

# SailingStone Applauds Turquoise Hill Response to Rio Tinto's Offer

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Second Open Letter to TRQ Independent Directors Focuses on Unjust Business Dealings by Rio Tinto and Long-Time Minority Owners

HOUSTON, Aug. 16, 2022 /PRNewswire/ -- SailingStone Capital Partners, a long-time owner of [Turquoise Hill Resources](#) (TSX: TRQ) (NYSE: TRQ), has delivered the attached letter to the Turquoise Hill Independent Directors:

As a Tier 1 copper mine, Oyu Tolgoi's value is much higher than what Rio Tinto offered minority owners.

Dear Independent Directors of [Turquoise Hill Resources Ltd.](#),

SailingStone Capital Partners applauds the decision of the Turquoise Hill Resources Special Committee to reject Rio Tinto's opportunistic offer to acquire the minorities' stake in TRQ for C\$34/share.

As one of the largest, lowest cost, and longest duration copper/gold assets ever discovered, Oyu Tolgoi is a crown jewel. The proposed acquisition price is nowhere near the intrinsic value of Oyu Tolgoi, as it values the Company at less than 35% of the value invested to date and represents a 60% discount to Rio Tinto's own cost basis in TRQ, a position that Rio acquired over 10 years ago when the net present value was far lower and the risks far greater than today. In the next few months, the underground mine will achieve sustainable first production, unlocking billions of dollars in annual free cash flow for decades into the future. This will allow the mine to benefit from the impact of potential expansions. Tier 1 copper assets with brownfield growth options are increasingly rare and therefore increasingly valuable, particularly given how critical copper is in the race to decarbonize and expand the world's energy supply. Rio Tinto's opportunistic bid did not compensate TRQ minority shareholders adequately for any of these realities.

In addition, we appreciate that "Rio Tinto welcomes the continued investment by Turquoise Hill minority shareholders and the continued sharing of future risks and funding obligations." Unfortunately, most of the risks and funding obligations "shared" over the last several years have come as the result of Rio's incompetence, including the incremental equity raise which now must be addressed. However, we welcome Rio's continued participation as mine developer and operator and trust that they have addressed the mine's internal shortcomings so that all Oyu Tolgoi stakeholders can benefit from the mine's incredible employment, business development, and free cash flow potential.

Lastly, we note the following from Rio Tinto's press release.

As previously disclosed, Rio Tinto is not interested in pursuing any alternative transaction, including any such transaction that would result in the sale of Rio Tinto's interest in Turquoise Hill or the acquisition by a third party of Turquoise Hill or Oyu Tolgoi, either in partnership with or independent of Rio Tinto.

Apparently, Rio Tinto isn't interested in selling their stake in TRQ, even at a price which it claims represents "compelling value" to the seller. More importantly, this statement clearly is intended to preempt any price discovery process which might allow TRQ minority owners to be fairly compensated for their 49.2% stake in the Company. While we appreciate that Rio Tinto has certain rights, this statement cannot and should not preclude potentially interested parties from approaching Turquoise Hill, nor can it preclude the independent TRQ directors from considering a combination or transaction from any party which might crystallize the true value of Oyu Tolgoi. In other words, if Rio wants complete control, they can acquire it for a price. The Special Committee has determined that price is meaningfully higher than C\$34/share, and we agree with that conclusion.

Best regards,

SailingStone Capital Partners LLC

ABOUT SAILINGSTONE CAPITAL PARTNERS LLC

SailingStone Capital Partners, a division of Pickering Energy Partners, provides investment solutions in the global natural gas and oil markets.

space with a specific focus on the industrial businesses, commodities and infrastructure assets which will enable the energy transition. SailingStone manages concentrated, long-only equity portfolios for institutional investors.

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