



Turquoise Hill's investment thesis





- Oyu Tolgoi will be the world's third-largest copper mine with underground
- Hugo North Lift 1 financing in place1
- Timing of underground benefits from expected drop in copper supply (~2020)
- Oyu Tolgoi's resources provide long-term development optionality

Analysis of potential full production upside¹

Indicative valuation (US\$B) EV/M+I Resources⁵ Price/NAV **EV/Reserves** TRQ EV/Reserves (\$/lb.) TRQ EV/M+I Resources (\$/lb.) TRQ P/NAV \$0.156 \$0.061 0.825xTrading comps² Turquoise Hill Resources Ltd. Average EV/Reserves (\$/lb.) Average EV/M+I Resources (\$/Ib.) Average P/NAV \$0.321 \$0.124 0.961xCurrent EV3: \$5.7B \$0.289 Range +/- 10% \$0.353 \$0.111 Range +/- 10% \$0.136 0.865x Range +/- 10% 1.058x Reserves⁴: 36.8B lb. Resources⁵: 94.5B lb. Implied TRQ EV (\$B) Implied TRQ EV (\$B) Implied TRQ NAV (\$B) NAV: \$6.9B \$11.8B \$11.7B \$6.7B \$10.6B Range +/- 10% \$13.0B \$10.5B Range +/- 10% \$12.9B \$6.0B Range +/- 10% \$7.3B **EV/Reserves** EV/M+I Resources⁵ Price/NAV TRQ P/NAV TRQ EV/Reserves (\$/lb.) TRQ EV/M+I Resources (\$/lb.) Transaction comps² \$0.156 \$0.061 0.825xTurquoise Hill Resources Ltd. Average EV/M+I Resources (\$/lb.) Average EV/Reserves (\$/lb.) Average P/NAV \$0.361 \$0.164 1.107xCurrent EV3: \$5.7B \$0.325 Range +/- 10% \$0.397 \$0.148 Range +/- 10% \$0.181 0.996x Range +/- 10% 1.217x Reserves⁴: 36.8B lb. Resources⁵: 94.5B lb. Implied TRQ EV (\$B) Implied TRQ EV (\$B) Implied TRQ NAV (\$B) NAV: \$6.9B \$13.3B \$15.5B \$7.7B

Source: Brokers, Capital IQ, Mergermarket, company technical reports, annual reports and press articles as of November 25, 2016 | Note: Full production comparables analysis shows Turquoise Hill valuation in five years

\$12.0B Range +/- 10% \$14.6B

\$14.0B Range +/- 10% \$17.1B

\$6.9B

Range +/- 10% \$8.5B

^{1.} Valuation is based on the current trading multiples in \$2.60 per pound copper price environment; current long term (2-3 years) copper price assumption varies between \$2.75 - \$3.00 per pound; transaction comps based mostly on deals done in \$2.18 - \$2.51 per pound copper price ranges; does not include valuation uplift from the expected copper price increase ~ 2020

^{2.} Valuation based on range derived for companies with projects with similar characteristics and in full production

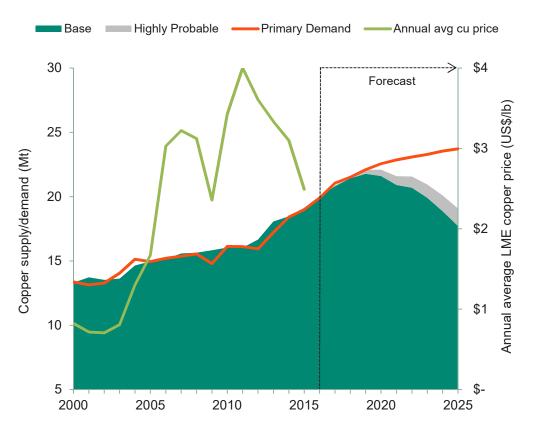
^{3.} Adjusted for project finance drawdown cash

^{4.} Reserves and resources are based on equivalent units of production

^{5.} Resources includes reserves

Long-term copper fundamentals strong

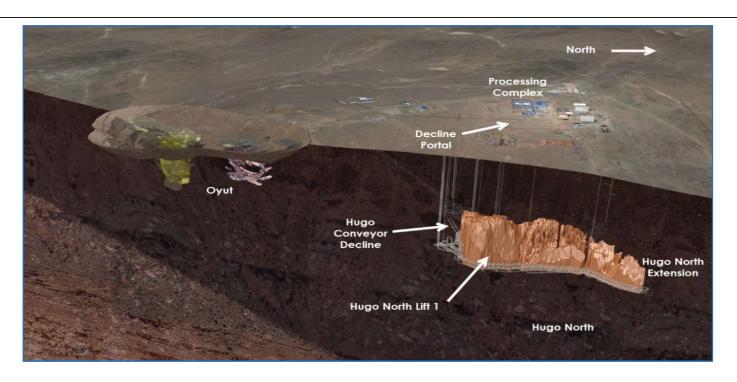
Copper supply/demand outlook



Source: Wood Mackenzie (Q3'16 Long-Term Outlook)

- Copper market likely to be in balance in 2017
- Ongoing attrition at existing mines driven by declining grade
- Continued demand growth requires new capacity in the medium-term
- Market anticipates surplus in 2018-19 before moving into deficit from 2020
- China now largest buyer of gold and continues to be largest consumer of copper

2016 Reserves Case mining areas



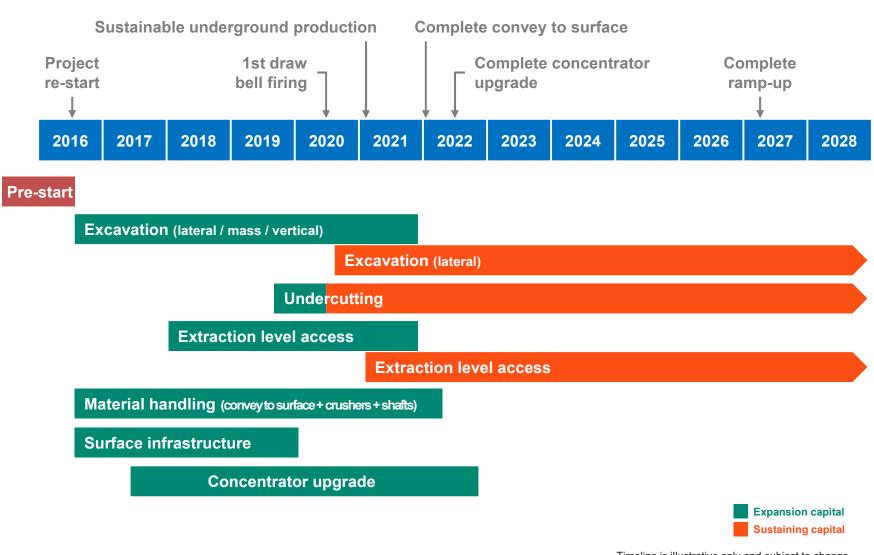
Underground

- Ramp-up (2020-2027), full production (~33mtpa)
- Highest grade ore mined first copper ~2.5%
- Opportunities to reduce construction time, faster ramp-up and increase underground production >95ktpd
- Concentrator 40mtpa, 10% above nameplate

Open Pit

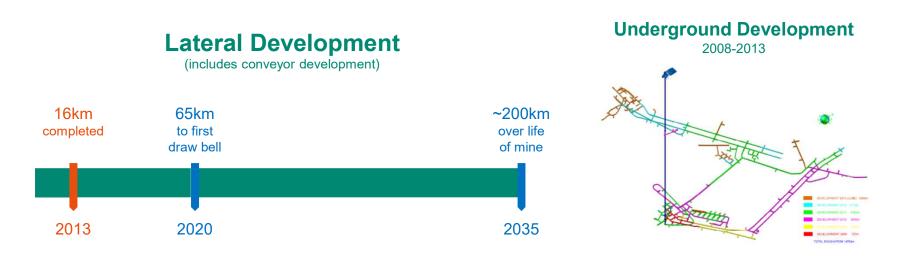
- Open-pit mine tops-up concentrator
- After 2039, open-pit head grades average
 0.45% copper

Complete ramp-up expected by 2027

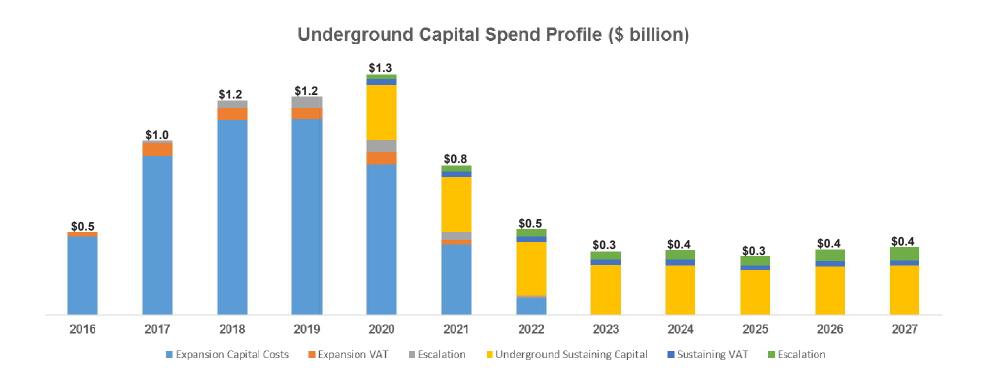


Key underground components

	Shaft 1 (early development and ventilation)	Shaft 2 (production and ventilation)	Shaft 5 (ventilation)	Shaft 3 (ventilation)	Shaft 4 (ventilation)
Total Depth	1,385 metres	1,284 metres	1,178 metres	1,148 metres	1,149 metres
Diameter	6.7 metres	10 metres	6.7 metres	10 metres	11 metres
Completion	2008	Expected 2016	Expected 2017	Expected 2021	Expected 2021
Remaining	Complete	~100 metres	~1,000 metres	Not started	Not started

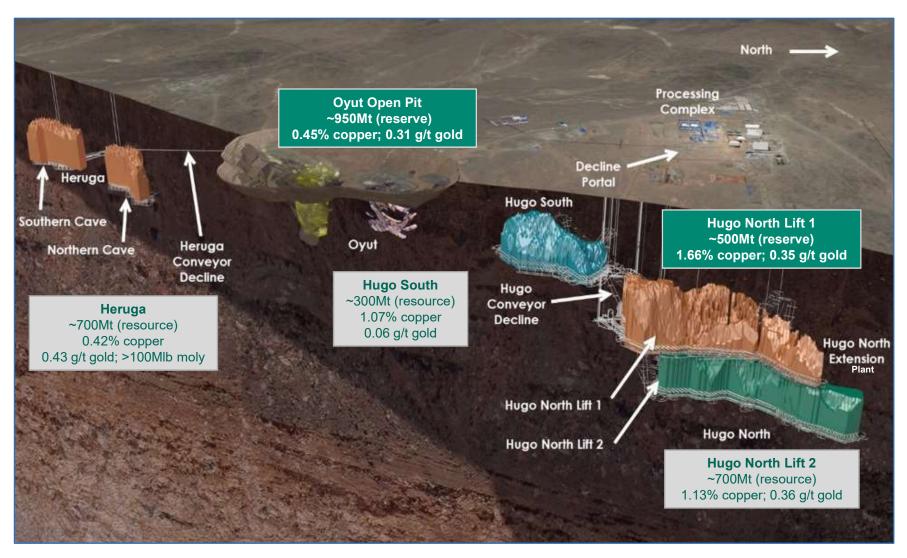


Approved underground CAPEX

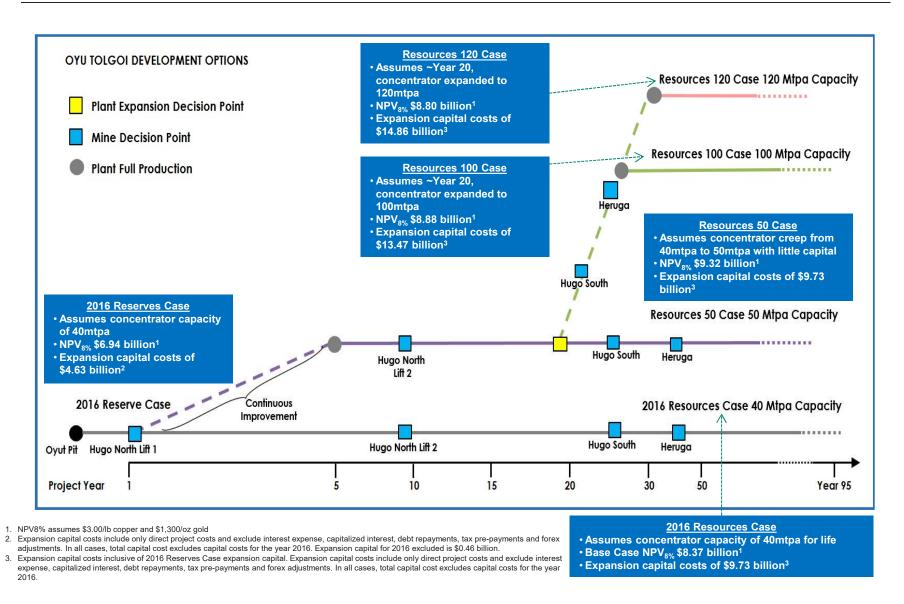


- Underground expansion capital, VAT and escalation of \$5.3 billion
- Underground sustaining capital, VAT and escalation of \$2.8 billion to full ramp-up expected in 2027

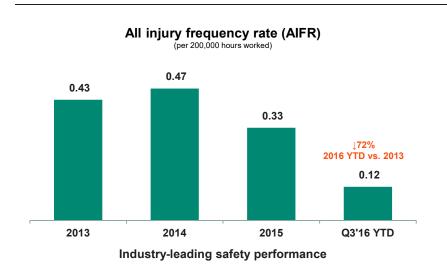
2016 Resources Case

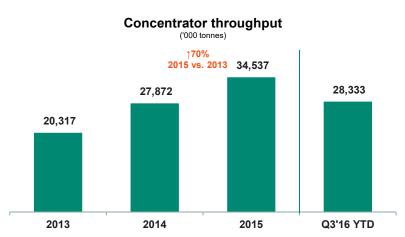


Alternative Production Cases

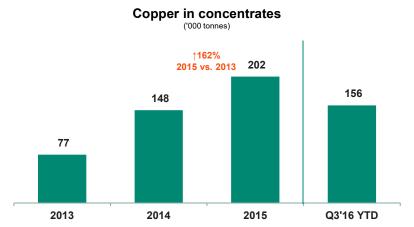


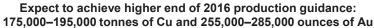
Production highlights

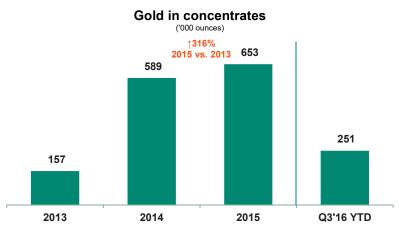




Multiple productivity initiatives have led to improved throughput

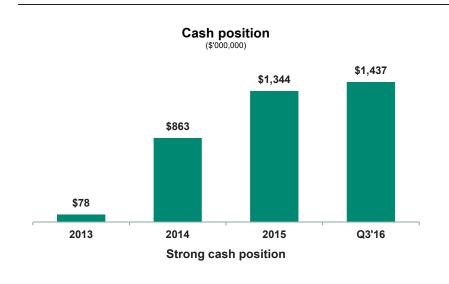


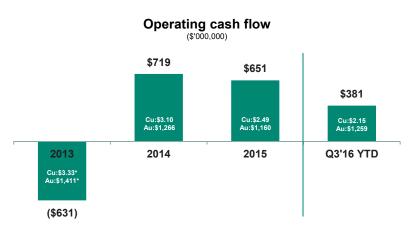




2016 YTD gold production reflects lower grades due to completion of mining in Phase 2

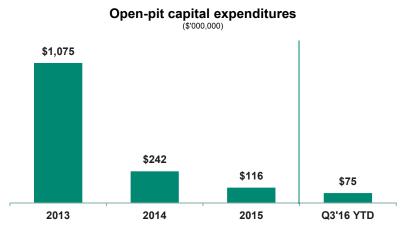
Financial highlights

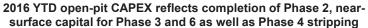


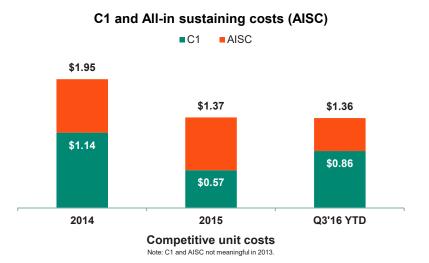


Consecutive periods of positive operating cash flow

*Source: Average quarterly Comex copper price and average quarterly LBMA gold price.

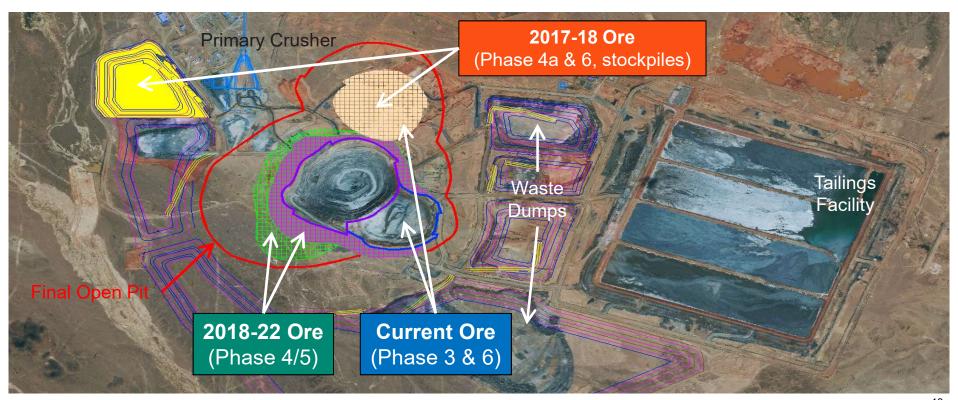






Open Pit - managing ore grade challenges

- Phase 2 finished and Phase 3 nearly complete (2017)
- Phase 6 and lower-grade stockpile ore processed mid-2016 to mid-2018
- Phase 4 waste mining critical, uncovers 2017 medium-grade ore, then 2018 high-grade ore



Oyu Tolgoi's impact in Mongolia

Mongolian Workforce

94%

At the end of Q3'16, ~94% of Oyu Tolgoi's workforce was Mongolian

Taxes and Fees

\$1.6B

Between 2010 and 1H'16, Oyu Tolgoi paid \$1.6B in taxes, fees and other payments to the Mongolian Government

In-country Spend

\$5.9B

Between 2010 and Q3'16, Oyu Tolgoi has spent \$5.9B in Mongolia¹

Taxpayer Rank

#1

Oyu Tolgoi was the top corporate taxpayer in Mongolian for 2015

Community Investment

\$9.2M

Oyu Tolgoi invested \$9.2M in sustainable long-term projects in the South Gobi community in 2015

Water Recycling

84.9%

Oyu Tolgoi's water recycling rate averaged 84.9% at the end of Q3'16 against a recycling target of 80%

Oyu Tolgoi– a long-term growth opportunity

- Open pit performing as expected in low gold areas
- Demonstrated productivity and cost improvements
- Underground development progressing
- Long-term development optionality and plant expansion opportunities
- Oyu Tolgoi is the best copper asset in development today

Appendix

Project financing – flow of funds

At September 30, 20161



Turquoise Hill
Resources Ltd.

Receivable from Oyu Tolgoi*

Payable to Turquoise Hill*

Shareholder loan: \$2.9 billion Shareholder loan: \$2.9 billion

1. In accordance with the ARSHA, Turquoise Hill funded the common share investments in Oyu Tolgoi on behalf of Erdenes Oyu Tolgoi LLC; at September 30, 2016 the balance was approximately \$1.0 billion

At project finance drawdown



Turquoise Hill Resources Ltd. **RioTinto**

Proceeds: \$4.3 billion²

\$4.3 billion³

Receivable from Oyu Tolgoi*

\$4.2 billion

Deposit from Turquoise Hill

Payable to Turquoise Hill*
Shareholder loan: \$2.9 billion

Shareholder loan: \$2.9 billion

Deposit: \$4.2 billion
Waive 2.5%** guarantee fee
with amount on deposit

- 2. Project finance facility made directly with Oyu Tolgoi
- 3. Amount received net of bank fees
- * Interest rate LIBOR + 6.5%
- ** When guarantee fee paid, Oyu Tolgoi pays 1.9% and Turquoise Hill pays 0.6%

Oyu Tolgoi cash call



Shareholder loan: 个

Equity loan: 个

Turquoise Hill Resources Ltd.

Funding

RioTinto

Funding

Project finance funds

Priority of funding used for development

Oyu Tolgoi operating cash flow

Turquoise Hill cash

Payable to Turquoise Hill Receivable from Oyu Tolgoi*
(2.5%** quarantee fee on funds used)

Shareholder loan: ↑ Equity loan: ↑ Reduction in deposit from Turquoise Hill*

Deposit: ↓

** Guarantee fee - Oyu Tolgoi pays 1.9% and Turquoise Hill pays 0.6%

^{*} Interest rate LIBOR + 6.5%

^{*} Indicative, does not show the withholding tax implications | original shareholder loan interest rate LIBOR + 6.5% | Oyu Tolgoi's all-in project finance interest rate, including upfront and ongoing fees as well as the guarantee fee, is LIBOR + 6.0%

Oyu Tolgoi at China's doorstep

