

Turquoise Hill announces financial results and review of operations for the second quarter of 2020 and updates timeline for filling of its 2020 technical report

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MONTREAL, July 28, 2020 - [Turquoise Hill Resources Ltd.](#) ("Turquoise Hill" or the "Company") today announced its financial results for the period ended June 30, 2020. All figures are in U.S. dollars unless otherwise stated.

"Faced with the challenges of operating within the constraints posed by the COVID-19 pandemic, the Oyu Tolgoi team delivered outstanding safety and production performance in the second quarter of 2020. The open pit operations have continued uninterrupted, and the underground development, while experiencing restrictions on workforce numbers and the ability to bring in specialists from around the world, has continued to progress. The team's focus on optimization initiatives has resulted in other things, an increase to our 2020 gold production guidance.

We look forward to completing the 2020 Technical Report in the third quarter. This report will provide shareholders with a ramp-up schedule, which will highlight once again the quality of the Oyu Tolgoi ore body and the value proposition for investors. In addition, the updated data will greatly assist in our on-going efforts to advance our long term funding strategy and address incremental liquidity requirements.

"I'd like to thank the entire Turquoise Hill and Oyu Tolgoi teams, who have come together in the face of the COVID-19 pandemic to deliver yet another quarter of strong safety, production and financial results," stated Ulf Quellmann, Chief Executive Officer of Turquoise Hill.

HIGHLIGHTS

- Safety is our top priority. Oyu Tolgoi delivered a strong safety performance as evidenced by an AIFR of 0.22 per 100,000 hours worked for the six months ended June 30, 2020.
- Despite the unprecedented challenges posed by the COVID-19 pandemic, the Oyu Tolgoi open pit has continued uninterrupted.
- In Q2'20, Oyu Tolgoi produced 36,495 tonnes of copper and 31,150 ounces of gold.
- Copper production remains on track to achieve guidance of 140,000 to 170,000 tonnes.
- Gold production guidance for 2020 has increased to 155,000 to 180,000 ounces from 120,000 to 150,000 ounces. The increase in gold production guidance is due to a change in the open pit schedule which has brought higher grade gold ore from the southwest pit.
- C1 cost guidance range is being lowered to \$1.60 - \$2.00 from \$1.80 - \$2.20 per pound of copper due to the positive impact from the increased 2020 gold production forecast.
- Q2'20 mill throughput was 7.2% lower compared to Q2'19 due to higher scheduled maintenance hours as well as processing of harder ore from the southwest pit.
- Revenue of \$278.0 million in Q2'20 decreased by 27.4% from \$382.7 million in Q2'19, primarily due to both a 56.7% decrease in gold production and a 6.9% decrease in copper production. Further, the average price of copper fell by 12.3% to \$3.80/lb in Q2'20 primarily due to the impact of COVID-19 on global copper demand. This was partly offset by the 30.6% increase in average gold price from Q2'19 to Q2'20.

- Income for the period was \$72.3 million compared with a loss of \$736.7 million in Q2'19. This difference was primarily due to a \$0.6 billion impairment charge that was recorded in Q2'19 following the announcement on July 15, 2019, wherein the Company confirmed projected increases in underground development capital as well as a range of possible further increases in sustainable first production. In addition, there was an increase of \$300.2 million in the amount of deferred tax recognized in Q2'20 compared to Q2'19. Deferred tax of \$252.8 million was de-recognized in Q2'19 again reflecting the impact of the July 15, 2019 announcement. These increases in income in Q2'20 compared to Q2'19 were partly offset by the \$104.7 million reduction in revenue from Q2'19 to Q2'20. Income attributable to owners of Turquoise Hill in Q2'20 was \$84.8 million per share, compared with a loss of \$446.5 million or \$0.22 per share in Q2'19.
- Cash generated from operating activities before interest and taxes in Q2'20 was \$34.7 million, a decrease from \$100.0 million generated in Q2'19, primarily reflecting the impact of reduced revenue and unfavourable movements in working capital. Trade receivables increased significantly in Q2'20 due primarily to the impact of rising copper prices on the revaluation of trade receivables at June 30, 2020. Conversely, the impact of falling copper prices at the end of Q2'19 led to a decrease in the amount of trade receivables. Trade payables decreased in Q2'20 whereas trade payables increased in Q2'19 primarily as a result of the impact of lower capital expenditure spend in Q2'20 (\$254.3 million) compared to Q2'19 (\$335.0 million).
- In Q2'20, cost of sales was \$2.08 per pound of copper sold, C1 cash costs¹ were \$1.61 per pound of copper produced and all-in sustaining costs¹ were \$2.18 per pound of copper produced.
- Total operating cash costs¹ of \$180.8 million in Q2'20 decreased 12.5% from \$206.7 million in Q2'19. This was primarily due to lower mining costs as a result of lower fuel and maintenance costs. Additionally, royalty costs were lower as a result of lower sales revenue.
- Work on the Oyu Tolgoi underground continued, achieving strong productivity in underground advancement during the quarter, achieving 1,830² equivalent metres (eqm) in June and a monthly average of 1,831² eqm for the quarter.
- During Q2'20, underground development spend was \$242.4 million, resulting in total project spend since January 2019 of approximately \$4.0 billion.
- Routine Shaft 2 rope shortening was successfully completed in May with remote presence technology from the vendor being used to assist onsite teams to safely perform the task. Payload and speeds have returned to planned levels and personnel materials movement via the service hoist continue to operate normally.
- Shafts 3 and 4 continued on care and maintenance during Q2'20, and this is expected to continue until expert service providers can return to site to complete technical commissioning of specialised equipment and commence sinking. Work also slowed on some essential underground material handling infrastructure, in particular the construction of the crusher one, which has now returned to 24 hour shifts following a period of day shift only. Personnel numbers on site have been limited in order to manage the risks around COVID-19.
- On May 13, 2020, Turquoise Hill announced a new block cave mine design for Panel 0 which anticipates a base case development capital cost of \$6.8 billion, with a range of \$6.6 billion to \$7.1 billion, and a target to first sustainable production in February 2023, with a target range between October 2022 and June 2023, inclusive of an allowance for schedule contingency.
- Subsequently on July 2, 2020, Turquoise Hill announced completion of the 2020 Oyu Tolgoi Feasibility Study incorporating the revised mine design and updated Mineral Reserves and Mineral Resources.
- As at June 30, 2020, Turquoise Hill has \$1.5 billion of available liquidity, which under current projections is expected to be sufficient to meet the requirements of the Company, including its operations and underground development, into 2023.
- The Company recognises the unprecedented situation surrounding the ongoing COVID-19 pandemic. Turquoise Hill has established a business resiliency team and is closely monitoring the effect of the COVID-19 pandemic on its business operations and our people will continue to update the market on the impacts to the Company's business and operations in relation to 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 six months ended June 30, 2020 (the Q2 2020 MD&A).

¹ Please refer to Section 211; NON-GAAP MEASURES 211; on page 17 of this press release for further information.

² Total equivalent metres exclude conveyor to surface progress.

Oyu Tolgoi is expected to produce 140,000 to 170,000 tonnes of copper and 155,000 to 180,000 ounces of gold in 2020 from both the open pit and the commencement of processing of underground development material. Although the 2020 copper production range guidance is higher than 2019 production, lower gold production is expected for 2020 to 2019. This is due to the need to mine through lower gold grade material on the periphery of the South West pit as Ph sinks towards the highest gold and copper grades lower in the pit. Initiatives implemented by Oyu Tolgoi have been such bringing forward into 2020 higher gold bearing ore that was previously scheduled to be mined in 2021. This has led to t in the 2020 gold production guidance range, previously 120,000 to 150,000 ounces. This initiative is not expected to im gold production where a significant increase is still anticipated. Mill throughput for 2020 is expected to be approximately tonnes.

Operating cash costs³ for 2020 are expected to be \$780 million to \$830 million. The decrease from the previous range million to \$850 million was as a result of cost reduction initiatives at Oyu Tolgoi.

Capital expenditure for 2020 on a cash-basis is expected to be approximately \$70 million to \$90 million for open-pit ope \$1.0 billion to \$1.1 billion for the underground development. The open-pit operations guidance range was reduced from range of \$80 million to \$100 million due to lower capitalised deferred stripping costs and lower estimated spend as a re COVID-19.

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 costs³ are expected to be in the range of \$1.60 to \$2.00 per pound of copper produced, down from the initial 2 guidance of \$1.80 to \$2.20, largely reflecting the impact of the increase in the gold production guidance for 2020. Unit o guidance assumes the midpoint of expected 2020 copper and gold production ranges and commodity price assumption per pound copper and \$1,659 per ounce gold.

2021 OUTLOOK

Production in 2021 is expected to remain in a range of 170,000 to 200,000 tonnes of copper, and 450,000 to 500,000 o gold, as we transition to the higher grade ore in the lower benches of the southwest pit and continue to increase the am 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 Com ownership of the Oyu Tolgoi mine is held through a 66% interest in Oyu Tolgoi LLC; the remaining 34% interest is held 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 k 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 throughput of over 105,000 tonnes per day due to improvements in operating practices. Concentrator throughput for 20 targeted at over 110,000 tonnes per day and expected to be approximately 40 million tonnes for the year due to improv concentrator performance and more favourable ore characteristics.

At the end of Q2'20, Oyu Tolgoi had a total workforce (employees and contractors), including underground project cons approximately 12,200, of which 94% were Mongolians.

³ Please refer to Section “NON-GAAP MEASURES” on page 17 of this press release for further information.
SELECTED FINANCIAL METRICS ⁽¹⁾

	Three months ended			Six months ended	
(\$ in millions, unless otherwise noted)	2Q	2Q	Change	6 months	6 months
	2020	2019	%	2020	2019
Revenue	278.0	382.7	(27.4%)	408.6	735.0
Income (loss) for the period	72.3	(736.7)	--	91.3	(63.0)
Income (loss) attributable to owners of Turquoise Hill	84.8	(446.5)	--	140.3	(33.0)
Basic and diluted income (loss) per share attributable to owners of Turquoise Hill	0.04	(0.22)	--	0.07	(0.11)
Revenue by metals in concentrates					
Copper	221.7	232.4	(4.6%)	318.5	456.0
Gold	52.6	146.8	(64.2%)	84.2	272.0
Silver	3.7	3.5	5.7%	5.9	6.6
Cost of sales	182.0	224.7	(19.0%)	327.9	393.0
Production and delivery costs	137.1	170.1	(19.4%)	241.8	296.0
Depreciation and depletion	51.1	54.6	(6.4%)	86.1	99.0
Capital expenditure on cash basis	254.3	335.0	(24.1%)	555.4	660.0
Underground	242.4	292.0	(17.0%)	533.9	588.0
Open pit ⁽²⁾	11.9	43.0	(72.3%)	21.5	71.9
Royalties	14.2	20.7	(31.4%)	24.5	40.0
Operating cash costs ⁽³⁾	180.8	206.7	(12.5%)	368.9	404.0
Unit costs (\$)					
Cost of sales (per pound of copper sold)	2.08	2.19	(5.0%)	2.27	2.10
C1 (per pound of copper produced) ⁽³⁾	1.61	0.79	103.8%	1.84	0.70
All-in sustaining (per pound of copper produced) ⁽³⁾	2.18	1.54	41.6%	2.29	1.48
Mining costs (per tonne of material mined) ⁽³⁾	1.69	2.05	(17.4%)	1.71	2.00
Milling costs (per tonne of ore treated) ⁽³⁾	6.77	6.17	9.7%	6.14	7.00
G&A costs (per tonne of ore treated)	3.25	3.34	(2.7%)	3.09	3.30
Cash generated from (used in) operating activities	(81.8)	141.5	(157.8%)	(106.3)	135.0
Cash generated from operating activities before interest and tax	34.7	262.6	(86.8%)	36.2	312.0
Interest paid	118.7	139.8	(15.1%)	145.5	218.0
Total assets	12,895	12,705	1.5%	12,895	12,705
Total non-current financial liabilities	4,374	4,399	(0.6%)	4,374	4,399

• (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 – on page 17 of this press release for further information.

Q2'20 vs Q2'19

- Revenue of \$278.0 million in Q2'20 decreased 27.4% from \$382.7 million in Q2'19, primarily due to both a 56.7% gold production and a 6.9% decrease in copper production. Further, the average price of copper fell by 12.3% from Q2'20 primarily due to the impact of COVID-19 on global copper demand. This was partly offset by the 30.6% increase in average gold price from Q2'19 to Q2'20.
- Income for the period was \$72.3 million compared with a loss of \$736.7 million in Q2'19. This difference was primarily due to a \$0.6 billion impairment charge that was recorded in Q2'19 following the announcement on July 15, 2019, wherein the Company confirmed projected increases in underground development capital as well as a range of possible future sustainable first production. In addition, there was an increase of \$300.2 million in the amount of deferred tax recognized in Q2'20 compared to Q2'19. Deferred tax of \$252.8 million was de-recognized in Q2'19 again reflecting the impact of the July 15, 2019 announcement. These increases in income in Q2'20 compared to Q2'19 were partly offset by the \$104.7 million reduction in revenue from Q2'19 to Q2'20. Income attributable to owners of Turquoise Hill in Q2'20 was \$84.8 million per share, compared with a loss of \$446.5 million or \$0.22 per share in Q2'19.
- Cost of sales in Q2'20 of \$182.0 million decreased 19.0% from \$224.7 million in Q2'19 reflecting 13.8% lower volume of concentrates sold together with the impact of decreased unit cost of sales per pound of copper sold.
- Q2'20 unit cost of sales of \$2.08 per pound of copper sold decreased 5.0% from \$2.19 in Q2'19 reflecting the 2.2% increase in copper head grades and the benefit of lower mining costs.
- Capital expenditure on a cash basis in Q2'20 of \$254.3 million compared to \$335.0 million in Q2'19, comprised of \$11.9 million attributed to the underground project and \$11.9 million to open-pit activities.
- Total operating cash costs⁴ of \$180.8 million in Q2'20 decreased 12.5% from \$206.7 million in Q2'19. This was primarily due to lower mining costs as a result of lower fuel and maintenance costs. Additionally, royalty costs were lower as a result of lower sales revenue.
- Oyu Tolgoi's Q2'20 C1 cash costs⁴ of \$1.61 per pound of copper produced increased from \$0.79 in Q2'19, primarily due to the impact of the 64.2% lower gold sales revenue credits in Q2'20 compared to Q2'19.
- All-in sustaining costs⁴ of \$2.18 in Q2'20 increased 41.6% from \$1.54 in Q2'19. Similar to the C1 cash costs, the increase was primarily due to a reduction in gold revenue credits, partly offset by the impact of lower open pit sustaining capital expenditures and lower royalty costs resulting from the lower sales revenue in Q2'20 compared to Q2'19.
- Mining costs⁴ of \$1.69 per tonne of material mined in Q2'20 decreased 17.4% from \$2.05 in Q2'19. The decrease was primarily due to lower fuel cost arising from a decreased global market price for fuel and lower mine maintenance service costs due to project deferrals.
- Milling costs⁴ of \$6.77 per tonne of ore treated in Q2'20 increased 9.7% from \$6.17 of ore treated in Q2'19, mainly due to higher maintenance service and consumables costs due to the planned major plant shutdowns that took place in Q2'20 compared to in the second quarter of 2019.
- G&A costs per tonne of ore treated of \$3.25 in Q2'20 decreased 2.7% from \$3.34 per tonne of ore treated in Q2'19 due to ongoing cost saving initiatives in response to the COVID-19 pandemic.
- Cash generated from operating activities before interest and taxes in Q2'20 was \$34.7 million, a decrease from \$100.0 million generated in Q2'19, primarily reflecting the impact of reduced revenue and unfavourable movements in working capital. Trade receivables increased significantly in Q2'20 due primarily to the impact of rising copper prices on the revaluation of trade receivables at June 30, 2020. Conversely, the impact of falling copper prices at the end of Q2'19 led to a decrease in the amount of trade receivables. Trade payables decreased in Q2'20 whereas trade payables increased in Q2'19 primarily as a result of the impact of lower capital expenditure spend in Q2'20 (\$254.3 million) compared to Q2'19 (\$335.0 million).

⁴ Please refer to Section "NON-GAAP MEASURES"; on page 17 of this press release for further information.

OYU TOLGOI

Safety performance and COVID-19 Response

The Oyu Tolgoi mine recorded another strong AIFR of 0.22 per 200,000 hours worked for the six months ended June 30, 2020, including a surface operations AIFR of 0.00 for the month of May. In addition to the continued commitment to reducing health and safety risk and injury at the Oyu Tolgoi mine site, preventing the spread of COVID-19 is a key priority for all Oyu Tolgoi and Turquoise Hill employees. While the open pit at Oyu Tolgoi has continued to operate uninterrupted 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 construction, such as Shafts 3 and 4 and the materials handling system have been impacted, in Q2'20 underground development continued as per expectations. The COVID-19 related impacts to production and ramp-up from the affected infrastructure are currently unknown with a program of work underway to assess the implications. Restrictions imposed on total personnel numbers at site may require redeployment of lateral development crews onto other critical path activities in Q3'20 in order to minimise any potential COVID-19 impacts.

Key operational metrics for Q2'20 are as follows:

Oyu Tolgoi Production Data

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

	2Q	2Q	Change	1H	1H	Change
	2020	2019		2020	2019	
Open pit material mined ('000 tonnes)	23,218	24,408	(4.9%)	50,052	48,351	3.5%
Ore treated ('000 tonnes)	9,645	10,394	(7.2%)	20,534	19,649	4.5%
Average mill head grades:						
Copper (%)	0.47	0.46	2.2%	0.45	0.51	(12.7%)
Gold (g/t)	0.19	0.31	(38.7%)	0.17	0.44	(61.4%)
Silver (g/t)	1.22	1.20	1.7%	1.18	1.23	(4.1%)
Concentrates produced ('000 tonnes)	169.9	180.6	(5.9%)	334.4	390.7	(14.4%)
Average concentrate grade (% Cu)	21.5	21.7	(0.9%)	21.4	21.8	(1.8%)
Production of metals in concentrates:						
Copper ('000 tonnes)	36.5	39.2	(6.9%)	71.7	85.0	(15.6%)
Gold ('000 ounces)	31	72	(56.7%)	57	192	(70.2%)
Silver ('000 ounces)	212	238	(10.9%)	426	486	(12.3%)
Concentrate sold ('000 tonnes)	194.3	225.3	(13.8%)	320.2	410.3	(22.0%)
Sales of metals in concentrates:						
Copper ('000 tonnes)	39.7	46.6	(14.8%)	65.5	85.1	(23.0%)
Gold ('000 ounces)	31	116	(73.4%)	51	213	(76.3%)
Silver ('000 ounces)	220	245	(10.2%)	366	445	(17.8%)
Metal recovery (%)						
Copper	79.1	80.2	(1.4%)	76.7	82.2	(6.7%)
Gold	52.0	63.6	(18.2%)	49.3	68.2	(27.7%)
Silver	55.8	59.2	(5.7%)	53.6	61.2	(12.4%)

Copper production in Q2'20 decreased 7% compared to Q2'19 due to lower throughput caused by higher scheduled maintenance hours as well as processing of harder ore.

Gold Production in Q2'20 decreased 57% over Q2'19 due to planned processing of lower headgrade ore primarily driven by the transition from Phase 4A to lower grade sources of Phase 4B and stockpiles as well as lower milled tonnes.

Mill throughput in Q2'20 was 7% lower compared to Q2'19 due to higher scheduled maintenance hours as well as the processing of harder ore from the southwest pit.

Underground development

On May 13, 2020, Turquoise Hill announced a new block cave mine design for Panel 0 which anticipated a

base case development capital cost of \$6.8 billion, with a range of \$6.6 billion to \$7.1 billion, and a target to first sustainable production of February 2023, with a target range between October 2022 and June 2023, inclusive of an allowance for schedule contingency.

Subsequently on July 2, 2020, Turquoise Hill announced completion of the 2020 Oyu Tolgoi Feasibility Study incorporating the revised mine design and updated Mineral Reserves and Mineral Resources.

The Hugo North mine design for Panel 0 will now undergo 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.

Routine Shaft 2 rope shortening was successfully completed in May with remote presence technology from the vendor used to assist onsite teams to safely perform the task. Payload and speeds have returned to planned levels and people and materials movement via the service hoist continue to operate normally.

Shafts 3 and 4 continued on care and maintenance during Q2'20, and this is expected to continue until expert service providers can return to site to complete technical commissioning of specialised equipment and commence sinking activities. Work also slowed on some essential underground material handling infrastructure, in particular the construction of primary crusher one, which has now returned to 24 hour shifts following a period of day shift only with concrete mass pour number 14 completed in June. Personnel numbers on site have been limited in order to manage the risks around COVID-19.

Underground development continued with a focus on productivity gains in the most critical development areas, progressing 5.5 total equivalent kilometres and completing 10.6 thousand cubic metres of mass excavation during Q2'20. Since the restart of underground development, 43.9 total equivalent kilometres and 169.1 thousand cubic metres of mass excavation have been completed. The following table provides a breakdown of the various components of completed development since project restart:

Oyu Tolgoi Underground Project Development Progress Excluding Conveyor Declines

Year	Total Equivalent Development	Lateral Development	Mass Excavation
	(Km)	(Km)	('000' m ³)
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
Q2'20	5.5	5.1	10.6
2020	11.0	10.4	13.9
Total	43.9	37.1	169.1

Notes:

Totals may not match due to rounding.

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

Oyu Tolgoi Conveyor Decline Project Development Progress

Year	Total Equivalent Development (Km)	Lateral Development (Km)	Mass Excavation (‘000’ m ³)
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
Q2'20	1.0	0.9	2.6
2020	2.0	1.6	10.1
Total	11.0	9.9	26.6

Note: Totals may not match due to rounding.

Oyu Tolgoi spent \$242.4 million on underground development during Q2'20. Total underground project spend from January 1, 2016 to June 30, 2020 was approximately \$4.0 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 contractual obligations⁵ of \$0.6 billion as at June 30, 2020. Since the restart of project development, Oyu Tolgoi has made underground commitments exceeding \$3.3 billion to Mongolian vendors and contractors.

⁵ Please refer to Section "NON-GAAP MEASURES"; on page 17 of this press release for further information.

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 at June 30, 2020, the aggregate outstanding balance of shareholder loans extended by subsidiaries of the Company to Oyu Tolgoi LLC was \$6.9 billion, including accrued interest of \$1.5 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 at June 30, 2020, the cumulative amount of such funding was \$1.3 billion, representing 34% of invested common share equity, with unrecognised interest on the amounts funded of \$0.7 billion.

As at June 30, 2020, Turquoise Hill has \$1.5 billion of available liquidity, which under current projections is expected to be sufficient to meet the requirements of the Company, including its operations and underground development, into early 2022. This expectation has improved due mainly to lower estimated LIBOR rates on project finance interest payments, continued focus on operating cost savings and other optimisation efforts as well as updated assumptions regarding the impacts of COVID-19. As announced by the Company on July 2, 2020, Turquoise Hill has decided to defer further discussions with Rio Tinto regarding possible interim funding arrangements in light of its improved liquidity outlook. If it becomes prudent to do so, the Company may re-engage with Rio Tinto and / or third parties regarding possible interim funding.

Going forward, Turquoise Hill's liquidity outlook will continue to be impacted, either positively or negatively, by various factors, many of which are outside the Company's control, including:

- changes in commodity prices and other market-based assumptions;
- open pit operating performance as well as the successful implementation (or otherwise) of related optimisation efforts;
- further and / or unanticipated impacts on operations and underground development related to the COVID-19 pandemic as the uncertain duration and severity of the COVID-19 pandemic and the economic, commercial and financial conditions thereof;
- the manner in which the amended PSFA is ultimately implemented; and
- developments in the ongoing dispute with the Mongolian Tax Authority, relating to which formal international arbitration proceedings were initiated.

Turquoise Hill continues to monitor its liquidity outlook and will provide updates as and when circumstances require.

In addition to its available liquidity, Turquoise Hill has recently updated its long-term cash flow projections, which incorporate the following:

- the updated Panel 0 mine design announced on May 13, 2020;

- the amendment to the PSFA (the PSFA Amendment) announced on June 28, 2020, under which Oyu Tolgoi LLC prioritise a SOPP to be developed and financed by the Government of Mongolia (previous projections assumed a Tolgoi-led, coal-fired power plant at Tavan Tolgoi (TTPP) with an estimated total project cost of up to \$924 million);
- 2020 Oyu Tolgoi Feasibility Study announced on July 2, 2020;
- further updates to expected near-term impacts of COVID-19;
- the Company's current commodity price assumptions, which are broadly in line with market consensus estimates;
- expected open pit operating performance and the implementation of current optimisation efforts.

Based on these updated cash flow projections, Turquoise Hill's incremental funding requirement (i.e., over and above its available liquidity) is currently expected to be at least \$3.0 billion, which compares favourably to the at least \$4 billion estimate provided in the Company's Q1'20 earnings release. The improvement in the updated projections is mainly from assuming a Mongolian-government funded SOPP instead of an Oyu Tolgoi-led TTPP, as contemplated by the recently signed PSFA Amendment. Additionally, Turquoise Hill currently estimates the base case for its incremental funding requirement to be \$3.6 billion. The base case estimate, like the minimum estimate, incorporates principal repayments of \$1.9 billion and interest and similar charges of \$1.1 billion and does not assume any re-profiling of existing principal repayments or additional external financing. Compared to the base case estimate, the minimum estimate uses upside pricing and assumes the lower end of the development capital range noted below. Additionally, the incremental funding requirement will continue to be influenced by various factors, many of which are outside the Company's control, including:

- the amount of development capital required to bring the Hugo North underground mine into production (the Panel 0 design anticipates a base case development capital cost of \$6.8 billion, with a range of \$6.6 billion to \$7.1 billion; assuming the upper or lower end of this range would have either a favourable or unfavourable impact on the base case incremental funding requirement);
- the timing of sustainable first production and ramp-up profile and their impact on cash flows (the Panel 0 mine design anticipates a base case target of February 2023 for first sustainable production, with a target range between October 2022 and June 2023, inclusive of an allowance for schedule contingency; accordingly, assuming the upper or lower end of this range would have either a favourable or unfavourable impact on the base case incremental funding requirement);
- the manner in which the amended PSFA is ultimately implemented (both the base case and the minimum estimate assume that the construction of SOPP will be financed by the Government of Mongolia, as contemplated by the PSFA Amendment; if one of the alternatives to SOPP available under the PSFA Amendment, such as an Oyu Tolgoi-based, coal-fired power plant, is ultimately implemented, this could significantly increase both the base case and the minimum incremental funding requirements);
- changes to the amount of cash flow expected to be generated from open-pit operations, net of sustaining capital requirements;
- further and/or unanticipated impacts on operations and underground development related to the COVID-19 pandemic, as the uncertain duration and severity of the COVID-19 pandemic and the economic, commercial and financial consequences thereof;
- changes in expected commodity prices and other market-based assumptions (upside and downside pricing sensitivities could have, respectively, a favourable or unfavourable impact on the base case incremental funding requirement); and
- outcomes of the Definitive Estimate and potential optimisations to Panels 1 and 2.

More generally, any changes in the above factors will impact the incremental funding requirement and, as a result, the actual quantum of incremental funding required may be greater than the \$3.6 billion base case estimate and such variance may be significant.

Under the terms of its existing project finance facility, Oyu Tolgoi LLC is permitted to arrange up to \$ 1.6 billion of supplemental senior debt, subject to meeting certain requirements relating to the tenor, amount and timing of debt service obligations of such supplemental senior debt and other customary conditions. Under the 2015 Financing Support Agreement, the incurrence of additional senior debt including this \$1.6 billion by Oyu Tolgoi LLC is subject to Rio Tinto's consent. Moreover, the Debt Service Undertaking and Completion Support Undertaking provided by Turquoise Hill and Rio Tinto, respectively, in connection with Oyu Tolgoi LLC's existing project finance facility would not extend to any additional senior debt without the consent of such parties.

Turquoise Hill intends to further progress its engagement with several key stakeholders, including Rio Tinto, to address the longer-term funding requirements of Oyu Tolgoi LLC. Turquoise Hill has (together with its financial and other advisors) already considered, evaluated and prioritised a range of financing options, including a possible re-profiling of Oyu Tolgoi LLC's existing debt as well as the possibility of raising additional financing by Oyu Tolgoi LLC. Each of these options, if implemented, would have the effect of reducing the Company's incremental funding requirement. However, successful implementation of such options is subject to achieving alignment and / or agreement with the relevant stakeholders (including Rio

Tinto, existing lenders, any potential new lenders and the Government of Mongolia), market conditions and other factors.

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 Mongolia's National Power Transmission Grid JSC (NPTG), the relevant Mongolian power authority, and Inner Mongolia Power International Cooperation Co., Ltd (IMPIC), the Chinese power generation company.

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 PSFA entered into between Oyu Tolgoi LLC and the Government of Mongolia on December 31, 2018 provides a binding framework and pathway for long-term power supply to the Oyu Tolgoi mine. The PSFA originally contemplated the construction of a coal-fired power plant at Tavan Tolgoi (TTPP), which 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. In April 2020, the Government of Mongolia advised that it was unwilling to support Oyu Tolgoi LLC's proposal to develop TTPP and announced its intention to fund and construct a SOPP at Tavan Tolgoi.

On June 26, 2020, Oyu Tolgoi LLC and the Government of Mongolia amended the PSFA (PSFA Amendment) to reflect their agreement to jointly prioritise and progress SOPP, in accordance with and subject to agreed milestones, as the domestic source of power for the Oyu Tolgoi mine. The milestones include: signing a Power Purchase Agreement for the supply of power to the Oyu Tolgoi mine by March 31, 2021, commencing construction of SOPP by no later than July 1, 2021, commissioning SOPP within four years thereafter, and reaching agreement with IMPIC on an extension to the existing power import arrangements by March 1, 2021 in order to ensure there is no disruption to the power supply required to safeguard the Oyu Tolgoi mine's ongoing operations and development.

The PSFA Amendment provides that if certain agreed milestones are not met in a timely manner (subject to extension for Delay Events as defined) then Oyu Tolgoi LLC will be entitled to select from, and implement, the alternative power solutions specified in the PSFA (as amended), including an Oyu Tolgoi LLC-led coal-fired power plant and a primary renewables solution, and the Government of Mongolia would be obliged

to support such decision.

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 preparing to re-engage discussions with the newly appointed Cabinet members of 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 has 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.

In July 2020, Oyu Tolgoi LLC advised the Company that the ACA investigation has been concluded and the first instance criminal court has sentenced certain former Government officials.

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

US trading price non-compliance and share consolidation

On July 31, 2019, the Company received an automatic notice from the New York Stock Exchange (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 Stock Market (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 Company's next meeting of shareholders for a consolidation (reverse stock split) 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 March 5, 2020, the Company's common shares were delisted from the NASDAQ.

On July 24, 2020 at the Company's annual general and special meeting of shareholders, the Company's shareholders approved a special resolution granting the board of directors the authority, in its sole discretion,

to implement a consolidation (or reverse stock split) of the Company's issued and outstanding common shares into a lesser number of common shares and 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. The approval of the special resolution by shareholders granted the board of directors authority and discretion to implement the share consolidation at any time prior to July 24, 2021.

2020 Oyu Tolgoi Technical Report

The Company will be relying upon the temporary relief in Décision N°2020-PDG-00037 granted by the Autorité des marchés financiers in relation to the filing and delivery of the 2020 Oyu Tolgoi Technical Report ("2020 OTTR"). The Company will file the 2020 Oyu Tolgoi Technical Report ("2020 OTTR") within 90 days of the news release issued on July 2, 2020 announcing the update to its Mineral Resources and Mineral Reserves. The Company confirms that its management and other Company insiders are subject to an insider trading black-out policy that reflects the principles in section 9 of National Policy 11-207 Failure to File Cease Trade Orders and Revocations in Multiple Jurisdictions.

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)		(Six Months Ended)	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
C1 costs (Stated in \$'000's of dollars)				
Cost of sales	181,956	224,656	327,880	393,790
Cost of sales: \$/lb of copper sold	2.08	2.19	2.27	2.10
Depreciation and depletion	(51,106)	(54,546)	(86,072)	(99,175)
Provision against carrying value of copper-gold concentrate	6,254	86	-	1,533
Change in inventory	(12,265)	(34,275)	19,884	(27,843)
Other operating expenses	49,893	57,897	94,804	128,243
Less:				
- Inventory (write-down) reversal	1,195	8,126	2,359	(4,432)
- Depreciation	(1,997)	(3,321)	(3,950)	(3,631)
Management services payment to Turquoise Hill	6,872	8,105	13,954	16,295
Operating cash costs	180,802	206,728	368,859	404,780
Operating cash costs: \$/lb of copper produced	2.25	2.39	2.33	2.16
Adjustments to operating cash costs ⁽¹⁾	6,564	12,065	12,646	21,168
Less: Gold and silver revenues	(57,428)	(150,378)	(91,253)	(279,124)
C1 costs (\$'000)	129,938	68,415	290,252	146,824
C1 costs: \$/lb of copper produced	1.61	0.79	1.84	0.78
All-in sustaining costs (Stated in \$'000's of dollars)				
Corporate administration	9,855	5,759	14,572	10,303
Asset retirement expense	1,502	2,322	2,931	4,063
Royalty expenses	14,216	20,722	24,455	40,461
Ore stockpile and stores write-down (reversal)	(1,195)	(8,126)	(2,359)	4,432
Other expenses	2,998	696	3,466	259
Sustaining cash capital including deferred stripping	18,355	42,973	27,904	71,855
All-in sustaining costs (\$'000)	175,669	132,761	361,221	278,197
All-in sustaining costs: \$/lb of copper produced	2.18	1.54	2.29	1.48

⁽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 Q2'20 are calculated by reference to total mining costs of \$39.3 million (Q2'19: \$49.9 million) and total material mined of 23.2 million tonnes (Q2'19: 24.4 million tonnes).

Milling costs per tonne of ore treated in Q2'20 are calculated by reference to total milling costs of \$65.3 million (Q2'19: \$64.1 million) and total ore treated of 9.6 million tonnes (Q2'19: 10.4 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	June 30,	December 31,
(Stated in \$000's of dollars)	2020	2019
Inventories (current)	\$ 166,355	\$ 175,719
Trade and other receivables	53,339	27,047
Trade and other payables:		
- trade payables and accrued liabilities	(322,924)	(389,476)
- payable to related parties	(85,153)	(65,903)
Consolidated working capital	\$ (188,383)	\$ (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 assumption 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 Q2 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 Q2 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 as at June 30, 2020 to the financial statements and notes is provided below.

(Stated in \$000's of dollars)	Project Finance	Purchase obligations	Power commitments	Lease liabilities	Decommissioning obligations
Commitments (MD&A)	\$ 4,347,375	\$ 603,220	\$ 356,408	\$ 22,027	\$ 213,769
Cancellable obligations (net of exit costs)		(469,897)	(177,396)	-	-
Accrued capital expenditure		(93,686)	-	-	-
Discounting and other adjustments	(148,745)	-	-	(4,651)	(107,931)
Financial statement amount	\$ 4,198,630	\$ 39,637	\$ 179,012	\$ 17,376	\$ 105,838

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the six months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under applicable securities legislation is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosures.

QUALIFIED PERSON

Disclosure of information of a scientific or technical nature in this press release and in the Company's Q2 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 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			
	Jun-30	Mar-31	Dec-31	Sep-30
	2020	2020	2019	2019
Revenue	\$278.0	\$130.7	\$221.4	\$209.2
Income for the period	\$72.3	\$19.0	\$109.5	\$45.1
Income attributable to owners of Turquoise Hill	\$84.8	\$55.4	\$113.1	\$71.7
Basic and diluted income per share attributable to owners of Turquoise Hill	\$0.04	\$0.03	\$0.06	\$0.04

	Quarter Ended			
	Jun-30	Mar-31	Dec-31	Sep-30
	2019	2019	2018	2018
Revenue	\$382.7	\$352.7	\$346.2	\$246.5
Income (loss) for the period	\$(736.7)	\$105.2	\$95.0	\$15.2
Income (loss) attributable to owners of Turquoise Hill	\$(446.5)	\$111.2	\$101.0	\$53.2
Basic and diluted income (loss) per share attributable to owners of Turquoise Hill	\$(0.22)	\$0.06	\$0.05	\$0.03

Consolidated Statements (in millions of U.S. dollars)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	Note	2020	2019	2020
Revenue		\$277,967	\$382,748	\$408,626
Cost of sales		(181,956)	(224,656)	(327,880)
Gross margin		\$96,011	\$158,092	\$180,746
Operating expenses				

6 (49,893) (57,897) (94,804) (128,243)

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 (Loss)

(Stated in thousands of U.S. dollars)		Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Income	72,318				
(loss)					
for					
the					
Other					
period					
comprehensive					
income					
(loss):					
Other					
charges					
not					
Other	1,502				
classified					
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income:					
Total	73,820				
comprehensive					
income					
period					
Other					
charges					
not					
Other					
classified					
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Total	73,820				
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Total	73,				

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)

		June 30, Note 2020	December 31, 2019
Current assets			
Cash and cash equivalents	8	\$ 1,496,795	\$ 1,651,985
Inventories	9	166,355	175,719
Trade and other receivables		53,339	27,047
Prepaid expenses and other assets		85,533	99,671
Receivable from related party	17	-	511,284
		1,802,022	2,465,706
Non-current assets			
Property, plant and equipment	10	10,356,666	9,782,647
Inventories	9	61,271	28,985
Deferred income tax assets	13	663,479	534,078
Other financial assets		11,642	10,978
		11,093,058	10,356,688
Total assets		\$ 12,895,080	\$ 12,822,394
Current liabilities			
Borrowings and other financial liabilities	12	\$ 44,164	\$ 26,547
Trade and other payables	11	416,766	466,206
Deferred revenue		37,511	27,896
		498,441	520,649
Non-current liabilities			
Borrowings and other financial liabilities	12	4,171,842	4,187,270
Deferred income tax liabilities	13	96,184	79,180
Decommissioning obligations	14	105,838	104,238
		4,373,864	

4,370,688

Total liabilities	\$ 4,872,305	\$ 4,891,337
Equity		
Share capital	\$ 11,432,122	\$ 11,432,122
Contributed surplus	1,559,128	1,558,811
Accumulated other comprehensive income (loss)	(686)	(813)
Deficit	(3,681,635)	(3,821,889)
Equity attributable to owners of Turquoise Hill	9,308,929	9,168,231
The notes to the Company's financial statements, which are available on the Company's website, are part of its consolidated financial statements	15	(1,286,154)
		(1,237,174)
Total equity	\$ 8,022,775	\$ 7,931,057
Total liabilities and equity	\$ 12,895,080	\$ 12,822,394

Consolidated Statements of Equity

(Stated in thousands of U.S. dollars)

(Unaudited)

Six Months Ended June 30, 2020	Attributable to owners of Turquoise Hill					
	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total	Non-controlling interest (Note 15)
Opening balance	\$ 11,432,122	\$ 1,558,811	\$ (813)	\$ (3,821,889)	\$ 9,168,231	\$ (1,237,174)
Income for the period	-	-	-	140,254	140,254	(48,980)
Other comprehensive income for the period	-	-	127	-	127	-
Employee share plans	-	317	-	-	317	-
Closing balance	\$ 11,432,122	\$ 1,559,128	\$ (686)	\$ (3,681,635)	\$ 9,308,929	\$ (1,286,154)

Six Months Ended June 30, 2019	Attributable to owners of Turquoise Hill					
	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total	Non-controlling interest (Note 15)
Opening balance	\$ 11,432,122	\$ 1,558,264	\$ 844	\$ (3,670,310)	\$ 9,320,920	\$ (910,135)
Impact of change in accounting policy	-	-	-	(1,122)	(1,122)	(579)
Restated opening balance	\$ 11,432,122	\$ 1,558,264	\$ 844	\$ (3,671,432)	\$ 9,319,798	\$ (910,714)
Loss for the period	-	-	-	(335,278)	(335,278)	(296,204)
Other comprehensive loss for the period	-	-	(609)	-	(609)	-
Employee share plans	-	(13)	-	-	(13)	-
Closing balance	\$ 11,432,122	\$ 1,558,251	\$ 235	\$ (4,006,710)	\$ 8,983,898	\$ (1,206,918)

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

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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, statements and information regarding: the expectations set out in the 2020 Oyu Tolgoi Feasibility Study ("OTFS20"); 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 sources, funding requirements and planning; timing and status of underground development; the mine design for Hugo North Lift 1 and the related cost and production schedule implications; the re-design studies for Panels 1 and 2 of Hugo North Lift 1 and the possible outcomes, content and timing thereof; expectations regarding the possible recovery of ore in the two structural pillars, to the north and south of Panel 0; the possible progression of SOPP and related amendments to the PSFA as well as power purchase agreements; the timing of construction and commissioning of the potential SOPP; sources of interim power; 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 and the scope thereof; 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 SOPP, the ability of the Government of Mongolia to finance and procure the SOPP within the timeframes anticipated in the PSFA, as amended, the willingness of third parties to extend existing power arrangements, 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 or the Government of Mongolia'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, blockades 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 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.

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 or the Government of Mongolia 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 OTFS20); 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 Company's AIF, as supplemented by the "Risks and Uncertainties" section of the Q2 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 this 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.

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