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"Oyu Tolgoi announces its production report for the first quarter of 2015"

Concentrate production of Oyu Tolgoi LLC in 1st quarter of 2015 declined nearly 30 percent over 4th quarter of 2014 driven by resource sequence and therefore impacted by lower mill head grades as well as a planned maintenance and improvement shutdowns. The shutdown was completed in a timely without any injuries.

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Concentrate production of Oyu Tolgoi LLC in 1st quarter of 2015 declined nearly 30 percent over 4th quarter of 2014 driven by resource sequence and therefore impacted by lower mill head grades as well as a planned maintenance and improvement shutdowns. The shutdown was completed in a timely without any injuries. Concentrate sales for the quarter exceeded production, despite slowing during the Lunar New Year when border and customs operations were closed for a longer period. Material mined in the first quarter of 2015 grew about 16% over 4th quarter of 2014 mainly due to improvements driven by a range of productivity initiatives in the open pit partially offset by longer haul distances. Head grades declined in the first quarter, 2015 as high-grade material from the open pit was largely processed in the fourth quarter of 2014.

Open-pit development for 2015 is proceeding according to schedule with higher-grade material expected to be processed by the concentrator starting from the second quarter of 2015. Concentrator milling rates increased through the first quarter of 2015 as improvements started to take effect, particularly in the pebble crushing circuit. As previously disclosed, Oyu Tolgoi expects production distribution to be relatively similar to 2014, with production levels significantly higher in the second half of 2015.

Based on the current mine schedule, Oyu Tolgoi is expected to produce 175,000 to 195,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates in 2015.

In the first quarter, Oyu Tolgoi paid USD 66.4 million in taxes and spent US\$78.3 million on national procurement in the same period, of which US\$14.1 million was spent with suppliers in the South Gobi region.

Andrew Woodley, President and CEO of Oyu Tolgoi, said: “Our drive to make a step-change in our productivity, at every stage of the value chain, remains critical to achieving sustainable growth and profitability in today’s dynamic market. Over the first quarter, despite planned maintenance, resource sequence and other external factors, we have safely increased productivity at the mine and the concentrator and will continue to progress improvements over the course of 2015.”

	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	Full Year 2014
Open pit material mined ('000 tonnes)	21,621	16,861	19,493	18,944	21,999	76,919
Ore treated ('000 tonnes)	5,560	7,778	7,029	7,505	7,512	27,872
Average mill head grades: Copper (%)	0.52	0.53	0.59	0.74	0.52	0.60
Gold (g/t)	0.49	0.60	0.80	1.46	0.48	0.86
Silver (g/t)	1.52	1.57	1.64	1.65	1.16	1.60
Concentrates produced ('000 tonnes)	102.9	140.0	134.1	186.7	130.9	563.6
Average concentrate grade (% Cu)	24.6	25.8	27.3	26.9	25.7	26.3
Production of metals in concentrates:						
Copper ('000 tonnes)	25.3	36.2	36.6	50.3	33.6	148.4
Gold ('000 ounces)	66	113	132	278	86	589
Silver ('000 ounces)	163	229	216	286	184	893
Concentrate sold ('000 tonnes)	48.2	202.5	220.3	262.7	167.7	733.7
Sales of metals in concentrates: Cop-						
per ('000 tonnes)	13.1	51.6	53.6	67.6	42.1	185.8
Gold ('000 ounces)	28	126	144	263	200	561
Silver ('000 ounces)	78	309	323	383	219	1,093
Metal recovery (%) Copper	87.9	87.6	89.3	90.7	86.8	89.1
Gold	75.5	74.8	74.8	78.6	71.6	76.6
Silver	59.3	58.6	58.6	71.6	65.4	62.3



In 2014, Turquoise Hill recorded net income of \$31.8 million (\$0.02 per share), with losses (including charges for impairment) relating to SouthGobi partly offsetting Oyu Tolgoi’s results. Net income from continuing operations was \$141.0 million (\$0.07 per share), 44% higher than in 2013. The increase follows the first full year of operations at Oyu Tolgoi, delivering gross margin of \$372.1 million, or 22.6% of revenue, combined with reduction in general and administrative expenditure. Operating cash flows from continuing operations were \$671.6 million in 2014 as Oyu Tolgoi achieved a full year of sales and reduced inventory levels, generating Turquoise Hill’s first positive annual operating cash flow of \$658.3 million. Additions to property, plant and equipment were \$87.7 million in the year, including approximately \$60.0 million for sustaining capital activities and construction of tailings storage facility. Cash capital expenditure of \$203.6 million includes settlement of accrued payables for additions to property, plant and equipment in prior years; significantly lower than 2013 at \$1.1 billion which included completion and commissioning of open pit operations, underground development for the first half of 2013, and payment of accrued capital payables from 2012. Turquoise Hill’s cash and cash equivalents at December 31, 2014 were \$862.8 million, as the result of positive cash flows from Oyu Tolgoi, and repayment received in full for Turquoise Hill’s \$115.0 million Mongolian Treasury Bill, which matured on October 19, 2014.

Oyu Tolgoi Key Financial Metrics

	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	Full Year 2014	Full Year 2013
Revenue, net of royalties (\$'000,000)	51.6	108.0	436.0	466.0	634.1	1,644.1	51.6
Royalties within net revenue	3.0	5.9	23.5	25.4	36.6	91.5	3.0
Concentrates sold ('000 tonnes)	26.4	48.2	202.5	220.3	262.7	733.7	26.4
Revenue by metals in concentrates (\$'000,000) Copper	37.6	74.5	285.4	302.6	348.3	1,010.8	37.6
Gold	13.2	32.1	145.2	158.5	280.4	616.1	13.2
Silver	0.8	1.4	5.4	5.0	5.4	17.2	0.8
Cost of sales (\$'000,000)	49.2	99.1	379.1	380.0	413.9	1,272.1	49.2
Production and delivery costs	36.6	67.5	266.6	260.5	293.0	887.6	36.6
Depreciation and depletion	12.6	28.8	112.5	119.5	120.9	381.7	12.6
Capitalized property, plant and equipment (\$'000,000)	134.9	20.6	27.1	25.3	14.7	87.7	641.0
Underground evaluation costs capitalized	29.5	8.4	9.4	5.1	4.2	27.1	459.8



Production and delivery costs include primarily the cash costs in inventory sold as well as allocated mine administration costs. Depreciation and depletion includes the depreciation and depletion in inventory sold as well as any depreciation of assets used in the selling and delivery process. Stripping costs, including cash and equipment depreciation, are recorded in the run-of-mine copper-gold stockpile inventories in the period incurred. Total cash operating costs at Oyu Tolgoi in 2014 were \$905.6 million in its first full year of operations.

During 2014, management began to improve and optimize operations in order to reduce costs throughout various areas of the mine’s operation. Progress was made in customer logistics, assisting in reducing inventory levels. The impact of these improvements was partly offset by higher maintenance costs following the concentrator fire, and planned maintenance brought forward from early 2015. Excluding asset write-down (\$8.0 million) and adjustments relating to asset retirement obligations (\$31.0 million), capitalized additions to property, plant and equipment were \$87.7 million including \$27.1 million of underground evaluation costs and approximately \$60.0 million for sustaining activities and the tailings storage facility. In 2013, capitalized additions totaled \$641.0 million including underground development costs of \$460 million. Key operational metrics for 2014 and Q4’14 are as follows:

Oyu Tolgoi Key Operational Metrics

	4Q	1Q	2Q	3Q	4Q	Full year	Full year
	2013	2014	2014	2014	2014	2014	2013
Open pit material mined ('000 tonnes)	21,956	21,621	16,861	19,493	18,944	76,919	72,032
Ore treated ('000 tonnes)	7,835	5,560	7,778	7,029	7,505	27,872	20,317
Average mill head grades: Copper (%)	0.49	0.52	0.53	0.59	0.74	0.60	0.47
Gold (g/t)	0.41	0.49	0.60	0.80	1.46	0.86	0.36
Silver (g/t)	1.44	1.52	1.57	1.64	1.65	1.60	1.39
Concentrates produced ('000 tonnes)*	129.5	102.9	140.0	134.1	186.7	563.6	290.0
Average concentrate grade (% Cu)	25.4	24.6	25.8	27.3	26.9	26.3	26.4
Production of metals in concentrates: Copper ('000 tonnes)	32.9	25.3	36.2	36.6	50.3	148.4	76.7
Gold ('000 ounces)	74	66	113	132	278	589	157
Silver ('000 ounces)	208	163	229	216	286	893	489
Sales of metals in concentrates: Cop- per ('000 tonnes)	6.1	13.1	51.6	53.6	67.6	185.8	6.1
Gold ('000 ounces)	10	28	126	144	263	561	10
Silver ('000 ounces)	36	78	309	323	383	1,093	36
Metal recovery (%) Copper	86.4	87.9	87.6	89.3	90.7	89.1	81.6
Gold	71.2	75.5	74.8	74.8	78.6	76.6	66.1
Silver	57.2	59.3	58.6	58.6	71.6	62.3	54.2



Higher mill head grades during Q4’14 led to increased metal production over prior quarters, which was partially offset by reduced processing rates as a result of the December 2014 fire in one of the concentrator’s ball mill cyclone packs. Repairs from the fire were completed on January 2, 2015 and the concentrator has returned to full production. Lower mining rates in Q4’14 reflect long-haul waste to the tailings facility to complete construction and lower equipment availability.

The concentrator performance improved through 2014 but was impacted by a series of post-commissioning issues, including failure of the rake blades in the tailings thickener in Q1’14, a thickener rake arm failure in Q3’14 and the Q4’14 concentrator fire.

Recoveries improved through 2014, driven by operational improvements and the increased ore grades as the mine developed through the high-grade core of the southwest zone in the last half of 2014.

Operational outlook

Based on the current mine schedule, Oyu Tolgoi is expected to produce 175,000 to 195,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates in 2015. Production from the high-grade core of the southwest zone is expected to recommence in mid-2015. The Company expects production distribution to be relatively similar to 2014 with production levels significantly higher in the second half of 2015. During January and February 2015, Oyu Tolgoi completed a planned shutdown to reline both SAG mills and undertake modification and improvement work. Contracts have been signed for 100% of Oyu Tolgoi’s expected 2015 concentrate production.

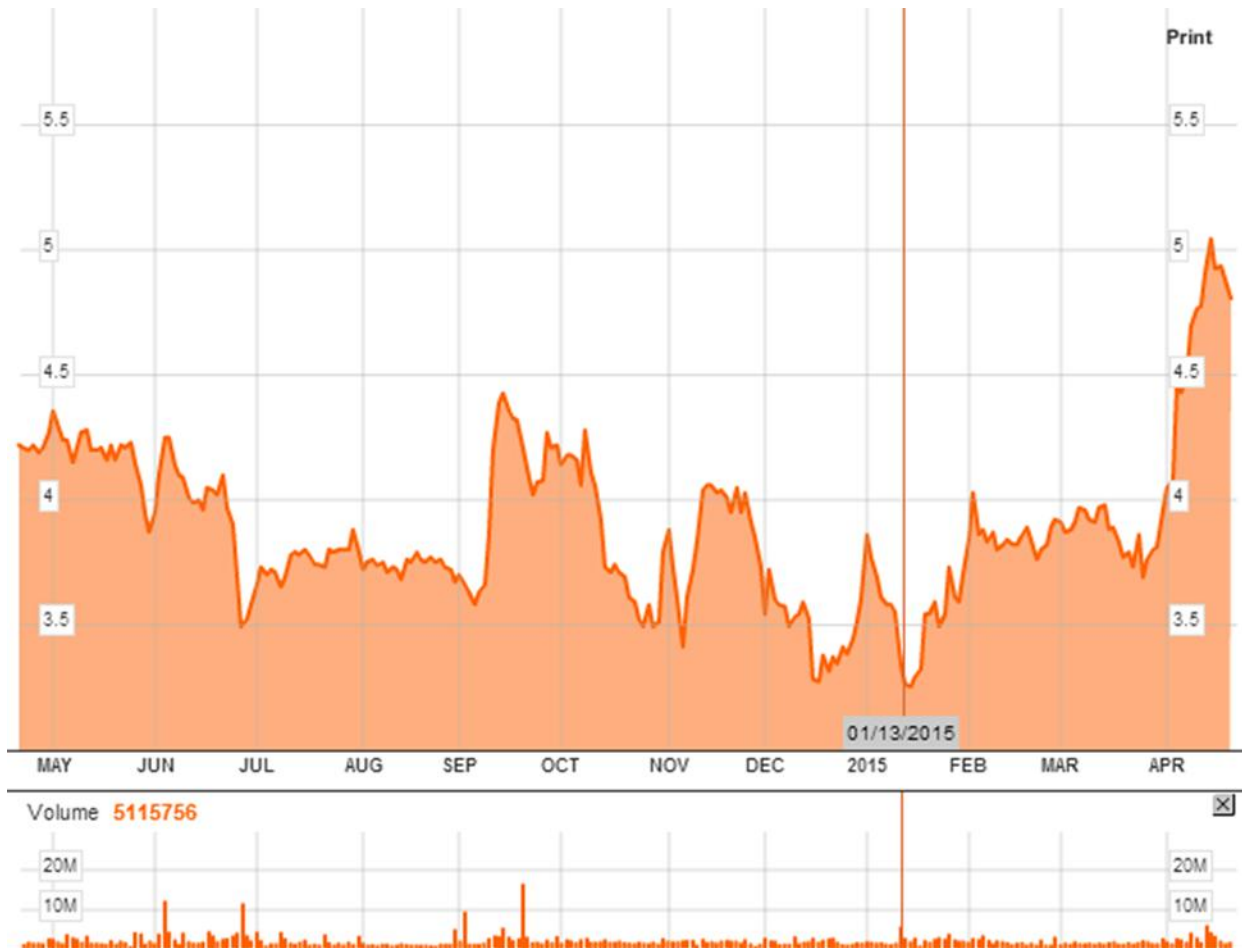
SELECTED QUARTERLY DATA
(\$ in millions of dollars, except per share information)

	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014
Revenue	634.1	466.0	436.0	108.0
Copper-gold concentrate				
Total revenue	634.1	466.0	436.0	108.0
Net income (loss) from continuing operations attributable to the Company	118.8	40.8	21.9	(40.5)
Loss from discontinued operations attributable to the Company	(7.5)	(79.4)	(12.3)	(10.1)
Net income (loss) attributable to the Company	111.3	(38.6)	9.6	(50.6)
Basic income (loss) per share attributable to the Company	0.06	0.02	0.01	(0.02)
Continuing operations				
Discontinued operations	0.01	(0.04)	(0.01)	(0.01)
Total	0.07	(0.02)		(0.03)
Diluted income (loss) per share attributable to the Company	0.06	0.02	0.01	(0.02)
Continuing operations				
Discontinued operations	0.01	(0.04)	(0.01)	(0.01)
Total	0.07	(0.02)		(0.03)



	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014
Revenue				
Copper-gold concentrate	51.5			
Total revenue	51.5			
Net income (loss) from continuing operations attributable to the Company	242.2	(65.3)	(43.3)	(35.9)
Loss from discontinued operations attributable to the Company	(103.8)	(28.8)	(62.1)	(15.0)
Net income (loss) attributable to the Company	138.4	(94.1)	(105.4)	(50.9)
Basic income (loss) per share attributable to the Company				
Continuing operations	0.19	(0.06)	(0.03)	(0.03)
Discontinued operations	(0.08)	(0.02)	(0.05)	(0.01)
Total	0.11	(0.08)	(0.08)	(0.04)
Diluted income (loss) per share attributable to the Company				
Continuing operations	0.19	(0.06)	(0.03)	(0.03)
Discontinued operations	(0.08)	(0.02)	(0.05)	(0.01)
Total	0.11	(0.08)	(0.08)	(0.04)

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