

# SAILINGSTONE CAPITAL PARTNERS

125 E Sir Francis Drake Blvd  
Larkspur, CA 94939

May 26, 2020

Dear Turquoise Hill Shareholder,

Given that Turquoise Hill Resources Ltd. (“TRQ” or “the Company”) is involved in a proxy contest, we are writing to inform you of our voting intentions at the Annual and Special Meeting which has been rescheduled for July 24, 2020.

Last year, we voted to WITHHOLD our support for each of the independent director nominees due to a lack of engagement and a lack of alignment with Turquoise Hill minority shareholders. Despite unequivocal backing from leading proxy advisory firms ISS and Glass Lewis, **each of the current independent director nominees received at least 50% WITHHOLD votes from minority investors who voted in 2019, with two director nominees receiving over 60% WITHHOLD.** This outcome leaves little room for debate about minority concerns regarding representation, engagement and alignment.

SUMMARY OF VOTES					
	Votes FOR	Votes WITHHELD	Minority Votes FOR*	% Minority FOR*	% Minority WITHHELD*
R. Peter Gillin	1,334,830,534	404,568,468	312,964,094	44%	56%
Russel C. Robertson	1,301,917,253	437,481,749	280,050,813	39%	61%
Maryse Saint-Laurent	1,298,586,450	440,812,552	276,720,010	39%	61%

\* Assumes Rio Tino voted FOR all nominees – 1,021,866,440 shares

Despite the Board’s claim that it “engag(ed) with some of our large minority shareholders prior to undertaking certain key decisions” in 2019, we can confirm, having been part of those conversations, that the actions taken by the Board were largely perfunctory. While we acknowledge that the Board has increased its outreach efforts in recent years, and while we always appreciate the opportunity to engage in dialogue with the individuals whom we pay to represent our interests, the discussions in which we participated felt more like box-ticking exercises than an effort to find common ground among stakeholders.

Far more damning, in our opinion, is the total lack of alignment where it matters most – in the directors’ shareholdings. None of the independent director nominees who were on the Board in 2019 purchased a *single* share between March 13, 2019 and March 18, 2020. Furthermore, despite being awarded hundreds of thousands of dollars of Deferred Share Units (“DSU”) each year, it appears that their current ownership generally is worth *less* than what they received in 2019 alone.

SUMMARY OF OWNERSHIP						
	Stock Ownership		DSU Ownership		DSU Value	
	3/12/2019	3/18/2020	3/12/2019	3/18/2020	2019 Grant	Current Ownership
R. Peter Gillin	30,000	30,000	232,558	389,788	C\$250,000	C\$210,486
Russel C. Robertson	0	0	249,418	482,358	C\$250,000	C\$260,473
Maryse Saint-Laurent	20,800	20,800	61,590	124,480	C\$100,000	C\$67,219

\* Per 2019 Proxy Circular (3/18/20 five-day VWAP on TSX – C\$0.54)

Due to the lack of substantive engagement and lack of alignment with minority shareholders, we continue to believe that the following nominees are not deserving of our support, and as a result we will vote **WITHHOLD** for the following independent director nominees:

- R. Peter Gillin
- Russel C. Robertson
- Maryse Saint-Laurent

We will vote **FOR** newly nominated independent director nominee George R. Burns, as he is qualified to replace Jim Gill, who abruptly resigned from the Board just prior to the mine delay and cost over-run disclosure in July 2019.

Shareholder representation on a board is a central principle of corporate governance, and not one which should be easily dismissed. Rio Tinto has negotiated and enforced specific rights to protect their investment and activities including the ability to appoint non-independent, non-executive directors, which we acknowledge. However, the current by-laws of the TRQ Board preclude any participation by minority investors in determining their representation due to the majority vote clause enacted by the Board in 2013. While we recognize the unique and complex nature of corporate governance at TRQ, the consistent refusal by the Board to engage in discussions to improve minority representation and input is unacceptable. It highlights either potential or real conflicts of interest, a conclusion which is only reinforced by the lack of a meaningful ownership stake from any of the existing independent directors. As a result, we will vote **FOR**:

- Matthew Halbower as an independent director nominee
- the Minority Shareholder Representation Proposal (item 5, Shareholder Proposal 1 on the TRQ Proxy and item 2 on the Gold Proxy)

In terms of compensation and management structure, we have been in discussions with the Board for the last several years to determine mutually acceptable solutions which increase TRQ management capacity and independence and which improve the alignment of TRQ management with all shareholders. On this front, we are pleased with the progress that has been made, including moving all executive officers to direct employment contracts with the Company, the introduction of an Absolute Return hurdle to the Performance Share Unit calculation (perhaps this should be applied to the independent directors' DSU's as well), and the limitation of time-vesting Restricted Share Units to 25% of long-term performance compensation. While there is more to be done, we recognize the progress made in this regard and as a result will vote **FOR**:

- the Say-on-Pay Advisor Resolution

Furthermore, we are encouraged by the efforts of CEO Ulf Quellmann and the rest of the management team to improve transparency and engagement with all stakeholders of TRQ and Oyu Tolgoi. Owning an asset that is being operated and developed by your majority shareholder is not straightforward. We commend TRQ management for listening to minority shareholders and increasing staffing levels and leveraging third party consultants to provide truly independent input into the overall decision-making process. In addition, Mr. Quellmann is the only member of the Board who acquired stock in the Company over the reported time frame. We will vote **FOR**:

- Ulf Quellmann as a non-independent director

In summary, it is clear from TRQ's share price that the market has been extremely disappointed with the cost overruns and delays at Oyu Tolgoi, which we contend are the direct result of the current flawed

corporate governance structure. In addition, we remain concerned that despite being paid millions of dollars of fees in cash and in kind, the incumbent independent directors have purchased stock worth less than C\$50,000 at today's price and did not acquire a single share in the most recent annual reporting period. Yet, these same directors continue to claim that they somehow are aligned with shareholders. As frustrating as this may be, the fact remains that Turquoise Hill owns one of the most important, highest quality natural resource deposits in the world. Unfortunately, that reality is not reflected in the stock.

The next two critical developments that will enable TRQ's share price to converge with Oyu Tolgoi's intrinsic value are finalizing the mine plan and securing the lowest cost financing arrangements that can be obtained. Of absolute importance, both the proposed interim financing and permanent financing must be the most attractive option available to Turquoise Hill and cannot be driven by shareholder agendas or any other considerations.

At times like this, with immediate "catalysts" on the horizon, it is tempting to overlook the importance of basic corporate governance standards. The reality is that proper representation and alignment is the **only** way to protect the long-term interests of all Turquoise Hill stakeholders. Therefore, to summarize our intentions on the items in dispute, we are voting **WITHHOLD** for the following independent nominees:

- R. Peter Gillin
- Russel C. Robertson
- Maryse Saint-Laurent

We are voting **FOR** the following nominees and proposals:

- George R. Burns
- Ulf Quellmann
- Matthew Halbower
- Minority Representation Shareholder Proposal
- Advisory Say-on-Pay

We urge other minority shareholders to carefully consider whether their best interests are being served by the incumbent independent directors, and to vote in accordance with those conclusions.

Given the incredible asset quality of Oyu Tolgoi, a structurally supportive long-term commodity backdrop, improving Mongolian government relations and the unparalleled valuation discrepancy that exists today, we remain committed, long-term owners of TRQ. We ask only that our Board representatives act in accordance with their dual mandate as fiduciaries - duty of care and duty of loyalty - and that minority shareholders are provided with the board representation that they deserve as owners.

Sincerely,

SAILINGSTONE CAPITAL PARTNERS