumptions of \$2.39 per pound copper and \$1,513 per ounce gold.

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<sup>2</sup> Please refer to Section "NON-GAAP MEASURES"; on page 19 of this press release for further information  
2021 OUTLOOK

Production in 2021 is expected to increase to a range of 170,000 to 200,000 tonnes of copper, and 450,000 to 500,000 ounces of gold, as we transition to the higher grade ore in the lower benches of the pit and continue to increase the amount of underground development material processed.

## OUR BUSINESS

Turquoise Hill is an international mining company focused on the operation and continued development of the Oyu Tolgoi copper-gold mine in Mongolia, which is the Company's principal and only material mineral resource property. The Company's ownership of the Oyu Tolgoi mine is held through a 66% interest in Oyu Tolgoi LLC; the remaining 34% interest is held by Oyu Tolgoi LLC (Erdenes), a Mongolian state-owned entity.

The Oyu Tolgoi property is located approximately 550 kilometres south of Ulaanbaatar, Mongolia's capital city, and 80 kilometres west of the Chinese border.

north of the Mongolia-China border. The property is cut by the Oyu Tolgoi trend, a 12 kilometres north-south orientated which is host to the known deposits, Hugo North, Hugo South, Oyut and Heruga. Open pit mining operations commenced in 2013. The Hugo North deposit (Lift 1) is currently being developed as an underground operation.

The copper concentrator plant, with related facilities and necessary infrastructure, was originally designed to process a 100,000 tonnes of ore per day from the Oyut open pit. However, since 2014, the concentrator has consistently achieved a throughput of over 105,000 tonnes per day due to improvements in operating practices. Concentrator throughput for 2020 targeted at over 110,000 tonnes per day and expected to be approximately 40 million tonnes for the year due to improved concentrator performance and more favourable ore characteristics.

At the end of Q1'20, Oyu Tolgoi had a total workforce (employees and contractors), including underground project construction, approximately 13,600, of which 94% were Mongolians.

#### SELECTED FINANCIAL METRICS <sup>(1)</sup>

(\$ in millions, unless otherwise noted)	1Q 2020	1Q 2019	Change %	12 months 2019
Revenue	130.7	352.7	(62.9%)	1,166.0
Income for the period	19.0	105.2	--	(476.9)
Income attributable to owners of Turquoise Hill	55.4	111.2	--	(150.5)
Basic and diluted income per share attributable to owners of Turquoise Hill	0.03	0.06	--	(0.07)
Revenue by metals in concentrates				
Copper	96.9	223.9	(56.7%)	787.8
Gold	31.6	125.7	(74.9%)	365.0
Silver	2.2	3.1	(29.0%)	13.2
Cost of sales	145.9	169.1	(13.7%)	743.0
Production and delivery costs	104.7	126.0	(16.9%)	559.1
Depreciation and depletion	35.0	44.6	(21.5%)	183.9
Capital expenditure on cash basis	301.1	325.3	(7.4%)	1,308.1
Underground	291.5	296.4	(1.7%)	1,174.9
Open pit <sup>(2)</sup>	9.6	28.9	(66.8%)	133.2
Royalties	10.2	19.7	(48.2%)	64.0
Operating cash costs <sup>(3)</sup>	188.1	198.1	(5.1%)	774.5
Unit costs (\$)				
Cost of sales (per pound of copper sold)	2.57	1.99	29.1%	2.25
C1 (per pound of copper produced) <sup>(3)</sup>	2.07	0.77	168.8%	1.37
All-in sustaining (per pound of copper produced) <sup>(3)</sup>	2.39	1.45	64.8%	2.08
Mining costs (per tonne of material mined) <sup>(3)</sup>	1.73	2.10	(17.5%)	1.88
Milling costs (per tonne of ore treated) <sup>(3)</sup>	5.58	8.06	(30.7%)	6.48
G&A costs (per tonne of ore treated)	2.95	3.65	(19.3%)	3.30
Cash used in operating activities	(24.4)	(5.7)	328.1%	(11.7)
Cash generated from operating activities before interest and tax	1.5	49.8	(97.0%)	341.7
Interest paid	26.8	78.6	(65.9%)	427.5
Total assets	12,915	13,437	(3.9%)	12,822
Total non-current financial liabilities	4,384	4,389	(0.1%)	4,371

(1) Any financial information in this press release should be reviewed in conjunction with the Company's consolidated financial statements or condensed interim consolidated financial statements for the reporting periods indicated.

(2) Open-pit capital expenditure includes both sustaining and non-underground development activities.

(3) Please refer to NON-GAAP MEASURES &#8211; on page 19 of this press release for further information. Q1'20 vs Q1'19

- Revenue of \$130.7 million in Q1'20 decreased 62.9% from \$352.7 million in Q1'19, primarily due to both a 78.2% gold production and a 23.1% decrease in copper production, reflecting the planned transition from mining Phase 6A to lower grade Phase 4B, Phase 6B and stockpiles. Further, the average price of copper fell by 9.1% from Q1'19 to Q1'20 primarily due to the impact of COVID-19 on global copper demand.
- Income for the period was \$19.0 million compared with income of \$105.2 million in Q1'19. This was primarily due to a \$96.2 million lower gross margin driven by the reduced revenue partly offset by a higher deferred tax recovery of \$107.7 million resulting from higher deferred tax assets recognised in Q1'20 compared to Q1'19. Income attributable to owners of Hill in Q1'20 was \$55.4 million or \$0.03 per share, compared with income of \$111.2 million or \$0.06 per share in Q1'19.
- Cost of sales of \$145.9 million decreased 13.7% from \$169.1 million in Q1'19 reflecting 31.9% lower volumes of copper sold partly offset by the impact of increased unit cost of sales per pound of copper sold due to decreased head grade of material mined in the period.
- Unit cost of sales of \$2.57 per pound of copper sold increased 29.1% from \$1.99 reflecting lower average mill head grade and recoveries reflecting the transition from mining Phase 4A and Phase 6A to lower grade Phase 4B, Phase 6B and stockpiles.
- Capital expenditure on a cash basis of \$301.1 million compared to \$325.3 million in Q1'19, comprised of \$291.5 million attributed to the underground project and \$9.6 million to open-pit activities.
- Total operating cash costs<sup>3</sup> of \$188.1 million in Q1'20 decreased 5.1% from \$198.1 million in Q1'19. This was primarily due to lower milling and mining costs due to lower maintenance costs and lower fuel costs. Additionally, royalty costs decreased as a result of lower sales revenue.
- Oyu Tolgoi's C1 cash costs<sup>3</sup> of \$2.07 per pound of copper produced increased from \$0.77, primarily reflecting the 74.9% lower gold sales revenue credits in Q1'20 compared to Q1'19.
- All-in sustaining costs<sup>3</sup> of \$2.39 increased 64.8% from \$1.45 in Q1'19. Similar to the C1 cash costs, the increase was due to a reduction in gold revenue credits, partly offset by lower royalty costs resulting from the lower sales revenue compared to Q1'19.
- Mining costs<sup>3</sup> of \$1.73 per tonne of material mined decreased 17.5% from \$2.10 in Q1'19. The decrease was due to lower maintenance and material costs coupled with higher material mined benefitting from lower cycle times as mining in Q1'20 moved on higher benches of the open pit compared with Q1'19.
- Milling costs<sup>3</sup> of \$5.58 per tonne of ore treated decreased 30.7% from \$8.06 of ore treated in Q1'19, mainly due to higher milled ore resulting from the deferral of major plant shutdowns together with lower maintenance service costs.
- G&A costs per tonne of ore treated of \$2.49 in Q1'19 decreased 19.3% from \$3.65 per tonne of ore treated in Q1'19 due to the impact of higher milled ore in the period.
- Cash used in operating activities of \$24.4 million in Q1'20 was higher than the \$5.7 million used in Q1'19. This was primarily due to 62.9% decrease in sales revenue partly offset with \$51.7 million lower interest paid in Q1'20 compared to Q1'19 resulting mainly from the difference in timing of payment of the completion support fee.

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<sup>3</sup> Please refer to Section &#8211; NON-GAAP MEASURES &#8211; on page 19 of this press release for further information  
OYU TOLGOI

The Oyu Tolgoi mine recorded another strong AIFR of 0.20 per 200,000 hours worked for the three months ended March 31, 2020. In addition to the continued commitment to reducing health and safety risk and injury at the Oyu Tolgoi mine site, the prevention of the spread of COVID-19 is a key priority for all Oyu Tolgoi and Turquoise Hill employees. To assist in curtailing the spread of COVID-19, the Company has instituted temperature and health screenings at the mine and a dedicated hotline is available for employees who are on or off site, which they can call for advice or information sharing.

The Company continues to closely monitor the impact of the COVID-19 pandemic on its business and operations. As disclosed on March 16, 2020, the Company established the Oyu Tolgoi Business Resilience Team, which meets on a daily basis and takes a considered and risk-based approach to managing our response and actions for the prevention of COVID-19. To assist with the battle against COVID-19, Oyu Tolgoi LLC has also donated MNT100 million to the Government of Mongolia, and through the Oyu Tolgoi-sponsored Gobi Oyu Development Support Fund, the Company further committed MNT200 million to the Umnugobi emergency committee, and MNT10 million to the Khanbogd Emergency Commission for prevention support. We are also sharing the prevention and hygiene controls we have in place with local companies.

The Company has been and will continue to engage with both the Mongolian and Chinese governments in an effort to minimise the impacts of restrictive actions taken in response to the COVID-19 pandemic on future sales. Oyu Tolgoi has notified its project lenders that the COVID-19 pandemic constitutes a force majeure event under its project finance facilities, which will have the effect of extending the June 30, 2028 project longstop date under those facilities for the duration of the force majeure. Certain suppliers of Oyu Tolgoi have declared force majeure on their contracts as a result of the COVID-19 pandemic; this has not had a material adverse impact on the business to date.

While the open pit at Oyu Tolgoi has continued to operate to plan despite COVID-19, the unprecedented impact of this pandemic has seen restrictions imposed by the Government of Mongolia on travel and movement of goods and people both across and within its borders, and has made it difficult for teams from Oyu Tolgoi, Rio Tinto and our construction partners to access the site. While some aspects of underground infrastructure, such as Shafts 3 and 4 have been impacted, underground development currently continues as per expectations. The Company is assessing the possibility of providing specialised support via remote means as a way of minimizing the impact of the access restrictions currently in place. While mine management believes the situation remains manageable, underground development progress could be impacted if experts continue to be unable to access the site by the end of Q2'20. See the "RISKS AND UNCERTAINTIES" section of the Company's Q1 2020 MD&A.

Key operational metrics for Q1'20 are as follows:

#### Oyu Tolgoi Production Data

All data represents full production and sales on a 100% basis

	1Q	2Q	3Q	4Q	1Q	Full Year
	2019	2019	2019	2019	2020	2019
Open pit material mined ('000 tonnes)	23,943	24,408	24,844	28,122	26,834	101,316
Ore treated ('000 tonnes)	9,255	10,394	10,040	11,088	10,889	40,777
Average mill head grades:						
Copper (%)	0.57	0.46	0.37	0.42	0.42	0.45
Gold (g/t)	0.58	0.31	0.14	0.15	0.15	0.29
Silver (g/t)	1.25	1.20	1.03	1.06	1.14	1.13
Concentrates produced ('000 tonnes)	210.1	180.6	131.3	152.6	164.5	674.6
Average concentrate grade (% Cu)	21.8	21.7	21.7	21.6	21.4	21.7
Production of metals in concentrates:						
Copper ('000 tonnes)	45.8	39.2	28.4	32.9	35.2	146.3
Gold ('000 ounces)	120.1	71.8	25.6	24.3	26.2	241.8
Silver ('000 ounces)	247	238	191	190	214	867
Concentrate sold ('000 tonnes)	184.9	225.3	157.0	157.5	125.9	724.7
Sales of metals in concentrates:						
Copper ('000 tonnes)	38.5	46.6	32.4	32.3	25.8	149.9
Gold ('000 ounces)	97.9	115.6	35.4	24.7	19.7	273.6
Silver ('000 ounces)	200	245	207	244	146	896
Metal recovery (%)						
Copper	83.8	80.2	75.1	74.2	74.3	78.7
Gold	70.1	63.6	54.7	48.2	46.0	63.6
Silver	63.2	59.2	56.0	53.5	51.5	58.1

Copper production in Q1'20 decreased 23% compared to Q1'19 due primarily to decreased head grade reflecting the planned transition from mining Phase 4A and Phase 6A to lower grade Phase 4B, Phase 6B and stockpiles.

Gold Production in Q1'20 decreased 78% over Q1'19 due primarily to decreased head grade, which also reflects the planned transition from mining Phase 4A and Phase 6A to lower grade Phase 4B, Phase 6B and stockpiles.

Mill throughput in Q1'20 was higher than the same quarter of 2019 due to lower ore hardness as well as good availability and effective utilisation in Q1'20.

#### Underground development

The 2016 Feasibility Study design calls for the development of three panels; Panel 0 followed by Panel 1 and



Panel 2. As announced on July 15, 2019, stability risks had been identified with some components of the mine design.

As anticipated, a design change for Panel 0 has been approved, which is supported by extensive geotechnical modelling and a thorough technical assurance program including independent third parties. The caving method of mining remains valid and many fundamentals of the mine design have remained unchanged. The approved design is based on a block cave and includes two pillars; one to the north and one to the south of Panel 0. Study work is ongoing to assess the recoverability of the pillars.

The next phase of mine design studies will include design optimisation for Panel 0, and a review of mine design options for Panel 1 and Panel 2 to utilise the learnings from the Panel 0 work. The Panel 1 and Panel 2 studies, expected to be finalised as early as possible in 2021, will be informed by additional data collected from an underground drilling program which is in progress.

The block cave design for Panel 0 was selected based on an extensive trade-off analysis taking into account risks related to recovery, geotechnical, constructability, operability, schedule, cost and value risks. The change in design provides a more resilient mine design that is able to effectively operate with the Panel 0 geotechnical conditions as now understood.

The block cave design varies from the 2016 feasibility design through:

- Incorporation of structural pillars, located immediately north and south of the current Panel 0 boundaries;
- Relocation of ore handling infrastructure to the pillars;
- Initiation via a single undercut face (instead of two); and
- Initiation of panels 1 and 2 as independent panels or blocks.

The block cave design anticipates a delay to OTFS16 key project milestones of sustainable production of 25 months (with a range of 21 to 29 months) inclusive of an allowance for schedule contingency, and an increase in development capital cost of \$1.5 billion (with a range of \$1.3 to \$1.8 billion), subject to any additional scheduling delays or increases in capital costs arising from the impacts of the COVID-19 pandemic, which impacts may also reduce the available contingency in these estimates. These schedule and cost delays are within the estimates previously disclosed to the market and will undergo a period of further detailed design, engineering and optimisation to support the Definitive Estimate due in the second half of 2020, again subject to any delays due to the impacts of the COVID-19 pandemic.

Preparations to put Shaft 3 and 4 into care and maintenance started in March as a result of travel restrictions affecting specialist expatriate personnel and equipment providers. Prior to this, Shaft 3 construction works progressed on sinking ventilation, compressor building, pump house and local mine dry. Shaft 4 compressor building, pump house, pumping system and mine dry were completed and the galloway and headframe work progressed towards being ready for sinking to start. The possibility of specialised support via remote means is being explored to minimise the impact of travel restrictions on development progress by allowing commissioning work to continue at Shaft 4.

Civil works continued in the primary crusher one chamber with mass pour number 10 completed in March. Work has slowed on some critical underground material handling infrastructure, in particular the construction of primary crusher one, which has currently been reduced to day shift activity only from late March. The opportunity to return to a double shift pattern is currently being assessed. The changes to Shaft 3 and 4 progress, as well as primary crusher one construction, has resulted in a reduction of approximately 1,400 people onsite.

Ordinary course elongation of newly commissioned ropes may impact Shaft 2 ore hoisting. Payload and speed have been reduced to prolong the ability to use the hoist until specialised personnel are able to reach the site to perform the necessary adjustments. These mitigations allow development to proceed unimpeded and management is discussing the potential for remote support to rectify the situation whilst travel restrictions remain in place. People and materials movement via the service hoist continue to operate normally.

Good underground development progress has continued in Q1'20. Focus on productivity gains on the most

critical development areas over the past seven months has reaped substantial improvements. Underground development progressed 5.5 total equivalent kilometres and completed 3.2 cubic kilometres of mass excavation during the quarter. Since the restart of underground development, 38.4 total equivalent kilometres and 158.5 cubic kilometres of mass excavation have been completed. The following table provides a breakdown of the various components of completed development (excluding conveyor declines) since project restart:

Oyu Tolgoi Underground Project Development Progress Excluding Conveyor Declines

Year	Total Equivalent Development	Lateral Development	Mass Excavation
	(Km)	(Km)	('000' m <sup>3</sup> )
2016	1.6	1.5	3.0
Q1'17	1.0	0.8	5.2
Q2'17	1.4	0.9	9.2
Q3'17	1.4	1.2	8.3
Q4'17	2.2	1.9	8.9
2017	6.1	4.8	31.6
Q1'18	2.6	2.1	11.6
Q2'18	2.4	2.1	8.6
Q3'18	3.0	2.1*	23.3*
Q4'18	2.3	1.6	16.0
2018	10.3	7.9	59.5
Q1'19	3.2	2.3	21.4
Q2'19	3.2	2.4	19.3
Q3'19	3.6	3.2	11.4
Q4'19	4.8	4.5	9.0
2019	14.9	12.4	61.1
Q1'20	5.5	5.3	3.2
2020	5.5	5.3	3.2
Total	38.4	32.0	158.5

Notes:

Totals may not match due to rounding.

\*Lateral development and mass excavation amount for Q3'18 have been updated to reflect revised results.

## Oyu Tolgoi Conveyor Decline Project Development Progress

Year Total Equivalent Development (Km) Lateral Development Mass Excavation

	(Km)	('000' m <sup>3</sup> )
2016 0.0	0.0	0.0
Q1'17 0.1	0.1	0.0
Q2'17 0.4	0.4	0.2
Q3'17 0.9	0.9	0.5
Q4'17 0.9	0.8	0.5
2017 2.3	2.3	1.2
Q1'18 0.8	0.8	0.1
Q2'18 0.8	0.8	0.1
Q3'18 0.8	0.8	0.3
Q4'18 0.6	0.6	0.1
2018 3.0	3.0	0.6
Q1'19 0.8	0.8	0.8
Q2'19 0.9	0.9	0.8
Q3'19 0.9	0.7	4.9
Q4'19 1.1	0.7	8.3
2019 3.7	3.1	14.7
Q1'20 1.0	0.7	7.5
2020 1.0	0.7	7.5
Total 10.0	9.1	24.0

Note: Totals may not match due to rounding.

Oyu Tolgoi spent \$291.5 million on underground development during Q1'20. Total underground project spend from January 1, 2016 to March 31, 2020 was approximately \$3.8 billion. Underground project spend on a cash basis includes expansion capital, VAT and capitalised management services payment and excludes capitalised interest. In addition, Oyu Tolgoi had further capital commitments<sup>4</sup> of \$0.7 billion as of March 31, 2020. Since the restart of project development, Oyu Tolgoi has committed over \$3.3 billion to Mongolian vendors and contractors.

## FUNDING OF OYU TOLGOI LLC BY TURQUOISE HILL

In accordance with the Amended and Restated Shareholders' Agreement dated June 8, 2011 (ARSHA), Turquoise Hill has funded Oyu Tolgoi LLC's cash requirements beyond internally generated cash flows by a combination of equity investment and shareholder debt.

For amounts funded by debt, Oyu Tolgoi LLC must repay such amounts, including accrued interest, before it

can pay common share dividends. As of March 31, 2020, the aggregate outstanding balance of shareholder loans extended by subsidiaries of the Company to Oyu Tolgoi LLC was \$6.5 billion, including accrued interest of \$1.3 billion. These loans bear interest at an effective annual rate of LIBOR plus 6.5%.

In accordance with the ARSHA, a subsidiary of the Company has funded the common share investments in Oyu Tolgoi LLC on behalf of state-owned Erdenes. These funded amounts earn interest at an effective annual rate of LIBOR plus 6.5% and are repayable, by Erdenes to a subsidiary of the Company, via a pledge over Erdenes' share of Oyu Tolgoi LLC common share dividends. Erdenes also has the right to reduce the outstanding balance by making cash payments at any time. As of March 31, 2020, the cumulative amount of such funding was \$1.3 billion, representing 34% of invested common share equity, with unrecognised interest on the funding amounting to \$0.7 billion.

At the end of March 2020, Turquoise Hill has approximately \$1.8 billion of available liquidity, split between remaining project finance proceeds of \$0.2 billion, which are drawn and currently deposited with Rio Tinto, and \$1.6 billion of cash and cash equivalents. In addition, we expect to generate free cash flow at our existing open pit operations, which will also be available to help fund the underground development.

Turquoise Hill currently expects to have enough liquidity to fund its operations and underground development, including possible progression of the proposed Tavan Tolgoi-based power plant or other power alternatives currently under discussion with the Government of Mongolia, through Q3 2021. Taking into consideration the estimated impacts of the announced increases to underground development capital, as well as delays to first sustainable production, the Company expects to need significant incremental financing to sustain its underground development as well as construction of the proposed Tavan Tolgoi-based power plant beyond this timeframe. The Company will have greater clarity on this incremental funding requirement as the Definitive Estimate progresses and as discussions progress with the Government of Mongolia to conclude a mutually acceptable basis on which to proceed with securing long-term domestic power supply for Oyu Tolgoi. Nevertheless, current estimates indicate an incremental funding requirement, over and above the \$1.8 billion in liquidity currently available, of at least \$4 billion. This current estimate of the Company's minimum incremental funding requirement has improved from the \$4.5 billion previously disclosed due in part to selection of the Panel 0 mine design coupled with lower forecast LIBOR rates. The Company will continue to assess the possible impacts of COVID-19 on this incremental funding requirement.

Turquoise Hill and Oyu Tolgoi LLC have the option to raise additional external financing, subject to required approvals, to assist in funding development going forward, including during underground commissioning and ramp up. This additional external funding, as well as any possible re-profiling of the principal repayments relating to the existing project financing facility, have not been assumed in estimating the incremental funding requirement. Further, important variables impacting the estimated incremental funding requirement include:

- The amount of incremental underground development capital required;
- The ultimate long-term domestic power solution agreed to by the Government of Mongolia and the Company, including timing of its commissioning;
- The timing of sustainable first production and its resulting cash flows. The block cave design anticipates a delay to OTFS16 estimate for first sustainable production of 25 months (with a range of 21 to 29 months), inclusive of an additional schedule contingency;
- The timing of principal repayments on amounts currently drawn under the project finance facility as well as on-going service costs;
- The amount of cash flow that can be generated from open-pit operations, net of sustaining capital requirements; and
- The impact of COVID-19 on Oyu Tolgoi's open-pit operations and underground development.

As the work to complete the Definitive Estimate and the Panels 1 and 2 mine design study, and to secure a long-term domestic power solution progress, Turquoise Hill continues to evaluate the impact of the estimated increases to underground capital expenditure, as well as delays to sustainable first production and the other important variables discussed above, on its cash flows, liquidity and financing projections and will update the market when appropriate. While the Company's funding requirements will be clarified by the ongoing work on the Definitive Estimate, the Panels 1 and 2 mine design study and as power discussions advance with the Government of Mongolia, Turquoise Hill is well progressed in its discussions with Rio Tinto regarding its proposal for sourcing incremental interim funding to ensure the Company can progress the underground development over and above its \$1.8 billion of available liquidity.

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<sup>4</sup> Please refer to Section "NON-GAAP MEASURES" on page 19 of this press release for further information  
GOVERNMENT RELATIONS

Turquoise Hill's ownership of the Oyu Tolgoi mine is held through a 66% interest in Oyu Tolgoi LLC. The remaining 34% interest in Oyu Tolgoi LLC is held by Erdenes. Turquoise Hill is obliged to fund Erdenes' share of the capital costs under the ARSHA.

Underground construction recommenced in May 2016 when Oyu Tolgoi LLC received the final requirement for the re-start of underground development: formal notice to proceed approval by the boards of Turquoise Hill, Rio Tinto (as project manager) and Oyu Tolgoi LLC. Approval followed the signing of the Oyu Tolgoi Underground Mine Development and Financing Plan (Underground Plan) in May 2015 and the signing of a \$4.4 billion project finance facility in December 2015. Development had been suspended in August 2013 pending resolution of matters with the Government of Mongolia.

Turquoise Hill's investment in the Oyu Tolgoi mine is governed by a 2009 Investment Agreement (Investment Agreement). The Investment Agreement framework was authorised by the Mongolian Parliament and was concluded after 16 months of negotiations. It was reviewed by numerous constituencies within the Government. Turquoise Hill has been operating in good faith under the terms of the Investment Agreement since 2009, and we believe not only that it is a valid and binding agreement, but that it has proven to be beneficial for all parties.

Adherence to the principles of the Investment Agreement, the ARSHA and the Underground Plan has allowed for the development of the Oyu Tolgoi mine in a manner that has given rise to significant long-term benefits to Mongolia. Benefits from the Oyu Tolgoi mine open-pit operations and underground development include, but are not limited to, employment, royalties and taxes, local procurement, economic development and sustainability investments.

#### Oyu Tolgoi mine power supply

Oyu Tolgoi LLC currently sources power for the Oyu Tolgoi mine from China's Inner Mongolian Western Grid, via overhead power line, pursuant to back-to-back power purchase arrangements with National Power Transmission Grid JSC (NPTG), the power importing entity, and Inner Mongolia Power International Cooperation Co., Ltd (IMPIC).

Oyu Tolgoi LLC is obliged under the 2009 Oyu Tolgoi Investment Agreement to secure a long-term domestic source of power for the Oyu Tolgoi mine. The Power Source Framework Agreement (PSFA) entered into between Oyu Tolgoi LLC and the Government of Mongolia on December 31, 2018 provides a binding framework and pathway for the construction of an Oyu Tolgoi LLC-led, Tavan Tolgoi-based power plant (TTPP), as well as potentially alternative power solutions, to supply the Oyu Tolgoi mine. The PSFA contemplates that TTPP would be majority-owned by Oyu Tolgoi LLC and situated close to the Tavan Tolgoi coal mining district located approximately 150 kilometres from the Oyu Tolgoi mine.

On February 14, 2020, Oyu Tolgoi LLC submitted a TTPP Feasibility Study to the Government of Mongolia pursuant to the PSFA. The TTPP Feasibility Study contemplates a 300 MW coal fired power plant and related infrastructure, including a 55-kilometre water pipeline and a 126-kilometre overhead power line. The estimated project cost for TTPP is \$924 million, which is based on the results of a competitive tender process for a "turnkey" Engineering, Procurement and Construction (EPC) contract as well as certain assumptions for other costs that are not yet finalised (including government fees, licences and reimbursements). As contemplated by the PSFA, the TTPP Feasibility Study assumes that power for the Oyu Tolgoi mine supplied from TTPP would be supplemented by a back-up power arrangement to be agreed with IMPIC, until back-up power can be provided within Mongolia.

On February 14, 2020, Oyu Tolgoi LLC also issued to the Government of Mongolia a Notice of Contingency under Clause 7.4(a) (ii) of the PSFA, which initiated a prescribed "contingency process" with respect to TTPP

and the alternative power options listed in the agreement. The first phase of the contingency process concluded on April 14, 2020 without Oyu Tolgoi LLC and the Government of Mongolia reaching agreement on a basis for which TTPP could proceed. In the second phase of the contingency process, which commenced immediately thereafter and will conclude on June 14, 2020, the parties are required to progress the alternative power supply options listed in Clause 7.4(b) of the PSFA, which comprise an Oyu Tolgoi mine-based power plant, a Mongolian grid solution and a primary renewables solution.

On April 14, 2020, the Minister of Energy notified Oyu Tolgoi LLC of the Government's decision to develop and fund a State-Owned Power Plant to be located at the Tavan Tolgoi coal fields (SOPP), which would supply power to the Oyu Tolgoi mine and potentially other regional mines. Oyu Tolgoi LLC has indicated to the Government of Mongolia its willingness to support SOPP, subject to certain conditions being satisfied and clarifications being provided. Oyu Tolgoi LLC is currently in discussions with the Government of Mongolia concerning the SOPP concept and, in particular, is seeking confirmation that SOPP may be considered as part of the second contingency phase under the PSFA. Moreover, Oyu Tolgoi is seeking clarification from the Government of Mongolia with respect to the commercial terms of power supply, development process, proposed sources of financing and expected timing of SOPP completion.

The terms of the PSFA provide, among other things, that if agreement cannot be reached between Oyu Tolgoi LLC and the Government of Mongolia on an alternative power solution (as specified in Clause 7.4(b)) by June 14, 2020, then Oyu Tolgoi LLC is thereafter entitled to select and implement one of these alternative options.

Oyu Tolgoi LLC's existing project finance documentation permits, subject to certain conditions being met, an increase of Oyu Tolgoi LLC's senior debt cap in connection with the development of an "expansion facility", which would include TTPP.

#### Oyu Tolgoi tax assessment

On January 16, 2018, Turquoise Hill announced that Oyu Tolgoi LLC had received and was evaluating a tax assessment for approximately \$155 million (which was converted from Mongolian Tugrik to U.S. dollars at the exchange rate on that date) from the Mongolian Tax Authority (MTA) relating to an audit on taxes imposed and paid by Oyu Tolgoi LLC between 2013 and 2015. In January 2018, Oyu Tolgoi LLC paid an amount of approximately \$4.8 million to settle unpaid taxes, fines and penalties for accepted items.

On February 20, 2020, the Company announced that Oyu Tolgoi LLC will be proceeding with the initiation of a formal international arbitration proceeding in accordance with dispute resolution provisions within Chapter 14 of the Investment Agreement entered into with the Government of Mongolia in 2009 and Chapter 8 of the Oyu Tolgoi Underground Mine Development and Financing Plan entered into with the Government of Mongolia in 2015. The dispute resolution provisions call for arbitration under the United Nations Commission on International Trade Law (UNCITRAL) seated in London before a panel of three arbitrators.

By agreeing to resolve the dispute under UNCITRAL Arbitration Rules, both parties have agreed that the arbitral award shall be final and binding on both parties and the parties shall carry out the award without delay.

The Company remains of the opinion that Oyu Tolgoi LLC has now paid all taxes and charges required under the Investment Agreement, the ARSHA, the Underground Plan and Mongolian law.

#### Mongolian parliamentary working group

In March 2018, the Speaker of the Mongolian Parliament appointed a Parliamentary Working Group (Working Group) that consisted of 13 Members of Parliament to review the implementation of the Investment Agreement. The Working Group established five sub-working groups consisting of representatives from government ministries, agencies, political parties, non-governmental organizations and professors, to help and support the Working Group. The Working Group was initially expected to report to the Parliament before the end of spring session in late June 2018.

On December 13, 2018, Oyu Tolgoi LLC received a letter from the head of the Working Group confirming

that the consolidated report, conclusions and recommendations of the Working Group had been finalised and was ready to be presented to the Parliament.

On March 22, 2019, the Parliamentary press office announced that the Working Group report had been submitted to the National Security Council (President, Prime Minister and Speaker of the Parliament). On May 3, 2019, a summary of the Working Group report was received by Oyu Tolgoi LLC. On May 6, 2019, Oyu Tolgoi LLC provided the Economic Standing Committee of the Parliament a written response to the summary of the Working Group report.

As an outcome of the hearing, a new working group of nine Members of Parliament was established to take the Working Group Report and draft resolutions directing the Cabinet on recommendations related to Oyu Tolgoi LLC.

Upon completion of the Working Group review and its report, a resolution was submitted to the Economic Standing Committee, and subsequently passed in a plenary session of the Parliament of Mongolia on November 21, 2019. Resolution 92 was published on December 6, 2019 and includes resolutions to take comprehensive measures to improve the implementation of the Investment Agreement and the ARSHA, to improve the Underground Plan and to explore and resolve options to have a product sharing arrangement or swap Mongolia's equity holding of 34 per cent for a special royalty. Representatives from Turquoise Hill and Rio Tinto are currently engaged with the Government of Mongolia to work together and resolve the issues raised in the Resolution.

#### Anti-Corruption Authority information requests

On March 13, 2018, we announced that Oyu Tolgoi LLC received information requests from the Mongolian Anti-Corruption Authority (ACA) for information relating to Oyu Tolgoi LLC. The ACA has also conducted interviews with representatives of Oyu Tolgoi LLC in connection with its investigation. Turquoise Hill has inquired as to the status of the investigation and Oyu Tolgoi LLC has informed the Company that the investigation appears to relate primarily to possible abuses of power by certain former Government officials in relation to the Investment Agreement, and that Oyu Tolgoi LLC is complying with the ACA's requests in accordance with relevant laws. To date, neither Turquoise Hill nor Oyu Tolgoi LLC have received notice from the ACA, or indeed from any regulator, that either company or their employees are subjects of any investigation involving the Oyu Tolgoi project.

The Investment Agreement framework was authorised by the Mongolian Parliament, concluded after 16 months of negotiations and reviewed by numerous constituencies within the Government. Turquoise Hill has been operating in good faith under the terms of the Investment Agreement since 2009, and we believe not only that it is a valid and binding agreement, but that it has proven to be beneficial for all parties.

Adherence to the principles of the Investment Agreement, ARSHA and Underground Plan has allowed for the development of the Oyu Tolgoi mine in a manner that has given rise to significant long-term benefits to Mongolia. Benefits from the Oyu Tolgoi open-pit operations and underground development include, but are not limited to, employment, royalties and taxes, local procurement, economic development and sustainability investments.

## CORPORATE ACTIVITIES

### Board appointment

On January 21, 2020, Turquoise Hill announced the appointment of George R. Burns to the Company's Board of Directors as an independent director.

### US trading price non-compliance

On July 31, 2019, the Company received an automatic notice from the NYSE advising that the average closing price of the Common Shares had fallen below US\$1.00 for 30 consecutive trading days and that, as

a result, the Common Shares no longer met the minimum US\$1.00 average closing price requirement. Under the NYSE rules, a company that fails to meet this continued listing requirement must bring its share price and average closing price above US\$1.00 by the end of the six-month period following receipt of the NYSE's notification. However, where a company has notified the NYSE that it intends to cure its minimum price deficiency by a corporate transaction requiring approval of its shareholders, it must obtain shareholder approval by no later than its next annual meeting and implement the transaction promptly thereafter, in which case the minimum price deficiency will be deemed to be cured if the share price promptly exceeds US\$1.00 and the price remains above that level for at least the following 30 consecutive trading days.

On August 28, 2019, the Company received an automatic notice from the NASDAQ advising that the minimum bid price of the Common Shares had fallen below US\$1.00 for 30 consecutive trading days and that, as a result, the Common Shares no longer met the minimum US\$1.00 bid price requirement. Under the Listing Rules of the NASDAQ, the Company had 180 calendar days to regain compliance.

On November 12, 2019, the Company announced that it expected to seek approval from shareholders at the Meeting for a consolidation of its outstanding Common Shares. The announcement stated that the expected consolidation was intended to cure the share price non-compliance under the continued listing rules of both the NYSE and the NASDAQ.

On February 14, 2020, the Company announced that it had provided written notice to NASDAQ regarding its intention to voluntarily delist from the NASDAQ. Given that trading on the NASDAQ represented only approximately 5% of the worldwide trading volume of the Common Shares in 2019, the Company believes that the NYSE and the TSX listings provide investors with sufficient liquidity. In addition, delisting from the NASDAQ will reduce the Company's administrative costs. The NASDAQ delisting became effective on March 5, 2020.

The Company's common shares will continue to trade on the NYSE and the TSX now that the NASDAQ delisting has become effective. The delisting did not affect the Company's continuing obligation to file required reports with the U.S. Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities. The Company will comply with, and continue to be subject to, the laws of the Yukon, the jurisdiction in which the Company is incorporated, as well as applicable U.S. and Canadian securities laws and corporate governance rules applicable to Canadian publicly listed companies, including the rules of the NYSE and the TSX.

In its proxy management circular dated March 18, 2020 (the Circular), which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), the Company informed its shareholders that they will be asked to consider and, if deemed appropriate, adopt a special resolution authorizing the Company's board of directors to implement a consolidation of the Company's issued and outstanding common shares into a lesser number of common shares. If the special resolution is approved, the board of directors of the Company will have the authority, in its sole discretion, to select the exact share consolidation ratio, provided that (i) the ratio may be no smaller than one post-consolidation share for every five pre-consolidation shares and no larger than one post-consolidation share for every thirty pre-consolidation shares, and (ii) the number of pre-consolidation shares in the ratio must be a whole number of common shares. Approval of the special resolution by shareholders would give the board of directors authority and discretion to implement the share consolidation at any time prior to May 11, 2021.

#### Pentwater Capital Management LP dissident circular

In connection with the annual and special meeting of the Company's shareholders originally scheduled for May 12, 2020, Pentwater Capital Management LP (Pentwater) filed a dissident circular on the Company's SEDAR page, requesting shareholders (i) elect its nominee, Matthew Halbower, Chief Executive Officer of Pentwater, to the board of directors of the Company, and (ii) vote to adopt its shareholder proposal to amend the Company's articles to provide minority shareholders with the exclusive right to nominate and elect three of seven of the Company's board members. The Company responded to Pentwater on April 6, 2020, encouraging its shareholders to vote against Pentwater's proposed board of directors nominee, and to withhold their vote on Pentwater's proposed amendment to the Company's articles.

#### Postponement of annual general and special meeting of shareholders

As announced on April 27, 2020, due to public health measures and restrictions on gatherings enacted by



both the Federal and Provincial governments in Canada in response to the ongoing COVID-19 pandemic, and to help protect the health and well-being of its shareholders, colleagues, communities and other stakeholders, the Company decided to postpone the annual general and special meeting of its shareholders originally scheduled for May 12, 2020 to a later date.

## NON-GAAP MEASURES

The Company presents and refers to the following non-GAAP measures, which are not defined in IFRS. A description and calculation of each measure is given below and may differ from similarly named measures provided by other issuers. These measures are presented in order to provide investors and other stakeholders with additional understanding of performance and operations at the Oyu Tolgoi mine and are not intended to be used in isolation from, or as a replacement for, measures prepared in accordance with IFRS.

### Operating cash costs

The measure of operating cash costs excludes: depreciation and depletion; exploration and evaluation; charges for asset write-down (including write-down of materials and supplies inventory) and includes management services payments to Rio Tinto and management services payments to Turquoise Hill which are eliminated in the consolidated financial statements of the Company.

### C1 cash costs

C1 cash costs is a metric representing the cash cost per unit of extracting and processing the Company's principal metal product, copper, to a condition in which it may be delivered to customers net of gold and silver credits from concentrates sold. This metric is provided in order to support peer group comparability and to provide investors and other stakeholders with additional information about the underlying cash costs of Oyu Tolgoi LLC and the impact of gold and silver credits on the operations' cost structure. C1 cash costs are relevant to understanding the Company's operating profitability and ability to generate cash flow. When calculating costs associated with producing a pound of copper, the Company deducts gold and silver revenue credits as the production cost is reduced by selling these products.

### All-in sustaining costs

All-in sustaining costs (AISC) is an extended cash-based cost metric providing further information on the aggregate cash, capital and overhead outlay per unit and is intended to reflect the costs of producing the Company's principal metal product, copper, in both the short term and over the life-cycle of its operations. As a result, sustaining capital expenditure on a cash basis is included rather than depreciation. As the measure seeks to present a full cost of copper production associated with sustaining current operations, development project capital is not included. AISC allows Turquoise Hill to assess the ability of Oyu Tolgoi LLC to support sustaining capital expenditures for future production from the generation of operating cash flows.

A reconciliation of total operating cash costs, C1 cash costs and all-in sustaining costs is provided below.

	(Three Months Ended)		(Year Ended)	
	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
C1 costs (Stated in \$000's of dollars)				
Cost of sales	145,924	175,007	169,134	742,900
Cost of sales: \$/lb of copper sold	2.57	2.46	1.99	2.25
Depreciation and depletion	(34,966)	(49,800)	(44,629)	(183,000)
Provision against carrying value of copper-gold concentrate	(6,254)	(40)	1,447	-
Change in inventory	32,149	11,618	6,432	(31,000)
Other operating expenses	44,911	52,415	70,346	221,400
Less:				
- Inventory (write-down) reversal	1,164	396	(12,558)	2,160
- Depreciation	(1,953)	(2,129)	(310)	(8,130)
Management services payment to Turquoise Hill	7,082	7,177	8,190	31,000
Operating cash costs	188,057	194,644	198,052	774,500
Operating cash costs: \$/lb of copper produced	2.42	2.68	1.96	2.40
Adjustments to operating cash costs	6,081	8,728	8,954	44,300
Less: Gold and silver revenues	(33,825)	(43,298)	(128,798)	(378,000)
C1 costs (\$'000)	160,313	160,074	78,208	440,600
C1 costs: \$/lb of copper produced	2.07	2.21	0.77	1.37
All-in sustaining costs (Stated in \$000's of dollars)				
Corporate administration	4,717	9,500	4,544	23,400
Asset retirement expense	1,429	(99)	1,741	6,060
Royalty expenses	10,239	12,453	19,739	64,000
Ore stockpile and stores write-down (reversal)	(1,164)	(396)	12,558	(2,160)
Other expenses	468	4,921	(437)	5,980
Sustaining cash capital including deferred stripping	9,549	28,969	30,453	133,300
All-in sustaining costs (\$'000)	185,551	215,422	146,806	671,300
All-in sustaining costs: \$/lb of copper produced	2.39	2.97	1.45	2.08

(1) Adjustments to operating cash costs include: treatment, refining and freight differential charges less the 5% Government of Mongolia royalty and other expenses not applicable to the definition of C1 cost.

Mining costs and milling costs

Mining costs and milling costs are included within operating cash costs. Mining costs per tonne of material mined in Q1'20 are calculated by reference to total mining costs of \$46.5 million (Q1'19: \$50.1 million) and total material mined of 26.8 million tonnes (Q1'19: 23.9 million tonnes).

Milling costs per tonne of ore treated in Q1'20 are calculated by reference to total milling costs of \$60.8 million (Q1'19: \$75.0 million) and total ore treated of 10.9 million tonnes (Q1'19: 9.3 million tonnes).

#### Working capital

Consolidated working capital comprises those components of current assets and liabilities which support and result from the Company's ongoing running of its current operations. It is provided in order to give a quantifiable indication of the Company's short-term cash generation ability and business efficiency. As a measure linked to current operations and the sustainability of the business, the Company's definition of working capital excludes: non-trade receivables and payables; financing items; cash and cash equivalents; deferred revenue and non-current inventory.

A reconciliation of consolidated working capital to the financial statements and notes is provided below.

Working capital	March 31, December 31,	
(Stated in \$000's of dollars)	2020	2019
Inventories (current)	\$ 211,305	\$ 175,719
Trade and other receivables	16,325	27,047
Trade and other payables:		
- trade payables and accrued liabilities	(373,163)	(389,476)
- payable to related parties	(82,910)	(65,903)
Consolidated working capital	\$ (228,443)	\$ (252,613)

#### Contractual obligations

The following section of this press release discloses contractual obligations in relation to the Company's lease, purchase, power and asset retirement obligations. Amounts relating to these obligations are calculated on the basis of the Company carrying out its future business activities and operations as planned at the period end. As such, contractual obligations presented in this press release and in the Company's Q1 2020 MD&A will differ from amounts presented in the financial statements, which are prepared on the basis of minimum uncancellable commitments to pay in the event of contract termination. The presentation of contractual obligations here and in the Company's Q1 2020 MD&A are provided in order to give an indication of future expenditure, for the disclosed categories, arising from the Company's continuing operations and development projects.

A reconciliation of contractual obligations at March 31, 2020 to the financial statements and notes is provided below.

(Stated in \$000's of dollars)	Project Finance Facility	Purchase obligations	Power commitments	Lease liabilities	Decommissioning obligations
Commitments (MD&A)	\$ 4,348,918	\$ 660,360	\$ 410,203	\$ 19,583	\$ 213,436
Cancellable obligations (net of exit costs)		(501,983)	(188,379)	-	-
Accrued capital expenditure		(117,824)	-	-	-
Discounting and other adjustments	(152,714)	-	-	(166)	(108,285)
Financial statement amount	\$ 4,196,204	\$ 40,553	\$ 221,824	\$ 19,417	\$ 105,151

#### QUALIFIED PERSON

Disclosure of information of a scientific or technical nature in this press release and in the Company's Q1 2020 MD&A in respect of the Oyu Tolgoi mine was approved by Jo-Anne Dudley (FAusIMM(CP)), Chief Operating Officer of the Company. Jo-Anne Dudley is a "qualified person" as that term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

#### SELECTED QUARTERLY DATA

The Company's interim financial statements are reported under IFRS applicable to interim financial statements, including International Accounting Standard (IAS) 34 Interim Financial Reporting.

(\$ in millions, except per share information)

Quarter Ended

Mar-31 Dec-31 Sep-30 Jun-30

2020 2019 2019 2019

Revenue

\$ 130.7 \$ 221.4 \$ 209.2 \$ 382.7

Income (loss) for the period

\$ 19.0 \$ 109.5 \$ 45.1 \$ (736.7)

Income (loss) attributable to owners of Turquoise Hill

\$ 55.4 \$ 113.1 \$ 71.7 \$ (446.5)

Basic and diluted income (loss) per share attributable to owners of Turquoise Hill \$ 0.03 \$ 0.06 \$ 0.04 \$ (0.22)

Quarter Ended

Mar-31 Dec-31 Sep-30 Jun-30

2019 2018 2018 2018

Revenue

\$ 352.7 \$ 346.2 \$ 246.5 \$ 341.7

Income for the period

\$ 105.2 \$ 95.0 \$ 15.2 \$ 204.4

Income attributable to owners of Turquoise Hill

\$ 111.2 \$ 101.0 \$ 53.2 \$ 171.3

Basic and diluted income per share attributable to owners of Turquoise Hill

\$ 0.06 \$ 0.05 \$ 0.03 \$ 0.09

Consolidated Statements of Income (Loss)

(Stated in thousands of U.S. dollars)

(Unaudited)

		Three Months Ended March 31,	
	Note	2020	2019
Revenue	4	\$ 130,659	\$ 352,680
Cost of sales	5	(145,924)	(169,134)
Gross margin		(15,265)	183,546
Operating expenses	6	(44,911)	(70,346)
Corporate administration expenses		(4,717)	(4,544)
Other income		3,218	1,243
Income (loss) before finance items and taxes		(61,675)	109,899
Finance items			
Finance income	7	11,412	32,829
Finance costs	7	(1,809)	(2,018)
		9,603	30,811
Income (loss) from operations before taxes		\$ (52,072)	\$ 140,710
Income and other taxes		71,028	(35,510)
Income for the period		\$ 18,956	\$ 105,200
Attributable to owners of <a href="#">Turquoise Hill Resources Ltd.</a>		55,405	111,237
Attributable to owner of non-controlling interest		(36,449)	(6,037)
Income for the period		\$ 18,956	\$ 105,200
Basic and diluted earnings per share attributable to <a href="#">Turquoise Hill Resources Ltd.</a>		\$ 0.03	\$ 0.06
Basic and diluted weighted average number of shares outstanding (000's)		2,012,314	2,012,314

The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements.

## Consolidated Statements of Comprehensive Income

(Stated in thousands of U.S. dollars)

(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Income for the period	\$ 18,956	\$ 105,200
Other comprehensive loss:		
Items that will not be reclassified to income:		
Changes in the fair value of marketable securities at FVOCI	(1,375)	(535)
Other comprehensive loss for the period (a)	\$ (1,375)	\$ (535)
Total comprehensive income for the period	\$ 17,581	\$ 104,665
Attributable to owners of Turquoise Hill	54,030	110,702
Attributable to owner of non-controlling interest	(36,449)	(6,037)
Total comprehensive income for the period	\$ 17,581	\$ 104,665

(a) No tax charges and credits arose on items recognized as other comprehensive income or loss in 2020 (2019: nil).

The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements.

## Consolidated Statements of Cash Flows

(Stated in thousands of U.S. dollars)

(Unaudited)

		Three Months Ended March 31,	
	Note	2020	2019
Cash generated from operating activities before interest and tax	16	\$ 1,495	\$ 49,838
Interest received		11,831	23,757
Interest paid		(26,822)	(78,574)
Income and other taxes paid		(10,951)	(710)
Net cash used in operating activities		\$ (24,447)	\$ (5,689)
Cash flows from investing activities			
Receivable from related party: amounts withdrawn	17	307,000	275,000
Expenditures on property, plant and equipment		(301,096)	(325,294)
Other investing cash flows		63	-
Cash generated from (used in) investing activities		\$ 5,967	\$ (50,294)
Cash flows from financing activities			
Payment of lease liability		(1,907)	(2,408)
Cash used in financing activities		\$ (1,907)	\$ (2,408)
Effects of exchange rates on cash and cash equivalents	16	16	119
Net decrease in cash and cash equivalents		\$ (20,371)	\$ (58,272)
Cash and cash equivalents - beginning of period		\$ 1,651,985	\$ 1,603,067
Cash and cash equivalents - end of period		1,631,614	1,544,795
Cash and cash equivalents as presented on the balance sheets		\$ 1,631,614	\$ 1,544,795

The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements.



## Consolidated Balance Sheets

(Stated in thousands of U.S. dollars)

(Unaudited)

		March 31, Note 2020	December 31, 2019
Current assets			
Cash and cash equivalents	8	\$ 1,631,614	\$ 1,651,985
Inventories	9	211,305	175,719
Trade and other receivables		16,325	27,047
Prepaid expenses and other assets		106,695	99,671
Receivable from related party	17	204,284	511,284
		2,170,223	2,465,706
Non-current assets			
Property, plant and equipment	10	10,090,069	9,782,647
Inventories	9	28,793	28,985
Deferred income tax assets	13	616,118	534,078
Other financial assets		10,033	10,978
		10,745,013	10,356,688
Total assets		\$ 12,915,236	\$ 12,822,394
Current liabilities			
Borrowings and other financial liabilities	12	\$ 24,962	\$ 26,547
Trade and other payables	11	523,303	466,206
Deferred revenue		34,482	27,896
		582,747	520,649
Non-current liabilities			
Borrowings and other financial liabilities	12	4,190,659	4,187,270
Deferred income tax liabilities	13	87,746	79,180
Decommissioning obligations	14	105,151	104,238
		4,383,556	4,370,688
Total liabilities		\$ 4,966,303	\$ 4,891,337

Equity

Share capital	\$ 11,432,122	\$ 11,432,122
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Contributed surplus	1,559,106	1,558,811
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Accumulated other comprehensive loss	(2,188)	(813)
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Deficit	(3,766,484)	(3,821,889)
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Equity attributable to owners of Turquoise Hill	9,222,556	9,168,231
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Attributable to non-controlling interest	15 (1,273,623)	(1,237,174)
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The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements.

Total equity	\$ 7,948,933	\$ 7,931,057
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Total liabilities and equity	\$ 12,915,236	\$ 12,822,394
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## Consolidated Statements of Equity

(Stated in thousands of U.S. dollars)

(Unaudited)

### Three Months Ended March 31, 2020 Attributable to owners of Turquoise Hill

	Accumulated other Contributed comprehensive				Total	Non-control Interest (Note 15)
	Share capital surplus	loss	Deficit			
Opening balance	\$ 11,432,122	\$ 1,558,811	\$ (813)	\$ (3,821,889)	\$ 9,168,231	\$ (1,237,170)
Income for the period	-	-	-	55,405	55,405	(36,449)
Other comprehensive loss for the period	-	-	(1,375)	-	(1,375)	-
Employee share plans	-	295	-	-	295	-
Closing balance	\$ 11,432,122	\$ 1,559,106	\$ (2,188)	\$ (3,766,484)	\$ 9,222,556	\$ (1,273,620)

### Three Months Ended March 31, 2019 Attributable to owners of Turquoise Hill

	Accumulated other Contributed comprehensive				Total	Non-control Interest (Note 15)
	Share capital surplus	income (loss)	Deficit			
Opening balance	\$ 11,432,122	\$ 1,558,264	\$ 844	\$ (3,670,310)	\$ 9,320,920	\$ (910,135)
Impact of change in accounting policy	-	-	-	(1,342)	(1,342)	(691)
Restated opening balance	\$ 11,432,122	\$ 1,558,264	\$ 844	\$ (3,671,652)	\$ 9,319,578	\$ (910,826)
Income for the period	-	-	-	111,237	111,237	(6,037)
Other comprehensive loss for the period	-	-	(535)	-	(535)	-
Employee share plans	-	150	-	-	150	-
Closing balance	\$ 11,432,122	\$ 1,558,414	\$ 309	\$ (3,560,415)	\$ 9,430,430	\$ (916,863)

The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements.

About Turquoise Hill Resources

Turquoise Hill is an international mining company focused on the operation and continued development of the Oyu Tolgoi copper-gold mine in Mongolia, which is the Company's principal and only material mineral resource property. Turquoise Hill's ownership of the Oyu Tolgoi mine is held through a 66% interest in Oyu Tolgoi LLC (Oyu Tolgoi); Erdenes Oyu Tolgoi LLC (Erdenes), a Mongolian state-owned entity, holds the remaining 34% interest.

#### 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. These 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, expected copper and gold grades, liquidity, funding requirements and planning, statements regarding timing and status of underground development, the mine design for Panel 0 of Hugo North Lift 1 and the related cost and production schedule implications, the re-design study for Panels 1 and 2 of Hugo North Lift 1, the expectations set out in the Tavan Tolgoi Power Plant ("TTPP") Feasibility Study, the possible progression of the TTPP and alternative power supply options to the TTPP, the potential impact of COVID-19 on the Company's business, operations and financial condition, capital and operating cost estimates, timing of completion of the Definitive Estimate review, mill and concentrator throughput, the outcome of formal international arbitration proceedings, anticipated business activities, planned expenditures, corporate strategies, and other statements that are not historical facts.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements or information. There can be no assurance that such statements or information will prove to be accurate. Such statements and information are based on numerous assumptions regarding present and future business strategies, local and global economic conditions, and the environment in which the Company will operate in the future, including the price of copper, gold and silver and projected gold, copper and silver grades, anticipated capital and operating costs, anticipated future production and cash flows, the anticipated location of certain infrastructure in Hugo North Lift 1 and sequence of mining within and across panel boundaries, the availability and timing of required governmental and other approvals for the construction of the TTPP or alternative power supply options to the TTPP, the status of the Company's relationship and interaction with the Government of Mongolia on the continued operation and development of Oyu Tolgoi and Oyu Tolgoi LLC internal governance.

Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements and information include, among others, copper; gold and silver price volatility; discrepancies between actual and estimated production, mineral reserves and resources and metallurgical recoveries; development plans for processing resources; the outcome of the Definitive Estimate review; public health crises such as COVID-19; matters relating to proposed exploration or expansion; mining operational and development risks, including geotechnical risks and ground conditions; litigation risks; regulatory restrictions (including environmental regulatory restrictions and liability); Oyu Tolgoi LLC's ability to deliver a domestic power source for the Oyu Tolgoi project within the required contractual time frame; communications with local stakeholders and community relations; activities, actions or assessments, including tax assessments, by governmental authorities; events or circumstances (including strikes, blockages or similar events outside of the Company's control) that may affect the Company's ability to deliver its products in a timely manner; currency fluctuations; the speculative nature of mineral exploration; the global economic climate; dilution; share price volatility; competition; loss of key employees; cyber security incidents; additional funding requirements, including in respect of the development or construction of a long-term domestic power supply for the Oyu Tolgoi project; capital and operating costs, including with respect to the development of additional deposits and processing facilities; and defective title to mineral claims or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and

information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. All such 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 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.

With respect to specific forward-looking information concerning the continued operation and development of Oyu Tolgoi, the Company has based its assumptions and analyses on certain factors which are inherently uncertain. Uncertainties and assumptions include, among others: the timing and cost of the construction and expansion of mining and processing facilities; the timing and availability of a long-term domestic power source (or the availability of financing for the Company to construct such a source) for Oyu Tolgoi; the ability to secure and draw down on the supplemental debt under the Oyu Tolgoi project financing facility and the availability of additional financing on terms reasonably acceptable to Oyu Tolgoi LLC, Rio Tinto and the Company to further develop Oyu Tolgoi; the potential impact of COVID-19; the impact of changes in, changes in interpretation to or changes in enforcement of, laws, regulations and government practices in Mongolia; the availability and cost of skilled labour and transportation; the obtaining of (and the terms and timing of obtaining) necessary environmental and other government approvals, consents and permits; delays, and the costs which would result from delays, in the development of the underground mine (which could significantly exceed the costs projected in the 2016 Oyu Tolgoi Feasibility Study and the 2016 Oyu Tolgoi Technical Report); projected copper, gold and silver prices and their market demand; and production estimates and the anticipated yearly production of copper, gold and silver at Oyu Tolgoi.

The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as Oyu Tolgoi. It is common in mining operations and in the development or expansion of existing facilities to experience unexpected problems and delays during development, construction and mine start-up. Additionally, although Oyu Tolgoi has achieved commercial production, there is no assurance that future development activities will result in profitable mining operations.

Readers are cautioned not to place undue reliance on forward-looking information or statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking 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 dated as of March 18, 2020 in respect of the year ended December 31, 2019 (the AIF), as supplemented by our Q1 2020 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 Q1 2020 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.

#### Contact

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