

Turquoise Hill Announces Second Quarter 2022 Production and Oyu Tolgoi Mine and Corporate Update

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[Turquoise Hill Resources Ltd.](#) (TSX: TRQ) (NYSE: TRQ) ("Turquoise Hill" or the "Company") today announced second quarter 2022 production and provided an Oyu Tolgoi mine and corporate update.

Q2 2022 Highlights

- Copper production guidance for 2022 remains within the range of 110,000 to 150,000 tonnes while 2022 gold production guidance has been revised from a range of 135,000 - 165,000 ounces to 150,000 - 170,000 ounces.
 - Q2'22 Copper production of 30.6 thousand tonnes of copper in concentrate, a decrease of 17% vs Q2'21 and a slight increase of 1% vs Q1'22
 - Q2'22 Gold production of 47.6 thousand ounces of gold in concentrate, a decrease of 58% vs Q2'21 and a decrease of 20% vs Q1'22
- Expenditures on property, plant and equipment for 2022 are now expected to be approximately \$140 million to \$170 million for open-pit operations due to further schedule changes impacting the timing of spend and lower deferred stripping as a result of mine plan changes resulting in a higher proportion of ore mining compared to waste removal. This is compared to the Company's previous guidance of \$155 million to \$185 million.
- Capital expenditures on the underground project¹ are now expected to be \$1.1 billion to \$1.3 billion for 2022 compared to original guidance of \$1.2 billion to \$1.4 billion due to slower than expected workforce ramp-up following commencement of the undercut in January.
- Total Operating Cash Costs² for 2022 are now expected to be in the range of \$850 million to \$925 million compared to original guidance of \$800 million to \$875 million due to higher royalties and price inflation for key raw materials, especially fuel and the lower deferred stripping.
- Mill throughput of 9.69 million tonnes in Q2 2022 was 1% higher than Q1 2022 and 3% higher than Q2 2021 in line with expectations due to higher mill availability.
- We continued to build on our relationship reset in Mongolia, with the Oyu Tolgoi Board approving a \$50 million five-year funding programme to support the long-term, sustainable development of Khanbogd town - our neighbouring host community in the South Gobi region.

Updated Underground Cost and Schedule

The 2022 cost and schedule update for the underground project has been completed resulting in an increase of the total expected development capital from \$6.75 billion to \$7.06 billion, in line with preliminary guidance. The \$7.06 billion incorporates the known and forecast future incremental COVID-19 cost impacts, escalation, associated taxes and minor impacts relating to changes to labour laws. Shaft 3 headframe was commissioned and sinking commenced on March 31 with the cumulative sinking level now at 1743 metres below ground level. Shaft 4 advancement is now 2763 metres below ground level. The rate of progress in shafts improved during the quarter due to the optimisation program of work which commenced in Q1'22 and progress continues to be closely monitored against the 2022 schedule update. Aligned with the Company's previous disclosure Shafts 3 and 4 are expected to be commissioned in H1'24.

Open Pit Operations and Underground Development

During Q2'22, the combined open pit and underground operations produced 30.6 thousand tonnes of copper in concentrate and 47.6 thousand ounces of gold in concentrate. Copper production was aligned with the previous quarter and gold production was lower due to lower head grades aligned with the 2022 Plan. The mill feed for Q2'22 included approximately 453 thousand tonnes @ 0.66% Cu and 0.28g/t Au of underground development material. The remaining 9.23 million tonnes of mill feed was sourced from open pit low grade stockpiles and Phase 5. Mill head grades will remain low through to the end of the year as direct mill feed will

continue to be supplemented by low grade stockpiles.

During Q2'22, the underground project achieved several significant milestones including the blasting of the first two drawbells in Panel 0, with the first drawbell fired earlier than anticipated on June 17. The timing of sustainable production is trending earlier in H1'23 and the undercut blasting and on-footprint construction work, including roadways and steel set construction, continues to progress well. For the quarter, underground material hoisted from Shafts 1 and 2 was above plan.

¹ Capital expenditures on the underground project is a supplementary financial measure. Refer to the section "Non-GAAP Financial Measures and Other Financial Measures" of this press release.

² Total operating cash costs is a non-GAAP financial measure and is not a standardized financial measure. It is not intended to replace measures prepared in accordance with IFRS and might not be comparable to similar financial measures disclosed by other issuers. Refer to the section "Non-GAAP Financial Measures and Other Financial Measures" of this press release

³ As at June 23, 2022.

COVID-19

Safety continues to be the Company's top priority and COVID-19 controls remain in place at site to protect our people. During Q2'22, COVID-19 cases identified at Oyu Tolgoi have continued at low levels and the testing regime has been eased. Following the recent relaxation of COVID-19 government-initiated restrictions in Mongolia, Oyu Tolgoi ("OT LLC") has progressively restarted work on project facilities with workforce numbers approaching full capacity and onsite concentrate inventory levels have returned to target levels.

The Force Majeure declared by OT LLC to project lenders in March 2020 and the Force Majeure declared by OT LLC to customers in March 2021 have been lifted.

Oyu Tolgoi Production Data

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

	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	1H 2022	1H 2021	Full Year 2021
Open pit material mined ('000 tonnes)	15,829	22,588	23,979	24,386	25,550	49,936	38,417	84,983
Ore treated ('000 tonnes)	9,401	9,336	10,573	9,581	9,685	19,266	19,214	39,124
Average mill head grades:								
Copper (%)	0.47	0.53	0.46	0.40	0.40	0.40	0.51	0.50
Gold (g/t)	0.50	0.63	0.38	0.32	0.26	0.29	0.59	0.54
Silver (g/t)	1.19	1.29	1.27	1.25	1.15	1.20	1.24	1.26
Concentrates produced ('000 tonnes)	173.2	191.9	182.7	144.3	146.0	290.3	375.1	749.6
Average concentrate grade (% Cu)	21.2	21.9	21.3	21.0	20.9	21.0	21.9	21.7
Production of metals in concentrates:								
Copper ('000 tonnes)	36.7	41.9	38.9	30.3	30.6	60.8	82.2	163.0
Gold ('000 ounces)	113	131	79	59	48	107	259	468
Silver ('000 ounces)	235	249	238	211	201	412	490	977
Concentrate sold ('000 tonnes)	92.6							

Sales of metals in concentrates:

Copper ('000 tonnes)	19.6	46.4	34.4	29.9	35.3	65.2	58.6	139.4
Gold ('000 ounces)	73	149	102	57	68	125	183	435
Silver ('000 ounces)	106	278	192	179	224	403	313	783
Metal recovery* (%)								
Copper	79.7	83.9	80.1	78.1	81.4	79.8	83.4	82.8
Gold	69.3	68.7	59.3	59.0	59.1	59.3	71.0	68.4
Silver	62.5	64.1	55.1	54.3	57.8	56.0	64.0	61.6

*Metal recovery is a function of head grade and reflects grades delivered in the quarter.

Non-GAAP Financial Measures and Other Financial Measures

This press release contains certain non-GAAP (Generally Accepted Accounting Principles) financial measures such as total operating cash costs and supplementary financial measures such as capital expenditures on the underground project. Non-GAAP financial measures have non-standardized meaning under International Financial Reporting Standards ("IFRS"). As such, these financial measures may not be comparable to similar measures used by other issuers. These financial 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. Management believes that, in addition to conventional measures prepared in accordance with IFRS, these non-GAAP financial measures and supplementary financial measures provide additional insight into the Company's operating performance and financial position and certain investors may use this information to evaluate the Company's performance from period to period. However, these non-GAAP financial measures and supplementary financial measures have limitations and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Additional details and information for this non-GAAP financial measure and these financial measures can be found in the section titled "Non-GAAP and Other Financial Measures" between pages 28 and 31 of Company's Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2022 (the "MD&A") filed with the securities regulatory authorities in Canada, which section and pages are incorporated by reference into this press release. The MD&A is available under the Company's profile on SEDAR at www.sedar.com.

Technical Information included in this Press Release

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

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", "believe", "could", "estimate", "expect", "intend", "likely", "may", "plan", "seek", "should", "will" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements and information regarding: the nature of the Company's ongoing relationship and interaction with the Government of Mongolia with respect to the continued operation and development of Oyu Tolgoi as and when the key agreements entered into with the Government of Mongolia announced on January 24, 2022 (the "GoM Agreements") are implemented along with the implementation of Resolution 103, the resolution

passed by the Parliament of Mongolia in December 2021 to resolve the outstanding issues among the Company, Rio Tinto and the Government of Mongolia in relation to the implementation of Resolution 92, the resolution passed by the Parliament of Mongolia in November 2019 mandating the Government of Mongolia to take necessary measures to ensure the benefits to Mongolia of Oyu Tolgoi; the continuation of undercutting in accordance with the mine plan and design; the actual timing of first sustainable production as well as the lifting of restrictions by the Government of Mongolia on the ability of OT LLC to incur any additional indebtedness; the implementation and successful execution of the updated funding plan that is the subject of the second amended and restated heads of agreement entered into with Rio Tinto International Holdings Limited ("RTIHL") on May 18, 2022 (the "Second Amended HoA"), as such agreement may be further amended or restated, and the amount of any additional future funding gap to complete the Oyu Tolgoi project and the availability and amount of potential sources of additional funding required therefor, all as contemplated by the Second Amended HoA, as well as potential delays in the ability of the Company and OT LLC to proceed with the funding elements contemplated by the Second Amended HoA; liquidity, funding sources and funding requirements in general, in particular until sustainable first production is achieved, including the Company's ability to reach agreement with project finance lenders on the re-profiling of existing debt payments in line with current cash flow projections, as well as the Company (or a wholly-owned subsidiary) and OT LLC entering into a pre-paid copper concentrate sale arrangement; the availability and amount of potential sources of additional funding, including the short-term secured advance to be provided by RTIHL to the Company under the Second Amended HoA; the amount by which a successful re-profiling of the Company's existing debt would reduce the Company's currently projected funding requirements; the Company's ability to conduct one or more equity offerings as contemplated by the Second Amended HoA in light of future and then prevailing market conditions; the expectations set out in the 2020 Oyu Tolgoi Technical Report (the "2020 OTTR"); the timing and amount of future production and potential production delays; statements in respect of the impacts of any delays on achieving first sustainable production and on the Company's cash flows; expected copper and gold grades; the merits of the class action complaints filed against the Company in October 2020 and January 2021, respectively; the merits of the defence and counterclaim filed by the Government of Mongolia in the international tax arbitration brought by OT LLC and the likelihood of the parties being able to amicably resolve the ongoing tax issues; the timing of studies, announcements and analyses; the status of underground development, including any slowdown of work; the causes of the increase in costs and schedule extension of the underground development; the mine design for Panel 0 of 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; the timing and progress of the sinking of Shafts 3 and 4 and any delays in that regard in addition to previously announced delays; expectations regarding the possible recovery of ore in the two structural pillars, to the north and south of Panel 0; the possible progression of a state-owned power plant ("SOPP") and related amendments to the Power Source Framework Agreement ("PSFA"), as amended, as well as power purchase agreements and extensions thereto; the finalization of an agreement with Inner Mongolia Power International Cooperation Co., Ltd ("IMPIC") on extension of the current power import arrangements; the timing of construction and commissioning of the potential SOPP; sources of interim power; the continuing impact of COVID-19, including any restrictions imposed by health or governmental authorities relating thereto on the Company's business, operations and financial condition, as well as delays and the development cost impacts of delays caused by the COVID-19 pandemic; the Company's ability to operate sustainably, its community relations and its social licence to operate in Mongolia; capital and operating cost estimates, including inflationary pressures thereon resulting in cost escalation; mill and concentrator throughput; anticipated business activities, planned expenditures, corporate strategies; supply disruptions of oil and gas to the Oyu Tolgoi project caused by the ongoing Russia-Ukraine conflict, 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; 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 nature of the Company's ongoing relationship and interaction with the Government of Mongolia with respect to the continued operation and development of Oyu Tolgoi as and when the GoM Agreements are implemented along with the implementation of Resolution 103; the continuation of undercutting in accordance with the mine plan and design; the actual timing of first sustainable production as well as the lifting of restrictions by the Government of Mongolia on the ability of OT LLC to incur any additional indebtedness; 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, subject to ongoing discussions relating to a standstill

period; finalization of an agreement with IMPIC on an extension of the current power import arrangements; the eventual pre-payment arrangement between the Company (or a wholly-owned subsidiary) and OT LLC; the implementation and successful execution of the updated funding plan that is the subject of the Second Amended HoA, as such agreement may be further amended and restated; the Company's ability to operate sustainably, its community relations and its social licence to operate in Mongolia; and the amount of any additional future funding gap to complete the Oyu Tolgoi project and the availability and amount of potential sources of additional funding required therefor.

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; 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, including the outcome of the class action complaints filed against the Company; the outcome of the international arbitration proceedings, including the likelihood of the parties being able to amicably resolve the ongoing tax issues; regulatory restrictions (including environmental regulatory restrictions and liability); OT 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; the Company's ability to operate sustainably, its community relations, and its social licence to operate in Mongolia; activities, actions or assessments, including tax assessments, by governmental authorities; events or circumstances (including public health crises 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; global climate change; 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; inflationary pressures on prices for critical supplies for Oyu Tolgoi including fuel, power, explosives and grinding media resulting in cost escalation; defective title to mineral claims or property; human rights requirements; international conflicts such as the ongoing Russia-Ukraine conflict; and new tax measures, such as a minimum corporate tax rate, that might be implemented as a result of evolving global initiatives. 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 the Oyu Tolgoi project, the Company has based its assumptions and analyses on certain factors which are inherently uncertain. Uncertainties and assumptions include, among others: the nature of the Company's ongoing relationship and interaction with the Government of Mongolia with respect to the continued operation and development of Oyu Tolgoi as and when the GoM Agreements are implemented along with the implementation of Resolution 103; the continuation of undercutting in accordance with the mine plan and design; the approval or non-approval by the OT LLC board of directors of any future necessary additional investment, and the likely consequences on the timing and overall economic value of the Oyu Tolgoi project, including slowdown on the underground development and significant delays to first sustainable production; 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 implementation and successful execution of the updated funding plan that is the subject of the Second Amended HoA, as such agreement may be further amended or restated, and the amount of any additional future funding gap to complete the Oyu Tolgoi project and the availability and amount of potential sources of additional funding required therefor the eventual pre-payment arrangement between the Company (or a wholly-owned subsidiary) and OT LLC; the potential impact of COVID-19, including any restrictions imposed by health and governmental authorities relating thereto, as well as the development cost impacts of delays caused by the COVID-19 pandemic; the Company's ability to operate sustainably, its community relations and its social licence to operate in Mongolia; 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, including

delays caused by COVID-19 restrictions and impacts and related factors, in the development of the underground mine (which could significantly exceed the costs projected in the 2020 OTTR); projected copper, gold and silver prices and their market demand; production estimates and the anticipated yearly production of copper, gold and silver at Oyu Tolgoi; inflationary pressures in prices for critical supplies for Oyu Tolgoi, including fuel, power, explosives and grinding media resulting in cost escalation; and the potential impact of the ongoing Russia-Ukraine conflict, including supply disruptions of oil and gas to the Oyu Tolgoi project caused thereby.

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

Readers are cautioned not to place undue reliance on forward-looking information or statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are included in the "Risk Factors" section in the Company's annual information form for the year ended December 31, 2021 (the "AIF"), as supplemented by the "Risks and Uncertainties" section of the Company's Interim Management's Discussion and Analysis for the second quarter ended March 31, 2022 (the "Q1'22 MD&A").

Readers are further cautioned that the list of factors enumerated in the "Risk Factors" section of the AIF and in the "Risks and Uncertainties" section of the Q1'22 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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