

**ALTERNATIVE MONTHLY REPORT**

**PART 4, NATIONAL INSTRUMENT 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues***

**RE: *TURQUOISE HILL RESOURCES LTD.***

**Item 1 – Security and Reporting Issuer**

**1.1 The designation of securities to which this report relates and the name and address of the head office of the issuer of the securities:**

Name: TURQUOISE HILL RESOURCES LTD. (the “**Issuer**”)  
Address: Corporate Services  
Suite 354  
200 Granville Street  
Vancouver, BC  
V6C 1S4

This report relates to the shares of common shares of the Issuer (“**Common Shares**”).

**1.2 The name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place:**

Not applicable.

**Item 2 – Identity of Eligible Institutional Investor**

**2.1 The name and address of the eligible institutional investor:**

Name: SailingStone Capital Partners LLC (“**SailingStone**”)  
Address: One California Street, 30<sup>th</sup> Floor  
San Francisco, California 94111

SailingStone is an investment manager as defined in National Instrument 62-103 by virtue of being (a) registered to provide investment counseling, portfolio management or similar advisory services in respect of securities under the Investment Advisers Act of 1940 of the United States of America, as amended, and (b) providing the advisory services referred to above for valuable consideration under a contractual arrangement.

**2.2 The date of the transaction or other occurrence that triggered the requirement to file this report:**

This filing is being made to report SailingStone’s holdings as at June 30, 2018.

**2.3 The names of any joint actors in connection with the disclosure required by this report:**

No other entity acts jointly or in concert with SailingStone in connection with the ownership of, or control over, the above securities.

**2.4 A statement that the eligible institutional investor is eligible to file reports under Part 4 of National Instrument 62-103 in respect of the reporting issuer’s securities:**

SailingStone is eligible to file reports under Part 4 of National Instrument 62-103 in respect of the above securities.

**Item 3 – Interest in Securities of the Reporting Issuer**

**3.1 The designation and the net increase or decrease in the number or principal amount of securities, and in the eligible institutional investor’s security holding percentage in the class of securities, since the last report filed by the eligible institutional investor under Part 4 of National Instrument 62-103 or the early warning requirements:**

As of June 30, 2018, the number of Common Shares held by accounts over which SailingStone had investment authority (the “**Accounts**”) had increased by 7,875,978 Common Shares from the 227,684,945 Common Shares previously reported and SailingStone’s security holding percentage had increased by approximately 0.40% from the approximately 11.31% previously reported.

**3.2 The designation and number or principal amount of securities and the eligible institutional investor’s security holding percentage in the class of securities at the end of the month for which the report is made:**

As of June 30, 2018, the Common Shares held by the Accounts was 235,560,923 Common Shares, representing a security holding percentage of approximately 11.71%, assuming approximately 2,012,314,469 total issued and outstanding Common Shares.

**3.3 Whether the transaction involved a securities lending arrangement:**

Not applicable.

**3.4 The designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3.2 over which:**

**(i) the eligible institutional investor, either alone or together with any joint actors, has ownership and control:**

Not applicable.

**(ii) the eligible institutional investor, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the eligible institutional investor or any joint actor:**

Not applicable.

**(iii) the eligible institutional investor, either alone or together with any joint actors, has exclusive or shared control but does not have ownership:**

SailingStone considers that it may be deemed to have control over but not ownership of the securities referred to in paragraph 3.2.

**3.5 The material terms of any related financial instruments and its impact on the eligible institutional investor’s securityholdings if the eligible institutional investor or any of its**

**joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required in this report:**

Not applicable.

- 3.6 The material terms of any arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement if the eligible institutional investor or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required in this report:**

Not applicable.

**State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104:**

Not applicable.

- 3.7 The material terms of any agreement, arrangement or understanding if the eligible institutional investor or any of its joint actors is party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the eligible institutional investor's economic exposure to the security of the class of securities to which this report relates:**

Not applicable.

#### **Item 4 – Purpose of the Transaction**

- 4.1 The purpose of the eligible institutional investor and any joint actors in acquiring or disposing of ownership of, or control over, the securities, including any plans or future intention which the eligible institutional investor and any joint actors may have which relate to or would result in any of the following:**

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the issuer;**
- (b) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (c) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (d) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (e) a material change in the reporting issuer's business or corporate structure;**

- (f) a change in the reporting issuer’s charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person;**
- (g) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (h) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (i) a solicitation of proxies from security holders;**
- (j) an action similar to any of those enumerated above.**

SailingStone, on behalf of the Accounts, has acquired Common Shares for investment purposes and will continue to analyze its investment in the Issuer on an ongoing basis. As part of this investment analysis process, SailingStone reserves the right to engage in discussions with management of the Issuer and with third parties that may have an interest in the business affairs of the Issuer in order to monitor their investment and consider possible strategic alternatives. See Exhibit “A”.

Depending upon such discussions and consideration of strategic alternatives, SailingStone could support one or more of the actions described in subparagraphs (a) through (j) above. SailingStone reserves the right to formulate other purposes, plans or proposals regarding the Issuer to the extent deemed advisable by SailingStone in light of current market conditions generally and specifically as they relate to the Issuer. SailingStone further reserves the right to add to or reduce their holdings in the Issuer at any time as circumstances warrant without prior notice.

#### **Item 5 – Agreements, Arrangements, Commitments or Understandings with Respect to Securities of the Reporting Issuer**

- 5.1 The material terms of any agreements, arrangements, commitments or understandings between the eligible institutional investor and a joint actor and among those persons and any person with respect to securities to which this report relates, including the transfer of the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, divisions of profits or loss, or the giving or withholding of proxies:**

Dispositional and voting authority over the above securities is held by SailingStone pursuant to various investment advisory agreements between SailingStone and the Accounts.

#### **Item 6 – Change in Material Fact**

- 6.1 Any change in a material fact set out in a previous report filed by the eligible institutional investor under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the Issuer’s securities:**

See Item 4 above.

**Item 7 – Certification**

I, as the eligible institutional investor, certify that the statements made in this report are true and complete in every respect.

Dated: July 10, 2018.

**SAILINGSTONE CAPITAL PARTNERS LLC**

*(signed) “Kathlyne Kiaie”*

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Kathlyne Kiaie  
Chief Compliance Officer

**Exhibit "A"**

See attached.

# SAILINGSTONE CAPITAL PARTNERS

One California Street  
San Francisco, CA 94111

June 12, 2018

Board of Directors  
c/o Company Secretary  
Turquoise Hill Resources Ltd.  
Suite 354 - 200 Granville Street  
Vancouver, British Columbia  
Canada, V6C 1S4

Dear Members of the Board:

SailingStone Capital Partners has been engaged in dialogue with the independent directors of Turquoise Hill Resources Ltd. ("TRQ" or "Turquoise Hill") for several years regarding our corporate governance concerns. In February, we took a more public stance, outlining several high-level objectives which we believe are necessary in order for basic corporate governance standards to be met. While we appreciate the progress that has been made to date, we remain concerned that the entire TRQ board of directors (the "Board") lacks a sense of urgency in addressing the serious deficiencies that continue to exist. However, the recent retirement of TRQ's Chief Executive Officer, Jeff Tygesen, provides you with an opportunity to accelerate the transition towards a governance structure which is more consistent with a stand-alone, publicly-traded company. As such, we wanted to provide you with more specific steps that we believe will serve to protect and promote the interests of all Turquoise Hill shareholders.

To put the discussion in context, the following table shows TRQ's stock price performance relative to peers and to copper over multiple time frames post the December 2013 rights offering.

## TRQ STOCK PERFORMANCE

As of June 11, 2018

Cumulative Relative Returns					
	1-Year	2-Year	3-Year	4-Year	Notes
FM	-78%	-144%	-53%	-5%	Levered balance sheet, Cobre Panama in development
HBM	-13%	-37%	-5%	2%	Levered balance sheet, Constancia delivered
IVN	25%	-240%	-238%	-142%	Perceptions of sovereign risk, clean balance sheet, multiple development projects
LUN	-9%	-100%	-83%	-54%	Clean balance sheet, acquired major project, exited DRC
FCX*	-41%	-77%	-27%	21%	Levered balance sheet, primary asset at risk of expropriation, multi-billion \$ failed M&A
Average	-23%	-120%	-81%	-36%	

Cumulative Absolute Returns					
	1-Year	2-Year	3-Year	4-Year	Notes
TRQ	6%	-2%	-34%	-23%	Clean balance sheet, open cut producing, UG in development, project finance completed
Copper	25%	61%	23%	8%	Few projects in development, supply issues at existing operations, reasonable demand

\*Compared to TRQ-USA to avoid f/x translation

Source: FactSet, SailingStone Capital Partners

While some may dismiss this persistent underperformance as a function of Oyu Tolgoi (“OT”) being a “development story”, or reflecting sovereign risk, those conclusions are inconsistent with the facts. First, the Oyu Tolgoi open pit is in production, has a copper-equivalent grade profile similar to Escondida, and has already generated more than \$2bn of free cash flow since commencing commercial operations in late 2013, *through the bottom of the commodity cycle*. In fact, we estimate that the current open pit operation is worth between US\$2.00-\$2.50 per share, based on TRQ’s own public disclosures including the 2016 technical report and a \$3.00 Cu/\$1250 Au price deck. Second, considerable progress has been made to reduce the sovereign risk profile of the project, including drawdown of the project finance facility and the on-going positive impact that the project is having on both the local and Mongolian economy. The reality is that the stock price does not reflect improving copper fundamentals, does not reflect the value of the \$9 billion of capital that has been invested to date and does not reflect the wall of free cash flow that will be generated when ore that is 6x the industry-average grade profile starts running through the mill, to the benefit of all OT owners. The reality, based on TRQ’s own investor relations surveys, is that the primary headwind for the stock is “corporate governance/the Rio Tinto overhang”. Perpetuating the same flawed corporate governance structure, in the face of such a damning report card, is simply irresponsible.

To address these concerns, we request that the Board implement the following three actions. We note that in no circumstances are Rio Tinto’s (“Rio”) existing rights being subjugated.

1. Hire an independent, non-Rio Chief Executive Officer. While we appreciate that there may be viable candidates within Rio Tinto, and that there may be some advantage to having a management team that is familiar with Rio’s corporate machinations, the benefits from having a truly independent chief executive are simply too compelling to ignore. Rio no longer has the right to appoint the CEO, so we believe that the Board should use this opportunity to quell the obvious market consternation around executive leadership and independence. As TRQ’s second largest shareholder, we explicitly endorse a compensation package that begins to reflect industry norms, if that is what is necessary to attract viable independent candidates. We suspect other minority owners would be equally supportive.
2. Empower the independent CEO to hire an independent management team. If TRQ is going to be a functional entity, it needs to be staffed accordingly, by individuals who are solely focused on Turquoise Hill. In the current structure, all of the positions on the Oyu Tolgoi board, technical committee and operating committee that explicitly are intended to be held by TRQ appointees are occupied by Rio Tinto secondees. Rio can nominate whomever they chose for the positions which they negotiated, but TRQ’s appointees are intended to be independent. To take a step back, the effective ownership of Oyu Tolgoi is as follows: 34% by the Government of Mongolia (“GOM”), 33% by Rio Tinto (through their 51% stake in TRQ) and 33% by the minority public shareholders. Yet, those minority public shareholders’ only representation in the entire enterprise is the independent directors. The CEO, CFO, Vice President Operations and Development, head of Investor Relations and all non-GOM Oyu Tolgoi board and committee seats are Rio employees or secondees. This means that all decisions, and all information, flows

through Rio Tinto, which by all accounts runs counter to the definition of “independent”. This situation is untenable, and can only be addressed by allowing an independent executive team to hire non-Rio Tinto professionals.

3. Remove any and all reference to Rio Tinto stock or operating performance from TRQ executive compensation. We have written repeatedly about this, and while we appreciate the steps that have been made to reduce exposure to Rio Tinto, we can think of no logical explanation to justify why TRQ employees should have incentives related to anything other than TRQ and Oyu Tolgoi.

We believe that these steps would meaningfully reduce the market concerns regarding Turquoise Hill’s ongoing corporate governance conflicts, and should be implemented immediately with the next CEO appointment. Furthermore, we contend that the creation of a more permanent, independent management and compensation structure becomes even more pressing as TRQ moves closer to the time when significant free cash flow will be available to return to its shareholders. As large, long-term owners, we believe that having TRQ’s stock price more accurately reflect the value of the underlying assets is an objective that all stakeholders should support. Given Rio’s cost basis in TRQ, it seems self-evident that they must share in our assessment of that value. Given the Board’s fiduciary duty to maximize value, you, too, seem highly incented to have the stock price be more consistent with the steady progress being made on the ground.

We thank you for your attention to these matters, and look forward to a prompt and detailed response.

Best regards,

(signed) "MacKenzie B. Davis"

MacKenzie B. Davis  
Managing Partner

(signed) "A. James Bruce"

A. James Bruce  
Partner