

## CORPORATE PARTICIPANTS

**Jason Combes**  
*Director, Investor Relations*

**Kay Priestly**  
*Chief Executive Officer*

**Chris Bateman**  
*Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Ralph Profit**  
*Credit Suisse*

**Terence Ortslan**  
*TSO & Associates*

**Craig Miller**  
*TD Securities*

## PRESENTATION

### Operator

Good day, ladies and gentlemen. Thank you for joining us today. Welcome to the Turquoise Hill Conference Call on the First Quarter Financial Results held on May 14, 2013.

I would now like to turn the call over to Mr. Jason Combes, Director of Investor Relations. Please go ahead.

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### Jason Combes, Director, Investor Relations

Thank you. I want to welcome you to our first quarter 2013 financial results conference call.

Yesterday we released our first quarter results press release, MD&A, and financial statements. These items are available on SEDAR and we have also posted them on our website. The call is being recorded and will be available later today for replay.

On the call today are Kay Priestly, our CEO, and Chris Bateman our CFO. Kay will discuss operations and Chris will cover project financing. We will take questions after our prepared remarks. I want to note that Kay is joining the call from Barcelona and Chris is in Vancouver.

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.

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### Kay Priestly, Chief Executive Officer

Thank you, Jason. Good morning or good afternoon everyone. Before we begin I want to take a moment to talk about safety, which is an absolutely critical component of our operations.

In 2012 Oyu Tolgoi had no fatalities or permanent injuries. The mine had a good all injury frequency rate of 0.38 for 2012. As we transition Oyu Tolgoi into operation, we have achieved an all injury frequency rate of 0.54 for the first quarter, improving to 0.49 by the end of April. I'm also happy to report that there have been no fatalities or permanent injuries at Oyu Tolgoi so far this year. Our goal is to have our employees and contractors return home safely after every shift and to protect the environment in which we are privileged to work in. To achieve this, there is a tremendous effort and focus by the whole organization on health, safety, and the environment.

Turning to first quarter results, at the end of the quarter the open pit and concentrator at Oyu Tolgoi were complete. Mine construction began in June of 2010 and the team at Oyu Tolgoi has performed outstanding work in under three years. I would note that this was an accelerated construction schedule following the investment agreement going into effect in 2010. Mine infrastructure was substantially complete at the end of the quarter. Work on the road to the Chinese border was suspended for the winter; however, it is not expected to impact the transportation of concentrate. The new permanent airport near the mine was completed in February, enabling the use of larger aircraft.

The concentrator commissioning is progressing and recently it has achieved daily run rates of up to 60 percent of capacity. The commissioning team has been working very hard at bringing the concentrator up to speed. Starting up a concentrator is a very complex undertaking and I think the team is doing a remarkable job. By the end of this June we expect the concentrator to be consistently running at production rates of 70 percent of capacity. Also by the end of June we anticipate that we will start shipping concentrate.

I know many of you are interested in our production expectations for this year. We think it's prudent to wait

until commissioning is complete and shipments have commenced before we provide guidance.

In terms of CapEx, for the initial development and construction we continue to expect capital costs of approximately \$6.2 billion. Work on the underground continues. Construction of Shaft #2 is ongoing and by the end of the quarter it has reached 82 percent of its final depth. The sinking of Shaft #5 began in April.

Shifting now to the status of talks with the Mongolian Government, we continue to have positive discussions with many parts of the government, including through working groups established by the shareholders. I said in March on our fourth quarter call that I was optimistic that matters being discussed with the government will be resolved. I firmly hold that same belief today. I think more than ever, Turquoise Hill, Rio Tinto, and the Mongolian Government are all committed to the success of Oyu Tolgoi.

I'm going to turn the call over to Chris now to give you an update on project financing.

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**Chris Bateman, Chief Financial Officer**

Thanks, Kay.

The project financing timetable is well advanced and we expect to sign final documents by the end of June 2013. The approximately \$4 billion transaction will be a landmark event for Mongolia and is expected to be the largest project financing ever in the mining industry. We have agreed to a debt ceiling above the \$4 billion level, which will provide future financial flexibility. In mid-April we received commitment letters from 15 banks. In addition to the EBRD and the IFC, the transaction has received conditional approval from the boards of Export Development Canada, Australian Export Finance and Insurance Corporation, and the U.S. Export-Import Bank. Next steps on the project financing include the approval by the Oyu Tolgoi Board of Directors, which includes representatives of the government, endorsement by the Mongolian Government, and signing of the final documents.

That concludes the updates on project financing. Back over to you, Kay.

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**Kay Priestly, Chief Executive Officer**

Thank you, Chris.

Before concluding I wanted to touch briefly on our other assets.

In late March SouthGobi resumed operations and began ramping up production. Ross Tromans, SouthGobi's CEO, and his team worked very hard preparing for the restart and I want to commend them for a job well done. SouthGobi expects to produce approximately 3.2 million tonnes of coal during 2013. I would also note that in early April SouthGobi appointed a new Chief Financial Officer, Bertrand Troiano.

During the first quarter, the Starra mine in Ivanhoe Australia's Osborne operations came online. All three of the Osborne mines are now in production. Ivanhoe Australia expects to mine between 1.4 million and 1.6 million tonnes of ore at Osborne in 2013.

The Altynalmas transaction, which we announced in February of this year, is going through the regulatory and governmental approval process. We are on track to close the transaction during the second quarter.

In wrapping up, commissioning at Oyu Tolgoi is going well. By the end of this June we expect the concentrator to be consistently running at production rates of 70 percent of capacity and anticipate that we will have started shipping concentrate. Full-scale operations are very much on the near-term horizon. This will truly be a world-class mine. The team at Oyu Tolgoi has accomplished so much in less than three years.

Project financing is advancing at a strong pace and we expect to sign final documents by the end of June. I am optimistic that matters being discussed with the Mongolian Government will be resolved. We are all committed to the success of Oyu Tolgoi.

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

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**QUESTION AND ANSWER SESSION**

**Operator**

The first question is from Ralph Profiti from Credit Suisse. Please go ahead.

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**Ralph Profiti, Credit Suisse**

Good afternoon. Thank you for taking my question. Kay, it's been well stated that commercial production at Oyu Tolgoi is subject to resolution of discussions with the government. I'm just wondering, should we expect to see

some type of a public affirmation of the investment agreement that has been done in the past or is that too optimistic a scenario given the elections? And, if so, what type of indicators should we be looking for, other than project financings, that the investment agreement is indeed resolved?

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**Kay Priestly, Chief Executive Officer**

Ralph, thank you for your question. As you can appreciate, right now the discussions with the Government of Mongolia are sensitive, so I cannot add a lot of colour to those discussions, nor can I speculate how any outcome from these discussions will be communicated. One thing I can assure you is that these discussions are positive, they're ongoing, they're constructive, and we're making great progress. We are confident that the project financing is well underway and one thing that is required in closing the project financing is approval from the Government of Mongolia. So the fact that the Government of Mongolia will be required to approve the project financing, the fact that the Oyu Tolgoi LLC board will also be required to sign off on the project financing documents, will serve an indication on the result of the discussions we are having with the government at this time.

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**Ralph Profiti, Credit Suisse**

Thank you very much. That's it for me.

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**Operator**

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

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**Terence Ortslan, TSO & Associates**

Thanks. It's Terry Ortslan from TSO & Associates. Thanks for the briefing, guys. With respect to the debt ceiling, you keep using the word ceiling of \$4 billion, what exactly are you referring to in terms of the ceiling for the time being at the 6.2 level or including more of a cushion for the next few years of catch-up the capital. That's the first question. Thank you.

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**Chris Bateman, Chief Financial Officer**

Kay, maybe I'll handle that question. Within the term sheet of the project financing we have an ability to raise supplementary debt. We've provided guidance that our current target in the first round of this financing is \$3 billion to \$4 billion and we are looking to raise at the upper level of that target based on the offers we've had back from the banks. But we will have the ability to raise further financing for that project should we wish to do so above that \$4 billion level.

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**Terence Ortslan, TSO & Associates**

So, as a layman, let me understand this. So you can go up to \$4 billion on the 6.2 basis today and you can raise more financing as a proportion or pro rata or in a ratio of the future capital spending?

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**Chris Bateman, Chief Financial Officer**

The \$4 billion is a function of the debt capacity in the market, the commercial debt capacity in the market for this round of financing, and that's what we believe, combination with the international financial institutions in the commercial debt market that's where we came up with the \$4 billion. The debt ceiling is based on the debt capacity of the project, the ability to repay the debt, and the project capacity is higher than what we see the current market availability. Hence, the debt ceiling being in excess of the current targeted fund raising.

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**Terence Ortslan, TSO & Associates**

Thank you for clarifying it. In other words, so in terms of the terms, it's going to be typically LIBOR plus 2.5, 3 including fees plus eight or ten year term, or longer?

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**Chris Bateman, Chief Financial Officer**

We haven't given any guidance on the terms of the final debt agreement. We will provide further information on that once the project financing is concluded. And in terms of the tenure of the debt, we're looking at 12- to 15-year tenure on the debt.

**Terence Ortslan, TSO & Associates**

Okay. If I come back to the concentrate markets, I think there's a paragraph in your press release which, I think, I read it two or three times, (inaudible). You say three quarters of your concentrate on a long-term basis have been marketed and priced. Is that true?

**Kay Priestly, Chief Executive Officer**

Yes, that is correct, Terry. 75 percent of our concentrate production is under contract right now. We also have memorandums of understanding in place for the other 25 percent.

**Terence Ortslan, TSO & Associates**

Okay. And then, Kay, there's a 50 percent number in that paragraph that kind of misled me. I read it three times and I don't understand.

**Kay Priestly, Chief Executive Officer**

I think what you're may be referring to, Terry, is 50 percent of the current contracts we have in place have opportunities to extend up to ten years.

**Terence Ortslan, TSO & Associates**

So the TC/RCs are fixed for those contracts, for the 75 percent. Am I right?

**Kay Priestly, Chief Executive Officer**

Well, we're not really disclosing the terms of those contracts but the terms are based on international pricing and we're very pleased with the outcome of those agreements.

**Terence Ortslan, TSO & Associates**

And if I may ask on the concentrate as well with respect to the performance so far, the impurities, and as well as any penalties; could you talk about your concentrate quality so far and the mill performance?

**Kay Priestly, Chief Executive Officer**

We're very pleased with the mill performance. We're at 60 percent as of the end of last week. We expect to be at 70 percent by the end of June. And we don't see any problems with the concentrate performance at this time.

**Terence Ortslan, TSO & Associates**

Okay. Thank you very much, Kay. Thank you again.

**Operator**

The next question is from Craig Miller from TD Securities.

**Craig Miller, TD Securities**

Yes, my question relates to the audit that's underway on the \$6.2 billion. Who is doing that audit and when is it expected to be over?

**Kay Priestly, Chief Executive Officer**

We've engaged Ernst & Young to do that audit and it's on Phase 1 capital costs. The report's being prepared by an independent auditor, to explain the capital costs compared to the 2009 feasibility study that was submitted to the government. It is underway. It's not concluded yet but we anticipate it will be concluded in the upcoming month.

**Craig Miller, TD Securities**

Okay. Thank you. That's all I have.

**Kay Priestly, Chief Executive Officer**

Okay. Thank you, everyone, for joining us today. This concludes our call.