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Senior Vice President, Operations & Technical Development

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for joining us today. Welcome to the Turquoise Hill Resources Q2 Results held on August 12, 2014. Please note that this call is being recorded and will be available later today for replay.

I would now like to turn the call over to Jessica Largent. Please proceed.

Jessica Largent, Investor Relations

Thank you operator. I want to welcome you to our Second Quarter 2014 Financial Results Conference Call. This morning we released our second quarter results press release, MD&A, and financial statements. These items are available on our website and SEDAR.

With me today is Kay Priestly, CEO; Steeve Thibeault, CFO; and Stewart Beckman, Senior Vice President of Operations and Technical. We will take your questions after our prepared remarks.

This call will include forward-looking statements. Please refer to the forward-looking language included in our press release and MD&A.

I would now like to turn the call over to Kay.

Kay Priestly, Chief Executive Officer

Thank you, Jess. Good afternoon and evening to many of you. I am speaking to you from Mongolia, where it is early morning here.

Well, it's hard to believe that roughly one year ago Oyu Tolgoi had its first shipment of concentrate from the mine. Since then, production sales have progressed. During the second quarter we continued to fine tune Oyu Tolgoi's operations, as the mine transitions to a steady state.

There are several key points I want to highlight today. First, Oyu Tolgoi's second quarter production and sales performance were the best we have seen thus far. Concentrate sales increased about three times over the first quarter. We are continuously working on operational improvements but I am pleased with the mine's second quarter results.

Second, during the second half of 2014 ore grades are expected to increase as the open pit deepens into a high-grade zone. Small amounts of the high-grade ore were processed in the second quarter and the amount processed in July increased. This is expected to increase copper and particularly gold in concentrates for the second half of the year. As such, we are maintaining our 2014 production guidance.

Third, following receipt of a tax audit from the Mongolian Tax Authority in June, discussion and engagement with the government is ongoing. Resolution of the tax matter is a priority. While I am here this week I am meeting with various representatives from the government.

Before I move to operations and financial performance I want to speak to safety, which is a critical part of our operations. Safety remains a major focus for Oyu Tolgoi and mine management is committed to reducing risk and injury. For the first half of 2014 Oyu Tolgoi's all injury frequency rate was 0.51 per 200,000 hours worked.

Turning to sales, Oyu Tolgoi's second quarter revenue was \$436 million for more than 200,000 tonnes of concentrate. The sizable increase was due to improvements in customer logistics and marketing. This included stronger integration between operations, outbound logistics, and customers. There has also been proactive engagement with key stakeholders in the supply chain, including warehouse operators and freight handlers. These improvements resulted in Oyu Tolgoi achieving records, such as the date where eight shipments were moved using 128 trucks, the highest rate since customer collection began. One truck equals 36 tonnes of concentrate.

Second quarter sales exceeded production, resulting in an inventory draw-down for the quarter. Oyu Tolgoi also had positive operating cash flow for the quarter, which is a first. Concentrate sales are expected to be strong

throughout the second half of 2014 and exceed production through the end of the year. Our goal is for Oyu Tolgoi to reach four to eight weeks of concentrate production in inventory by the end of 2014.

Moving to production, second quarter production improved after recovering from thickener rake repairs in the first quarter. As Oyu Tolgoi reaches the high-grade zone in the second half of the year, ore grades are expected to increase, resulting in stronger head grades, particularly for gold. As such, we continue to expect Oyu Tolgoi to produce between 135,000 to 160,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates for the year.

As operations at Oyu Tolgoi have been transitioning from post commissioning to steady state, we have been focusing on cost reduction and productivity initiatives. Our goal is to ensure that Oyu Tolgoi is operating as efficiently as possible and getting as much out of the mine's assets without spending a lot of additional capital. This includes getting creep out of both the mine and the concentrator. By way of example, during the quarter there was improved process control for grinding and flotation, along with a focus on optimization of reagents. There are also a number of reliability programs underway, including one focused on shovels. These examples are just a few of the initiatives being pursued and it is clear that the team at Oyu Tolgoi is focused on becoming a world-class operation and creating value for all shareholders.

Now turning to discussions with the Mongolian government, following receipt of a tax act from the Mongolian Tax Authority in June, Oyu Tolgoi is engaging with the government and the tax authority to try and resolve the tax dispute. We have been very clear that further development of the underground will commence once the following conditions are met: Number one, successful resolution of the mine's outstanding shareholder issues; number two, agreement of a comprehensive funding plan, including project finance; number three, completion and approval of the underground feasibility study by Oyu Tolgoi's shareholders; and, number four, obtaining all necessary permits for the mine operation and development.

The feasibility study is largely complete, subject to confirmation of some estimate assumptions. A geological reserve update for Oyu Tolgoi is currently being reviewed with experts from the Mongolian Minerals Council. This will eventually supersede the last Mongolian geological reserve, which was completed in 2009. Due to the outstanding shareholder issues, the financial and schedule portion of the submission were omitted. It was agreed with the Ministry of Mines to start the process without the financial data so that the review could begin

on the technical aspects of the updated reserve information. All parties remain committed to the underground development at Oyu Tolgoi.

In summary, we are pleased with the sales achieved in the second quarter. There was an inventory draw-down during the quarter, production rates have improved, and we are focused on cost and productivity improvements. There is active engagement to resolve the tax dispute and all parties are committed to working through the outstanding shareholder issues. Our goal is to reach a resolution by the expiration of the project finance lender commitments.

This concludes our remarks, operator, and we are now ready to take questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. The first question is from Ralph Profiti, Credit Suisse. Please go ahead.

Ralph Profiti, Credit Suisse

Hello and thank you for taking my question and for the conference call. Kay, if the project financing does slip past September, do you expect and are you prepared for some of the syndicate members pulling out? And have discussions on possible extension began in any capacity yet?

Kay Priestly, Chief Executive Officer

Ralph, thanks for your question. As I mentioned, we are all aware of the September 30 date and we are all working to that deadline. We are engaging with the banks through this process and keeping them informed as we progress with our discussions with the government. These commitments do expire September 30. These banks and the IFIs have been with us through this process for several years now and are committed and still seem very positive and upbeat, provided we can get through these key issues that still remain.

So, again, we are all focused on meeting that extension, Ralph. As we get closer to that date we'll see where we are, if we make a lot of progress. You know, I can't talk on behalf of the banks or the IFIs but there is good engagement, they understand the issues, and we are

working real hard to resolve those issues as soon as possible.

Ralph Profiti, Credit Suisse

I see. Thank you. If I can ask a follow-up, and maybe this could be for Stewart, where do you sit now and when can we expect some guidance on how the Hugo West option fits into the mine plan? Is a go-ahead a function of the outcome of the underground feasibility study or can we expect to see perhaps a standalone strategy of bringing it into the plan for the central pit? Thank you.

Stewart Beckman, Senior Vice President, Operations & Technical Development

Okay. So Hugo West, at the moment, remains an exploration target and, as you are aware, we got some drilling results. We have been looking at the mine plan forward and looking at how we would reschedule that given that the pit (inaudible), given that the underground (inaudible) from what was originally planned, and of course the pit was optimized to try and (inaudible) with underground coming on. So that's the work that is of course going on and goes on at all mines. We are considering Hugo West and part of that would be to consider what we think conceptually could be there, and then we'll make a decision on whether or not that would sensibly fit within the plan. And if it does then we would commit to some more drilling and move ahead with that. But other than considering it as we would, it's just not a resource. It's not getting any special attention.

Ralph Profiti, Credit Suisse

I see. Okay. Thank you for that. Thank you.

Operator

Thank you. The next question is from Terence Ortslan of TSO & Associates. Please proceed.

Terence Ortslan, TSO & Associates

Good morning, Kay. Good afternoon, everybody. Just an operating question: In the second quarter your concentrate grade was lower than some of the previous quarters whereby your quarter head grades were higher.

Could you explain to me why? Because your recoveries are quite good actually.

Kay Priestly, Chief Executive Officer

Stewart, why don't you take that question? Thank you, Terence.

Stewart Beckman, Senior Vice President, Operations & Technical Development

Yeah, Terence, we still are working on optimizing the grinding circuit and the grade is typically a trade-off with different ores and different conditions between recoveries and concentrate grade. So we do vary that number, we're learning to operate with different ore and different reagent machines. So it does typically vary quite widely. It averages around 25, 26, much higher on occasion.

Terence Ortslan, TSO & Associates

So we should expect, Stewart, that to continue in the second half? About 26 or maybe 27—?

Stewart Beckman, Senior Vice President, Operations & Technical Development

Typically. You know, we are also expecting in the second half to be treating much higher-grade ores. And with those ores I see high concentrated grades as well. Certainly the gold in concentrate is going to go higher, with the high grade ore.

Terence Ortslan, TSO & Associates

Thank you for that. If you were to summarize, can you make the assumption that or expectation that the grades for copper and gold in the second quarter are going to increase even further in the third quarter and stay at that level for how long?

Stewart Beckman, Senior Vice President, Operations & Technical Development

We really go through the high-grade zone this time it will be through the last half of this year and depending on how quickly we develop into the area maybe into January for a short period, until we come back around sort of to

the second cut on the pit. If you imagine it's a core in the centre of the pit and as we come through and mine out the pit we'd come back to mine it again. So it comes through a few times.

Terence Ortslan, TSO & Associates

Okay. Kay, just a question on the four outstanding issues you mentioned. When do you think the feasibility study is going to be available for the government or the shareholders to review and where are the other three issues on the, like what is left on the other three issues to still discuss and compromise or negotiate with respect to, ah, give us some sort of a timeline we can assume, because it's August, September is around the corner. Obviously, you're doing a lot of progress, but it would be good to know the feasibility study itself and also the other three issues, where they are on the timeline. Thank you.

Kay Priestly, Chief Executive Officer

Thanks, Terence. We are working in parallel and have working groups on all four of those issues. So nothing really is sequential, Terence, because of the deadline we are all aware of. As we mentioned, we have provided a geological reserve update for Oyu Tolgoi. It has already been provided to the Mongolian Minerals Council and it's currently being reviewed with experts. Stewart has been working on this report. It's a very lengthy report with a lot of technical issues. So this process is already starting with the government and this will be updating the geological reserve which was completed in 2009. However, as I mentioned, due to the uncertainty around this tax issues that's arisen and other events, we have not provided them with the cost information yet and the schedule of timing. Those are the two key elements that remain unclear is really the start date and the schedule, depending on the resolution and the timing of these issues. But we are working and engaged with representatives from the Mongolian Minerals Council that are required to review and sign-off this and they have already received quite a bit of the technical data and the reserve and resource information. With respect to timing, it's virtually complete and we are just waiting on a little more clarity on these other issues that we are working through to distribute it to the government and to, you know, and go through the final sign-off process by the Oyu Tolgoi Board and the respective governance requirements.

With respect to the other issues, the shareholder issues, the value issues that we talked about in recent calls and over the last year, we continue to make progress, we have made progress. There are only a few issues left.

Terence, we have agreed not to disclose exactly the details of those issues but we are meeting concurrently with representatives of the government on resolving that in addition to the engagement we have with the tax authorities and the Dispute Resolution Council in Mongolia on the tax issues. Everyone is focused on timely resolving these issues, both at the government level and at Oyu Tolgoi, Turquoise Hill, and Rio Tinto. So, again, its full speed ahead as I am here in Mongolia this week and I'm here and we have quite a lot of meetings scheduled this week on these various issues.

The next thing is project financing. We have been working with the government too on project financing. They have all the documents. And so in parallel that's a part of the process. And then we are working through with the approval process for the necessary permits to complete the mine.

So it's a lot of work, a lot to be done in a short period of time, but all hands are on deck and there is a real focus on trying to announce a successful resolution so we can move forward with the underground, which is still a key priority for everybody concerned. This tax issue though is key and they understand that the investment agreement and the fundamentals of it are important and critical for us to continue to invest money and they therefore understand the importance of resolving this issue in conjunction with these other issues.

Terence Ortslan, TSO & Associates

No, I really appreciate, and I'm sure all the shareholders do, the complications and also the patience on the part of the experts to go through these motions, but just remind me please what level of decision making in each case have to go through the parliamentary system and cannot be voted by the experts and by the Minister and Security Council?

Kay Priestly, Chief Executive Officer

The government has confirmed that a parliamentary approval is not required for progressing with the underground; however, we will need unanimous approval at the OT board for the project financing, which includes the three representatives from the government, and they are representing the government and working very closely with the executive branch of the government as well as all the leaders in government on these issues. So there is also a requirement in the project financing, the MIGA letter will require one of the Ministers of Economic Development to sign off on certain aspects of the project

financing, and of course our feasibility study is requiring sign-off by the Minerals Council and the mining minister. So all of the ministers and cabinet are very engaged of course but we are working through this with the EOT representatives who are representing the government as you go through many of these issues.

Now on the tax act, resolution of the tax issues requires us to go through the Mongolian process, which we are going through, as you know, and there has been very active engagement over the last few weeks and continuing into this week to move that forward.

Operator

Thank you. The next question is from Tony Robson of BMO Capital Markets. Please proceed.

Tony Robson, BMO Capital Markets

Kay, good morning. Good afternoon, good evening to everybody else. Thank you for your time. Just following up on I think it was Terence's question on grades, I think Stewart said that the higher grades would continue on into January. Can we take it from that then the rest of the months, the other quarters, will be quite flat, so your first half production for copper and gold in 2015 will be the same roughly as the second half? Thank you. And, if I could, any guidance on the head grades for copper and gold, if I could tease that out of you it would be greatly welcomed. Thank you.

Stewart Beckman, Senior Vice President, Operations & Technical Development

Yeah Tony, we haven't given guidance on those yet. We will see more of the high-grade zone in the medium term but we haven't given any guidance yet on next year's production.

Tony Robson, BMO Capital Markets

Okay. But did I understand your answer correctly, that January would be high and then the following months would be lower? And you mentioned going back into the high-grade core, how frequently would that happen? Are we talking as you are mining around the pit every couple of quarters or is it in terms of years?

Stewart Beckman, Senior Vice President, Operations & Technical Development

No. It varies and it depends on what the mine schedule and the mine design is, and I am not willing to speculate on that given that we haven't given guidance for next year and, as I pointed out earlier, we are looking at what we need to do to optimize and work on grade and value moving forward. And we are looking at quite a number of options there. In the slightly longer term by going into the central part of the pit, which was not previously our plan. So whilst we haven't done that work I won't be speculating on what next year's numbers are going to look like.

Tony Robson, BMO Capital Markets

Okay. Thank you very much.

Operator

Thank you. The next question is from John Roberts of Roberts Investments. Please proceed.

John Roberts, Roberts Investments

Yes. To be quite blunt, without the underground mine going forward and with the Government of Mongolia creating tax problems and arresting previous employees, I'm a little concerned that the mine would not be a going concern with just the open pit alone. I'd like your opinion on it. And good morning, Mongolia.

Kay Priestly, Chief Executive Officer

John, clearly the underground is a significant part of the value of this mine and right now we're focused on progressing the underground. We've run into challenges, as you know, but the GOM is working with us. They also recognize the value in the underground and, as I mentioned, there is good engagement, there is good dialog, and we're working through these issues. This is new for the country. You know, a project like this, it's a huge, has a huge impact on Mongolia, it will be a significant part of their GDP, and this is new territory, but I can assure you that everyone recognizes the value of this amazing resource and reserve and we are doing everything we can to move forward with the discussions.

John Roberts, Roberts Investments

Well I quite understand that, Kay, but my concern is that the surface deposits that you're mining and the investment already put in is not enough unless you get the underground going. I know it's affected the Government of Mongolia, I know you are playing war, you guys, because you are laying off employees, foreign investment in Mongolia is quite down over the last two years because of the situation. They are playing taxes and they are playing criminal suits against employees. What is the chance of nationalization?

Kay Priestly, Chief Executive Officer

John, I can't speak on behalf of the government, all I can continue to say is that there is good engagement with various representatives in government on our issues. And it's taking time, it's taken a lot of time to work through those issues, but we are working through them and we are very focused on reaching resolution, and that's why this is such a critical juncture. Where in a space now where we need some assuery on the investment climate and the investment agreement, being the foundation, before we can advance further funds, and that's why this has taken so much time, because we want to get it right.

John Roberts, Roberts Investments

Well I know you were held up by the elections in Mongolia and who won that but to me it just seems that if something isn't done with everything by September 30th it might be a lost cause.

Kay Priestly, Chief Executive Officer

Well, John, as I said, we're all aware of the deadline. These are lot of issues but we have been working through them for some time and we are continuing to focus, with all hands on deck between now and then to make good progress. We can't give any guarantees but I can assure you that the fundamentals of the investment agreement are important and we have kept that very clear throughout the discussions and that's the basis of the framework for us to proceed.

Operator

Thank you. The next question is from Craig Hutchison of TD Securities. Please proceed.

Craig Hutchison, TD Securities

Hi there. I guess my question is in regard to you taking a multi-pronged approach to try and resolve all these issues; is there some sort of oversight committee that's helping you guys coordinate amongst all the government agencies to advance these things? Because it looks like you need signatures and sign-offs from a number of different groups and parties now with the tax audit in place. And the second question, um, I know the T-bills come due in October for \$100 million. Do you guys expect to receive that money or is that going to be postponed? Thanks.

Kay Priestly, Chief Executive Officer

Hi, Craig, thanks. The oversight, you know, we clearly have representatives from TRQ, Rio Tinto and Oyu Tolgoi working through all these issues and so there's, you know, I feel very comfortable with the oversight and the process, the governance process to work through all these issues with the government. And some of them are related. So to answer your question, Craig, yes, we have a lot of work streams going, we have a lot of issues, but we've been working on them for quite some time and we have made progress on many and I feel confident and comfortable with the process there.

On the T-bill, there is a treasury bill that is due in October. In fact, this amount was included in the budget for Mongolia for this year that they would be repaying us, so currently that amount is due and right now we expect that amount to be paid in October.

Craig Hutchison, TD Securities

Okay. Thank you. And one last question, this is a question for Stewart, but the C1 cash costs, what were they in Q2, if you've calculated them?

Kay Priestly, Chief Executive Officer

Steeve, do you want to take that?

Steeve Thibeault, Chief Financial Officer

Yeah, I can take that. Hi, Craig, Steeve here. Craig, no, we haven't provided that information. And I think that the

key point that we had, and I know it's something that people would like us to provide, ah, for 2014, with the ramp-up, the costs are definitely not in line with a normal operation. Now, that being said, we hadn't provided that information. You can use some of the information of the financial statement to get an estimate but I can tell you, Craig, that we are looking and we are trying to revisit that position definitely in line with the plant and the operation being more stable. That's definitely something that we are looking to provide in the future.

Craig Hutchison, TD Securities

Okay. Thank you.

Operator

Thank you. Once again, please press star one on your telephone keypad if you have a question.

The next question is from Terence Ortslan of TSO & Associates. Please proceed, sir.

Terence Ortslan, TSO & Associates

I apologize; I got cut off in between. I am sure you can answer the question. Did you get all the questions, Kay, with respect to parliamentary approval of certain parts of the discussions or the conclusions?

Kay Priestly, Chief Executive Officer

I am sorry, Terence, can you ask that question again?

Terence Ortslan, TSO & Associates

The question was about at what level the parliamentary approvals are needed for the discussions you are having, ah, instead of just the Security Council or the government level.

Kay Priestly, Chief Executive Officer

Terence, no, the government—yeah, the government has made it clear that parliamentary approval is not required for these items. We're working with the various ministries where required and the Oyu Tolgoi board's unanimous approval of the project financing is required there, and

that includes the three representatives from the government.

Terence Ortslan, TSO & Associates

Okay. And the tax issue, remind me please, SouthGobi sale, was it conditional upon the tax issue being resolved?

Kay Priestly, Chief Executive Officer

You're talking about the SouthGobi tax issue?

Terence Ortslan, TSO & Associates

Correct, but you made that share divestment. Is it subject to the tax issue as well or is it, ah, the buyer assumes the liability for that?

Kay Priestly, Chief Executive Officer

Well, we have a signed purchase agreement that, ah, and they are very aware that we have the tax case coming up on August 25th so, again, SouthGobi believes that, SouthGobi has paid all its taxes properly and is defending this case vigorously. So the agreement between TRQ and the purchaser, right now they are aware of this and we don't, you know, we're not providing the details of the agreement but we feel very strongly that this tax issue will be resolved.

Terence Ortslan, TSO & Associates

Okay. And, I'm sorry, one last question on the concentrates: Are you going to keep the level of the contracts or you will increase the contractual amounts from the level disclosed today going forward?

Kay Priestly, Chief Executive Officer

Terence, I am not sure—are asking about the concentrate sales?

Terence Ortslan, TSO & Associates

Correct. The contractual agreements you have. Going forward with 85 percent committed, you will increase that or are you going to keep it at the, ah, keep 15 percent at the spot level going forward?

Kay Priestly, Chief Executive Officer

Well, we have 100 percent committed for this year.

Terence Ortslan, TSO & Associates

Correct.

Kay Priestly, Chief Executive Officer

And then I think we have over 90 percent committed for 2015 now. 92 percent.

Terence Ortslan, TSO & Associates

But the rest of it is based upon the open pit production, not underground production, correct?

Kay Priestly, Chief Executive Officer

The underground production doesn't start until much later, so this is all based on the open pit, our estimate of the open pit production.

Terence Ortslan, TSO & Associates

But further, I think going forward you disclosed that 85 percent is committed for going back I think 2020 something like that. But is that only for the open pit side, not the underground? Nothing has been committed from underground.

Kay Priestly, Chief Executive Officer

Yeah, I don't think we have anything committed from the underground right now, Terence. It's going to be a ramp-up period. Right now our focus is on the open pit. But we are focused on longer-term contracts and we have extensions of up to ten years, so at that point, because

it's based on percentages of production, it would, the underground would start replacing the open pit. So, to answer your question, what we are focusing on is long-term contractual arrangements with these smelters that as we progress and start producing from the underground that it would be included in these agreements. Now we do annually review the terms of the agreements but we are developing long-term relationships.

Terence Ortslan, TSO & Associates

And finally, I've asked this question many times before, but opportunity always exists whereby when you review feasibility studies and possibilities there's always possible and engineering-wise quite likely you may be able to shrink or decrease the time element in the critical path for production. In this feasibility study of the underground have you achieved some landmarks whereby it will be less than the original time period disclosed to the public?

Kay Priestly, Chief Executive Officer

Well, Terence, we haven't, we haven't released or finalized the schedule for the underground at this point. You know, we're still working through finalizing that as we speak. So we don't really have any updated information on the schedule yet.

Terence Ortslan, TSO & Associates

When do we expect that, Kay?

Kay Priestly, Chief Executive Officer

Again—Stewart, I will let you take that.

Stewart Beckman, Senior Vice President, Operations & Technical Development

So it'll be part of the, when we've completed the feasibility report and gone through the process we are, as far as possible, in parallel preparing the technical report, so that we will be in a position to issue that in a timely manner when its appropriate for us to do so, and the schedules will be in there. And I think that's, you know, with the current level of uncertainty with what's going on, those schedules are certainly a significant driver of value and that depends on when we are able to settle these issues and restart the mine.

Terence Ortslan, TSO & Associates

Thank you very much.

Operator

Thank you. The next question is from Daniel McConvey of RosSPORT Investments. Please proceed.

Daniel McConvey, RosSPORT Investments

Hello, Kay, everyone. Two questions. Kay, is it fair to say that the willingness of the government and the different authorities there now is picking up as you get closer to that deadline?

Kay Priestly, Chief Executive Officer

Daniel, I can say it is fair to say that they're very engaged and working through these issues with us expeditiously. So there is a willingness of the government to move forward and reach resolution on these issues.

Daniel McConvey, RosSPORT Investments

Okay, thanks. Stewart, I just want to follow-up my question last quarter just a little bit, just the block caving qualities of the underground, how would you compare it maybe other Rio projects, etcetera, in terms of its caving qualities?

Stewart Beckman, Senior Vice President, Operations & Technical Development

Okay. So I think last time what I'd said was, and it's, um, within the current technical report there is quite on a lot on the geotech and the properties of the caves. We have no concerns about how well the cave will cave and certainly most of the effort has gone in the design and engineering and, you know, most of our contingency is in making sure that the extraction levels are confident and remain sound. So it's a highly fractured ore body, which means it will cave well, and means that it presents some more challenges at the construction level. But we don't have any concerns at all about how well the cave will cave.

Daniel McConvey, RosSPORT Investments

Okay, thank you. Sorry, could you just repeat—the focus is on...? I missed some words with the static.

Stewart Beckman, Senior Vice President, Operations & Technical Development

Okay. So the focus is on making sure that the levels below the cave, so where we draw through the bells and the extraction and haulage levels, making sure that as the cave propagates that stresses are transferred from the cave to down below, that they are properly managed.

Daniel McConvey, RosSPORT Investments

Okay. But no more so than—

Stewart Beckman, Senior Vice President, Operations & Technical Development

You will find that described in the pit report. And subsequent to that we've done more, which will complement the previous work.

Daniel McConvey, RosSPORT Investments

Okay. Thanks, Stewart.

Operator

Thank you. The next question is from Oscar Cabrera of Bank of America. Please proceed.

Oscar Cabrera, Bank of America Merrill Lynch

Thank you, operator. Good morning, afternoon, and evening everyone. Kay, I just wanted to confirm that you said you would not spend any money until you have a resolution from the government. And the reason I am asking this question is in Rio Tinto's presentation for the first half results they have included some capital for Oyu Tolgoi's underground. And I think you mentioned this in your remarks already.

Kay Priestly, Chief Executive Officer

Yes, Oscar, I was just confirming that it's important that the stability of the investment agreement be upheld and we need that comfort before we will progress or spend any capital. Having said that, as I mentioned also earlier, we are very focused and engaging with the government and they are very focused too. All parties want this to go forward. So the plan is to go forward. And I can't speak on behalf of Rio Tinto and what's in their capital plan but the plan is that we will reach resolution and we will move forward with the underground. Having said that, we are at a critical juncture right now, we have these key issues that need to be resolved. And I just want to emphasize that our position hasn't changed, Oscar, that these four key issues are critical and we need to resolve those before we move forward with progressing the money, you know, spending the money and moving forward with the underground.

Oscar Cabrera, Bank of America Merrill Lynch

Understood. Thanks very much for that. And assuming that everything goes according to plan and you get a resolution by September 30, can you remind us how long would you expect to get people back into the underground and when would you, when could we expect the production from the underground to start?

Kay Priestly, Chief Executive Officer

Stewart, why don't you take that question from Oscar?

Stewart Beckman, Senior Vice President, Operations & Technical Development

Right. I guess, Oscar, that's one of the key outstanding pieces of work in the FS is to understand when we will get confirmation to proceed. It will take us some time to ramp back up. We've maintained key engineering in a fairly small team. We are continuing to progress with implementing major contracts. We are out to bid at the moment on some contracts and are working on a number of other key contracts, so as not to delay the restart as far is reasonable and maintain, of course, the relationship with the, particularly the Mongolian contracts. It will depend a little bit on how much notice we get for the restart how long it will take us to ramp back up and we have, ah, and of course, you know, we're running different schedule iterations to bring the underground back up when we get some clarity. In the near term we're

building what we believe are the central pieces to finalize the feasibility study.

Oscar Cabrera, Bank of America Merrill Lynch

But I mean would it be too aggressive to assume that production can be resumed or, you know, you can get production from the underground by 2019?

Stewart Beckman, Senior Vice President, Operations & Technical Development

That's possible, depending on when you get the restart.

Oscar Cabrera, Bank of America Merrill Lynch

Right. And moving on to another subject, I know this is not, you know, it's still important but this is not a material amount within Turquoise Hill, but SouthGobi, you sold half of your holdings and just wondering, you know, the company is going through really difficult times because of coal prices. You have provided a line of credit to the company and there is a debenture payment coming due. In the event that the company doesn't have liquidity to pay that or to come up with a payment, would you still support that or...? You know, if you can provide context around the remainder of the equity holding, what do you expect to do with it?

Kay Priestly, Chief Executive Officer

Well, Oscar, Turquoise Hill doesn't have any current plans for the remaining equity holding, although, the company continues to evaluate alternatives. I think we previously indicated we remain focused on managing OT, our core asset.

The agreement was entered into, and there was a special committee of the Turquoise Hill board that worked with CIBC as the financial advisor, reviewed the various options and, as you referred to, because of the liquidity situation, this transaction appeared to maximize value and also provide a good path forward for SouthGobi from a liquidity standpoint. So we have to see how things unfold but we continue to be focused at the Turquoise Hill level on Oyu Tolgoi, um, is our key focus going forward.

Oscar Cabrera, Bank of America Merrill Lynch

Great. Well, best of luck, Kay. Thank you.

Kay Priestly, Chief Executive Officer

Thank you, Oscar.

Operator

Thank you. There are no further questions registered at this time. I would now like to turn the meeting over to Ms. Kay Priestly. Please proceed.

Kay Priestly, Chief Executive Officer

Okay. Thank you, operator, and I want to thank everyone for joining us today. This concludes our call. Thank you.
