

CANADA

Class Actions Division
SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
No.: 500-06-001113-204

P [REDACTED] L [REDACTED], [REDACTED]
[REDACTED], province of
British Columbia, **[REDACTED]**;

Applicant

-vs-

TURQUOISE HILL RESOURCES LTD., a legal person incorporated pursuant to the laws of Yukon Territory, having domicile and head office located 1 Place Ville-Marie, Suite 3680, in the city and District of Montreal, Province of Quebec, H3B 3P2;

-and-

ULF QUELLMANN, residing and domiciled at 34 rue Quarry Point, in the city of Hudson, District of Beauharnois, Province of Quebec, J0P 1H0;

-and-

LUKE COLTON, having a professional domicile at 1 Place Ville-Marie, Suite 3680, in the city and District of Montreal, Province of Quebec, H3B 3P2;

-and-

BRENDAN LANE, having a professional domicile at 1 Place Ville-Marie, Suite 3680, in the city and District of Montreal, Province of Quebec, H3B 3P2

Respondents

**APPLICATION FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION AND
FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO
SECTION 225.4 OF THE QUÉBEC SECURITIES ACT**

**IN SUPPORT OF HIS APPLICATION FOR AUTHORIZATION, THE APPLICANT
RESPECTFULLY SUBMITS AS FOLLOWS:**

I. DEFINITIONS

1. In this document, in addition to the terms that are defined elsewhere herein or in the Québec Securities Act, the following terms have the following meanings:

- a. “**AIF**” means Annual Information Form;
 - b. “**Applicant**” means Mr. P [REDACTED] L [REDACTED];
 - c. “**Board**” means the board of directors of **TRQ**;
 - d. “**Bowley**” means whistleblower Richard Bowley;
 - e. “**CCP**” means the *Code of Civil Procedure*, CQLR c C-25.01;
 - f. “**CCQ**” means the *Civil Code of Quebec*;
 - g. “**CEO**” means Chief Executive Officer;
 - h. “**CFO**” means Chief Financial Officer;
 - i. “**Class**” and “**Class Members**” refer to the following group, other than the **Excluded Persons**:

all persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, purchased **TRQ’s** securities in the secondary market and held all or some of those securities until after one or both of the **Corrective Disclosure**, and who:

 - are residents in Canada or were residents in Canada at the time of such acquisitions regardless of the location of the exchange on which they acquired **TRQ’s** securities; or
 - acquired **TRQ’s** securities in the secondary market in Canada or elsewhere, other than in the United States;
 - j. “**Class Period**” means the period from **July 31, 2018** to **July 31, 2019**, inclusive;
 - k. “**Company**” means **TRQ**;
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- l. “**Corporate Disclosure Policy**” means **TRQ’s** Corporate Disclosure, Confidentiality and Securities Trading Policy;
 - m. “**Corrective Disclosures**” (each set being a “**Corrective Disclosure**”) means collectively: (1) the news release released by TRQ on July 15, 2019 and corresponding Material Change Report released by **TRQ** on July 24, 2019 communicated herewith as **Exhibits P-1 and P-2** respectively; and (2) the interim financial statements, **MD&A** and corresponding news release released by **TRQ** on July 31, 2019 communicated herewith as **Exhibits P-3, P-4, and P-5** respectively;
 - n. “**CSA**” means the Canadian Securities Administrators;
 - o. “**DC&P**” means Disclosure Controls and Procedures;
 - p. “**Disclosure Committee**” means the committee comprised of certain members of **TRQ’s** management that was responsible for overseeing TRQ’s disclosure practices;
 - q. “**Drawbells**” or “**Draw Bells**” (each being a “**Drawbell**” or “**Draw Bell**”) means the large rock funnels underneath the undercut that are created by blasting upwards from the upward sloping tunnels or “raises” leading to the haulage level underneath the main ore body, and which catch the crushed ore which is returned to the surface to be processed. The blasting of drawbell commences initial production at the underground **Mine**;
 - r. “**Duffy**” means whistleblower Dr. Maurice Duffy;
 - s. “**Equivalent Securities Acts**” means, collectively, the *Securities Act*, R.S.A. 2000, c. S-4, as amended; the *Securities Act*, R.S.B.C. 1996, c 418, as amended; *The Securities Act*, C.C.S.M. c. S50, as amended; the *Securities Act*, S.N.B. 2004, c. S-5.5, as amended; the *Securities Act*, R.S.N.L. 1990, c S-13, as amended; the *Securities Act*, S.N.W.T. 2008, c. 10, as amended; the *Securities Act*, R.S.N.S. 1989, c. 418, as amended; the *Securities Act*, S Nu 2008, c. 12, as amended; the *Securities Act*, R.S.P.E.I. 1988, c S-3.1, as amended; *Securities Act*, R.S.O. 1990, c. S.5, as amended; *The Securities Act, 1988*, S.S. 1988-89, c. S-42.2, as amended; and the *Securities Act*, S.Y. 2007, c. 16, as amended;
 - t. “**Excluded Persons**” means the **Respondents**, members of the immediate families of the **Individual Respondents**, any entity in which the **Individual Respondents** hold a controlling interest, the directors, officers, subsidiaries, affiliates of **TRQ** and its subsidiaries, and **Rio Tinto** and its directors, officers, subsidiaries and affiliates and entity in which Rio Tinto’s directors or officers held a controlling interest;
 - u. “**ICFR**” means internal control over financial reporting;
 - v. “**Impugned Documents**” (each being an “**Impugned Document**”) means the documents published by **TRQ** at the following times:
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- i. on July 31, 2018 on **SEDAR**, the interim financial statements for the three and six-month period ended June 30, 2018, communicated herewith as **Exhibit P-6**;
 - ii. on July 31, 2018 on **SEDAR**, the **MD&A** for the three and six-month period ended June 30, 2018, communicated herewith as **Exhibit P-7**;
 - iii. on July 31, 2018 on **SEDAR**, the **CEO** and **CFO** certifications on Form 52-109F2, communicated herewith as **Exhibits P-8** and **P-9** respectively;
 - iv. on July 31, 2018 on **SEDAR**, the news released titled “Turquoise Hill announces financial results and review of operations for the second quarter of 2018”, communicated herewith as **Exhibit P-10**;
 - v. on October 15, 2018 on **SEDAR**, the news released titled “Turquoise Hill announces third quarter 2018 production and provides underground development update”, communicated herewith as **Exhibit P-11**;
 - vi. on November 1, 2018 on **SEDAR**, the interim financial statements for the three and nine-month period ended September 30, 2018, communicated herewith as **Exhibit P-12**;
 - vii. on November 1, 2018 on **SEDAR**, the **MD&A** for the three and nine-month period ended September 30, 2018, communicated herewith as **Exhibit P-13**;
 - viii. on November 1, 2018 on **SEDAR**, the **CEO** and **CFO** certifications on Form 52-109F2, communicated herewith as **Exhibits P-14** and **P-15** respectively;
 - ix. on November 1, 2018 on **SEDAR**, the news released titled “Turquoise Hill announces financial results and review of operations for the third quarter of 2018”, communicated herewith as **Exhibit P-16**;
 - x. on or about November 2, 2018 on **TRQ’s** website, the presentation titled “Turquoise Hill: A Compelling Value Proposition”, communicated herewith as **Exhibit P-17**;
 - xi. on January 17, 2019 on **SEDAR**, the news released titled “Turquoise Hill announces fourth quarter 2018 production and 2019 operational guidance”, communicated herewith as **Exhibit P-18**;
 - xii. on or about January 17, 2019 on **TRQ’s** website, the presentation titled “A Leading Copper and Gold Producer, Developing the Next Tier-1 Copper Asset” given at the TD Securities Mining Conference held on January 16 to 17, 2019 by Ulf Quellmann, communicated herewith as **Exhibit P-19**;
 - xiii. on February 27, 2019 on **SEDAR**, the news release dated February 26, 2019 titled “Turquoise Hill announces 2019 financial guidance and provides
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- underground development update”, communicated herewith as **Exhibit P-20**;
- xiv. on March 14, 2019 on **SEDAR**, the **AIF** for the year ended December 31, 2018, communicated herewith as **Exhibit P-21**;
 - xv. on March 14, 2019, on **SEDAR**, the audited annual financial statements for the three and twelve-month period ended December 31, 2018, communicated herewith as **Exhibit P-22**;
 - xvi. on March 14, 2019 on **SEDAR**, the **MD&A** for the three and twelve-month period ended December 31, 2018, communicated herewith as **Exhibit P-23**;
 - xvii. on March 14, 2019 on **SEDAR**, the **CEO** certifications pursuant to 18 U.S.C. Section 1350 and the *Securities Exchange Act of 1934*, communicated herewith as **Exhibits P-24** and **P-25** respectively;
 - xviii. on March 14, 2019 on **SEDAR**, the **CFO** certifications pursuant to 18 U.S.C. Section 1350 and the *Securities Exchange Act of 1934*, communicated herewith as **Exhibits P-26** and **P-27** respectively;
 - xix. on March 14, 2019 on **SEDAR**, the news released titled “Turquoise Hill announces financial results and review of operations for 2018”, communicated herewith as **Exhibit P-28**;
 - xx. on March 14, 2019 on **SEDAR**, the management information circular dated March 13, 2019, communicated herewith as **Exhibit P-29**; and
 - xxi. on April 15, 2019 on **SEDAR**, the news release titled “Turquoise Hill announces first quarter 2019 production and provides underground development update”, communicated herewith as **Exhibit P-30**.
- w. **“Impugned Statements”** (each being an **“Impugned Statement”**) means collectively:
- i. the **TRQ** conference call conducted on August 1, 2018, a transcript of which is communicated herewith as **Exhibit P-31**;
 - ii. the **TRQ** conference call conducted on November 2, 2018, a transcript of which is communicated herewith as **Exhibit P-32**; and
 - iii. the **TRQ** conference call conducted on March 15, 2019, a transcript of which is communicated herewith as **Exhibit P-33**;
- x. **“Individual Respondents”** (each being an **“Individual Respondent”**) means collectively Ulf Quellmann (individually, **“Quellmann”**), Luke Colton (individually, **“Colton”**), and Brendan Lane (individually, **“Lane”**);
- y. **“MD&A”** means Management’s Discussion and Analysis;
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- z. **“Mine”** means **Oyu Tolgoi**;
 - aa. **“NEO”** means named executive officer;
 - bb. **“NI 43-101”** means the CSA’s National Instrument 43-101—*Standards of Disclosure for Mineral Projects*, as amended;
 - cc. **“NI 51-102”** means the CSA’s National Instrument 51-102—*Continuous Disclosure Obligations*, as amended;
 - dd. **“NI 52-109”** means the CSA’s National Instrument 52-109—*Certification of Disclosure in Issuers’ Annual and Interim Filings*, as amended;
 - ee. **“NYSE”** means the New York Stock Exchange;
 - ff. **“Operating Committee”** means the joint committee established by **Rio Tinto** and **TRQ** which gives the three directors each company nominates to the board of **Oyu Tolgoi LLC** their voting instructions. The **Operating Committee** is comprised of two nominees from each of **TRQ** and **Rio Tinto**, with a **Rio Tinto** nominee serving as chairperson of the **Operating Committee** and casting a vote in the case of a tie (effectively giving Rio Tinto final say over the decisions of the **Operating Committee**);
 - gg. **“Oyu Tolgoi”** means the copper-gold mine in the South Gobi region of Mongolia in which **TRQ** indirectly holds a majority interest through its ownership of **Oyu Tolgoi LLC**, and which is managed by **Rio Tinto** on behalf of **Oyu Tolgoi LLC**;
 - hh. **“Oyu Tolgoi LLC”** means the Mongolian company that owns and manages the **Oyu Tolgoi Mine**, which is a joint venture that is 66% owned by **TRQ** and 34% owned by a Mongolian state-owned company on behalf of the Government of Mongolia;
 - ii. **“Project Finance Facility”** means the \$4.4 billion credit facility entered into by **Oyu Tolgoi LLC** to fund the underground development of the **Oyu Tolgoi Mine**;
 - jj. **“Q1”**, **“Q2”**, **“Q3”** and **“Q4”** means the three-month interim period ended March 31, June 30, September 30, and December 31, respectively;
 - kk. **“QSA”** means the *Québec Securities Act*, CQLR C V-1.1, as amended;
 - ll. **“Respondents”** (each being a **“Respondent”**) refers to all defending parties collectively;
 - mm. **“Rio Tinto”** means collectively, Rio Tinto Plc and Rio Tinto Limited, which are two companies managed as a single economic unit, and which are collectively **TRQ’s** largest shareholder, holding a 50.8% ownership interest in the **Company**;
 - nn. **“SailingStone”** means SailingStone Capital Partners, a significant **TRQ** shareholder that repeatedly raised concerns about **TRQ’s** corporate governance
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and the lack of independence of **TRQ's** Board and senior management from **Rio Tinto**;

- oo. "**SEC**" means the United States Securities and Exchange Commission, the agency of the U.S. federal government tasked with *inter alia* regulating U.S. capital markets and protecting investors;
- pp. "**SEDAR**" means the system for electronic document analysis and retrieval of the **CSA**;
- qq. "**Shaft 2**" means the 10m diameter shaft sunk to a depth of nearly 1.3km under the surface of the ground at **Oyu Tolgoi** to accelerate the underground development project at the **Mine**, which was partly attributable for the delays with the project;
- rr. "**Soirat**" means Arnaud Soirat, the **CEO** of **Rio Tinto's** Copper & Diamonds Division, and a member of the board of directors of **Oyu Tolgoi LLC** alongside **Quellmann** and **Colton**;
- ss. "**Technical Committee**" means the joint committee established by **Rio Tinto** and **TRQ** to oversee and approve the underground development, operation and management of **Oyu Tolgoi**. Each of **Rio Tinto** and **TRQ** appoint two members to the **Technical Committee**, with the chair (who gets a casting vote only in case of a tie) being appointed by **Rio Tinto**, effectively giving **Rio Tinto** final say over the decisions of the **Technical Committee**;
- tt. "**TRQ**" refers to Turquoise Hill Resources Ltd.; and
- uu. "**TSX**" means the Toronto Stock Exchange.

II. INTRODUCTION

1) Overview of Proposed Action

- 2. This securities class proceeding concerns reporting issuer TRQ and its management publishing documents (the "Impugned Documents") and making public oral statements (the "Impugned Statements") containing misrepresentations and omissions of material facts, as well as failing to make timely disclosure of material changes, pertaining to the underground development project at TRQ's Oyu Tolgoi Mine;
 - 3. Specifically, the Respondents misrepresented and failed to make timely disclosure that the underground development project at Oyu Tolgoi would take years longer and cost over a billion dollars more than represented, and thus the net present value of the Mine was overstated and required an impairment;
 - 4. TRQ is a Canadian mining company focused on the operation and development of the Oyu Tolgoi copper-gold mine in Southern Mongolia, which at all relevant times was (and remains) the Company's principal and only material mineral resource property;
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5. The Oyu Tolgoi Mine was initially developed as an open-pit mining operation, but as part of the agreement process with the Government of Mongolia (which is 34% owner of the Mine), feasibility studies were presented to the Mongolian Government which included underground mining scenarios, and which would greatly increase the annual production at Oyu Tolgoi;
 6. At all times during the Class Period, TRQ represented that the expansion and development of the underground mine at Oyu Tolgoi was the Company's main focus and "the key to unlocking Oyu Tolgoi's full value";
 7. TRQ's controlling shareholder is Rio Tinto, which owns roughly 51% of the Company. Accordingly, Rio Tinto appoints 3 of the 7 members of TRQ's Board (including appointing TRQ's CEO) and hires all of TRQ's named executive officers ("NEOs") apart from the Company's CEO. Furthermore, Rio Tinto is also the manager of the Oyu Tolgoi Mine as well as the contractor for the underground construction, and as such is responsible for the day-to-day operational management and development of Oyu Tolgoi);
 8. This relationship between TRQ and its controlling shareholder has consistently given other major significant shareholders of TRQ cause for concern, as TRQ is wholly reliant on Rio Tinto for up-to-date technical information about the Oyu Tolgoi expansion, which is material to TRQ's other shareholders. To assuage the concerns of these minority shareholders, TRQ repeatedly represented that it was committed to transparency and had effective corporate governance, and that TRQ's board of directors (the "Board") and management had timely and adequate access to all technical information about the Oyu Tolgoi expansion and were providing accurate and complete disclosure about the project;
 9. In 2016, TRQ publicly released a feasibility study, and subsequently a technical report study pursuant to NI 43-101 for the Oyu Tolgoi Project (the "2016 Technical Report"), communicated herewith as **Exhibit P-34**. In these documents the Company represented to the investing public that:
 - a. the total cost to complete development of the underground project at Oyu Tolgoi would be USD \$5.3 billion;
 - b. initial production from the underground Mine would occur in mid-2020;
 - c. sustainable production would be achieved in the first quarter of 2021;
 - d. production ramp up would commence in early-2021;
 - e. construction of the underground development project would be completed by early-2022;
 - f. full production would be achieved in early-2027;
 - g. the net present value of Oyu Tolgoi, after taxes, using a discount rate of 8% for all years was U.S \$6.94 billion; and
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- h. the payback period for the mine would take until January 2025;
 10. TRQ and Rio Tinto continued to make these same representations for the next three years, including throughout the Class Period;
 11. However unbeknownst to the Class and the general investing public, as of February 2018, the former head of Strategic Projects in Mongolia for Rio Tinto's "Copper & Diamonds" business division, Richard Bowley, who was working on the underground expansion of Oyu Tolgoi, began repeatedly alerting senior executives of Rio Tinto about problems on the underground /expansion of the Mine (as reported in the *Financial Times* on March 23, 2020, communicated herewith as **Exhibit P-35**);
 12. On July 19, 2018, Mr. Bowley wrote to Rio Tinto's VP of Human Resources (Copper & Diamonds) warning that the project was USD \$300 million over budget and twelve months behind schedule (as reported in the *Financial Review* on November 12, 2019, communicated herewith as **Exhibit P-36**). At the time, TRQ's current-CEO, Ulf Quellmann, who was even then a director on TRQ's Board, was also simultaneously VP, Strategic Projects (Copper & Diamonds) for Rio Tinto (i.e. the same business division of Rio Tinto as the VP who Mr. Bowley contacted about the problems at Oyu Tolgoi);
 13. Not only did TRQ not release a material change report disclosing this material change to its principal and only significant resource property as it was required to, instead on July 31, 2018, TRQ publicly doubled down on its misleading disclosure, stating to the investing public that June 2018 had achieved a "record level" of underground development at Oyu Tolgoi and representing that:
 - a. initial production remained planned for mid-2020;
 - b. sustainable production remained planned for 2021;
 - c. construction at Oyu Tolgoi was expected to complete in 2022;
 - d. full production would be achieved by 2027;
 - e. the net book value of Oyu Tolgoi as at June 30, 2018 was USD \$8.05 billion;
 14. Possibly most egregious, despite the very specific warnings about delays and cost overruns with the underground expansion at Oyu Tolgoi being conveyed to Rio Tinto by Bowley just days prior, in this July 31, 2018 Impugned Document (communicated herewith as Exhibit P-7), TRQ explicitly stated that during the fourth quarter of 2017, Rio Tinto had undertaken a schedule and cost review and provided TRQ "with a high-level overview of the review's outcomes, in which Rio Tinto concluded there were no material changes in project scope, cost or schedule. Following analysis of [Rio Tinto's] review's conclusions, Turquoise Hill is in agreement with the findings." [emphasis added];
 15. Mr. Bowley continued to express concerns about the development and cost of the Oyu Tolgoi Project, sending an email in or about October 2018 to his local manager that there would be a "12-18 month delay in the underground project, with substantial cost
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implications” [emphasis added] (as reported in the *Financial Times* on February 16, 2020, communicated herewith as **Exhibit P-37**). He also outlined these concerns to the board of directors of Rio Tinto, who appoints TRQ’s CEO and nearly half of TRQ’s Board, and which employs all of TRQ’s NEOs apart from its CEO (including Colton and Lane).

16. Despite the repeated and very specific warnings from Mr. Bowley, throughout the Class Period, the Respondents continued to represent that the projections made in the 2016 Technical Report remained accurate. The Respondents did not at any point during the Class Period disclose that they knew or should have known that their repeated representations about the cost and schedule for the Oyu Tolgoi underground expansion were false and the project would cost over a billion dollars more and take years longer than the Respondents were publicly representing;
 17. Specifically, at all relevant times during the Class Period the Respondents made misrepresentations of material facts through affirmative false and/or misleading statements and omissions, as well as failed to make timely disclosure:
 - a. about the status of progress and completion of the underground development project, including specifically but not limited to updates about “Shaft 2”;
 - b. about the Mine design and that the key risks facing the underground development at Oyu Tolgoi were well understood and managed;
 - c. that initial production at Oyu Tolgoi would occur in mid-2020;
 - d. that sustainable production at Oyu Tolgoi would occur by the end of March 2021 (which was subsequently delayed in the middle of the Class Period to by the end of September 2021);
 - e. that construction of the underground development project would be completed by 2022;
 - f. that full production at the Mine would be achieved in 2027;
 - g. that the cost for the underground development project would be USD \$5.3 billion;
 - h. about how much the net present value of the Oyu Tolgoi Mine was, and that the net present value was based on management’s best estimates of expected future revenues and costs and no impairment was required;
 - i. that the payback period for the underground expansion of the Mine would be achieved by January 2025;
 - j. that TRQ would fund the development and financing of the underground project using the funds drawn down from the Project Finance Facility and
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would not need additional/incremental financing to sustain its underground development program;

- k. that the management of TRQ had increased direct participation in matters pertaining to Oyu Tolgoi underground expansion cost and scheduling, and had adequate technical information and updates about the underground expansion project of the Oyu Tolgoi Mine, including Board members periodically visiting the Mine;
 - l. that TRQ had effective corporate governance and that the Board and senior management of TRQ (much of whom were employees of Rio Tinto who were “seconded” to TRQ) were committed to transparency and robust corporate governance that mitigated any conflicts between TRQ and Rio Tinto, and were committed to serve the interests of TRQ and its shareholders (as opposed to the interests of Rio Tinto and its shareholders); and
 - m. that TRQ had a *Corporate Disclosure, Confidentiality and Securities Trading Policy* which contained measures to avoid selective disclosure, as well a *Code of Business Conduct* that was applicable to all employees, officers and directors and that required them to uphold their commitment to a culture of honesty, integrity, accountability, and the highest standards of professional and ethical conduct;
18. Mr. Bowley, whose position included assessing potential issues with the underground Mine and suggesting solutions, continued to warn senior executives of Rio Tinto of problems at the Project until January 2019, at which point Rio Tinto retained independent counsel Baker McKenzie to investigate his concerns. A couple of months later, Mr. Bowley’s employment contract with Rio Tinto was terminated with “immediate effect”, and Mr. Bowley filed an “unfair dismissal” claim against Rio Tinto with the UK Employment Tribunal (as reported in the *Financial Times*, communicated here at P-37);
 19. After roughly sixteen months of misrepresenting the development schedule and cost of the Oyu Tolgoi underground development while its controlling shareholder and the entity it paid to manage Oyu Tolgoi was in actual knowledge to the contrary, on July 15, 2019 TRQ publicly issued a news release, communicated herewith as Exhibit P-1, that announced *inter alia* that:
 - a. there were stability risks with the existing Mine design and the Mine design would need to be changed;
 - b. sustainable production would be delayed by 16 to 30 months and was now expected between May 2022 and June 2023 (rather than March 2021 as previously represented);
 - c. the reasons for the delay were the unexpected and challenging geotechnical issues and complexities in the construction of Shaft 2 (despite the Company’s past repeated representation that “[k]ey risks [of
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Oyu Tolgoi] were well understood and managed” and despite Shaft 2 being largely excavated at the beginning of the Class Period);

- d. the cost for the underground development project was expected to be USD \$1.2 to \$1.9 billion more than the USD \$5.3 billion that had been represented since 2016 (an increase in cost of between 23% to 36%);
 - e. the issues with the Mine design were so uncertain that that it would take until the second half of 2020 to develop a revised design for the Mine; and
 - f. although further work was necessary to reach definitive conclusions, TRQ was assessing the net book value of its investment in Oyu Tolgoi and would announce any changes, along with any adjustments to deferred tax in its results for Q2 2020 released at the end of July, 2019;
20. The next day after the release of this partial Corrective Disclosure, the price of TRQ’s common shares on the TSX dropped 43.2%, going from CAD \$1.39 to \$0.79 per share in one single day on more than 32 times the trading-volume of the prior day;
21. Then a couple weeks later on July 31, 2019, TRQ released its financial statements, MD&A and a corresponding news release for Q2 2019 (i.e. collectively, the final Corrective Disclosure), which are communicated herewith as Exhibits P-3, P-4 and P-5 respectively. This Corrective Disclosure repeated the corrections released on July 15, 2019 as well as making further disclosure about the status of the project, including that:
- a. initial production was now expected between October 2021 and September 2022 (as opposed to mid-2020 as previously represented – a delay of 16 to 30 months);
 - b. although not expressly disclosed, the aforementioned delays made it apparent that construction at Oyu Tolgoi would not be completed in 2022 nor would full production be achieved by 2027 as previously represented;
 - c. TRQ was taking a USD \$600 million impairment charge and a USD \$400 million difference in deferred tax asset recognition (relative to the same quarter a year prior) due to the delays and increased costs with the Oyu Tolgoi underground development project;
 - d. the Net Book Value of Oyu Tolgoi was USD \$9.04 Billion (rather than the expected USD \$9.64 that it would have been absent the impairment);
 - e. the Company was recording a net loss of USD \$736.7 million in Q2 2019 compared to a net profit of \$204.4 million in Q2 2018, with the principal reason being the aforementioned \$600 million impairment charge and the other reason being the aforementioned \$400 million different in deferred tax asset recognition, both of which “were impacted by the Company’s update on the Oyu Tolgoi underground project”;
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- f. TRQ was taking a “deferred tax de-recognition adjustment” of \$252.8 million in the quarter, which “was primarily due to updated operating assumptions in mine planning during the period, resulting primarily from timing of sustainable first production noted above as well as the revised estimates of underground development capital”; and
 - g. given the estimated impacts of the increases to underground development costs as well as delays to first sustainable production, TRQ no longer had enough funds on hand to complete the underground expansion project expects to now need incremental financing to sustain its underground development beyond 2020;
22. The next day after the release of this final Corrective Disclosure, the price of TRQ’s common shares on the TSX dropped another 8.0%, going from CAD \$0.75 to \$0.69 per share. Overall between July 15 to August 1, 2019, the stock price of TRQ dropped by over 50% due to the correction of the previously released misrepresentations, eliminating roughly CAD \$1.41 billion of market capitalization for TRQ’s shareholders in just thirteen trading days;
23. Shaft 2, which was partly attributable for the delays, was first began to be sunk underground in 2011, and was largely excavated before the beginning of the Class Period, as announced by TRQ in January of 2018. In the interim, the Company dug out many kilometres of lateral development at the Oyu Tolgoi mine. Yet the Respondents did not disclose the severe mine design issues and up to USD \$1.9 billion in additional project costs until the end of the Class Period;
24. In fact, near the end of the Class Period on March 15, 2019 after the Respondents had just announced a minor delay to sustainable first production, Quellmann even stated that the Company had “identified some higher level of risks to the schedule” months prior, but inexplicably had simply chose to omit disclosure of those risks (as communicated herewith in Exhibit P-33);
25. Despite initially publicly representing that Mr. Bowley’s claim with the UK Employment Tribunal was without merit and that Rio Tinto would “vigorously defend” against the claim, on September 30, 2020 Rio Tinto settled with Mr. Bowley for an undisclosed amount as reported in the *Financial Review* on September 29, 2020, communicated herewith as **Exhibit P-38**);
26. After the end of the Class Period, it came to light that another whistleblower, Dr. Maurice Duffy had also repeatedly warned the board of directors of Rio Tinto of reporting and ethical issues pertaining to the Oyu Tolgoi project, and that the the independent so-called investigation commenced in January 2019 by Rio Tinto’s outside counsel Baker McKenzie into the problems raised by Mr. Bowley, “excluded information known by [Dr. Duffy’s consulting firm] about Mongolia since 2017” (as reported in the *Financial Review* on July 27, 2020 and in the *Financial Times* on November 10, 2020 communicated herewith as **Exhibits P-39** and **P-40** respectively);
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2) The Parties

a. The Applicant

27. Mr. P [REDACTED] L [REDACTED] is a retiree who resides in [REDACTED], British Columbia;
28. In reliance on the information contained in some or all of the Impugned Documents and/or the Impugned Statements, as well as his belief that TRQ was making timely disclosure of all material changes in its affairs, on July 3, 2019, Mr. [REDACTED] L [REDACTED] purchased 5000 TRQ securities, at an average price of CAD \$1.612 per share for a total of CAD \$8,0599.99 (including \$9.99 in transaction fees), the whole as appears from the record of this transaction, a copy of which is communicated herewith as **Exhibit P-60**;
29. Mr. [REDACTED] L [REDACTED] continued to hold these shares until after the end of the Class Period, thereby suffering damages when the release of the Corrective Disclosures removed the artificial inflation in TRQ's stock price;

b. Respondent TRQ

30. TRQ is a corporation formed under the laws of the Yukon Territory, which is headquartered in Montreal, Québec. TRQ is a reporting issuer in Québec and all other provinces and territories of Canada. TRQ's principal regulator is the Autorité des marchés financiers ("AMF"). At all times relevant to this action, TRQ's majority shareholder was Rio Tinto, which held (and continues to hold) a 50.8% equity ownership interest in TRQ;
 31. TRQ's common shares are publicly-listed for trading on the TSX and the NYSE under the ticker symbol "TRQ", as well as other secondary market trading venues elsewhere;
 32. TRQ holds itself out as "an international mining company focused on the operation and further development of the Oyu Tolgoi copper-gold mine in southern Mongolia, which is the Corporation's principal and only material mineral resource property." At all times relevant to this action, the Oyu Tolgoi Mine was TRQ's only material asset. As such all material developments regarding the mine were material to TRQ's overall business and operations;
 33. As a reporting issuer in Québec, TRQ was required during the Class Period to issue and file with the AMF and SEDAR:
 - a. interim and annual financial statements;
 - b. MD&As coinciding with the financial statements explaining how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects;
 - c. AIFs, which are annual disclosure documents intended to provide material information about the Company and its business at a point in time in the context of its historical and future development and which
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must describe the Company, its operations and prospects, risks, and other external factors that impact the Company specifically; and

- d. CEO and CFO certifications attesting that the aforementioned disclosure documents fairly and accurately disclosed the business and operations of the Company and were free from misrepresentations or omissions that would make the documents misleading;

34. TRQ is also a registrant with the United States SEC and files its disclosure documents through the SEC's filing system, EDGAR;

c. Individual Respondent Quellmann

35. Ulf Quellmann has been TRQ's CEO since August 1, 2018 and a director on its Board since May 12, 2017. He has also been a director of Oyu Tolgoi LLC since September 2018, alongside the CEO of the Copper & Diamond Division at Rio Tinto, Arnauld Soirat, who has also been a director of Oyu Tolgoi LLC since September 2018;
36. In his capacity at TRQ's CEO, Quellmann certified each of the Impugned Documents that are quarterly and annual disclosures of TRQ that were released after July 31, 2018, and signed the AIF released on March 14, 2019;
37. Prior to being appointed CEO by Rio Tinto on August 1, 2018, Quellmann was simultaneously a director on TRQ's Board and part of the management of Rio Tinto's Copper & Diamond Division (acting as the Division's CFO from 2016 to 2018 and then a Vice President in the Division in 2018 until August 1, 2018);
38. Quellmann was simultaneously both a director on TRQ's Board and a VP of Rio Tinto's Copper & Diamond Division during February to July of 2018 when whistleblower Richard Bowley was notifying the management of the Copper & Diamond Division of the delays and cost overruns at Oyu Tolgoi;
39. As of August 1, 2018 and at all times after that, Quellmann was a member of TRQ's Disclosure Committee, which was responsible for overseeing TRQ's disclosure practices;
40. At all times relevant to this action, Quellmann was not "independent" from Rio Tinto, as defined under applicable securities regulations, due to acting as an officer of Rio Tinto;

d. Individual Respondent Colton

41. Luke Colton has been seconded by Rio Tinto to act as TRQ's CFO since October 9, 2017 and also served as the Company's interim-CEO from July 1, 2018 until August 1, 2018 when he was replaced by Quellmann. Colton has also been a director of Oyu Tolgoi LLC since April 2018, subsequently joined by Quellmann and Soirat in September 2018;
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42. In his capacity either as CFO or interim-CEO (or both), Colton certified every single Impugned Document that was a quarterly or annual disclosure of TRQ, and signed the AIF released on March 14, 2019;
43. At all times relevant to this action, Colton was a member of TRQ's Disclosure Committee, which was responsible for overseeing TRQ's disclosure practices;
44. Prior to being seconded to TRQ, Colton was employed at Rio Tinto from 2004 until September 2017. At all times relevant to this action, Colton was not "independent" from Rio Tinto, as defined under applicable securities regulations, due to acting as an officer of Rio Tinto;

e. Individual Respondent Lane

45. Brendan Lane was seconded by Rio Tinto to act TRQ's Vice-President, Operations and Development from February 1, 2016 until his departure in or after March of 2019. As Vice-President, Operations and Development of TRQ, Lane was responsible for monitoring and reviewing the underground development of Oyu Tolgoi. At all times relevant to this action, Lane was a NEO of TRQ;
46. In his capacity as Vice-President, Operations and Development, Lane made statements alleged to contain misrepresentations on TRQ's conference calls held on August 1, 2018 and November 2, 2018;
47. At all times relevant to this action, Lane was a member of TRQ's Disclosure Committee, which was responsible for overseeing TRQ's disclosure practices;
48. From 2013 to January 2017, Lane was the Minera Escondida Limiteada and Grasberg Finance Director at Rio Tinto (Copper & Diamonds), and he previously held other positions at Rio Tinto. At all times relevant to this action, Colton was not "independent" from Rio Tinto, as defined under applicable securities regulations;

III. THE FACTS AND EVENTS OUT OF WHICH THIS ACTION ARISES

1) The Relationship Between TRQ and Rio Tinto

49. On or about July 30, 2012, Rio Tinto, which was already Ivanhoe Mines' (as TRQ's was then-named) largest shareholder and already appointed 7 of the 14 directors on Ivanhoe Mines' Board, purchased another USD \$935 million worth of Ivanhoe Mines' shares, putting its total interest in the company to roughly 51%. As part of the conditions to provide the additional funding, Rio Tinto required that Ivanhoe Mines change its name (which it did in August of 2012, to "Turquoise Hill Resources Ltd."), and its founder step down as the Company's CEO (which he did);
 50. Rio Tinto has anti-dilution rights that permit it to acquire additional securities of TRQ so as to maintain Rio Tinto's controlling proportionate equity interest in TRQ. Consequently at all times relevant to this action, Rio Tinto beneficially owned approximately 50.8% of
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all of the issued and outstanding common shares of TRQ, giving it control over the Company;

51. At all times relevant to this Action, three out of the seven directors on TRQ's Board, including TRQ's CEOs (first Colton, then Quellmann), were not "independent" from Rio Tinto, as defined under applicable securities regulations. As majority shareholder, Rio Tinto appoints the CEO of TRQ;
52. At all relevant times, all of the NEOs of TRQ apart from Quellmann were "secondees" of Rio Tinto. This means that all NEOs aside from Quellmann were employed by Rio Tinto and then appointed by TRQ to their respective executive officer positions at TRQ. As such, the base salary, incentive award opportunities, awards based on reaching certain objectives and milestones, employee benefits, and all other remuneration of all of the NEOs of TRQ aside from Quellmann were established by Rio Tinto in "secondment agreements" reached between each NEO and Rio Tinto directly (and not TRQ). Rio Tinto would then charge the cost of such salaries and benefits back to TRQ. Before Quellmann became CEO of TRQ on August 1, 2018, all of the NEOs of TRQ (including the interim-CEO, Colton), were seconded to TRQ by Rio Tinto;
53. Rio Tinto and TRQ have established a joint committee (the "Technical Committee") to oversee and approve the underground development, operation and management of Oyu Tolgoi. The Technical Committee consists of two members appointed by Rio Tinto, two members appoints by TRQ, and a chair appointed by Rio Tinto. The chair of the Technical Committee has a casting vote in the case of a tie (effectively giving Rio Tinto final say over the decisions of the Technical Committee);
54. Rio Tinto and TRQ have also established another joint committee (the "Operating Committee") which gives the three directors each company nominates to the board of Oyu Tolgoi LLC their voting instructions. The Operating Committee is comprised of two nominees from each of TRQ and Rio Tinto, with a Rio Tinto nominee serving as chairperson of the Operating Committee. All decisions of the Operating Committee, other than decisions in respect of certain defined "special matters", require a majority vote of the members, with the chairperson casting a vote in the case of a tie (once again effectively giving Rio Tinto final say over the decisions of the Operating Committee);

2) The Project Finance Facility

55. In December of 2015, Oyu Tolgoi LLC entered into a \$4.4 billion credit facility to fund the underground development of the Oyu Tolgoi Mine (the "Project Finance Facility"). The Project Finance Facility was provided by a syndicate of international financial institutions and export credit agencies representing the governments of Canada, the U.S. and Australia, along with fifteen commercial banks;
 56. In order to facilitate the \$4.4 billion Project Finance Facility, Rio Tinto provided "completion support", which allocated risk based on capabilities. The sovereign risk is absorbed by the international lending syndicate, while Rio Tinto accepts the risk of Mine development;
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57. In consideration for providing completion support, Rio Tinto is compensated an annual fee equal to 2.5% of the amounts drawn under the Project Finance Facility by TRQ. This is in addition to the hundreds of millions of dollars that Rio Tinto has charged TRQ for management service payments for the Oyu Tolgoi Mine;
58. As even further compensation for the Project Finance facility and the completion support provided by Rio Tinto, TRQ signed a financing support agreement with Rio Tinto dated December 15, 2015 (the "Financing Support Agreement", communicated herewith as **Exhibit P-41** and described in a Material Change Report communicated herewith as **Exhibit P-42**). Among other rights, this Financing Support Agreement gives Rio Tinto the right to force TRQ to engage in an equity offering (thereby diluting TRQ's other shareholders apart from Rio Tinto itself) if circumstances occur which:
 - a. affects or could reasonably be expected to affect TRQ's ability to meet its obligations under the guarantees it provided to guarantee certain debts owed by Oyu Tolgoi LLC; or
 - b. gives rise to an event of default or completion default under the agreements entered into in connection with the Project Finance Facility;
59. Essentially, the Financing Support Agreement gives Rio Tinto the ability to dilute and punish all TRQ shareholders for delays and cost overruns caused by its own mismanagement at the Oyu Tolgoi Mine. In such a circumstance, TRQ has the right to propose an alternative financing proposal to Rio Tinto, but that proposal may require Rio Tinto's consent to implement;

3) The Oyu Tolgoi Mine

60. Oyu Tolgoi, which means "Turquoise Hill" in Mongolian, is a copper-gold mining project in Mongolia, located roughly 50 miles north of Mongolia's border with China. Once at full capacity, the mine is expected to be the third largest copper mine in the world, estimated to be able to produce more than 500,000 tonnes of copper (worth over CAD \$4.4 billion at today's prices) each year;
 61. The Oyu Tolgoi Mine is owned by Oyu Tolgoi LLC, which is a joint venture between TRQ and the Government of Mongolia. TRQ owns 66% of Oyu Tolgoi LLC (and thereby the Mine), with the other 34% owned by a Mongolian state-owned company on behalf of the Mongolian Government. TRQ has agreed to fund the Mongolian Government's equity stake and pro-rata share of development capital for the Oyu Tolgoi Mine, which is to be repaid from future cash flows once the underground mine is commissioned;
 62. Rio Tinto manages the operation at the Oyu Tolgoi Mine on behalf of TRQ and the Mine's other owner (the government of Mongolia), and is also the underground construction contractor for Oyu Tolgoi. As such, Rio Tinto has the timeliest, most "on-the-ground" details about the operations at Oyu Tolgoi, and is the party most directly responsible for the USD \$1.2 to \$1.9 billion cost overrun at Oyu Tolgoi;
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63. Despite being the party with the greatest ownership interest in Oyu Tolgoi with a 66% stake, TRQ has only five employees and no permanent presence at the Oyu Tolgoi Mine;
64. In 2011, Oyu Tolgoi LLC completed an Integrated Development and Operating Plan for Oyu Tolgoi, and commenced the sinking of Shaft 2;
65. In August of 2013, development of the underground mine at Oyu Tolgoi was halted due to certain disputes between TRQ, Rio Tinto and the Government of Mongolia including approval of a feasibility study for the project by the Mongolia Minerals Council and agreement of a comprehensive funding plan for the underground development project;
66. By May of 2015, the significant issues between TRQ, Rio Tinto and the Government of Mongolia were largely resolved, and in May of 2016 TRQ announced that Oyu Tolgoi LLC had received formal notice of approval to proceed from the Board of TRQ, and each of the boards of Rio Tinto and Oyu Tolgoi LLC, which was the final requirement for the re-start of the underground development project, and as part of that process, the 2016 Feasibility Study had been completed;
67. Construction of the underground development project began in mid-2016 and was estimated to be completed by 2022;

4) Whistleblower Richard Bowley

68. Richard Bowley was the former head of Strategic Projects in Mongolia for Rio Tinto's Copper & Diamonds division, who was working on the expansion of Oyu Tolgoi between 2017 and 2019;
 69. Part of Bowley's job at Oyu Tolgoi entailed assessing potential issues with the underground Mine and suggesting solutions;
 70. Bowley alerted senior executives of Rio Tinto about the problems relating to the Oyu Tolgoi underground development beginning in February of 2018;
 71. As reported by the *Financial Times* at Exhibit P-37, Bowley's warnings continued throughout 2018, including a written warning to a VP of Human Resources for the Rio Tinto Copper & Diamonds Division in July of 2018 and an email to his local manager in October of 2018;
 72. He continued to press the issues at Oyu Tolgoi with Rio Tinto executives – including raising his concerns with the board of directors of Rio Tinto (which appoint TRQ's CEO and nearly half of its Board) – until January 2019 when Rio Tinto finally retained independent counsel, Baker McKenzie, to launch an investigation into Mr. Bowley's warnings;
 73. Mr. Bowley alleges that Rio Tinto intentionally delayed for over a year after he first alerted the company of the cost overruns and delays to disclose these facts to the public, and during this time Rio Tinto intentionally misled investors. In a public statement reported on by the *Financial Times* at Exhibit P-35, Mr. Bowley revealed that:
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I indicated [delay] to the schedule in the early part of 2018, which would lead to serious risk related to capital required to complete the project. This risk only grew throughout 2018, but was not disclosed to investors ... Clear evidence exists through the project reporting, email correspondence and other documents [that] Rio Tinto were fully aware of the delays to the project and the effects these would cause.

74. In March of 2019, Mr. Bowley was fired by Rio Tinto, which he claims was retaliation for pressing the issues pertaining to the underground development of Oyu Tolgoi internally at Rio Tinto. He filed an unfair dismissal claim against Rio Tinto with the U.K. Employment Tribunal;
75. In March of 2020, it was reported by numerous news outlets including the *Financial Times*, communicated herewith as P-35, that Mr. Bowley had filed whistleblower complaints with financial regulators in several countries, including the SEC in the United States and the U.K. Serious Fraud Office;
76. Although Rio Tinto issued a statement that Mr. Bowley's claim before the U.K. Employment Tribunal was without merit and that Rio Tinto would vigorously defend against the claim, Rio Tinto confirmed in September of 2020 that it had reached a settlement with Bowley of his unfair dismissal claim just days before Mr. Bowley's hearing before the U.K. Employment Tribunal was set to begin (as reported in the *Financial Review* communicated herewith as Exhibit P-38);
77. In September of 2020, it was reported by various news outlets (including the *Financial Times* and the *Whistleblower News Network*, communicated herewith as **Exhibits P-43** and **P-44** respectively) that the SEC was examining Rio Tinto stemming from Mr. Bowley's claims, and were examining the allegations that Rio Tinto was aware of the problems with the underground development project at Oyu Tolgoi months before publicly acknowledging that the project was delayed and substantially over budget;

5) Whistleblower Dr. Maurice Duffy

78. Dr. Maurice Duffy is a performance coach for executives, who has coached leading executives for large corporations around the world. His company, GFI Blackswan had a twelve-year relationship with Rio Tinto, and Dr. Duffy personally provided leadership development services to Rio Tinto's executives for twelve-years until 2017, when GFI Blackswan terminated its contract with Rio Tinto;
 79. As reported in the *Financial Review* and the *Financial Times* at Exhibits P-39 and P-40 respectively, in a November 26, 2019 letter emailed by Dr. Duffy to Rio Tinto's board of directors, its CEO, its entire executive committee, its external counsel Baker McKenzie, and some its large institutional shareholders, Dr. Duffy revealed that GFI Blackswan had terminated its £1m-a-year consultancy contract with Rio Tinto because of "serious misgivings about unethical behaviour";
 80. Dr. Duffy revealed that before his company had terminated its consultancy contract in 2017, he had reported "multiple, unprofessional [and] unethical behaviours" by Rio's
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most senior executives to the then-chairman and members of the board, “who took no action”;

81. In this same November 2019 email, Dr. Duffy further revealed that the independent so-called investigation commenced in January 2019 by Rio Tinto’s outside counsel Baker McKenzie into the problems raised by Mr. Bowley, “excluded information known by [Blackswan] about Mongolia since 2017”;
82. Dr. Duffy also revealed that prior to ending the consultancy agreement, he had reported “the potential overstatements that [Blackswan] were informed of in Mongolia and Mozambique, which we first informed [Rio Tinto] of in 2017.” For context, in October of 2017, Rio Tinto’s then-CEO and CFO were charged with fraud by the SEC “for inflating the value of coal assets” in Mozambique;
83. In another email sent to Rio Tinto’s board of directors in January 2019, Dr. Duffy complained that “[w]e have informed your organisation many times since 2017 that we have information that might be pertinent on some legal and ethical grounds”;
84. Dr. Duffy subsequently submitted his allegations to various financial regulators, including the SEC, which have been examining his claims;
85. It was first reported in July of 2020 that Rio Tinto had reached a confidential settlement with Dr. Duffy, which included a non-disclosure clause;

6) The Material Disclosures

a. Prior to the Start of the Class Period

86. On **May 6, 2016** prior to the commencement of the proposed Class Period, TRQ filed a news release on SEDAR dated May 5, 2016 (communicated herewith as **Exhibit P-45**), announcing that a feasibility study had been completed for the Oyu Tolgoi mine (the “Feasibility Study”) and disclosed select “highlights” from the Feasibility Study. Among these highlights, it was represented that:
 - a. the cost to complete the development of the underground project at Oyu Tolgoi would be USD \$5.3 billion; and
 - b. construction was to take five years, with first underground production in 2021 and a five to seven year ramp up period to full production;
 87. Construction of the underground development project began in mid-2016.
 88. On **October 21, 2016**, TRQ publicly released the 2016 Technical Report pursuant to NI 43-101 for the Oyu Tolgoi Project communicated herewith as Exhibit P-34. The 2016 Technical Report actually made slightly more optimistic representations regarding the construction timeline for Oyu Tolgoi, representing among other things that:
 - a. the total cost to complete development of the underground project at Oyu Tolgoi would be USD \$5.3 billion;
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- b. the “First Drawbell” would be blasted (resulting in initial production) in mid-2020;
 - c. production ramp up (after initial production) would commence in early-2021;
 - d. sustainable production would be achieved in the first quarter of 2021;
 - e. the conveyor to surface system would be commissioned (and thus construction of the underground development project would be completed) by early-2022;
 - f. that full production of 95,000 tonnes per day would be achieved in early-2027;
 - g. the net present value of Oyu Tolgoi, after taxes, using a discount rate of 8% for all years was U.S \$6.94 billion; and
 - h. the payback period for the mine would be eight-years from the start of 2017 (or until 2025);
89. On **January 22, 2018**, TRQ announced the completion of the sinking of Shaft 2, including reaching final depth, shaft bottom, mass excavation and concrete floor installation, supposedly “marking an early milestone in the development progress” (communicated herewith as **Exhibit P-46**);
90. On **February 1, 2018**, well before the proposed Class Period began, significant TRQ shareholder SailingStone Capital Partners (“SailingStone”) released a public letter raising concerns about the corporate governance issues that existed at TRQ in relation to Rio Tinto and the fact that TRQ’s shareholders received all technical information through Rio Tinto, a copy of which letter is communicated herewith as **Exhibit P-47**. This letter prophetically raised warnings about the harm that could befall TRQ’s shareholders due to TRQ’s unreasonable deferral to Rio Tinto to provide technical updates about the underground development project to TRQ’s shareholders:

... we remain concerned about corporate governance, given the potential for conflicts of interest which exist between Rio Tinto (“Rio”), your majority shareholder and the operator of Oyu Tolgoi, and the minority shareholders of Turquoise Hill. Specifically, we believe that basic corporate governance standards require an independent and informed management team and board of directors. ...

... The current management team is comprised of seconded Rio Tinto executives, who operate without employment contracts from TRQ. ...

In terms of being informed, TRQ independent directors and management are solely reliant on Rio Tinto for information. By extension, this means that anyone who is interested in learning about

OT [Oyu Tolgoi] or TRQ is also solely reliant on what Rio Tinto will provide. The last four technical reports, which are the basis for publicly available data on the project, have been prepared by the same firm working in close coordination with Rio Tinto management and operations teams. To our knowledge, there has been no attempt to independently verify either the assumptions being used or the outputs, beyond the detailed audit and benchmarking analysis which SailingStone previously provided to the board. In addition, TRQ is regularly excluded from technical updates, including the most recent cost and timing review conducted by Rio Tinto. As a result, there is no way to determine how the project is progressing versus plan and what the capital spending is, independent of Rio Tinto. ... Unfortunately, despite the existence of language in the 2010 Heads of Agreement (Schedule E, p 9) which specifically provides the minority shareholders with “reasonable access to the OT Project (including to all information, books, records and data) including for the purpose of...preparing technical reports; and carrying out such procedures as may be necessary in order for (Turquoise Hill) to comply fully with its disclosure and reporting obligations”, **independent directors as well as TRQ management and staff often are not given full and unfettered access to data. As a result, it is difficult to provide the market with material updates unless the information is first pried from and then vetted by Rio Tinto internal processes. Rio is free to do what it likes with its own information, but should have no input on what is material to TRQ minority shareholders.** That is best determined by an independent, incentivized management team and the independent directors.

Lastly, we are concerned that Turquoise Hill has no on-the-ground representation and no direct dialogue with the government of Mongolia, despite the fact that it is TRQ, and not Rio Tinto, that actually holds the license and permits to the project. The recent press release from Rio Tinto, highlighting the creation of its new office in Ulaanbaatar and announcing a re-commitment to Mongolia with no mention of or coordination with Turquoise Hill is explicit acknowledgement of Rio’s attitude towards minority shareholders. They simply don’t exist.

As a result of these concerns, and Rio Tinto’s repeated refusal to speak with SailingStone representatives despite numerous requests for meetings, including offering to fly to their London headquarters at Rio’s convenience, we ask that the board of directors consider the following:

1. **Conducting an independent technical report so that we can be certain that existing estimates of capital intensity and the development schedule are reasonable. Given the size and duration of this project, and the obvious potential conflicts of**

interest that exist between Rio Tinto and the minority shareholders, we believe that this decision is necessary to protect our multi-billion dollar investment.

2. Creating a fully-staffed TRQ technical team who will have complete access to the OT project and will report back regularly to TRQ management and the independent directors. This would provide management and directors with the information necessary to determine what and when material updates should be made to the market, and could be the basis for more fruitful engagement with the host government.
3. Implementing employment contracts for management and restructuring compensation plans to remove any real or perceived conflicts with Rio Tinto and to significantly improve alignment with TRQ shareholders. This could include increasing available cash compensation opportunities towards industry median levels, an increase in equity grants available to be earned based on specific performance targets and improved disclosure of managements' and directors' vested and unvested exposure to TRQ's and Rio Tinto's stock price.

As Turquoise Hill is a publicly traded company, and is not a subsidiary of Rio Tinto, it is critical that the board of directors and management team of TRQ be independent, informed and incented exclusively to generate long-term value for all TRQ shareholders. ...

[emphasis added]

91. In **February of 2018**, the head of Strategic Projects in Mongolia for Rio Tinto (Copper & Diamonds), Richard Bowley, began to alert senior executives at Rio Tinto about cost overruns and delays with the underground expansion at Oyu Tolgoi (as reported in the *Financial Times* at Exhibit P-35);
 92. On **March 14, 2018** explicitly in response to the February 1, 2018 letter from SailingStone (Exhibit P-47), the TRQ Board issued a news release which contained a public letter to TRQ's shareholders, communicated herewith as **Exhibit P-48**. In this letter, the Company represented that the Board and senior management of TRQ:
 - a. recognized that their responsibility is to serve the interests of TRQ and its shareholders (as opposed to the interests of Rio Tinto and its shareholders);
 - b. were committed to the principles of transparency and good governance;
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- c. were committed to robust and effective corporate governance that appropriate mitigated any conflicts that may arise between TRQ and Rio Tinto;
 - d. had improved the alignment of TRQ's senior management with the interests of TRQ's shareholders; and
 - e. were always open to enhancing transparency and the effectiveness of TRQ's corporate governance;
93. On **May 3, 2018**, TRQ released a news release, again explicitly responding to the concerns raised by SailingStone (communicated herewith as **Exhibit P-49**). In this news release TRQ expressly represented that both it and Rio Tinto recognized that TRQ's independence and its participation in all material and relevant Oyu Tolgoi matters were important to facilitating the maximization of Oyu Tolgoi's value for all Turquoise Hill shareholders. TRQ further represented that the Company was "appropriately informed" about Oyu Tolgoi matters, but nonetheless its Board had met with Rio Tinto and were taking specific actions to enhance their working relationship on relevant Oyu Tolgoi matters, including:
- a. increasing direct participation by TRQ's management on Oyu Tolgoi matters, including in the upcoming Oyu Tolgoi cost and schedule reviews;
 - b. Enhancing the independence of Turquoise Hill's technical personnel; and
 - c. Establishing a project management office at Oyu Tolgoi as an additional
94. On **July 19, 2018**, Bowley sent a written warning to a VP of Human Resources for the Rio Tinto Copper & Diamonds Division alerting that the project was USD \$300 million over budget and twelve months behind schedule (as reported in the *Financial Review* at Exhibit P-36).

b. The Misrepresentations and Failure to Make Timely Disclosure During the Class Period

95. Not only did TRQ not release a material change report disclosing the material change to its principal and only significant resource property brought to Rio Tinto's attention by Bowley as it was required to under applicable securities regulations, instead on **July 31, 2018**, TRQ released its interim financial statements, MD&A, and corresponding CEO and CFO certifications on Form 52-109F2, as well as a news release, for the three and six-month period ended June 30, 2018 (i.e. Q2 2018, communicated herewith as Exhibits P-6 to P-10 respectively), which doubled-down on the Company's prior misrepresentations. In these Impugned Documents and despite the very explicit warnings from Bowley less than two weeks prior, TRQ represented *inter alia* that:
- a. underground development continued to progress during the second quarter of 2018, and June 2018 had achieved a "record-level" of equivalent underground development;
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- b. during the fourth quarter of 2017, Rio Tinto had undertaken a schedule and cost review and provided TRQ “with a high-level overview of the review’s outcomes, in which Rio Tinto concluded there were no material changes in project scope, cost or schedule. Following analysis of [Rio Tinto’s] review’s conclusions, Turquoise Hill is in agreement with the findings.” [emphasis added];
 - c. production from first Drawbell (i.e. initial production) remained planned for mid-2020;
 - d. sustainable first production remained planned for 2021;
 - e. construction at Oyu Tolgoi was expected to complete in 2022 (with the completion of the convey-to-surface system);
 - f. full production would be achieved by 2027; and
 - g. the net book value of Oyu Tolgoi as at June 30, 2018 was USD \$8.05 billion;
96. There was nothing in the July 31, 2018 MD&A to disclose the very specific warnings about delays and cost overruns at Oyu Tolgoi being given to Rio Tinto by Richard Bowley;
97. On **August 1, 2018**, TRQ conducted a conference call to discuss its earnings that were released the prior day (a transcript of which is communicated herewith as Exhibit P-31). On this call, Lane represented unequivocally that “we will remain on target for the first drill point blast in mid-2020 and sustainable production in early 2021.” Lane further represented that:
- a. The convey-to-surface system would be ready for the continued ramp up in 2022 (i.e. when construction would be completed); and
 - b. The Shaft 5 ventilation system was fully commissioned during the quarter and was now operational and adding additional air capacity to the mine;
98. Quellmann and Colton repeated Lane’s representations on this call, with both Individual Respondents stating at different points on the call that TRQ had completed a major milestone with the completion of Shaft 5, and both reaffirming that initial production from first Drawbell would occur in in mid-202 and sustainable production in 2021;
99. On **October 2, 2018** in a presentation given to U.S. investors posted on Rio Tinto’s website and communicated herewith as **Exhibit P-50**, the CEO of Rio Tinto’s Copper & Diamonds division (the division to which Richard Bowley wrote his July 31, 2018 warning), Arnaud Soirat, who was Quellmann’s long-time boss until only eight weeks prior and a fellow member on the Oyu Tolgoi LLC board of directors alongside Quellmann and Colton, said that the underground development was “on budget and on schedule”, despite Rio Tinto being expressly and repeatedly told otherwise by Bowley;
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100. On **October 15, 2018**, TRQ released a news release (Exhibit P-11) where it disclosed for the first time that despite making significant progress in the underground development project, Rio Tinto, in its role as manager of Oyu Tolgoi and underground construction contractor had notified TRQ that there had been certain delays that were expected to result in sustainable production start being delayed from the first quarter of 2021 to late in the third quarter of 2021. However, despite this roughly eight-month expected delay, the Company unequivocally represented that:

... capital costs remain in line with the overall [USD] \$5.3 billion budget
... lateral development has progressed well, [project] construction completion schedule remains on track for 2022 and the project is expected to be completed at the \$5.3 billion budget estimate disclosed in the 2016 Oyu Tolgoi Feasibility Study and the 2016 Oyu Tolgoi Technical Report.
... First draw bell remains on track for mid-2020, partly due to a change in the draw bell sequencing strategy.

101. Still in **October 2018** and just weeks after the presentation by Soirat, Bowley sent an email to his manager at Rio Tinto that there would be a “12-18 month delay in the underground project, with substantial cost implications” [emphasis added] (as reported in the *Financial Times* at Exhibit P-37);
102. On **November 1, 2018**, TRQ released its interim financial statements, MD&A, and corresponding CEO and CFO certifications on Form 52-109F2, as well as a news release, for the three and nine-month period ended September 30, 2018 (i.e., Q3, communicated herewith as Exhibits P-12 to P-16 respectively). In these Impugned Documents and despite the very clear warnings from Bowley, TRQ represented *inter alia* that:
- a. during the third quarter of 2018, Oyu Tolgoi continued to maintain strong crew productivity and underground development;
 - b. Rio Tinto, in its role as manager of Oyu Tolgoi had undertaken its second annual schedule and cost-reforecast for the project; and TRQ had commenced its own review of the schedule and cost reforecast with the assistance of TRQ’s own independent Qualified person;
 - c. production from first Drawbell remained planned for mid-2020;
 - d. sustainable first production would now occur by the end of the third quarter of 2021, instead of the first quarter of 2021 as previously and repeatedly represented;
 - e. lateral development had progressed well and construction at Oyu Tolgoi remained on track to be completed in 2022;
 - f. the underground development project remained on budget and was expected to be completed costing USD \$5.3 billion as disclosed in the 2016 Oyu Tolgoi Feasibility Study and the 2016 Oyu Tolgoi Technical Report;
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- g. the net book value of Oyu Tolgoi as at September 30, 2018 was USD \$8.40 billion; and
 - h. Rio Tinto and TRQ would commence a definitive estimate review that would provide the next cost and schedule review for the underground development project and would be concluded early in the third quarter of 2019;
103. There was nothing in the November 1, 2018 Impugned Documents disclosing the very specific warnings about delays and cost overruns at Oyu Tolgoi being given to Rio Tinto by Bowley just a few weeks prior to the release of these Impugned Document, nor that such delays and cost overruns were indicators of an impairment in the net book value of Oyu Tolgoi;
104. On **November 2, 2018**, TRQ conducted a conference call to discuss its earnings that were released the prior day, a transcript of which is communicated herewith as Exhibit P-32). On that call, Colton once again reaffirmed that the total underground cost estimate of USD \$5.3 billion remained unchanged, that initial production from first Drawbell remained on track for mid-2020 and that construction completion remained on schedule for 2022. With regards to the need for additional funding due to the delay in revenue from underground production, Colton explicitly stated that TRQ “may have flexibility elsewhere to mitigate the impact of delaying revenue and minimize the need to source additional funding.”;
105. On this conference call, Quellmann also stated that:
- [T]he re-forecast and preliminary conclusions actually confirmed the existing assumptions. So costs, as you just referred to, stay the same. We’re referring to the final completion date as well as the first draw bell. It’s really the first sustainable production which has been pushed out** ... some of the delays that are incorporated are ones that already happened. In particular, in relation to Shaft 2 ... For now, where we are with the information what we’ve provided, **we confirm the \$5.3 billion total budget.** [emphasis added]
106. In response to an analyst on the conference call looking for help to “get comfortable that this [delay] doesn’t turn into something larger”, Quellman responded in part that:
- ... We believe that we’ve got one of the best operators in the industry with Rio Tinto as the project manager of the open pit as well as constructing the underground mine ... And we think we've got one of the best world-class operators to be able to do this for us. We also think that the governance mechanisms are robust. ... in the big scheme of things, we think that the controls that are in place are strong.
107. Lane also made comments on this call that some of the ground condition problems and related problems with Shaft 2 that had caused the delay in sustainable production, had occurred in the past and were behind TRQ;
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108. In conjunction with the November 2, 2018, conference call, TRQ released a corresponding slideshow presentation, which it also posted on its website (communicated herewith as Exhibit P-17). Within this slideshow the company represented that the Oyu Tolgoi underground had “Robust Fundamentals Relative to Comparable Projects” which “Result[ed] In Low Capital Intensity”. Further, under a slide with the heading “Turquoise Hill” A Compelling Value Proposition”, the Company represented that:
- a. “TRQ’s market valuation is deeply discounted relative to its fundamental strengths”;
 - b. The Oyu Tolgoi project had “[r]obust project fundamentals”; and
 - c. The “[k]ey risks [were] well understood and managed”;
109. On **January 17, 2019**, TRQ released a news release providing operational guidance for 2019, communicated herewith as Exhibit P-18. Despite the explicit and very specific warnings from Bowley, the only information disclosed about the underground development project was that underground lateral development was expected to advance 15 to 16 kilometres during 2019;
110. Also on or about **January 17, 2019**, TRQ posted on its website a presentation given at the TD Securities Mining Conference held on January 16 to 17, 2019 (communicated herewith as Exhibit P-19). In this presentation, TRQ represented *inter alia* that:
- a. TRQ was “well position to address key challenges”;
 - b. “Key risks [of Oyu Tolgoi] were well understood and managed”;
 - c. There was significant underground progress with first sustainable production expected in 2021;
 - d. First Drawbell would be blasted (commencing initial production) in the third quarter of 2020; and
 - e. The ramp-up of sustainable production would occur in the third quarter of 2021;
111. On **February 27, 2019** prior to markets open, TRQ released a news release dated February 26, 2019 (communicated herewith as Exhibit P-20), where it revealed for the first time that “challenging ground conditions” had resulted in delays that were “ultimately expected to result in an overall schedule delay to sustainable first production beyond the end of Q3’21”. Specifically, the Company represented *inter alia* that:
- a. significant progress on the Oyu Tolgoi underground development project continued through 2018;
 - b. during the fourth quarter of 2018, TRQ had carried out its own review of Rio Tinto’s second annual schedule and cost re-forecast that had concluded that a delay to sustainable first production was expected from
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Q1 2021 to the end of Q3 2021 with the assistance of an independent Qualified Person, and had found that there was an increasingly likely risk of a further delay to sustainable first production beyond the third quarter of 2021, but that nonetheless the “project cost was expected to remain within the [USD] \$5.3 billion budget” (emphasis added); and

- c. After the TRQ had completed its own independent Review of Rio Tinto’s second annual schedule and cost re-forecast, Rio Tinto had advised TRQ that delays are expected to result in an overall schedule delay to sustainable first production beyond the third quarter of 2021 as previously represented;
112. Upon the release of this news, TRQ’s share price on the TSX immediately dropped 13.7% just on February 27, 2019 and 18.3% overall over the next two days. However, despite the obviously material change disclosed in the news release (as evidenced by the market’s surprise and the corresponding precipitous drop in the Company’s share-price), TRQ inexplicably chose not to file a Material Change Report in violation of applicable securities regulations. This February 27, 2019 news release did not disclose that project costs were known or should have been known to increase beyond USD \$5.3 billion, nor did it disclose that the delays to sustainable production and cost overruns were indicators of an impairment to the net book value of Oyu Tolgoi;
 113. Also on **February 27, 2019**, Rio Tinto issued its 2018 Annual Report, communicated herewith as **Exhibit P-51**, in which it represented *inter alia* that the capital cost of Oyu Tolgoi was USD \$5.3 billion. Rio Tinto further represented that while that was “a deterioration in some internal and external indicators of value for the Oyu Tolgoi CGU and ha[d] therefore prepared an assessment of recoverable amount”, Rio Tinto had nonetheless concluded that no impairment had taken place;
 114. On **March 14, 2019**, TRQ released its AIF, audited annual financial statements, MD&A, and corresponding CEO and CFO certifications, as well as a news release, for its fiscal year ended December 31, 2018 (communicated herewith as Exhibits P-21 to P-28 respectively). In these Impugned Documents and despite the warnings from Bowley, TRQ represented or reaffirmed *inter alia* that:
 - a. significant progress on the Oyu Tolgoi underground development project continued through 2018, and underground lateral development had advanced 68.9% more than in 2017 (which had been represented to have made “good progress”);
 - b. the cost of the Oyu Tolgoi underground development would remain within the USD \$5.3 billion budget;
 - c. TRQ’s independent review found that some critical areas had been impacted by delays, including Shaft 2 and Shaft 5 (despite the representations about Shaft 5 being completed and fully operational made by the Respondents nearly eight-months prior);
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- d. after the TRQ had completed its own independent Review of Rio Tinto's second annual schedule and cost re-forecast, Rio Tinto had advised TRQ that delays are expected to result in an overall schedule delay to sustainable first production beyond the third quarter of 2021, as previously represented (although the AIF still included in a section that "[s]ustainable first production is expected to occur by the end of Q3'21, with the first draw bell on track for mid-2020");
 - e. construction at Oyu Tolgoi had progressed but had "slipped slightly behind the latest forecast for the period" (without any date now specified for construction completion);
 - f. the net book value of Oyu Tolgoi as at December 31, 2018 was USD \$8.84 billion;
 - g. At December 31, 2018, TRQ had conducted an impairment analysis on the Oyu Tolgoi underground mine and concluded that there was an indicator of impairment, but TRQ's assessment indicated that no impairment charge needed to be taken [emphasis added]; and
 - h. The delays in the schedule for underground development would not reduce the recoverable amount of Oyu Tolgoi to below the net book value;
115. There was nothing in the March 14, 2019 MD&A to disclose the very specific warnings about delays and cost overruns at Oyu Tolgoi being given to Rio Tinto by Bowley, nor the investigation Rio Tinto had asked its independent legal counsel to undertake as a result of the whistleblowing from Bowley;
116. Additionally in its annual financial statements for fiscal 2018 released on March 14, 2019 (communicated herewith as Exhibit P-22), TRQ represented *inter alia* that:
- a. the net book value of Oyu Tolgoi was determined using the net present value of expected future pre-tax cash flows;
 - b. the cash flow forecasts are based on management's best estimates of expected future revenues and costs [emphasis added]; and
 - c. the net book value was reviewed for impairment whenever events or changes in circumstances indicated that the full carrying amount may not be recoverable;
117. Also on **March 14, 2019**, TRQ released its management information circular for its annual general meeting to be held on May 14, 2019, communicated herewith as Exhibit P-29. This Core Document represented *inter alia* that:
- a. during 2018 underground lateral development had advanced 68.9% more than in 2017 (which had been represented to have made "good progress");
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- b. TRQ had a Corporate Disclosure Policy which contained measures to avoid selective disclosure;
 - c. TRQ had a Disclosure Committee responsible for overseeing the Company's disclosure practices, which was made up of Quellmann, Colton, Lane, and two others;
 - d. "Board members have full access to [TRQ's] records. [TRQ's] General Counsel also provides regular updates to the Directors on corporate governance best practices, regulatory changes and other relevant developments. In addition, Directors periodically visit the Oyu Tolgoi mine ("Oyu Tolgoi") to view the operations, the underground development ..." including in October of 2018 (presumably to emphasize that despite nearly half of TRQ's Board not being independent from Rio Tinto, the Board was still providing accurate disclosure about Oyu Tolgoi to TRQ's shareholders);
 - e. the Board "believe that regular, transparent communication is essential to Turquoise Hill's long-term success";
 - f. TRQ considered good corporate governance practices to be an important factor in the success of the Company, TRQ was committed to adopting and adhering to high standards in corporate governance, and the Board and management of TRQ continually worked at maintaining and improving corporate governance (including providing a list of examples of how TRQ's board and management were purportedly maintaining and improving corporate governance practices); and
 - g. TRQ had a *Code of Business Conduct* that was applicable to all employees, officers and directors regardless of their position in TRQ, and required that all employees, officers and directors uphold their commitment to a culture of honesty, integrity, accountability, and the highest standards of professional and ethical conduct;
118. On **March 15, 2019**, TRQ conducted a conference call to discuss its earnings that were released the prior day, a transcript of which is communicated herewith as P-33. On this call, Quellmann essentially confirmed that TRQ had known about material risks to the schedule for months, but had chosen not to disclose them publicly. Specifically, Quellmann stated that in October of 2018 when TRQ had announced a maximum delay of only nine-months to sustainable production and confirmed the costs would remain at \$5.3 billion, the Respondents:

had identified some higher level of risks to the schedule, but not enough to warrant to change the indication to the market. Since then, if we fast forward to February of this year, it became obvious that Shaft 2 was delayed more than expected. [emphasis added]

119. On **April 15, 2019**, TRQ issued a news release, communicated herewith as Exhibit P-30, in which it quoted Quellmann as representing that Shaft 2 would be completed by the end of October 2019;

7) The Corrective Disclosures

120. After a year of making representations that Rio Tinto knew from Mr. Bowley's to be false, on **July 15, 2019** after the TSX had ceased trading for the day, TRQ released a news release (with a corresponding material change report released on July 24, 2019, communicated herewith as Exhibits P-1 and P-2 respectively) that finally corrected some of its previously released misrepresentations and revealed that as a result of stability risks associated with the existing mine design:
- a. sustainable first production would be delayed by 16 to 30 months compared to the estimate made in the 2016 feasibility study that it would be achieved in the first quarter of 2021, and was now expected between May 2022 and June 2023;
 - b. the reasons for the delay were the unexpected and challenging geotechnical issues and complexities in the construction of Shaft 2 (despite the Company's past repeated representation that "[k]ey risks [of Oyu Tolgoi] were well understood and managed" and despite Shaft 2 being largely excavated at the beginning of the Class Period);
 - c. the existing mine design would need to be changed;
 - d. the cost for the underground development project was expected to be USD \$1.2 to \$1.9 billion more than the USD \$5.3 billion that had been represented since 2016 (an increase in cost of between 23% to 36%);
 - e. the issues with the mine design were so uncertain that that it would take until the second half of 2020 to develop a revised design for the mine; and
 - f. although further work was necessary to reach definitive conclusions, TRQ was assessing the carrying value (i.e. the net book value) of its investment in Oyu Tolgoi and would announce any changes, along with any adjustments to deferred tax in its results for Q2 2020 released at the end of July, 2019;
121. As a result of this news, the very next day on July 16, 2019, TRQ's common stock price on the TSX closed at \$0.79 per share, down 43.2% from the prior day's closing price of \$1.39 per share, on more than 32 times the trading-volume of the prior day;
122. On **July 31, 2019**, TRQ released its financial statements, MD&A and a corresponding news release for the three and six-month period ended June 30, 2019 (communicated herewith as Exhibits P-3 to P-5 respectively). In these Core Documents, the Company repeated the corrections released on July 15, 2019 as well as made further corrections of past misrepresentations, including that:
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- a. first Drawbell (initial production) was now expected between October 2021 and September 2022 (as opposed to mid-2020 as previously represented – a delay of 16 to 30 months);
 - b. although not expressly disclosed, the aforementioned delays made it apparent that construction at Oyu Tolgoi would not be completed in 2022 nor would full production be achieved by 2027, as previously represented;
 - c. TRQ was taking a USD \$600 million impairment charge and a USD \$400 million difference in deferred tax asset recognition (relative to the same quarter a year prior) due to the delays and increased costs with the Oyu Tolgoi underground development project;
 - d. The indicator of impairment of Oyu Tolgoi was collectively: (1) the delay to sustainable production; and (2) the increase in project development cost, specifically the things that Bowley had been warning about since February of 2018;
 - e. the Net Book Value of Oyu Tolgoi was USD \$9.04 Billion (rather than the expected USD \$9.64 that it would have been absent the impairment);
 - f. the Company was recording a net loss of USD \$736.7 million in Q2 2019 compared to a net profit of \$204.4 million in Q2 2018, with the principal reason being the aforementioned \$600 million impairment charge and the other reason being the aforementioned \$400 million different in deferred tax asset recognition, both of which “were impacted by the Company’s update on the Oyu Tolgoi underground project”;
 - g. TRQ was taking a “deferred tax de-recognition adjustment” of \$252.8 million in the quarter, which “was primarily due to updated operating assumptions in mine planning during the period, resulting primarily from timing of sustainable first production noted above as well as the revised estimates of underground development capital”; and
 - h. given the estimated impacts of the increases to underground development costs as well as delays to first sustainable production, TRQ no longer had enough funds on hand to complete the underground expansion project expects to now need incremental financing to sustain its underground development beyond 2020;
123. The Corrective Disclosures also revealed that despite TRQ’s consistent and repeated representations to the contrary about the net book value of Oyu Tolgoi at various times during the proposed Class Period, in truth:
- a. the net book value of Oyu Tolgoi was not determined using management’s best estimates of the net present value of expected future pre-tax cash flows, because management was aware for over a year that the expected future revenues and costs of Oyu Tolgoi were to be negatively impacted by delays and cost overruns; and
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- b. the net book value was not reviewed for impairment when events or changes in circumstances indicated that the full carrying amount may not be recoverable, or else it would have been impaired prior to the release of the first Impugned Document in March of 2018, as Mr. Bowley had began warning Rio Tinto about the delays and cost overruns at Oyu Tolgoi as of February 2018;
124. As a result of this news, the very next day on July 16, 2019, TRQ's common stock price on the TSX closed at \$0.69 per share, down 8.0% from the prior day's closing price of \$0.75 per share. Overall between July 15 to August 1, 2019, the stock price of TRQ dropped by over 50% due to the correction of the previously released misrepresentations, eliminating roughly \$1.41 billion of market capitalization for TRQ's shareholders in just 13 trading days;

8) Events Post Corrective Disclosures

125. As reported in the *Financial Review* and the *Financial Times* at Exhibits P-39 and P-40, on **November 26, 2019**, Dr. Maurice Duffy of GFI Blackswan wrote his letter to *inter alia* the board of Rio Tinto, its outside legal counsel Baker McKenzie, and some of its largest shareholders, revealing that:
- a. before his company had terminated its consultancy contract in 2017, he had reported "multiple, unprofessional [and] unethical behaviours" by Rio's most senior executives to the then-chairman and members of the board, "who took no action"; and
 - b. the supposedly independent investigation commenced in January 2019 by Baker McKenzie into the problems raised by Mr. Bowley, "excluded information known by [GFI Blackswan] about Mongolia since 2017";
126. On **July 2, 2020**, TRQ released a news release announcing that the revised feasibility study for Oyu Tolgoi had been completed, communicated herewith as **Exhibit P-52**. The study made recommendations which had the effect of reducing the estimated mineral reserves for the mine. TRQ further revealed in this news release that it estimated that the increase in capital costs would cost an additional USD \$1.5 billion (with a range of USD \$1.3 billion to \$1.8 billion);
127. On **August 28, 2020**, TRQ released an updated technical report for the Oyu Tolgoi Mine, communicate herewith as **Exhibit P-53**. This document further revealed the extent of the Respondents' misrepresentations during the Class Period, revealing:
- a. first Drawbell would be blasted (i.e. initial production) in May 2022;
 - b. sustainable production would be achieved in February 2023;
 - c. the conveyor to surface would be commissioned in the third quarter of 2023;
 - d. full production would be achieved in the first half of 2029; and
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- e. the payback period would be a further 6 years from January 1, 2021 (i.e. would be until 2027);
128. On **September 10, 2020**, TRQ released a news release announcing that it had signed a non-binding memorandum of understanding with Rio Tinto concerning the funding of Oyu Tolgoi that reflected the parties' intentions to pursue a re-profiling of existing project debt, communicated herewith as **Exhibit P-54**. Under the reprofiling, while the time for repayment is extended, the value of the debt is not marked down. TRQ further announced that Rio Tinto would not allow TRQ to take on more than \$500 million of additional debt to address the funding shortfall for the underground development project, and that the remaining funding gap for the underground mine would be met through a TRQ equity offering, which would reach "at least US 1.7 billion" if no other debt or hybrid financing option was successfully completed. Such an equity offering would severely dilute TRQ's shareholders (apart from Rio Tinto itself who has anti-dilution rights that permit it to acquire additional securities of TRQ so as to maintain its controlling proportionate equity interest in TRQ). TRQ further explicitly stated that "Turquoise Hill has been informed by Rio Tinto that it does not currently support, or expect to consent to, additional debt or other non-equity sources of funding at Turquoise Hill or Oyu Tolgoi..." [emphasis added];
129. On **October 15, 2020**, TRQ released a news release, communicated herewith as **Exhibit P-55**, announcing that the Company had received an independent consultant's report with respect to the delay and cost overruns at Oyu Tolgoi, and that the management and independent directors of the Company were currently reviewing the report with their advisors;
130. On **November 4, 2020**, TRQ released a news release, communicate herewith as **Exhibit P-56**, announcing that following the discussions with Rio Tinto relating to the re-profiling of the Oyu Tolgoi project debt announced on September 10, 2020, it was commencing arbitration proceedings against Rio Tinto seeking a declaration to clarify Rio Tinto's role and obligations to support TRQ in seeking additional financing for the Oyu Tolgoi underground development project. TRQ expressly disclosed in this release that a special committee of its Board had commenced the arbitration because it had:
- concluded that Rio Tinto's approach to the financing of the Oyu Tolgoi project is incompatible with the Company's announced strategy to maximize debt and / or hybrid financing for the Oyu Tolgoi project so as to minimize the size, and defer the timing, of an equity rights offering (if any)" [emphasis added]
131. On **November 25, 2020**, Rio Tinto shareholder Odey Asset Management LLP ("Odey") – a self-identified short-seller of TRQ's shares who stands to gain from the decline in TRQ's stock price – wrote a public letter to Rio Tinto, communicated herewith as **Exhibit P-57**. This public letter demanded among other things that Rio Tinto force TRQ to conduct an equity rights issue, as was Rio Tinto's right under the Financing Support Agreement in the event of delay, cost overruns and impairment of Oyu Tolgoi. Odey stated that Rio Tinto not triggering the rights issue was "causing material damage to Rio Tinto's shareholders, Turquoise Hill's prospective shareholders, and the Government of Mongolia [by] allowing the creation of ... a false market to form in the trading of

Turquoise Hill's shares..." Odey noted that although TRQ initiating arbitration proceedings against Rio Tinto "has subtly indicated to the market that Rio Tinto may intend to take a course of action in line with Odey's view", nonetheless it demanded that Rio Tinto immediately formalize that intention. The thrust of Odey's letter in relevant part was that Rio Tinto and TRQ were understating the true amount of equity financing that TRQ would have to raise, and were thus still artificially inflating the true value of the Company's equity securities:

In Odey's opinion, the outcome of this conservative scenario is that, if Rio Tinto acts in the interests of its stakeholders, Turquoise Hill would be required to seek a minimum rights issue of \$8.9 billion. ...

In the absence of this transparency on the part of Rio Tinto, Odey believes that Turquoise Hill's stock is trading with materially misrepresented views of the risk profile compared to reality. Odey notes the great increase in the number of retail investors who have acquired Turquoise Hill's stock recently, who Odey feel do not understand the detail behind the Turquoise Hill investment case. Odey believes has the potential effect of great value destruction to Rio Tinto shareholders given the entry price of such a large rights issue will be substantially higher than would otherwise be the case should Rio Tinto pursue [sic] this approach. [emphasis in original, internal citation removed]

132. On **November 30, 2020**, one of TRQ's largest minority shareholders, Pentwater Capital Management ("Pentwater"), which owns nearly 10% of TRQ, released an open letter, communicated herewith as **Exhibit P-58**, stating that it was prepared to file an oppression action unless Rio Tinto allowed TRQ to take on more debt to fund the development project at Oyu Tolgoi, rather than forcing the Company to issue billions of dollars of equity and greatly dilute TRQ's other shareholders. In this letter Pentwater expressly made reference to the fact that Bowley had "confirmed that Rio was fully aware of the budget overruns and schedule delay a year in advance of the disclosure to the market and intentionally hid those facts from the market and the government of Mongolia";
133. On **December 1, 2020**, TRQ released a news release, communicated herewith as **Exhibit P-59**, which announced *inter alia* that the board of directors of Oyu Tolgoi LLC had approved a resolution establishing a special board committee "mandated to conduct an independent review of the causes of the cost overruns and delays to the Oyu Tolgoi underground development announced in 2019;

IV. THE RIGHTS OF ACTION

134. The Applicant, on his own behalf and on behalf of the other Class Members, advances the following causes of action against the Respondents:
 - a. a claim under art. 225.8 of the QSA, and if necessary, the concordant provisions of the Equivalent Securities Acts in relation to the
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dissemination of the Impugned Documents containing misrepresentations within the meaning of the QSA;

- b. a claim under art. 225.9 of the QSA, and if necessary, the concordant provisions of the Equivalent Securities Acts in relation to the dissemination of the Impugned Statements containing misrepresentations within the meaning of the QSA;
- c. a claim under art. 225.11 of the QSA, and if necessary, the concordant provisions of the Equivalent Securities Acts in relation to TRQ's failure to make timely disclosure of a material change; and
- d. a civil law claim under art. 1457 of the CCQ for breach of the Respondents' general duty of diligence owed to all Class Members and for omissions and misstatements of material facts;

1) Statutory Right of Action for Misrepresentation in Impugned Documents and in Impugned Statements and for Failure to Make Timely Disclosure Pursuant to the QSA

- 135. On behalf of himself and the other Class Members, the Applicant asserts as against Respondents TRQ, Quellman and Colton, the rights of action found in articles 225.8 and 225.11 of the QSA, and if necessary, the concordant provisions of the Equivalent Securities Acts;
 - 136. The claim under art. 225.8 is being asserted in respect of the Impugned Documents, which contained misrepresentations within the meaning of the QSA, as particularized herein;
 - 137. At all relevant times, TRQ was a reporting issuer in Québec under art. 68 of the QSA;
 - 138. At all relevant times, TRQ's head office, domicile and principal establishment was located in Québec, and the Company significantly connected to Québec for the purposes of Title VIII, Chapter II, Division II of the QSA;
 - 139. Respondents Quellmann and Colton were directors of TRQ at the time of the release of all Impugned Documents. Colton was an officer of TRQ at all of those times and signed all certifications released during those times. Quellmann was an officer at all of those times after July 30, 2018 and signed all CEO certifications after that date;
 - 140. In respect of the Impugned Documents that are non-Core Documents, Respondents TRQ, Quellmann and Colton: (a) knew, at the time that each of such documents was released, that the document contained a misrepresentation or deliberately avoided acquiring such knowledge at or before that time; or (b) were guilty of a gross fault in connection with the release of each of such documents;
 - 141. The corrections about *inter alia* the cost overruns and delays of the underground expansion of Oyu Tolgoi were material changes in the affairs of the Company and TRQ, Quellmann and Colton are liable under art. 225.11 of the QSA for not making timely disclosure of these material changes;
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142. On behalf of himself and the other Class Members, the Plaintiff asserts as against all of the Respondents the right of action found in section 225.9 of the QSA, and if necessary, the concordant provisions of the Equivalent Securities Acts;
143. The claim under art. 225.9 of the QSA is being asserted in respect of the Impugned Statements, which contained misrepresentations within the meaning of the QSA, as particularized herein;
144. All of the Individual Respondents were mandataries or other representatives of TRQ who made public oral statements in the Impugned Statements relating to TRQ's business or affairs that contained misrepresentations;
145. The respondents knew or should have known at the time the Impugned Statements were made that the Impugned Statements contained a misrepresentation or deliberately avoided acquiring such knowledge at or before that time; or (b) were guilty of a gross fault in connection with the making of each of such statements;
146. In light of the Respondents' failure to disclose material adverse facts, their portrayal of TRQ's business, affairs and operations was inaccurate and incomplete;
147. Had these material facts been disclosed, the Applicant and Class Members would not have purchased TRQ's securities or would not have purchased them at artificially-inflated prices;
148. The Respondents knew that the Impugned Statements and Impugned Documents would be disseminated to the public who relied on these statements and documents to make informed financial decisions;

2) Article 1457 of the Civil Code of Quebec

149. On behalf of himself and all Class Members, the Applicant asserts a civil right of action under art. 1457 CCQ, on behalf of himself and all Class Members against the Respondents for breach of their general duty of diligence owed to all Class Members and for omissions and misstatements of material facts;
 150. The Respondents' violations of their duty of diligence are particularized herein;
 151. The Respondents did not fulfill their legal obligations warranted by their special relationship with the Class Members;
 152. By authorizing, permitting and acquiescing to the publication and dissemination of false and misleading information by way of news releases and public statements, the Respondents did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;
 153. The Respondents committed a fault which caused significant monetary damages to the Class Members. The Respondents are solidarily liable to the Class Members;
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154. The Applicant and Class Members relied on the fact that the Respondents' portrayal of TRQ's business, affairs and operations were truthful and accurate;
155. The information about the underground development project at Oyu Tolgoi underpinned the Applicant's and Class Members' transactions in TRQ's securities;
156. The Applicant and Class Members would not have purchased TRQ's securities had they been aware of the Respondents' misrepresentations and omissions of fact as the Respondents' misrepresentations and omissions of fact were material;
157. The negligence, gross negligence, faults, wilful acts and breaches of the Respondents' duties and applicable laws and regulations were committed in Québec;
158. Additionally, pursuant to art. 1463 CCQ, TRQ is vicariously liable for the faults committed by the Individual Respondents or any other officer, director, agent or employee of TRQ;
159. As alleged herein, the Individual Respondents committed a fault by allowing the publication of documents and dissemination of public statements which they knew or ought to have known contained misrepresentations of material facts. In doing so, the Individual Respondents breached the duty of diligence owed to the Applicant and Class Members under art. 1457 CCQ;
160. In exchange for their work as the Company's management, the Individual Respondents received compensation by way of salaries and other consideration from TRQ;
161. While performing their duties, the Individual Respondents were legally under the direction and control of TRQ;
162. TRQ benefited directly from their misrepresentations and failure to make timely disclosure of material changes as it artificially inflated the price of TRQ's stock price;
163. In view of the foregoing, TRQ is solidarily liable towards the Class Members for the faults committed by the Individual Respondents in the performance of their duties;

3) Forward-Looking Statements

164. The statutory defence provided for by s. 225.22 and 225.23 of the QSA regarding forward-looking information in a document does not apply to any misrepresentations alleged herein since these misrepresentations related to then-existing facts and conditions;

V. THE CRITERIA OF ARTICLE 575 CCP

1) The Facts Alleged Appear to Justify the Conclusions Sought

165. The Applicant Alleges that the Impugned Documents and Impugned Statements, contained misrepresentations of material fact and failed to make timely disclosure of material changes in light of the facts alleged above;
-

166. TRQ's Impugned Documents that were annual or interim disclosure statements were signed by Quellmann and/or Colton, who also provided certifications under Forms 52-109F1 and 52-109F2 or under applicable U.S. securities laws, in each case confirming that these documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading;
167. At all relevant times during the Class Period, the Respondents omitted to disclose and misrepresented material facts regarding TRQ's affairs and operations which artificially increased the value of TRQ's securities;
168. The Respondents knowingly authorized, permitted and acquiesced to the publication and dissemination of false and misleading information, thus violating the QSA and, if necessary, the concordant provisions of the Equivalent Securities Acts as well their general duty of diligence owed to all Class Members;
169. The Applicant and Class Members bought TRQ's securities at artificially-inflated prices and suffered damages following the publication of the Corrective Disclosures;
170. In light of the above, and as detailed herein, the faults committed by the Respondents support the Applicant's and Class Members' claims;

2) The Claims of the Class Members raise Identical, Similar or Related Issues of Law or Fact

171. At all relevant times, the Respondents had legal obligations pursuant to the QSA and the Equivalent Securities Acts to make periodic and timely disclosure of material facts and changes as well as provide accurate financial disclosure. They violated those legal obligations;
 172. Additionally, the Defendants owed Class Members duties under article 1457 CCQ. These duties were informed by the QSA and Equivalent Securities Acts, subsidiary instruments including NI 43-101, NI 51-102, NI 52-109, U.S. securities laws, and TRQ's own stated policies including the Code of Business Conduct and Corporate Disclosure Policy;
 173. During the Class Period, the Respondents committed a fault in respect of the Class by failing to comply with their duties and responsibilities and by making the misrepresentations pleaded herein;
 174. The Individual Respondents oversaw the preparation and reporting of TRQ's public disclosures to the market and/or made public statements to the market, and knew or should have known of the misleading statements and the omissions of material facts these Impugned Documents and Impugned Statements contained;
 175. Respondents Quellmann and Colton authorized, permitted or acquiesced to the release of TRQ's public disclosure documents during the Class Period by TRQ which contained the omissions of material facts and the misrepresentations;
-

176. In addition to its direct liability, TRQ is liable for the faults committed by the Individual Respondents and its other officers, directors, partners and/or employees;
 177. As a result of the Respondents' failure to make timely disclosure of material changes in TRQ's affairs and their misrepresentations in TRQ's disclosure documents, TRQ's securities traded at artificially inflated prices during the Class Period and the Class Members acquired those securities at prices that were inflated and that did not reflect their true value. When the truth began to emerge, the market price or value of TRQ's securities plummeted, causing significant losses and damages to the Applicant and the Class;
 178. In light of the foregoing, the principle issues of fact and law to be dealt with collectively are the following:
 - a. did the Impugned Documents or Impugned Statements, or any of them, contain one or more misrepresentations within the meaning of the QSA, and if necessary, the Equivalent Securities Acts? If so, what Impugned Documents and/or what Impugned Statements contained what misrepresentations?
 - b. did TRQ fail to make timely disclosure of a material change pursuant to the QSA, and if necessary, the Equivalent Securities Acts?
 - c. are any of the Respondents liable to the Applicant and the Class Members, or any of them, under Title VIII, Chapter II, Division II of the QSA and, if necessary, the concordant provisions of the Equivalent Securities Acts? If so, what Respondent is liable and to whom?
 - d. did any of the Respondents owe a duty of diligence to the Applicant and the Class Members, or any of them, under the general private law of Quebec? If so, what Respondent owed a duty of diligence and to whom?
 - e. if some or all of the Respondents owed a duty of diligence to the Applicant and the Class Members, or any of them, did any of the Respondents violate such duty of diligence and commit a fault under article 1457 of the CCQ? If so, what Respondent committed a fault and with respect to whom?
 - f. what damages are sustained by the Applicant and the other Class Members?
 - g. are any of the Respondents liable to the Applicant and the Class Members, or any of them for damages? If so, is that liability solidary and if not, which Respondent is liable and for what amount? and
 - h. is TRQ vicariously liable for the actions of the Individual Respondents?
 179. The majority of the issues to be dealt with are issues common to every Class member;
-

180. The interests of justice favor that this Application be granted in accordance with its conclusions.
181. Consequently, the Applicant and the Class Members seek for this Honourable Court to authorize the following conclusions to the proposed proceedings:

GRANT this class action on behalf of the Class;

GRANT the Applicant's action against the Respondents in respect of the rights of action asserted against the Respondents under Title VIII, Chapter II, Divisions II of the QSA (and if necessary, the concordant provisions of the Equivalent Securities Acts) and article 1457 of the CCQ;

CONDEMN the Respondents to solidarily pay to the Applicant and the Class compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Québec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

3) The composition of the group makes it difficult or impracticable to apply the rules for mandates to take part in judicial proceedings on behalf of others or for consolidation of proceedings

182. TRQ is a public company which at all times during the Class Period had issued and outstanding 2,012,314,469 common shares which are publicly traded on worldwide stock exchanges, alternative electronic stock exchanges, over-the-counter exchanges and dark pools;
183. There are thousands of investors that could be members of the putative Class and that are likely located throughout the world;
184. In this context, it would be impracticable for each member of the Class to bring a separate action;

4) The Applicant who is requesting to be appointed as Representative Plaintiff, is in a position to properly represent the Class Members

185. The Applicant understands the requirements of time and dedication required of his role and is prepared to devote the required resources to carry forward this proposed class action on behalf of the Class;
 186. The Applicant has the resources, knowledge, time and dedication required to act as the representative Applicant of the Class and to advance the case on behalf of the Class;
-

187. The Applicant purchased TRQ's securities during the Class Period, held them until after the Corrective Disclosures, and suffered a financial loss;
188. The Applicant has no conflict of interest with other Class Members and is represented by counsel that are experience at litigating shareholders' claims in class actions against multinational corporations that list their securities on multiple exchanges;
189. The Applicant has given the mandate to the undersigned attorneys to post the present matter on their firm website in order to keep the Class members informed of the progress of these proceedings and in order to more easily be contacted or consulted by said Class members;
190. The present Application is well founded in fact and in law;

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

GRANT the present Application;

AUTHORIZE the institution of a Class Action in the form of an originating application on behalf of the Class as described herein;

APPOINT the Plaintiff P [REDACTED] L [REDACTED] as the Class Representative Plaintiff representing the Class as described herein;

IDENTIFY the principal issues of law and fact to be treated collectively as the following:

- a. did the Impugned Documents or Impugned Statements, or any of them, contain one or more misrepresentations within the meaning of the QSA, and if necessary, the Equivalent Securities Acts? If so, what Impugned Documents and/or what Impugned Statements contained what misrepresentations?
 - b. did TRQ fail to make timely disclosure of a material change pursuant to the QSA, and if necessary, the Equivalent Securities Acts?
 - c. are any of the Respondents liable to the Applicant and the Class Members, or any of them, under Title VIII, Chapter II, Division II of the QSA and, if necessary, the concordant provisions of the Equivalent Securities Acts? If so, what Respondent is liable and to whom?
 - d. did any of the Respondents owe a duty of diligence to the Applicant and the Class Members, or any of them, under the general private law of Quebec? If so, what Respondent owed a duty of diligence and to whom?
 - e. if some or all of the Respondents owed a duty of diligence to the Applicant and the Class Members, or any of them, did any of the Respondents violate such duty of diligence and commit a fault under article 1457 of the CCQ? If so, what Respondent committed a fault and with respect to whom?
-

- f. what damages are sustained by the Applicant and the other Class Members?
- g. are any of the Respondents liable to the Applicant and the Class Members, or any them for damages? If so, is that liability solidary and if not, which Respondent is liable and for what amount? and
- h. is TRQ vicariously liable for the actions of the Individual Respondents?

IDENTIFY the conclusions sought by the action to be instituted as being the following:

GRANT this class action on behalf of the Class;

GRANT the Applicant's action against the Respondents in respect of the rights of action asserted against the Respondents under Title VIII, Chapter II, Divisions II of the QSA (and if necessary, the concordant provisions of the Equivalent Securities Acts) and article 1457 of the CCQ;

CONDEMN the Respondents to solidarily pay to the Applicant and the Class compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Québec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

AUTHORIZE these class action proceedings under section 225.4 of the *Québec Securities Act*;

APPROVE the notice to the members of the Class in the form to be submitted to the Court;

ORDER the publication of the notice to the members of the Class no later than forty-five (45) days after the date of the Judgment authorizing the class proceedings in accordance with Article 579 CCP;

ORDER that the deadline for a member of the Class to exclude themselves from the Class action proceedings shall be sixty (60) days from the publication of the notice to the Class members;

DECLARE that all Class members who have not requested their exclusion from the Class in the prescribed delay to be bound by any Judgment to be rendered on the class action to be instituted;

THE WHOLE WITH COSTS including experts' fees and all costs related to the publication of the notices to Class Members and the *timbre judiciaire*.

MONTREAL, December 22, 2020

(s) Lex Group Inc.

Lex Group Inc.

Per: David Assor

Class Counsel / Attorneys for Plaintiff

4101 Sherbrooke St. West

Westmount, (Québec), H3Z 1A7

Telephone: 514.451.5500 ext. 321

Fax: 514.940.1605

-And-

MONTREAL, December 22, 2020

(s) Karp Litigation Professional Corporation

Karp Litigation Professional Corporation

Per: Eli Karp

Class Counsel / Attorneys for Plaintiff

1186 Eglinton Ave West

Toronto, ON, M6C 2E3

Telephone: 416.769.4107

Fax: 416.352.7638

SUMMONS

(Articles 145 and following C.C.P.)

Filing of a judicial application

Take notice that the Plaintiff has filed this application in the office of the Superior Court of Quebec in the judicial district of Montreal.

Defendant's answer

You must answer the application in writing, personally or through a lawyer, at the courthouse of Montreal, situated at 1, Notre-Dame Est, Montréal, Québec within 15 days of service of the application or, if you have no domicile, residence or establishment in Québec, within 30 days. The answer must be notified to the Plaintiff's lawyer or, if the Plaintiff is not represented, to the Plaintiff.

Failure to answer

If you fail to answer within the time limit of 15 or 30 days, as applicable, a default judgment may be rendered against you without further notice and you may, according to the circumstances, be required to pay the legal costs.

Content of answer

In your answer, you must state your intention to:

- negotiate a settlement;
- propose mediation to resolve the dispute;
- defend the application and, in the cases required by the Code, cooperate with the Plaintiff in preparing the case protocol that is to govern the conduct of the proceeding. The protocol must be filed with the court office in the district specified above within 45 days after service of the summons or, in family matters or if you have no domicile, residence or establishment in Québec, within 3 months after service;
- propose a settlement conference.

The answer to the summons must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

Change of judicial district

You may ask the court to refer the originating application to the district of your domicile or residence, or of your elected domicile or the district designated by an agreement with the Plaintiff.

If the application pertains to an employment contract, consumer contract or insurance contract, or to the exercise of a hypothecary right on an immovable serving as your main residence, and if you are the employee, consumer, insured person, beneficiary of the insurance contract or hypothecary debtor, you may ask for a referral to the district of your domicile or residence or the district where the immovable is situated or the loss occurred. The request must be filed with the special clerk of the district of territorial jurisdiction after it has been notified to the other parties and to the office of the court already seized of the originating application.

Transfer of application to Small Claims Division

If you qualify to act as a Plaintiff under the rules governing the recovery of small claims, you may also contact the clerk of the court to request that the application be processed according to those rules. If you make this request, the Plaintiff's legal costs will not exceed those prescribed for the recovery of small claims.

Calling to a case management conference

Within 20 days after the case protocol mentioned above is filed, the court may call you to a case management conference to ensure the orderly progress of the proceeding. Failing this, the protocol is presumed to be accepted.

Exhibits supporting the application

In support of the application, the Plaintiff intends to use the following exhibits:

- Exhibit P-1:** TRQ news release released July 15, 2019
 - Exhibit P-2:** TRQ Material Change Report released July 24, 2019
 - Exhibit P-3:** TRQ interim financial statements released July 31, 2019
 - Exhibit P-4:** TRQ MD&A released July 31, 2019
 - Exhibit P-5:** TRQ news release released July 31, 2019 titled "Turquoise Hill announces financial results and review of operations for the second quarter of 2019"
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- Exhibit P-6:** TRQ interim financial statements released July 31, 2018
- Exhibit P-7:** TRQ MD&A released July 31, 2018
- Exhibit P-8:** TRQ CEO Certification released July 31, 2018
- Exhibit P-9:** TRQ CFO Certification released July 31, 2018
- Exhibit P-10:** TRQ news release released July 31, 2018 titled "Turquoise Hill announces financial results and review of operations for the second quarter of 2018"
- Exhibit P-11:** TRQ news release released October 15, 2018 titled "Turquoise Hill announced third quarter 2018 production and provides underground development update"
- Exhibit P-12:** TRQ interim financial statements released November 1, 2018
- Exhibit P-13:** TRQ MD&A released November 1, 2018
- Exhibit P-14:** TRQ CEO Certification released November 1, 2018
- Exhibit P-15:** TRQ CFO Certification released November 1, 2018
- Exhibit P-16:** TRQ news release released November 1, 2018 titled "Turquoise Hill announces financial results and review of operations for the third quarter of 2018"
- Exhibit P-17:** TRQ presentation released on or about November 2, 2018 titled "Turquoise Hill: A Compelling Value Proposition"
- Exhibit P-18:** TRQ news release released January 17, 2019 titled "Turquoise Hill announces fourth quarter 2018 production and 2019 operational guidance"
- Exhibit P-19:** TRQ presentation released on or about January 17, 2018 titled "A Leading Copper and Gold Producer, Developing the Next Tier-1 Copper Asset"
- Exhibit P-20:** TRQ news release released February 27, 2019 titled "Turquoise Hill announces 2019 financial guidance and provides underground development update"
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- Exhibit P-21:** TRQ AIF released March 14, 2019
- Exhibit P-22:** TRQ annual audited financial statements released March 14, 2019
- Exhibit P-23:** TRQ MD&A released on March 14, 2019
- Exhibit P-24:** TRQ CEO Certification pursuant to 18 U.S.C. Section 1350 released March 15, 2019
- Exhibit P-25:** TRQ CEO Certification pursuant to the *Securities Exchange Act of 1934* released March 15, 2019
- Exhibit P-26:** TRQ CFO Certification pursuant to 18 U.S.C. Section 1350 released March 15, 2019
- Exhibit P-27:** TRQ CFO Certification pursuant to the *Securities Exchange Act of 1934* released March 15, 2019
- Exhibit P-28:** TRQ news release released March 14, 2019 titled “Turquoise Hill announces financial results and review of operations for 2018”
- Exhibit P-29:** TRQ management information circular released March 14, 2019
- Exhibit P-30:** TRQ news release released April 15, 2019 titled “Turquoise Hill announces first quarter 2019 production and provides underground development update”
- Exhibit P-31:** Transcript of TRQ conference call conducted August 1, 2018
- Exhibit P-32:** Transcript of TRQ conference call conducted November 2, 2018
- Exhibit P-33:** Transcript of TRQ conference call conducted March 15, 2019
- Exhibit P-34:** TRQ Technical Report for Oyu Tolgoi released October 21, 2016
- Exhibit P-35:** *Financial Times* article titled “Rio Tinto whistleblower refers allegations to financial regulators”, dated March 23, 2020
- Exhibit P-36:** *Financial Review* article titled “Ex-Rio Tinto manager says he warned of Oyu Tolgoi blowouts”, dated November 12, 2019
- Exhibit P-37:** *Financial Times* article titled “Rio Tinto in legal battle with former manager over giant copper mine”, dated February 16, 2020
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- Exhibit P-38:** *Financial Review* article titled “Rio Tinto settles with Oyu Tolgoi whistleblower”, dated September 29, 2020
- Exhibit P-39:** *Financial Review* article titled “Rio Tinto board ignored report of ‘unethical behaviour’”, dated July 27, 2020
- Exhibit P-40:** *Financial Times* article titled “Rio Tinto executive coach reported ethical concerns to regulators”, dated November 10, 2020
- Exhibit P-41:** Financing Support Agreement between TRQ and Rio Tinto dated December 15, 2015
- Exhibit P-42:** TRQ Material Change Report released December 18, 2015
- Exhibit P-43:** *Financial Times* article titled “US regulator examines Rio Tinto whistleblower claims over Oyu Tolgoi”, dated September 6, 2020
- Exhibit P-44:** *Whistleblower News Network* article titled “SEC Examining Whistleblower Complaint Regarding Rio Tinto’s \$6.8 Billion Copper Mining Project”, dated September 18, 2020
- Exhibit P-45:** TRQ news release released May 6, 2016 (but dated May 5, 2016) titled “Oyu Tolgoi notice to proceed and 2016 feasibility study approved”
- Exhibit P-46:** TRQ news release released January 22, 2018 titled “Oyu Tolgoi marks early development milestone with completion of Shaft 2 sinking”
- Exhibit P-47:** Open Letter from TRQ shareholder SailingStone Capital Partners filed with SEC, dated February 1, 2018
- Exhibit P-48:** TRQ news release released March 14, 2018 titled “Turquoise Hill Board of Directors issues letter to shareholders”
- Exhibit P-49:** TRQ news release released May 3, 2018 titled “Turquoise Hill Board of Directors provides update on shareholder correspondence”
- Exhibit P-50:** Rio Tinto presentation delivered by Arnaud Soirat, dated October 2018
- Exhibit P-51:** Rio Tinto 2018 Annual Report released February 27, 2019
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- Exhibit P-52:** TRQ news release released July 2, 2020 titled “Turquoise Hill announces completion of 2020 Oyu Tolgoi Feasibility Study, updated Mineral Reserves and Mineral Resources, and an improved liquidity outlook”
- Exhibit P-53:** TRQ Technical Report for Oyu Tolgoi released August 28, 2020
- Exhibit P-54:** TRQ news release released September 10, 2020 titled “Turquoise Hill announces an update on funding discussions with Rio Tinto”
- Exhibit P-55:** TRQ news release released October 15, 2020 titled “Turquoise Hill announces third quarter 2020 production and provides updates on underground development, the definitive estimate and the liquidity outlook”
- Exhibit P-56:** TRQ news release released November 4, 2020 titled “Turquoise Hill to commence arbitration to seek clarity with respect to financing”
- Exhibit P-57:** Open Letter from Rio Tinto shareholder & TRQ short-seller Odey Asset Management LLP, dated November 25, 2020
- Exhibit P-58:** Open Letter from TRQ shareholder SailingStone Capital Partners released November 30, 2020
- Exhibit P-59:** TRQ news release released December 1, 2020 titled “Turquoise Hill Supports Oyu Tolgoi’s Independent Review of Mine Cost Overruns and Schedule Delays”
- Exhibit P-60:** P [REDACTED] L [REDACTED] bank trading record for July 3, 2019 purchase

These exhibits are available on request.

Notice of presentation of an application

If the application is an application in the course of a proceeding or an application under Book III, V, excepting an application in family matters mentioned in article 409, or VI of the Code, the establishment of a case protocol is not required; however, the application must be accompanied by a notice stating the date and time it is to be presented.

DO GOVERN YOURSELF ACCORDINGLY.

MONTREAL, December 22, 2020

(s) Lex Group Inc.

Lex Group Inc.

Per: David Assor

Class Counsel / Attorneys for Plaintiff

-And-

MONTREAL, December 22, 2020

(s) Karp Litigation Professional Corporation

Karp Litigation Professional Corporation

Per: Eli Karp

Class Counsel / Attorneys for Plaintiff

NOTICE OF PRESENTATION

TAKE NOTICE that the present APPLICATION FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION AND FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE QUÉBEC SECURITIES ACT will be presented for adjudication at a date and time to be determined by the Honourable Coordinating Justice of the Class Actions Division of the Superior Court of Quebec, at the Montreal Courthouse located at 1 Notre-Dame Street East, or as soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, December 22, 2020

(s) Lex Group Inc.

Lex Group Inc.

Per: David Assor

Class Counsel / Attorneys for Plaintiff

-And-

MONTREAL, December 22, 2020

(s) Karp Litigation Professional Corporation

Karp Litigation Professional Corporation

Per: Eli Karp

Class Counsel / Attorneys for Plaintiff
