

CORPORATE PARTICIPANTS

Kay Priestly

Chief Executive Officer

Chris Bateman

Chief Financial Officer

Stewart Beckman

Senior Vice President, Operations

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for joining us today. Welcome to the Turquoise Hill Conference Call on the Third Quarter Financial Results held on November 14, 2013. I would now like to turn the call over to Kay Priestly, Chief Executive Officer. The call is being recorded and will be available later today for replay. Please go ahead.

Kay Priestly, Chief Executive Officer

Thank you, operator. I want to welcome you to our Third Quarter 2013 Financial Results Conference Call.

Today, we released our third quarter results press release, MD&A, and the financial statements. In that we provided an update on Oyu Tolgoi and we also filed a preliminary prospectus for a rights offering. These items are available on SEDAR and they are also available on our website.

Joining me on today's call is Chris Bateman, our Chief Financial Officer; and Stewart Beckman, our Senior Vice President of Operations. We will take questions after providing you an update.

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

In light of all of these announcements, there are three key points I want to highlight: First, I am pleased with the ramp-up of the operations at Oyu Tolgoi, from mining through processing to shipping. Although we have had some teething difficulties, we have worked through logistical issues and now have customers picking up product. Second, we continue to progress discussions with the Government of Mongolia related to the continued development of Oyu Tolgoi and we remain committed to

obtaining credit project finance to fund the development of the underground. Lastly, the company has filed a preliminary prospectus for a rights offering. The funds raised will be used to repay the facilities owed to Rio Tinto.

Let's talk first about Oyu Tolgoi operations. I'd like to start by noting that Oyu Tolgoi is still in the early stages of operations and mine development. To date we have limited offering data and are therefore cautious about drawing too many conclusions about future performance. We are encouraged by the performance of the mine and the concentrator. Like all large-scale commissioning projects, there have been some hiccups; however, we are confident that we will overcome them. Based on our experience to date, we believe that the 2013 technical report is representative of what the project can and will deliver. With Rio Tinto as manager we have access to the best technical and operating skills in the industry and we will continue to ramp up and optimize the operations.

The open-pit mine successfully began ramping up in early 2013, but in the second quarter a decision was made to idle the mine in order to preserve cash. Some previously stockpiled ore was processed during this period. The open pit encountered some delays when ramping back up and the mine is expected to reach full production rates by the end of this year. As a result of the decision to curtail the mine, development is now behind the original schedule and that has resulted in higher variability in ore types, as well as lower concentrator feed grades.

In 2014, we expect to produce 150,000 to 175,000 tonnes of copper in concentrates and 700,000 to 750,000 ounces of gold in concentrate. We want to highlight that the gold-rich area of open pit will be reached later as the result of the mine slowing in 2013. The impact of that gold production in 2014 will be significantly higher than scheduled in our 2013 technical report. The production of over 700,000 ounces in 2014 makes Oyu Tolgoi a very significant gold producer. It is too early to draw conclusions from the reconciliation between my material to the geological model, given the limited mine development. Encouragingly, early indications are that the grade and tonnages of ore recovered are slightly higher than anticipated by the geological model.

The concentrator has a nominal nameplate capacity of 100,000 tonnes per day; however, the throughput rate is a function of ore hardness. Based on the current mine plan and the expected ore hardness, we were anticipating throughput rates in the low 90s. Giving this, it is pleasing to have achieved extended periods operating at run rates above 100,000 tonnes per day.

Recovery rates continued to improve as the plant stabilizes but we have not yet attained our targeted recoveries for sustained periods of time, particularly for gold. The recovery rates have been affected by the variability of the ore and the type of mineralization, as well as the lower feed grades. We expect to produce 72,000 to 77,000 tonnes of copper in concentrate in 2013. Recently we have seen higher-grade ore coming from deeper in the pit and recoveries more in line with expectations. Operations continue to ramp up and we expect the mine to be running at full capacity by the end of the year.

Sales of concentrate were delayed as customers navigated through the customs clearance process at the bilateral trade border between Mongolia and China. These issues had now been resolved and customs applications are being accepted, allowing customers to collect their concentrate. It appears that customers have been cautious about initiating the customs clearance process until they were confident of being able to pick up product. We now expect that customers will ramp up their significant logistics chain in the coming weeks and months to collect their concentrate.

Now I'd like to provide an update on the engagement with the Government of Mongolia and project financing. The Company, Rio Tinto, and representatives from the Government of Mongolia are continuing discussions of the issues associated with the development and operation of Oyu Tolgoi. There is good engagement and progress is being made. The four major issues being discussed are: number one, the sharing of economic value from Oyu Tolgoi. The principles of value sharing are outlined in the investment agreement and the amended and restated shareholders' agreement and are the foundation for our investment in Oyu Tolgoi. Number two: clarification of the initial development and construction costs. We have been working with the government and are committed to ongoing transparency. Number three, access to water. Local legislation resulted in some concerns about long-term access. And, number four, timing completion and Oyu Tolgoi LLC shareholder approval of the feasibility study for the expansion of operations. We expect the feasibility study will be completed in the first half of 2014 and we are working with the government to ensure that we clear the various approval processes efficiently.

With regard to the approval of project financing, the government has indicated this can be accomplished by the Oyu Tolgoi board and it would not need to go to the Mongolian Parliament. However, a degree of uncertainty still exists around the approval process and timing to

resolve the outstanding issues, complete the project financing, finalize the expansion and feasibility study, and receive final sign-off from the government and Oyu Tolgoi shareholders. I am confident that we can successfully resolve everything and we are working with the government to agree on a timetable; however, these issues are complex and resolving all that is necessary to progress the underground will take time.

We are committed to completing project financing as well as developing Oyu Tolgoi. Constructing the underground will require more funding and it is important that the Government of Mongolia has a clear understanding of the estimated cost of the expansion. Completing the feasibility study is important to understanding those costs and the amount of funding that will be needed.

As outlined in the 2013 technical report, we expect the operations of the open pit to generate positive cash flow beginning next year, but it will not be enough to fund the underground development. It is necessary to sort out all the issues, agree the estimated costs and the total funded needed, with the government.

As a result of not being able to complete project financing this year, we are moving forward with a rights offering. The proceeds of the planned rights offering will be used to repay Rio Tinto the outstanding amounts on the \$600 million bridge facility and the \$1.8 billion interim funding facility. We expect to close the rights offering early in the new year and Rio Tinto has agreed to extend existing facilities until mid-January.

In summary, we are about to complete our first year of operations at Oyu Tolgoi. We have had a few hiccups but have made solid progress. We are excited about further improvement at Oyu Tolgoi and the ramp-up of the sales volumes. Strong operational results are expected in 2014. We have had positive engagement with the Government of Mongolia and all parties are committed to the further construction of the underground and the overall development of the Oyu Tolgoi project.

With that, I'd like to open the call up to questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you are using a speakerphone, please lift the handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you would like to cancel your

question, please press the pound sign. Please press star one at this time if you have a question. There will be a pause while participants register for questions. Thank you for your patience.

The first question is from Terence Ortslan from TSO & Associates. Please go ahead.

Terence Ortslan, TSO & Associates

Thank you, operator. Good day, everybody. Just a couple of—thanks for the summary, by the way. That was an excellent summary and details here. Just a couple of questions on that issue of the engagement with the government issues. The first point and the fourth point, first being the economic value distribution and sharing it and fourth being the timing of the feasibility study and expansion of the underground, aren't they related whereby there only one of the other in terms of being able to understand the valuation? Implying that, those negotiations may continue until the feasibility study of the expansion is completed and, as a result, everybody knows what they're sharing for.

Kay Priestly, Chief Executive Officer

They are related but they are two distinct issues we're working through with the government. First of all, the sharing of value, the first point, also includes the costs of the first part of the project, Phase 1, and that feasibility study. That is still an issue that we are having discussions with the government on. The last part looks at Phase 2 and getting a clear picture or understanding of the cost and the funding needed to get that forward. And, yes, it is important before we go forward and advance funding with the underground that the government understands and we understand the estimate of those costs and the funding necessary to go forward. So they are related in that it all relates to the total value sharing, which would mean the total economic value that goes to all parties, but they are two separate issues that are part of our discussions right now.

With respect to timing, as we have said, we expect to complete the 2014 feasibility study in the first half of next year. We have started a process with the government to work with us together as we work through that process, but it will take time and it does put us into the timeframe when we can get a clear picture in place what those costs are, what additional funds will be needed, and how we will fund them.

Terence Ortslan, TSO & Associates

So in that context, that's great, in that context I think that's quite probable that this particular rights issue timing is one thing with respect to the paying back to Rio Tinto and all, but we do not know in this rights issue when we will see a project financing which will flow by those four points that you summarized and I really see with your, ah, with the number one and the number four relation here, whereby this may go on for a while. So the rights issue now, people will be buying the rights, or not buying the rights, ah, the uncertainty is the timing of the project financing, and there's another uncertainty which I want to talk about in a second but is it fair to assume that the number one being, number two I guess you summarized as being the initial development and construction costs. Are we close on that? That that would be one uncertainty off the table? And the water issue will be resolved and then project financing may be delayed whereby, and there's no issue with respect to the banks for the project financing, they're going to be there if it's delayed past certain times or early 2014?

Chris Bateman, Chief Financial Officer

Maybe I can jump in. It's Chris Bateman here. I think to focus on the timing completion around the underground feasibility study, prior to restarting the underground all parties need to be clear on the cost and approve that cost. I don't think it's a prerequisite that that has to be done before we can close project financing. There has been a significant amount of work done on studies for the underground and we've clearly shared our views with the lenders in terms of a look at those forward costs, so I wouldn't say that they're directly (inaudible) and we would certainly be looking to close on agreed financing as soon as practical and certainly not quite everything to be solved before we get to a point of agreeing project financing.

Terence Ortslan, TSO & Associates

Okay. And just one other question. Kay, you summarized that the shipments or the production this year will be about 77,000 tonnes. Or was that shipment number you're talking about?

Kay Priestly, Chief Executive Officer

Copper in concentrate.

Terence Ortslan, TSO & Associates

That's the shipment or the production?

Kay Priestly, Chief Executive Officer

Production.

Terence Ortslan, TSO & Associates

And do we know what the shipments may be this year?

Chris Bateman, Chief Financial Officer

We disclosed—our shipments year to date are around 5,000 tonnes of concentrate, not copper in concentrate. We've just started to see customer pickups starts at the border and that's when we recognize the actual sales. We'll see that picking up towards the end of the year but there will be, as a result of the delays at the border, a significant build of inventory this year.

Terence Ortslan, TSO & Associates

Okay. Just reflecting one more thing from the shareholders today about the rights issue, the 2013/2014, I think they're somewhat summarized, yet what will be the grades of copper and gold (inaudible)...some correlation of the geological model with the production, 2014 and 2015 to go ahead here in the absence of the underground so we know what we, how we're going to value the company and the rights issue. Do we have the grade numbers please?

Chris Bateman, Chief Financial Officer

The best thing to refer back to is to the technical report. As we said earlier in the call, there has been a delay in terms of accessing the higher-grade core, gold core, as a result of the curtailment of the open pit. But in terms of overall mining plan, we are tracking to that mining plan.

Terence Ortslan, TSO & Associates

Yet the grades are much higher than the mining plan.

Chris Bateman, Chief Financial Officer

The grade—

Terence Ortslan, TSO & Associates

On the gold side.

Chris Bateman, Chief Financial Officer

Basically we were expecting high levels of gold this year in 2013. We haven't had those production levels of gold because we haven't got into the high-grade gold-bearing ore. What we're saying is that is now shifting back in time due to mining being behind the original schedule.

Terence Ortslan, TSO & Associates

Okay. Thank you.

I will let somebody else ask a few questions. Thank you very much.

Operator

Thank you. The next question is from Tony Robson from BMO Capital Markets. Please go ahead.

Tony Robson, BMO Capital Markets

Kay and Chris, thank you, thank you for your time taking our questions. Two questions if I may please. Obviously with the \$2.4 billion of equity about to come into your balance sheet you wouldn't need the full \$4 billion of project financing straight away. Would you envisage taking that down in several tranches or having several smaller project financing issues over the years? Firstly, any thoughts on how that would pan out, please?

Chris Bateman, Chief Financial Officer

Tony, in terms of the project financing, at this point in time we're still working with the same term sheet that we developed and signed up to the original commitment letters. There's been no changes to that term sheet. Obviously, as we discuss project financing with the Government of Mongolia and the directors of OT it may be that changes are made in response to their questions,

but at this point in time we're looking for circa \$4 billion in project financing with the existing bank syndicate.

Tony Robson, BMO Capital Markets

Okay. Thank you. Second question, Kay, I understand your comments before that it's very early days, but analysts love information. Your cash costs per tonne, have you done reconciliations as yet to what was publicly available from the technical reports? Or it's just too early days for you even to do that assessment internally?

Kay Priestly, Chief Executive Officer

It really is still early days, Tony, for us to do that. As we indicated, we're very encouraged on what we're seeing, we're in line with the technical report, and it's just too early for us to comment or give an estimate on that at this point.

Tony Robson, BMO Capital Markets

Okay, great. Thank you.

Operator

Thank you. The next question is from Oscar Cabrera from Vancouver America. Please go ahead.

Oscar Cabrera, Bank of America Merrill Lynch

Thank you, operator. Good afternoon or morning, everyone. It's actually Bank of America Merrill Lynch. Just wondering if you could characterize for us the current state of, ah, not negotiation, but the relationship with the banks that allow a delay in the financing. Are these banks still interested? Could you just put some context around that please?

Chris Bateman, Chief Financial Officer

Oscar, we've been in constant touch with the banks and we're in regular communication, so they're up to date on the progress of the project financing. At the current time the commitments extend into December. But I think if the banks continue to see good progress being made, and they'll want to see good progress being made, many of these banks have been involved in this process for an extremely long time. It's fair to say that everybody would

like to see it come to a swift conclusion but we've had very good support from the IFS, IFIs, and the banks.

Oscar Cabrera, Bank of America Merrill Lynch

Okay, that's helpful. Thank you. And just also interested in your comments with regards to access to water, concerns with access to water, like you mentioned the government had been involved in the different facets of the pre-feasibility, feasibility, and revision to the feasibility work on the underground, so what are their concerns with? Can you be more specific?

Kay Priestly, Chief Executive Officer

There was a local, Oscar, there was a local rule that was trying to be put in place to limit water to mining in general, but we believe that we're making good progress in working with the government on that issue. But it's still not completely unresolved; however, we are making good progress with the government in working through that issue.

Oscar Cabrera, Bank of America Merrill Lynch

Great. Thank you. And then lastly, can you please remind me, you know, you gave us last quarter, I believe it was, or the quarter before, the amount of time that you would require to get people back into the project and then into construction. Was this six to twelve months? And assuming that everything is signed off by the government how long would it take for you to start construction and then getting to the actual ore in the underground?

Chris Bateman, Chief Financial Officer

Oscar, the team is working through those and it will very much depend on how we come to conclusion and when we come to conclusion, but it will be several months from a sudden decision that everything goes ahead to being back up at full development rates. Now if things are moving along and we're making progress then there's certainly an opportunity to parallel some of those processes. So we would hope it won't be a sequential process but we'll get indications and be able to ramp up for preparedness in concert to closing out some of the outstanding issues.

Stewart Beckman, Senior Vice President, Operations

Oscar and Chris, it's Stewart. I'd just like to add to that that we've maintained the key leadership and technical teams there to speed that process up when we finally get the go-ahead.

Oscar Cabrera, Bank of America Merrill Lynch

Oh, okay. Very helpful. Thank you.

Operator

Thank you. The next question is from Daniel McConvey from Rosspart Investments. Please go ahead.

Daniel McConvey, Rosspart Investments

Yes, good day, and thanks for doing the conference call. A few questions. The CapEx cost for (inaudible) today, when that is provided to the government will that be a public document?

Chris Bateman, Chief Financial Officer

The public document will be the Turquoise Hill technical report, which we will file if there's an update and material change to the CapEx.

Daniel McConvey, Rosspart Investments

Okay, but the study that the government's requested in terms of why it costs \$6 billion for the work up until now, would that be something we'll have access to?

Chris Bateman, Chief Financial Officer

No.

Daniel McConvey, Rosspart Investments

Okay. The debt cost is result of not getting it done by the end of 2013, will that, will the interest rate, I guess we don't know but my sense is we could have an increase in the interest rate as a result of the delay. Is that fair thinking?

Chris Bateman, Chief Financial Officer

I've no reason to believe there'll be an increase in the interest rate as result of the delay, but obviously when we talk to the banks about extensions we will have to understand their position. But there's no reason in my mind why the interest rate should go up.

Daniel McConvey, Rosspart Investments

Okay. The open pit delay, just refresh my memory, I know we had a delay with the underground but I guess when you slowed down the underground that impacted the open pit. I'm just trying to remember why the open pit is behind schedule by eight months?

Chris Bateman, Chief Financial Officer

That's a separate issue and not related to the underground development, the underground development that was curtailed when we got the letter letting us know that it required parliamentary approval. The open pit, we were approving budgets on a very short-term basis throughout the first two-and-a-half quarters of 2012 and with the delays in first shipments we moved aggressively to curtail costs. So the open pit, in the second quarter, was ramped down, and we used all from stockpiles to feed the concentrator through the commissioning process. We thought it, during that process, very important to keep the concentrator commissioning on track with all of the experts from all of the vendors on site and we wanted to get the concentrator up and running, and did so successfully. At that point the concentrator is able to generate cash through sales so it made sense to continue with the concentrator while we look to secure project financing.

Daniel McConvey, Rosspart Investments

Okay, thank you. Last question: You do the rights offering, you repay all of the debt, you should have a net, no net debt situation, you've got a buildup of inventory, of concentrate inventory, and so next year you're going to have a good year. Production wise you also have, you have a catch up in terms of filling the concentrate, so you would expect, you know, going as planned, prices being where they are, to have a strong free cash flow year. So I guess what I'm seeing is 2014 we could see a strong net cash position by the end of the year if you don't go ahead with the underground.

Chris Bateman, Chief Financial Officer

That's absolutely correct. And depending on when the decision is made to ramp back up the underground obviously then the capital costs will start kicking in, but absent the investing activities we would expect, and you can see this through the technical report, a very strong cash flow year.

Daniel McConvey, Rossport Investments

Okay. Thanks, Chris.

Operator

Thank you. As a reminder, you may press star one if you have a question.

The next question is from Terence Ortslan from TSO & Associates. Please go ahead.

Terence Ortslan, TSO & Associates

Thank you. Oscar brought it up, I think Chris or Stewart, you gave the answer. Underground is such a big component of the net asset value of the company and also the project so I think I asked the question last time, um, the time involved here whereby there are delays, how much reengineering is being done to—I think last time you said it's being done but I didn't get an answer for that—whereby you can shorten the time period from benchmark zero to production time, and what is the time? And two is still also on the cost side, the capital side of the underground whereby some reengineering is being done. Thank you.

Kay Priestly, Chief Executive Officer

Stewart, why don't you—I'll turn it over to Stewart, Terence, to take that first part of the question.

Terence Ortslan, TSO & Associates

Thanks, Kay.

Stewart Beckman, Senior Vice President, Operations

So the value engineering in work had started last year and that work is quite advanced and they're making quite good progress on that. The slowdown or the postponement of the underground work has allowed the team to go back and have a look a bit more broadly at what changes may be made to the mine design that may not have been able to be made when we were under (inaudible) timeline. That work is still not complete. We are seeing good progress and we are seeing improvements coming out in the work that they're doing but I think if we were to share those it may mislead people now and, as we talked about it previously, it will be complete in the middle of next year. The (inaudible) for reducing time line is somewhat limited by the time for accessing underground, so while the team is looking at those opportunities it's unlikely that they will be able to significantly pull the schedule back.

Terence Ortslan, TSO & Associates

Okay. So if you assume the worst-case circumstance whereby things are a bit delayed and so on, 2015 becomes an important time in the, no matter what in the absence of underground. Are we going to revert back to the technical report or are we going to have an update on 2015 head grades for both copper and gold?

Chris Bateman, Chief Financial Officer

If there's a material change to the plan we will have an update. If there isn't a material plan then there's not a requirement under 43-101 to provide an update. But we'll continue to provide guidance. I think once we've got more operating experience under our belt it will be much easier to provide more guidance. But, as Kay said earlier, we are very much in the early days of development. We've released today guidance for 2014 but we'll continue to look at this and we understand the market is looking for longer-term guidance.

Stewart Beckman, Senior Vice President, Operations

I would also like to assure you that the team is looking at what the opportunities are to fill that gap in 2015, which I think, as you're referring to, which was the step-down in production that was previously predicted between the open pit and the underground, and (inaudible) opportunities we have to reschedule in the open pit. But that work is still very early and it's not complete but we're certainly looking at all of those opportunities.

Terence Ortslan, TSO & Associates

Thanks, Stewart. Kay, one more question to you, please. Given that holidays are coming up and Tsagaan Sar in Mongolia, what are the time elements that may be missed here between now and, let's say, February, or March for that matter, given the holiday period?

Kay Priestly, Chief Executive Officer

Well, Terence, as you know, there's the new team and working group in Mongolia that's been working with us through these issues. They are very much engaged and we're all committed to moving these issues along pretty quickly. We've had meetings with them on weekends, virtual meetings, so I think there's a real commitment, even given those holidays, to move forward with the issues.

Terence Ortslan, TSO & Associates

But no deadlines.

Kay Priestly, Chief Executive Officer

We're working on a time line right now, trying to get a time line agreed with the government on all the elements of these issues so we have a clear path forward.

Terence Ortslan, TSO & Associates

Thank you very much for your answers.

Operator

Thank you. The next question is from Tony Robson from BMO Capital Markets. Please go ahead.

Tony Robson, BMO Capital Markets

Thanks, guys, for taking my questions again. You noted in the MD&A today that a Chinese smelter that was going to take 30 percent of your copper concentrate had canceled when the mine wasn't able to deliver in time. Sounds a little bit surprising. I would have thought, ah, all the anecdotal evidence is information that Chinese smelters are still happy to take any concentrate as long

as it's clean. Was there some further reason why the smelter did not sort of cut you some slack and extend the contract? Thank you.

Chris Bateman, Chief Financial Officer

Tony, this is also reported in the second quarter MD&A, because it was post the end of the half. The contracts are written in such a way that if you didn't, on this particular contract, if you didn't reach commercial production by June 30th then they did have an option. I think we, our firm view is it was a negotiation tactic and we have replaced or we placed that volume elsewhere this year.

Tony Robson, BMO Capital Markets

Sorry I missed it in the second quarter MD&A. What's generally the duration of those contracts typically with your Chinese customers? Are they one-year renewals or longer periods, please?

Chris Bateman, Chief Financial Officer

They're longer periods. What we've sought to do is layer the contracts so that we don't have exposure to large numbers of contracts expiring in any one year. Obviously, when you start up, that means that you have different length contracts. So they go from three years on out and with options to renew up to ten years.

Tony Robson, BMO Capital Markets

Okay, great. Thank you very much.

Operator

Thank you. The next question is from Matthew Fist from Macquarie. Please go ahead. Mr. Fist, please go ahead.

Matthew Fist, Macquarie

Oh, sorry, guys. Thanks for taking the call. Look, I just wanted to pick up on the point about positive cash flow in 2014. I know (inaudible) the technical report that the gold grade in 2014 should be around about 0.96 grams per tonne, which is actually 71 percent above the ten-year average for the mine. Do you think that the mine will be cash flow positive post this gold grade?

Chris Bateman, Chief Financial Officer

The mine will be cash flow positive once the gold grade drops off. Was that the question?

Matthew Fist, Macquarie

Yes, that's correct.

Chris Bateman, Chief Financial Officer

Look, I think, again, you can look into the technical reports for the outer years. Stewart alluded to the drop-off in 2015/2016 in grades and the cash flows becoming much tighter at that point in time. Now, with the delays in mining this year, some of that cash flow will be time-shifted out and obviously in the near term we have a large backlog of inventory at the year end that we'll be wanting to clear. The cash flows, I think, will still be positive on an operating basis out there, but it will be getting extremely tight and we are looking at ways to bring grade forward and fill that period up. But you're now looking out into the 2016 period.

Matthew Fist, Macquarie

Okay, sure.

Stewart Beckman, Senior Vice President, Operations

The (inaudible) costs are highly variable in the first few years depending on the gold and particularly on the gold credits, as you point out. And the gold, as it's (known on site), the gold (inaudible) which we will reach will be, you know, in 2014 and 2015 now, and that gap (inaudible) out in 2016 on the assumption that we won't do anything to change the mine plan. But no decisions have been made on that. They are still a work in progress.

Matthew Fist, Macquarie

Okay, sure. And just one more question if I may, just picking up on the comment that you haven't quite yet reached the targeted recovery rates due to the nature of the ore. Obviously the lower head grades are a factor here but could you please provide just a little more

colour, if it's possible, just in terms of what you think may be impacting the non-realization of those recovery rates?

Stewart Beckman, Senior Vice President, Operations

Okay. So we're running, um, (inaudible) in gold, and we're really at the top of the ore body. We're seeing oxide mineralization coming through. And, as you're aware, the concentrator is not designed to recover that material, so we expect that that will disappear with depth. And we have very recently been seeing some higher grades coming into the plant from deep in the pit and the recoveries are in line with where we need to be.

And I would also say that, you know, there's been quite a lot of variability coming into the plant and the normal sort of ups and downs that you have with commissioning and the team are really learning to operate, but we've got work ongoing to reduce that variability. We expect to see improvement with the oxidized ore disappearing. And we also have a number of people from Rio Tinto and others providing support, making sure that we're looking forward both at are there any risks of this persisting, which we don't believe that there are, and are there any opportunities for us on the upside.

Matthew Fist, Macquarie

Okay, thank you very much.

Operator

Thank you. This concludes today's question and answer session. I would like to turn the meeting back over to Ms. Priestly.

Kay Priestly, Chief Executive Officer

Thank you, operator. In summary, Oyu Tolgoi continues to ramp up and we expect the mine to be running at full capacity by the end of the year. We are focused on resolving all the outstanding issues with the Mongolian Government, completing project financing, and developing the underground. I am confident that we can successfully resolve everything, but it will take some time. Thank you, everyone, for joining us today.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and thank you for your participation.
