



Why Turquoise Hill Shares Tanked

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of mineral explorer **Turquoise Hill Resources** ([TSX: TRQ](#)) sank 12% today after [receiving](#) notification from the Government of Mongolia that project financing for Oyu Tolgoi will now require approval by the Mongolian Parliament.

So what: Unfortunately for Turquoise and parent company Rio Tinto, The Mongolian Parliament is currently in summer recess and the approval process will take plenty of time even after that, so all work on the underground development will be put on hold indefinitely. Given that Oyu Tolgoi is Turquoise's primary operation — total capital invested in the mine to March 31, 2013 was about \$6 billion — the delay represents a huge setback for management and raises plenty of uncertainty for shareholders.

Now what: Management will naturally do what it can in the meantime. "Operations of the open-pit mine, commissioning of the concentrator, and the ongoing export of concentrate from Oyu Tolgoi will continue," wrote Turquoise Hill in a statement. Of course, when you couple the Mongolian government's seemingly unstable policies with Turquoise's sector-average P/E, the risk/reward tradeoff at this point looks particularly unfavorable.

Canada has been stimulating the global shift to alternative energy, but the big money isn't in natural gas. Instead, your portfolio could be best served by uranium — the key ingredient for nuclear power. The Motley Fool has prepared a Special FREE Report that will clue you into the two best uranium companies in Canada. It's called "[Fuel Your Portfolio With This Energetic Commodity](#)," and you can receive a copy at no charge!

Fool contributor [Brian Pacampara](#) owns no position in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TRQ (Turquoise Hill Resources)

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