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Sales revenue by copper in concentrates (US$million)
Sales revenue by gold in concentrates (US$million)
Sales revenue by silver in concentrates (US$million)
Concentrate produced (Dry metric tonnes, 000’s)
Concentrate sold (Dry metric tonnes, 000’s)

The year at a glance

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In 2015, Oyu Tolgoi was injury-free for 345 out of 365 days. An all injury Frequency Rate of 0.33 makes it one of the best safety performers across the Rio Tinto Group.

Education and training investment

Education and training are major focus areas for Oyu Tolgoi. In 2015, Oyu Tolgoi invested US$3.2 million in education and training programmes.

Taxes, fees, and other payments

Oyu Tolgoi paid US$315 million in taxes, fees and other payments to the Government of Mongolia in 2015, an increase about the US$248 million paid in 2014.

Sustainable development projects in the South Gobi community

Oyu Tolgoi continues to invest in sustainable long term projects, spending US$6.8 million in 2015.

National procurement

Oyu Tolgoi collaborated with approximately 989 suppliers in 2015, of which 633 were national businesses. Spend with national suppliers accounted for 51 per cent of total operations procurement spend.
The Oyu Tolgoi team began 2015 with an ambitious plan to drive a step-change in efficiency and productivity at all levels of the business. Every decision we took in delivering this plan was in pursuit of our mission to, together, deliver a safe and globally competitive copper business. As the year progressed, these ambitions became an urgent and practical necessity as the entire global mining industry suffered the most challenging market conditions for many years. We are proud of the entire Oyu Tolgoi team for rising to these challenges, and demonstrating levels of safety, commitment, and resilience that are remarkable in such a young operation.

This review contains a summary of the many areas of accomplishment the Company delivered in 2015 and our focus for the coming year. These accomplishments included mine and mill records, which were progressively broken month after month, the safe removal of significant cost from the business, the signing of a Cooperation Agreement with our partner communities in the South Gobi, improving our engagement with stakeholders, and delivering excellent safety and environmental performances.

Safety, of course, remained ahead of all other considerations. The team ended the year with a solid performance in terms of numbers, and made great progress in the full implementation of Critical Risk Management across the business, among other health and safety programmes. But looking past the statistics and progress, there were still significant safety incidents and near misses that serve as a reminder to the entire team of the need to redouble our efforts in embedding a strong and lasting safety culture in every corner of the business.

This is particularly important as we potentially face an even more challenging year ahead. Copper prices are expected to remain low for the near to medium term, while gold grades in the open pit are projected to drop off in the latter half of 2016. The team will need to once again execute an ambitious plan to safely do more with less.

Despite these challenges, the year ahead also holds a significant opportunity with the anticipated start of construction of the underground mine. It will be critical to instil the strong culture emerging in the current operation, woven from our values as a company, into the fabric of the underground development.

We thank our stakeholders for continued support in strengthening the business, and we have full confidence that this team will, once again, deliver a strong performance in 2016.
Company profile

Oyu Tolgoi LLC is jointly owned by Turquoise Hill Resources Ltd (66 per cent) and Erdenes Oyu Tolgoi LLC (34 per cent). Erdenes Oyu Tolgoi is wholly owned by the Government of Mongolia. Since 2010, Rio Tinto has managed Oyu Tolgoi on behalf of all shareholders.

The Oyu Tolgoi mine site is approximately 550 kilometres south of Ulaanbaatar and 80 kilometres north of Mongolia’s border with China. The Oyu Tolgoi deposit was discovered in 2001.

Oyu Tolgoi is currently an open pit only operation with a concentrator and support infrastructure to process 100,000 tonnes of ore per day. In 2015, Oyu Tolgoi’s shareholders signed the Underground Mine Development and Financing Plan (UDP), laying out the roadmap for the start of development of the Hugo North Lift 1 underground deposit, followed in December 2015 by a Project Financing agreement with 20 international banks and financial institutions.

Development of the underground mine is anticipated to take five to seven years and to make Oyu Tolgoi one of the top five producers of copper in the world.

Oyu Tolgoi sells its copper-gold concentrate to international customers through a combination of long-term and spot contracts.

In 2015, Oyu Tolgoi focused relentlessly on improvements to safety, efficiency, and productivity, aimed at driving down costs in response to challenging market conditions and positioning the operation as a globally competitive, low-cost producer.
Oyu Tolgoi was guided throughout the year by the company’s vision, mission, values, and strategic focus, known as Our Vision, Our Future. Introduced to the business at the start of 2015, Our Vision, Our Future encompasses a plan to deliver a safe and globally competitive copper business which contributes to the prosperity of Mongolia and provides an appropriate return to shareholders.

Oyu Tolgoi has four values, which guide our behaviour and approach to doing business.

These are respect, integrity, teamwork, and accountability.

Our Vision, Our Future also identifies five strategic areas, covering the focus of the business. This review is divided into each of these areas, providing a summary of business performance against them.
Financial performance

During 2015, Oyu Tolgoi earned sales revenue of US$1,635 million (2014: US$1,736 million) from sales of 819.8 thousand tonnes (kt) of concentrate with metal content of 201.3kt copper, 736.6 thousand ounces (koz) thousand gold and 1,157.8koz silver (2014: 185.8kt copper, 561.1koz gold and 1,093.1koz silver).¹

Sales revenue decreased despite higher sales volumes in 2015 compared to 2014, as metal prices declined from US$6,359 per tonne at the end of 2014 to US$4,702 per tonne at the end of 2015 for copper, and gold prices declined from US$1,199 per troy ounce at the end of 2014 to US$1,062 per troy ounce at the end of 2015.

Annual average gross profit margin increased from 23 per cent in 2014 to 33 per cent in 2015 due to productivity and efficiency improvements and cost saving initiatives; however, as the year progressed, the margin experienced consistent downward pressure due to significant declines in the global copper price throughout 2015.

Working capital is an important metric for operating performance used by the management of Oyu Tolgoi. Working capital decreased to US$117 million in 2015, from US$205 million in 2014, mainly due to the improved shipment and collection of concentrate which led to lower inventory and deferred revenue.

Selected financial data for the year ended 31 December 2015

<table>
<thead>
<tr>
<th>US$m</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>1,635</td>
<td>1,736</td>
</tr>
<tr>
<td>Gross profit margin (%)</td>
<td>33</td>
<td>23</td>
</tr>
<tr>
<td>Capital expenses</td>
<td>126</td>
<td>165</td>
</tr>
<tr>
<td>Taxes, fees, and other payment</td>
<td>315</td>
<td>248</td>
</tr>
<tr>
<td>National procurement expenses</td>
<td>291</td>
<td>301</td>
</tr>
<tr>
<td>Profit/(Loss) after financing</td>
<td>(269)</td>
<td>(382)</td>
</tr>
</tbody>
</table>

and collection of concentrate which led to lower inventory and deferred revenue.

Positive operating cash flow, which was strengthened as the result of productivity and efficiency improvements and cost savings initiatives, was partially reinvested in the operation as US$126 million in capital spending (2014: US$165 million) and also utilised in repaying existing shareholder loans. In 2015, the Company repaid US$482 million, including US$150 million in interest from existing shareholder loans (2014: US$250 million, including US$74 million in interest). A loss before tax of US$269 million was recorded for 2015 (2014: US$382 million).

¹ Financial information has been extracted from the audited financial statements of Oyu Tolgoi LLC for the year ended 31 December 2015 and 2014, prepared in accordance with International Financial Reporting Standards ("IFRS") and other internal sources. The audited financial statements are prepared on the basis of Oyu Tolgoi LLC as a standalone entity and may not align completely with figures presented to shareholders of Turquoise Hill Resources following consolidation and any other centrally held adjusting items.

**Underground Mine Development and Financing Plan**

In May 2015, Oyu Tolgoi, the Government of Mongolia, Turquoise Hill Resources, and Rio Tinto signed the Underground Mine Development and Financing Plan (UDP), providing a framework to start the development of the underground mine project. Within the framework, a number of agreements and letters were signed and those resulted in the following:

» Oyu Tolgoi’s five per cent sales royalty paid to the Government of Mongolia will be calculated on gross revenues by not allowing deductions for the costs of processing, freight differentials, penalties or payables. The re-calculation of royalty for the period from commencement of shipment in July 2013 to April 2015 resulted in an additional royalty payment of US$17 million to the Mongolian state budget in June 2015.

» A Tax Settlement Agreement was signed between Oyu Tolgoi and the Government of Mongolia on 18 May 2015, and Oyu Tolgoi agreed, without accepting liability and without creating a precedent to pay the amount of the determination by way of settlement, to resolve the tax matter, and the remaining payment of US$22 million was fully settled before 30 June 2015.

» In 2003, Turquoise Hill acquired a 2% net smelter royalty (NSR) from BHP Billiton. The enforceability of the royalty was challenged by the Assistant General Prosecutor of Mongolia under Mongolian law. Turquoise Hill conceded that it has no entitlement to receive payment. Therefore, the NSR of US$45 million accrued but not paid for the period October 2013 to April 2015 was reversed in May 2015.

» The Management Services Payment (MSP), the rate applied to capital costs of the underground development, will be three per cent instead of six per cent, as provided by the 2011 Amended and Restate Shareholders’ Agreement. The MSP rate on operating cost and capital related to current operations remains at six per cent.

**Underground Project Finance**

As a result of the UDP, Oyu Tolgoi signed a US$4.4 billion Project Finance agreement with banks and financial institutions in December 2015 to fund construction of the Hugo North Lift 1 section of the underground mine. The Project Finance facility will be funded by Export Development Canada, the European Bank for Reconstruction and Development, the International Finance Corporation (IFC), the Export-Import Bank of the United States, the Export Finance and Insurance Corporation of Australia and commercial lenders comprising BNP Paribas, ANZ, ING, Société Générale, Sumitomo Mitsui Banking Corporation Europe, Standard Chartered Bank, Canadian Imperial Corporate and Investment Bank, Crédit Agricole, Intesa Sanpaolo, National Australia Bank Ltd, Natixis, HSBC, The Bank of Tokyo-Mitsubishi UFJ, KfW IPEX-Bank and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden. The Multilateral Investment Guarantee Agency (MIGA) provided political risk insurance for the commercial banks.

The facility consists of the following components:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Amount (US$b)</th>
<th>Term (years)</th>
<th>Annual interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Loan</td>
<td>0.8</td>
<td>15</td>
<td>LIBOR + 3.78% pre-completion; LIBOR + 4.78% post-completion</td>
</tr>
<tr>
<td>Export Credit Agencies Loan</td>
<td>0.9</td>
<td>14</td>
<td>LIBOR + 3.65% pre-completion; LIBOR + 4.65% post-completion</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>13</td>
<td>US Ex-Im at fixed rate of Commercial Interest Reference Rate based on US Treasury rates; determined at time of first disbursement</td>
</tr>
<tr>
<td>MiGA Insured Loan</td>
<td>0.7</td>
<td>12</td>
<td>LIBOR + 2.65% pre-completion; LIBOR + 3.65% post-completion</td>
</tr>
<tr>
<td>B Loan</td>
<td>1.6</td>
<td>12</td>
<td>LIBOR + 3.4% pre-completion; LIBOR + 4.4% post-completion Includes $50 million 15-year loan at A Loan rate</td>
</tr>
</tbody>
</table>
As part of the Project Finance agreements, Rio Tinto has agreed to provide a completion support undertaking in favour of the project finance lenders. In consideration for providing completion support, and as contemplated by previous agreements, Oyu Tolgoi and Turquoise Hill Resources have agreed to pay Rio Tinto an annual completion support fee equal to 2.5 per cent of the amounts drawn under the facility, of which 1.9 per cent is payable by Oyu Tolgoi and 0.6 per cent is payable by Turquoise Hill Resources. The annual completion support fee will apply to funding used for facility fees and taxes at initial drawdown, as well as amounts used to fund development. The obligation to pay a completion support fee will terminate on the date Rio Tinto's completion support obligations to the project lenders terminate. The all-in Project Finance interest rate for Oyu Tolgoi, including upfront and ongoing fees, as well as the annual completion support undertaking fee, is LIBOR plus six per cent.

The Project Financing facility provides for interest only payments for the first five years and is then structured on a stepped amortization schedule for the remaining life of the facility. The parties have agreed to a debt capacity of US$6.0 billion for Oyu Tolgoi, providing the option for an additional US$1.6 billion of supplemental debt in the future.

Cost savings programmes

In December 2013, Oyu Tolgoi’s Business Improvement team initiated the “Cash Generation Office” programme, with the aim of identifying and executing initiatives designed to reduce costs across the business. In April 2015, the programme was replaced with the “Strength in Numbers” (SIN) programme, which is designed to identify initiatives that cover all cash value drivers to the business, including commercial and procurement work, operational and productivity improvements, reductions in sustaining and development capital, optimisation of working capital, and revenue enhancement through marketing activities. The combined initiatives from both programmes to the end of December 2015 have resulted in ~US$400 million in savings being implemented, at a ~US$310 million annualised run rate, of which ~US$210 million of these initiatives were generated in the 2015 financial year.

Supply chain

Oyu Tolgoi continues to support and develop a local, quality-assured supply chain, and more than 64 per cent of our suppliers were either National or South Gobi based companies in 2015 (2014: 63 per cent). During 2015, we maintained spend with locally owned Mongolian suppliers at 51 per cent of total procurement spend (2014: 51 per cent). Oyu Tolgoi spent US$291 million with National companies (2014: US$301 million) and US$66 million (2014: US$42.5 million) with South Gobi based companies.

Focus for 2016

- Cost awareness and cost reduction
- Capital management
- Working capital management
- Completion of conditions precedence for Project Finance drawdown
- Completion of restart preparation of integrating the underground mine project finance requirements in Oyu Tolgoi
Globally competitive operations

2015 objectives

• Production of 175,000-195,000 tonnes of copper in concentrates and 600,000-700,000 ounces of gold in concentrates
• Improvement on 2014 metal production with increase in concentrator milling rates and accelerated mining rates from the open pit utilising the existing fleet of haul trucks

Performance

The global mining industry faced a very challenging year of steep and steady declines in commodity prices which had a significant impact on Oyu Tolgoi. From 2014, the Company began an ambitious plan to safely deliver a step-change in productivity and efficiency throughout the business.

Any mining business transitioning from construction to operations faces a challenge to drive down the cost of production and stretch the operation to become a globally competitive, low cost producer. But for Oyu Tolgoi the changing market conditions intensified the urgency of these efforts. In February, the business shipped its one millionth tonne of concentrate to international markets, and then reached 1.5 million tonnes (Mt) of cumulative shipments only eight months later in September. These milestones were the result of numerous productivity and efficiency initiatives at every level of the business, through mining, milling, logistics, and marketing.

Production of 202kt of copper in concentrates exceeded Turquoise Hill Resources’ market guidance, and gold in concentrates production of 656koz met guidance range for the year. This was facilitated by a significant increase in mining material mined, from 92Mt in 2014 to 102Mt in 2015, and a significant increase in the concentrator milling rate, from 27.9Mt in 2014 to 34.5Mt in 2015. In addition, the Tailings Storage Facility (TSF) construction programme for 2015 was completed well ahead of schedule.

The mining rate increase was delivered by ongoing high equipment availability and improvements in equipment productivity. These productivity improvements included a low-cost extension of haul truck trays to increase payload and recruitment of additional mine personnel to operate equipment during meal breaks and shift changes. There were also improvements in geotechnical engineering and mine planning processes that supported increased mining performance.

A range of initiatives supported the step-change in concentrator milling performance. These included continuing improvements in maintenance practices, higher intensity blasting and finer crushing of the ore feed to the mill, control system automation, improved grinding media quality, and an additional metal removal system ahead of the pebble crushers.

Turquoise Hill Resources’ market guidance for production of copper in concentrates in 2016 is 175kt to 195kt and gold in concentrates of 255koz to 285koz, with the majority produced in the first half of the year. The reduction in gold compared to 2015 is the result of mining in lower-grade gold areas and processing lower-grade stockpiled ore.

Focus for 2016

- Ongoing fatality prevention focus, further activities to manage geotechnical risk, and further maintenance initiatives to prevent major fixed plant equipment failure
- Initiatives to further improve maintenance practices and control system automation
- Increasing the mining rate, supported by further improvements in geotechnical engineering, mine planning, and equipment productivity
- De-bottlenecking capital projects such as cyclone feed pump and TSF booster pump upgrades, to increase equipment reliability and capacity
Caring for our people and environment

2015 objectives

- Zero fatalities or permanent damage injuries, and an All Injury Frequency Rate (AIFR) target of 0.44 per 200,000 work hours
- Extend the Critical Risk Management programme across all areas of the business with firm focus on fatality and permanent injury prevention
- Introduce a Process Safety Management system at the Concentrator and Central Heating Plant as part of hazard awareness and risk management.
- Water recycling rate at or above 80 per cent target
- Complete 100 hectares of biological rehabilitation as part of strategic water and land management
- Continued focus on the wellbeing of the workforce

Performance

Oyu Tolgoi’s commitment to working together with our communities and stakeholders to maintain safety and environmental practices at the highest international standards was all the more important during 2015, as we experienced the dual pressures of challenging market conditions and pursuing a step-change in efficiency and productivity. Rather than compromising on our core values, these pressures were used as catalysts to focus more closely on meeting our commitments.

Safety remained at the core of every initiative and task undertaken, and all safety incidents were used as learning opportunities in order to prevent reoccurrence. We continued to develop and embed standards, procedures and programmes, and display leadership behaviours, to enhance our safety culture.

These efforts delivered a good safety performance in 2015 with an AIFR of 0.33 per 200,000 work hours. This was a significant improvement in performance compared to the 2014 AIFR of 0.47. We also performed better than the Rio Tinto group performance target of 0.44. There was also a notable reduction in significant incidents compared to 2014, decreasing from 45 to 37 in 2015.

As planned, the Critical Risk Management programme – focusing on managing the risks that can lead to fatalities or permanent, damaging injuries – was fully
embedded across all areas of the business. Key to the programme’s success is the task of verifying that risks have been properly identified and controlled in work areas prior to the start of work tasks. During the year, 34,458 verifications were conducted, driven by strong leadership engagement in the field.

In the latter part of 2015, Oyu Tolgoi also commenced its Health Critical Risk Control programme to manage potentially fatal health and serious disabling illness risks through the application of engineering controls, wherever possible, to reduce those risks as much as is reasonably practicable.

This work was further enhanced by the embedding of Process Safety Management and occupied building programmes. These programmes were part of proactive initiatives to protect against possible catastrophic events. Contractor safety forums continued to be held to ensure our contractors commit to our health, safety, and environment practices. A successful HSE Business Conformance re-certification audit maintained our ISO 14001 and OHSAS 18001 certifications for a third year.

In the area of environmental management, biological rehabilitation continued to progress positively, especially in understanding the many parameters of successful rehabilitation in the South Gobi. During the year, 298.3 hectares received biological rehabilitation and 1,492.4 hectares underwent technical rehabilitation. In addition, Oyu Tolgoi, along with our local partners, completed the third year of an anti-poaching project which, early results suggest, holds great promise in delivering significant gains for biodiversity offsets.

Oyu Tolgoi ended 2015 with another year of stellar performance from a water usage perspective, with water use per tonne of ore processed significantly below the sector average, a powerful example of how performance improvements in operations result in good performance outcomes in health, safety, and environment. The operation consistently beat its target recycling rate of 80 per cent, averaging 85.5 per cent for the year.

Focus for 2016

» Strengthen safety efforts across the business, in particular Critical Risk Management, with no fatalities or permanent damage injuries

» Proactively protect against possible catastrophic events through the continued implementation of Process Safety Management at the concentrator and Central Heating Plant

» Deliver water recycling at or above target

» Complete 100 hectares of biological rehabilitation and pilot biodiversity offset programmes in the South Gobi

» Continue to focus on the well-being of the workforce through a number of health programmes, including full implementation of the Critical Risk Management, ergonomic and manual handling control programme, fatigue management, and health education programmes
Skilled workforce continuously learning

2015 objectives

- Ongoing development of the national workforce, including strengthening of leadership and technical skills base
- Maintain the 90 per cent target for national employees (in 2015: 95 per cent)
- Establish labour productivity metrics for production and costs with targets of 41.6kt per full time equivalent (FTE) and US$51,200 per FTE
- Accelerate transition from “project delivery excellence” culture to “operations excellence” culture

Performance

As a Mongolian company competing in the global market, Oyu Tolgoi strives to develop our workforce to meet challenges and make the most of opportunities in a safety-focused work environment. Leadership development is a focus at every level of the business, and a culture of continuous learning and professional development is actively nurtured.

Oyu Tolgoi is proud of its diverse workforce, representing the best of Mongolia and the world. In 2015, more than 95 per cent of our workforce was Mongolian, with 21.7 per cent residents of the South Gobi region. International employees with specialised skills and expertise continued to compliment the team, but reduced by 42 FTE as skills transfer accelerated and expertise embedded in the business. In a challenging market environment, a clear area of focus for improving the business was safely achieving labour productivity improvement targets. Changes to organisational structure and scopes of work at every level of the business helped exceed targets, reaching 41.8kt per FTE and US$49,900 per FTE, respectively. This was further supported by corporate cultural change through improvements to leave, non-financial recognition, and service recognition policies.

Employee training and development efforts during 2015 included the Leader Toolkit programme and more than 60 thousand man hours of classroom and field training. Seven online training courses were newly created and seven General Agency for Specialized Inspection and Oyu Tolgoi training courses were consolidated to improve effective use of training hours. Additionally, Oyu Tolgoi’s apprentices passed their Cert II level of Trades Qualification and progressed towards Cert III levels in mechanical and electrical trades. The “Top Gun” training programme for open-pit operators also showed tangible and measurable improvement in skills, producing significant savings in fuel spending.

Focus for 2016

- “Fit for operating environment” organisational design implementation
- Resourcing strategy for operation and transition to underground employment
- Clarifying roles and performance expectations through development of effective job descriptions, skills competency, and career frameworks
- Continually improving productivity, culture, and development of our people
- Alignment with Rio Tinto remuneration and Human Resources practices
Achieving with our stakeholders

2015 objectives

- Finalise the Cooperation Agreement and commence implementation
- Establish a formal tri-partite community engagement body in Khanbogd to replace the IFC Ombudsman Office
- Strengthen engagement and partnership with local, national, and international stakeholders
- Comply fully with internal and external requirements and commitments, including key permits in support of ongoing operations and underground mine development

Performance

As Oyu Tolgoi has made the transition to full operations, our community of stakeholders have joined us in shaping a safe and globally competitive copper business. The success of the business depends on our neighbours and partners, and we continued in 2015 to strive to earn their support and goodwill by demonstrating humility and showing, rather than telling, our level of commitment and engagement.

The anticipated ramp-up of construction of the underground mine, at a time when the business is facing severe market and resource constraints, will present significant challenges in 2016 as we seek to meet the expectations of our stakeholders. During 2015, Oyu Tolgoi made progress in several areas to ensure that a solid foundation is in place to build lasting and resilient stakeholder relationships even in challenging times.

The Cooperation Agreement (CA) signed by the Umnugobi aimag government, the Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad soum governments, and Oyu Tolgoi LLC, on 22 April 2015 established a critical foundation for the future. The agreement sets out how the parties will work together towards sustainable development in important areas such as water, environment, pastureland management, cultural heritage, tourism, local business development and procurement. As an important element of the Investment Agreement and the Minerals Law, the main goal of the CA is to provide a strong governance structure for Oyu Tolgoi and local communities to achieve more effective cooperation and address mutual commitments.
As part of on-going efforts to establish robust systems that facilitate constructive dialogue and effective action on concerns raised by the community, the Tripartite Council (TPC), consisting of representatives from herders and the authorities of Khanbogd soum and Oyu Tolgoi LLC, was established through a Memorandum of Understanding and charter in June 2015. This replaces the IFC Ombudsman Office complaint resolution process. The TPC meets every two months, or more often when required.

Oyu Tolgoi made significant progress on several community infrastructure projects during the year. These included construction of the Community Interaction Centre in Khanbogd, the 5.1km transmission line to connect Khanbogd and Bayan-Ovo soums to the central grid, and the Manlai soum sports hall. The Company restored 11 wells utilised by herders. Construction on the Khanbogd bulk water supply project and preparation work for the Khanbogd-Oyu Tolgoi-Javkhlant road also commenced.

The Resettlement Action Plan was updated by independent experts during the year, and all one-off entitlements were delivered to affected herders, while the transition strategy was developed. The vulnerable households support project was also implemented jointly with Khanbogd soum authorities. The Company directly led or participated in several socio-economic programmes, including organising a local contractors’ fair and establishing health facilities and initiatives, which had a direct positive impact on the populations of the communities surrounding the mine.

Beyond the local community, Oyu Tolgoi continued to refine our approach to engaging with stakeholders and creating opportunities for them to tell our story. This included a reset of workforce engagement away from mass communications, and towards face-to-face interaction between leaders and their teams, focusing on sharing the latest business updates and key areas of focus for the future. This was also extended to external stakeholders with an emphasis on two-way communication, encouraging candid and constructive assessments of what we are doing right and what we can do better.

Oyu Tolgoi has the potential to be a multi-generational project, and it is essential we establish and cultivate a shared vision for the project which will stand the test of time. This will require continuous effort and commitment, as partnerships strengthen and change over time.

Focus for 2016

» Delivering real benefit from the Cooperation Agreement by operationalising the Gobi Oyu Development Support Fund
» Achieving broad based, positive community impact by fulfilling our prior commitments before developing new ones
» Further improving integrated and unified stakeholder practices across the business by refining internal and external stakeholder engagement management approaches
» Proactively managing community engagement related to the development of the underground mine
Driving strategic growth

Even as Oyu Tolgoi weathered challenging market conditions, we are looking to the future—making decisions today to generate opportunities for tomorrow. The anticipated start of development of the underground mine is the most obvious opportunity in the near term, but our efforts also include developing new markets for our products, finding new channels to those markets, and ensuring effective development and expansion of necessary infrastructure.

Developing new markets

Over the course of 2015, Oyu Tolgoi continued to diversify and develop its markets and successfully completed several trial shipments. The first trial shipment was made via Vladivostok to Japan. Two additional trials to Japan, via Choir, and a direct shipment to a smelter in China were successfully completed by the end of 2015.

Exploration

In 2015, exploration focused on surface geological mapping and geochemical surveys over Khukh Khad (6710A) and Manakht (6708A) mining licenses to explore mineralization potential. Additionally, surface geophysical surveys have been conducted over the mining leaves in order to acquire high resolution baseline data which supports exploring mineral potential.

Border Road

The 85.7km road between Oyu Tolgoi and Tsagaan Khad was commissioned by the Ministry of Roads and Transportation (MRT) in January 2015. Due to the Government approval of a new rail line through the Gashuun Sukhait (GSK) border area, it has become necessary to change the road alignment for the remaining section from Tsagaan Khad to GSK border. The road alignment was redesigned parallel to the existing paved coal road built by Energy Resources in 2012 and now owned by Erdenes MGL, a state-owned company. The design also addressed the issues around the intersections at Tsagaan Khad and the border.

The final road feasibility study was presented to the MRT in July 2014, but not approved for commencement in 2015. Oyu Tolgoi obtained road alignment approval for the new 18.9km road between Tsagaan Khad and the GSK border from the MRT in April 2015, and obtained the road construction commencement permit in September 2015. Actual construction of the road began in September 2015, and is currently projected to be complete by November 2016. Oyu Tolgoi is currently in discussions with MRT and Erdenes MGL on transferring ownership of the road to the state once construction is completed.
Power Sector Cooperation Agreement

In August 2014, Oyu Tolgoi signed the Southern Region Power Sector Cooperation Agreement with the Government of Mongolia. This laid out the framework in 2015 for review of a broad range of power-related issues, including establishment of a domestic power generation source, transfer of ownership of the 220 kilovolt power transmission line (Oyu Tolgoi Substation to Mongolia-China Border) without cost to the National Power Transmission Group in November 2015, and an opportunity to review power imports for Southern Mongolia.

As outlined in the agreement, studies continued in 2015 to evaluate options for Oyu Tolgoi and the Government to jointly initiate an international tendering process to identify and select an independent power provider to privately fund, construct, own, and operate a power plant to supply electricity, with Oyu Tolgoi as the primary consumer. Full evaluation of the independent power provider option is expected to continue in 2016.

The agreement between the Government of Mongolia and Oyu Tolgoi states that in the period between the expiration of the Inner Mongolia Power International Corporation power purchase agreement in July 2017 and the commissioning of a domestic power source which meets Oyu Tolgoi’s power needs, the Government shall take responsibility to import and supply electricity to Oyu Tolgoi and endeavour to finalise appropriate agreements to import power.

Underground

The underground development is an critical expansion opportunity for the business which will require five to seven years to complete. Work continues toward completing the feasibility study, including the updated capital estimate and securing all necessary permits for the development of the underground mine. Once these steps have been completed, which is expected in the first quarter of 2016, the Company expects a formal ‘notice to proceed’ decision by the boards of Turquoise Hill Resources, Rio Tinto, and Oyu Tolgoi in the second quarter of 2016. Readiness activities for underground development restart took place throughout 2015, following the signing of the UDP.
Board of Directors

Oyu Tolgoi’s Board of Directors brings a vast range of expertise and experience to the decision making and oversight role of the board.

Batsukh Galsan
Chairman of the Board of Directors

Batsukh Galsan was appointed as the Chairman of the Board of Directors of Oyu Tolgoi LLC in June 2010. Ambassador Batsukh, until March 2010, served as ambassador-at-large for Mongolia’s Ministry of Foreign Affairs and Trade. He was Mongolia’s ambassador to Canada between 2001 and 2005, with additional accreditations to Peru, Brazil and Paraguay, and ambassador to China between 2005 and 2009, with additional accreditations to Australia, New Zealand, and Pakistan.

Andrew Woodley

Andrew Woodley was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in December 2014. Mr. Woodley joined Oyu Tolgoi in October 2014 as President and Chief Executive Officer. He comes to the role with over 19 years of experience with Rio Tinto in a range of mining, minerals processing, and smelting leadership and commercial roles. Prior to joining Oyu Tolgoi, he was Managing Director of Rio Tinto Coal Mozambique and Country Head for Rio Tinto in Mozambique. He has served as the Executive Assistant to the Chief Executive and Chairman of Rio Tinto.

Byambasaikhan Bayanjargal

Byambasaikhan Bayanjargal was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in August 2015. Mr. Byambasaikhan is the Chief Executive of Erdenes Mongol LLC, an investment holding company of the Government of Mongolia, which executes its 34 per cent ownership in Oyu Tolgoi LLC. He is a business executive with experience in infrastructure, energy and natural resources, having served as Chairman and Chief Executive of several leading Mongolian companies. He is a graduate of the National University of Mongolia and George Washington University.
Ganbold Davaadorj

Ganbold Davaadorj was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in September 2013. Mr. Ganbold is the Chief Executive Officer of Erdenes Oyu Tolgoi. He was the first Deputy Prime Minister of Mongolia and is a former Vice Mayor of Ulaanbaatar. His distinguished political career also saw him elected as a Parliament member for two terms, as the Chairman of Parliament’s Standing Committee on Economic Affairs and as the Chairman of the National Railways Authority.

Jeffery Tygesen

Jeffery Tygesen was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in December 2014. Mr. Tygesen is Chief Executive Officer of Turquoise Hill Resources, and he has spent more than 30 years with Rio Tinto in operational roles across multiple product groups, as well as technology and innovation and strategic planning. He holds a Bachelor of Science degree (Mining Engineering) and a Master of Science degree (Mining Engineering), both from the University of Utah. He is a member of the Society of Mining Engineering and the Institute of Corporate Directors.

Craig Kinnell

Craig Kinnell was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in September 2015. Mr. Kinnell currently serves as Chief Development Officer, Rio Tinto Copper and Coal, and is a member of the Product Group Executive Committee. Prior to this appointment, until November 2014, he was President and Chief Executive Officer of Oyu Tolgoi LLC, based in Ulaanbaatar. During his 30 year career with Rio Tinto, he has held a number of corporate positions and sat on the Boards and Board Committees of Rio Tinto businesses in 11 countries, across five continents.
Otgochuluu Chuluuntseren

Otgochuluu Chuluuntseren is Chief economist and Managing Director in the Office of the CEO of Erdenes Mongol LLC. A former advisor to the President of Mongolia, he has a strong academic and professional background in economics and business management. In prior roles he was Director General of the Ministry of Mining’s Department of Strategic Policy and Planning, Head of XAC Bank’s Market Research Unit and Director of the Economic Policy and Competitiveness Research Centre. He graduated with an undergraduate degree in economics from Dresden University, Germany in 2003, and has a Master’s degree in monetary policy from Frankfurt University.

Rowena Albones

Rowena Albones was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in September 2013. Ms. Albones is Chief Financial Officer of Rio Tinto’s Copper and Coal group. Since joining Rio Tinto in 1999, she has held various financial and commercial roles across the business. Her experience includes finance roles in operations as well as major project development and construction. She has also held leadership roles representing Rio Tinto in multiple joint ventures. Ms. Albones holds a Bachelor’s degree in Economics and Finance and a Master of Business Administration degree, both from Curtin University, Australia.

Steeve Thibeault

Steeve Thibeault was appointed as a member of the Board of Directors of Oyu Tolgoi LLC in October 2015. Mr. Thibeault is the Chief Financial Officer of Turquoise Hill Resources. He has more than 30 years of extensive financial and corporate experience. From August 2009 to May 2014, Mr. Thibeault was Chief Financial Officer of ASX-listed Energy Resources of Australia. Prior to that role, he held various mining and manufacturing roles with Rio Tinto Alcan and Alcan Aluminium Limited. Mr. Thibeault holds Bachelor’s degrees in Finance from Université du Québec à Chicoutimi and Accounting from École des Hautes Études Commerciales.

The above were members of the Board of Directors as of December 2015. The following also served as members during 2015:

» Temuulen Ganzorig served as a member of the Board of Directors until August 2015.
» Jean-Sébastien Jacques served as a member of the Board of Directors until September 2015.
» Stewart Beckman served as a member of the Board of Directors until October 2015.
CEO Team

The Oyu Tolgoi CEO Team is responsible for leading and managing the day-to-day running of the business, as well as developing financial and business strategies and corporate actions to drive the growth.

Andrew Woodley
*President and Chief Executive Officer*

Andrew Woodley joined Oyu Tolgoi in October 2014. His responsibilities cover all aspects of the Oyu Tolgoi business including safety, strategy, operations and growth initiatives. He has over 19 years of experience with Rio Tinto in a range of mining, minerals processing, and smelting leadership and commercial roles. Prior to joining Oyu Tolgoi, he was Managing Director for Rio Tinto Coal Mozambique and Country Head for Rio Tinto in Mozambique. He has served as the Executive Assistant to the Chief Executive and Chairman of Rio Tinto.

Steve Duggan
*Chief Financial Officer*

Steve Duggan joined Oyu Tolgoi in April 2014 as Chief Financial Officer. Steve is responsible for Oyu Tolgoi’s funding and cash management, planning and analysis with oversight of financial reporting, and the Oyu Tolgoi shared service functions, as well as having responsibility for legal, compliance and internal audit and information systems. Mr. Duggan has been with the Rio Tinto group for over 15 years, having held finance, commercial, and business improvement roles in both manufacturing and corporate environments in New Zealand, Australia, Wales, and Canada. He has a Bachelor of Commerce degree with First Class Honours from the University of Otago.

Nick Archer
*Vice President, External Affairs & Communications*

Nick Archer joined Oyu Tolgoi in May 2014 and is responsible for all of Oyu Tolgoi’s communications, including government relations, internal and external communications and reputation management. Mr. Archer has spent more than two decades working in politics, public relations, and crisis management advising companies, institutions, and governments in London, New York, Pune in India, and Amsterdam.
Stephen Jones
General Manager, Operations

Stephen Jones was appointed General Manager, Operations in June 2015 and is responsible for Oyu Tolgoi’s mining and concentrating operations. He joined Oyu Tolgoi in April 2014, and previously held the role of Oyu Tolgoi’s General Manager, Operations Support. Mr. Jones has nearly 20 years of experience within Rio Tinto, holding various production and support roles in Copper & Coal, Aluminium, Iron Ore, and Technology & Innovation in Australia, Canada, and the United States. He holds a Bachelor of Engineering degree from the University of Queensland, Australia and a Graduate Diploma of Management from Deakin University, Australia.

Kerrie Edwards
General Manager, Health, Safety, Environment, Security & Communities

Kerrie Edwards joined Oyu Tolgoi in April 2015. She is General Manager, Health, Safety, Environment, Security & Communities (HSESC) and is responsible for the development of Oyu Tolgoi’s health, safety, environment, and security strategy and for functional oversight of the Communities team. Before joining Oyu Tolgoi, Ms. Edwards worked at La Granja, Peru where she held Senior Manager positions in both Field Operations and HSES. She has strong leadership and technical competencies from more than 18 years of experience in HSE and iron-ore, copper and gold open-pit, and underground operations, including eight years with Rio Tinto.

Baigalmaa Shurka
General Manager, Communities

Baigalmaa Shurka joined Oyu Tolgoi in 2013 as General Manager, Regional Development and Social Performance. Ms. Baigalmaa is responsible for Oyu Tolgoi’s relationship with the communities of the South Gobi and the company’s community and regional development programmes. Before joining Oyu Tolgoi, she gained extensive experience across the Mongolian extractive industries, working with the Mongolian Mining Corporation and UHG. Ms. Baigalmaa holds a Master of Science in Civil Engineering from South Dakota School of Mines and Technology, a Master of Public Administration from the Mongolian University of Science and Technology, a Diploma of Civil Engineering from Irkutsk Polytechnical Institute and numerous professional and technical certifications.
Michael Gavin

*General Manager, People & Organisation*

Michael Gavin is General Manager, People & Organisation at Oyu Tolgoi. He is responsible for the ongoing development of the workforce and has a particular focus on culture and productivity. Areas of responsibility include HR business partnering, total reward programme, organisational design, workforce planning, labour relations, recruitment, training, and education programmes. Mr. Gavin joined Oyu Tolgoi in 2015, having worked for Rio Tinto since 2010. Prior to joining Rio Tinto, he held senior Human Resources management roles with multi-national companies in the mining and food processing industries. He holds an advanced diploma in Human Resources Management.
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