

Oyu Tolgoi: Advancing Value, Creating Options



Forward-looking statements

This presentation includes certain “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995.

All statements and information, other than statements of historical fact, are forward-looking statements and information that involve various risks and uncertainties. There can be no assurances that such statements or information will prove accurate and actual results and future events could differ materially from those expressed or implied in such statements. Such statements and information contained herein, which include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies and other statements that are not historical facts, represent the Company’s best judgment as of the date hereof based on information currently available. The Company does not assume any obligation to update any forward-looking statements or information or to conform these forward-looking statements or information to actual results, except as required by law.

For a more detailed list of specific forward-looking statements and information applicable to the Company, refer to the *Forward-Looking Information* and *Forward-Looking Statements* sections of the Annual Information Form dated as of March 23, 2017 in respect to the year ended December 31, 2016.

All amounts are in U.S. dollars, unless otherwise stated.

Turquoise Hill's investment thesis

1. Oyu Tolgoi expected to be world's third-largest copper mine with underground
2. Significant cash flow expected from underground
3. Hugo North Lift 1 financing in place¹
4. Turquoise Hill should benefit from expected drop in copper supply (~2020)
5. Oyu Tolgoi's resources provide long-term development optionality

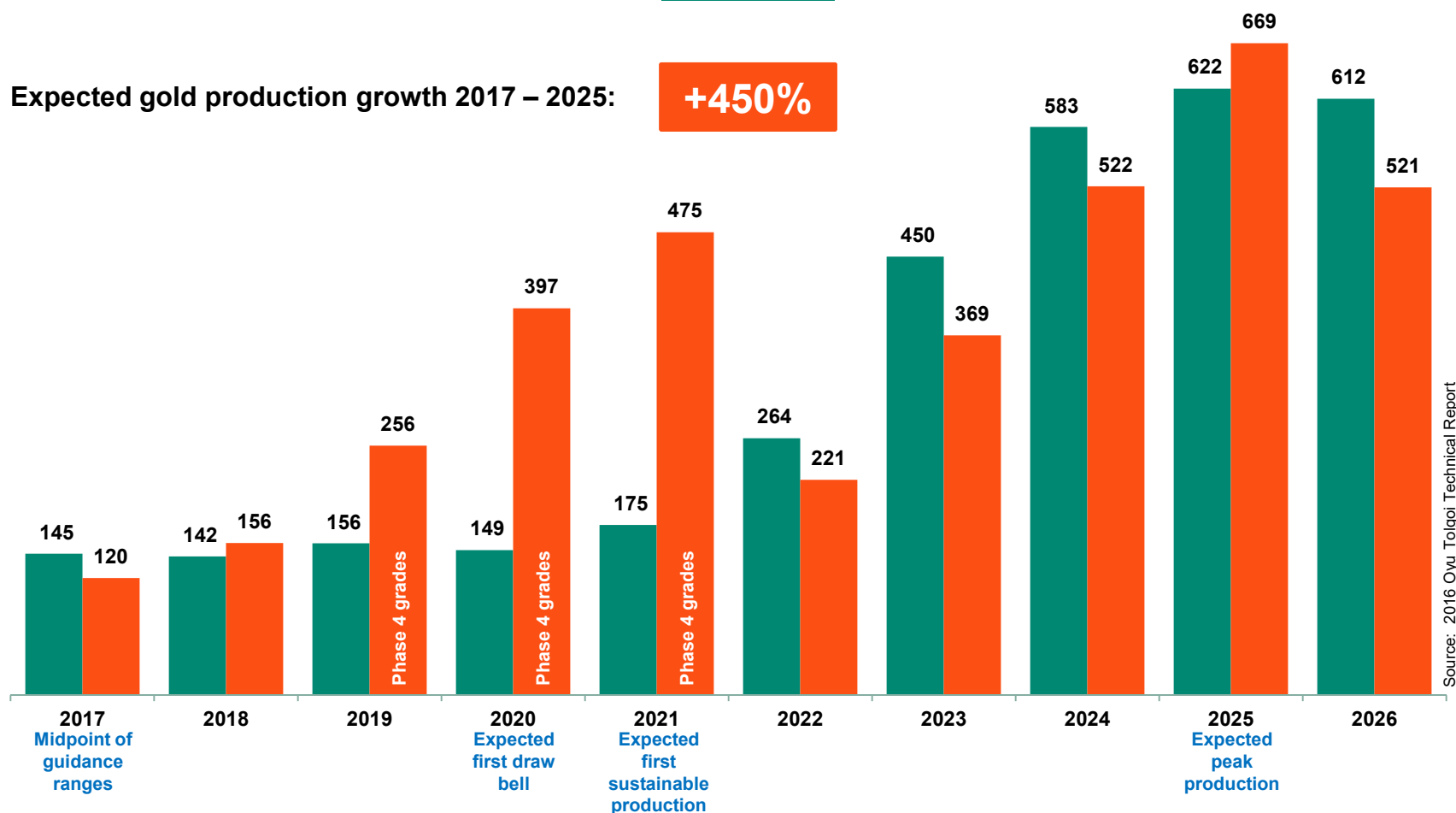
1. Financing sources includes project finance facility, supplemental debt (in progress), operating cash flow from Oyu Tolgoi and Turquoise Hill's cash; excludes power plant CAPEX.

Oyu Tolgoi's expected production growth

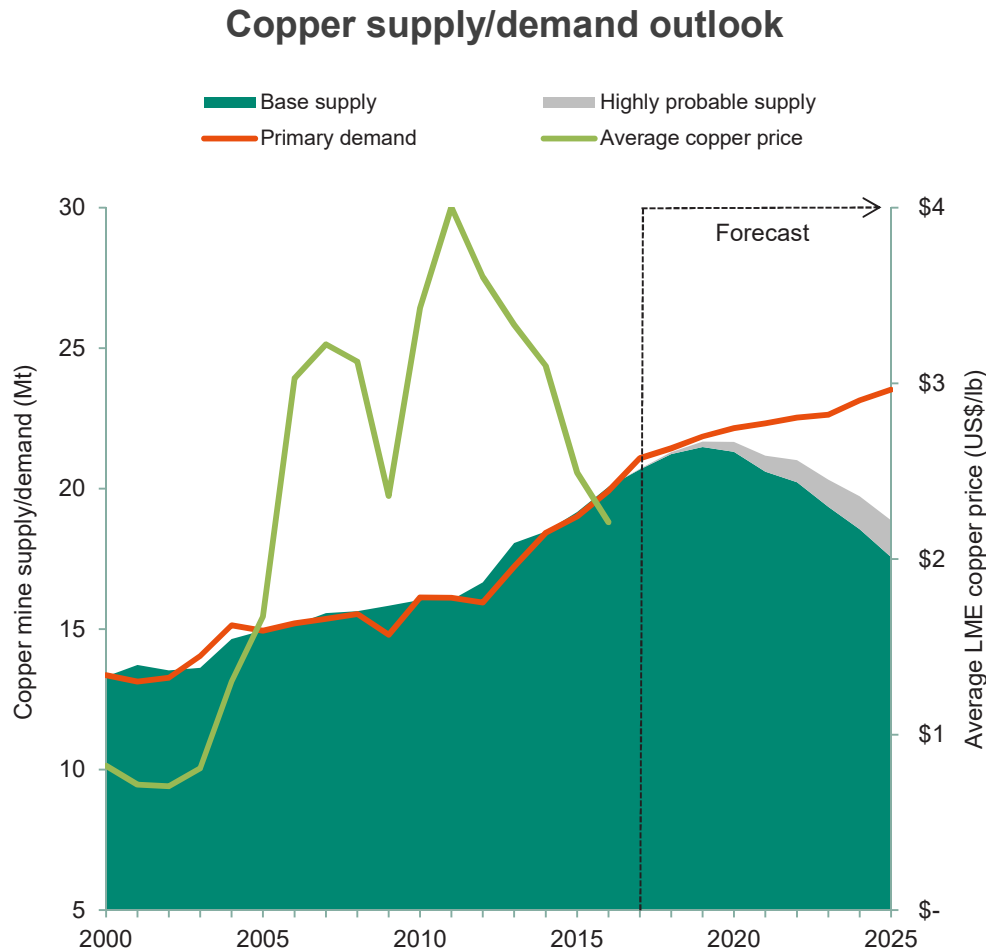
■ Copper ('000 tonnes) ■ Gold ('000 ounces)

Expected copper production growth 2017 – 2025: **+320%**

Expected gold production growth 2017 – 2025: **+450%**



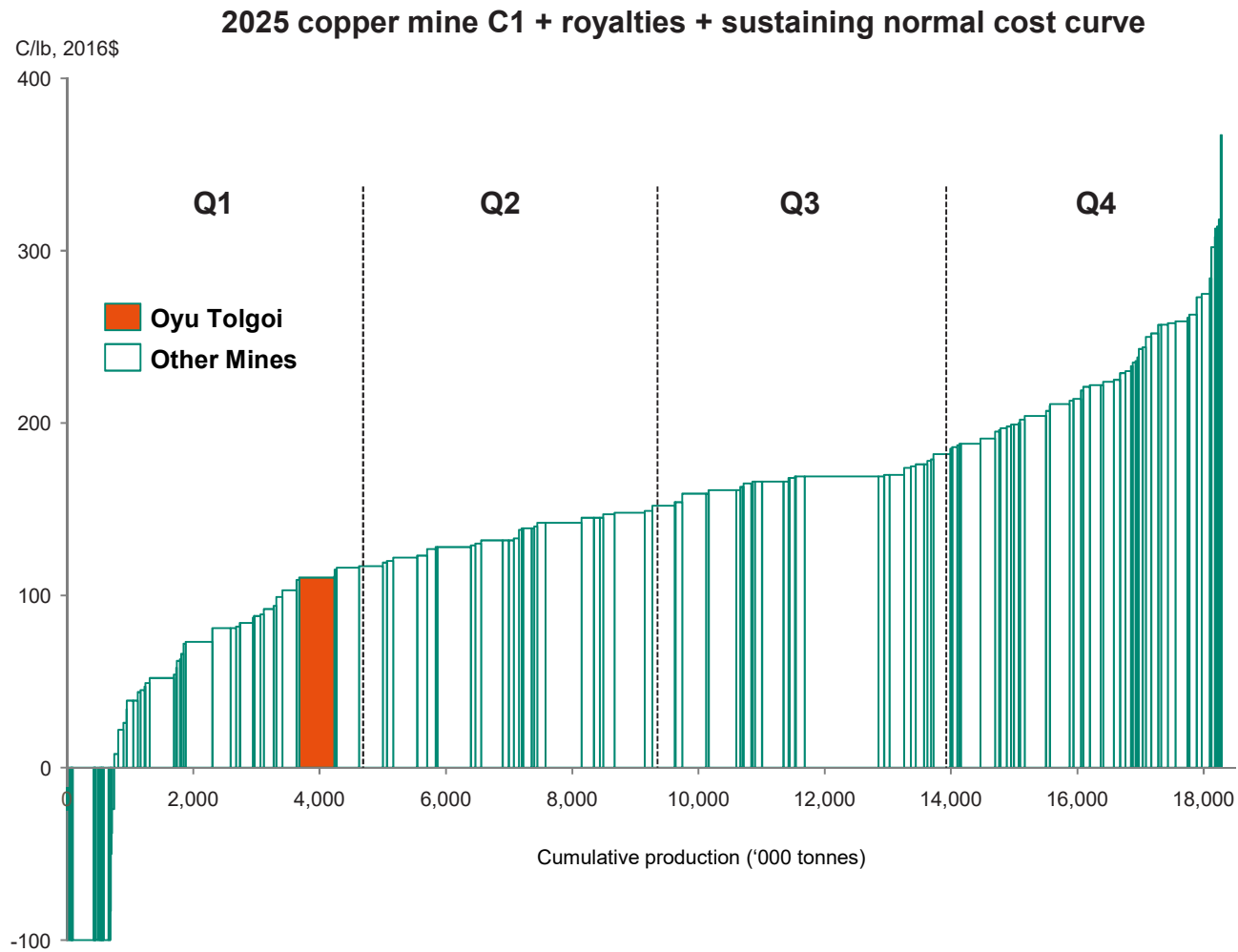
Long-term copper fundamentals strong



Source: Wood Mackenzie (Q4'16 Long-Term Outlook)

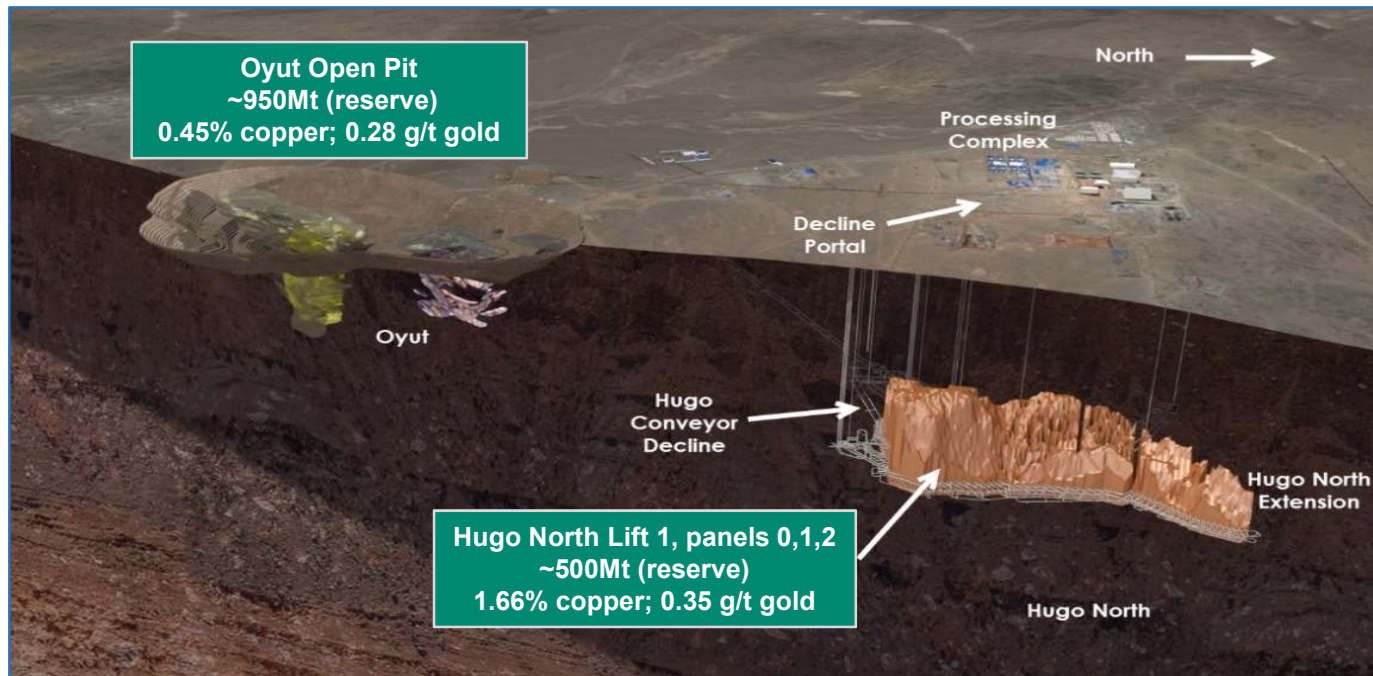
- Copper market likely to enter temporary deficit in 2017
- Ongoing attrition at existing mines driven by declining grade
- Continued demand growth requires new capacity in the medium-term
- Market expected to return to balance from 2018 before moving into deficit in the early 2020s
- China now largest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

Oyu Tolgoi underground a Tier 1 asset



Source: Wood Mackenzie (Q4'16 Cost Service), 2016 Oyu Tolgoi Technical Report and Turquoise Hill Resources. Normal C1 cost + sustaining capex, range capped at -100/lb & 400/lb for base, highly probable and probable mines only. Oyu Tolgoi costs and volumes for 2025-2030.

2016 Reserves Case mining areas



Hugo North Lift 1 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 when Hugo North Lift 1 begins production
- After 2039, open-pit head grades average ~ 0.45% copper
- First production in January 2013; ~2.5 million tonnes of concentrate produced by year-end 2016

Underground development status

Lateral development

1,600 eqv. metres

Completed in 2016 ahead of schedule; increased rates expected in 2017 with bigger crusher

Shaft 2

~ 85 vertical metres

Remaining until shaft completion (expected 2017); used for production and ventilation

Convey-to-Surface

Surface excavation complete

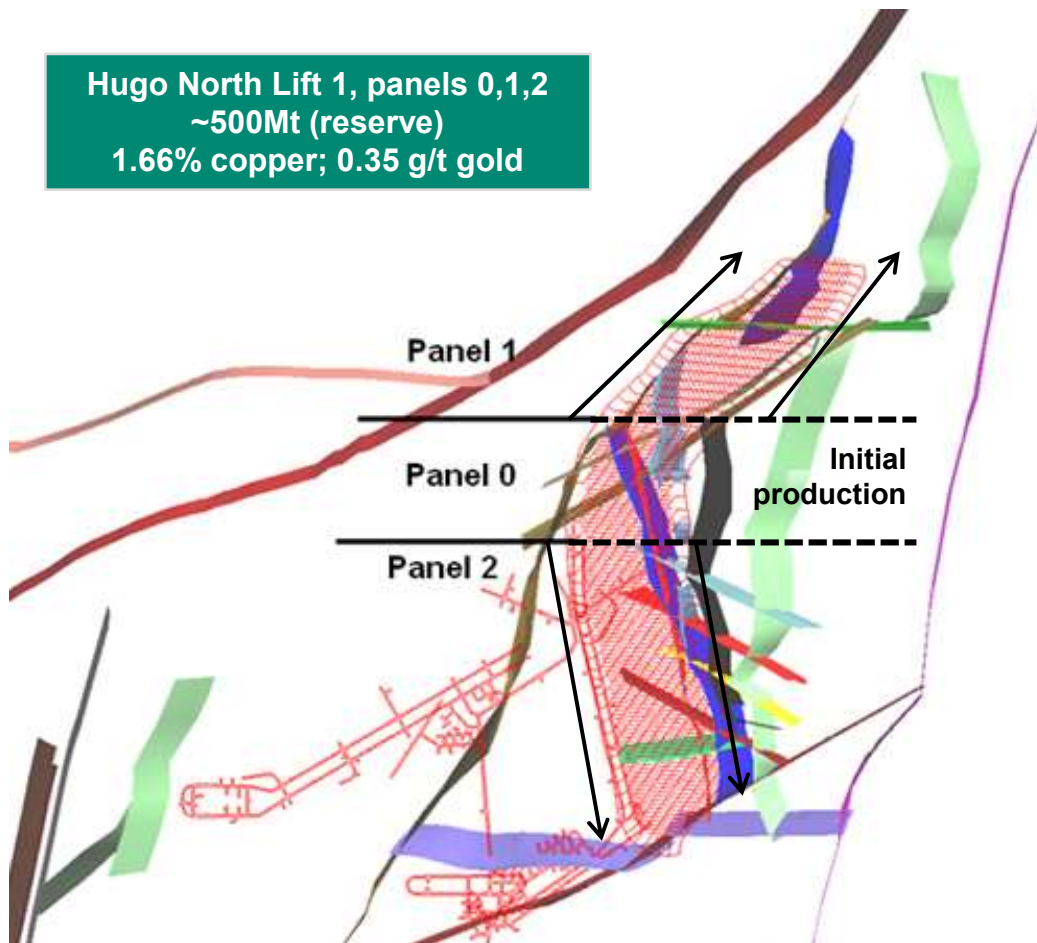
Underground decline commenced in Q1'17

Shaft 5

~ 840 vertical metres

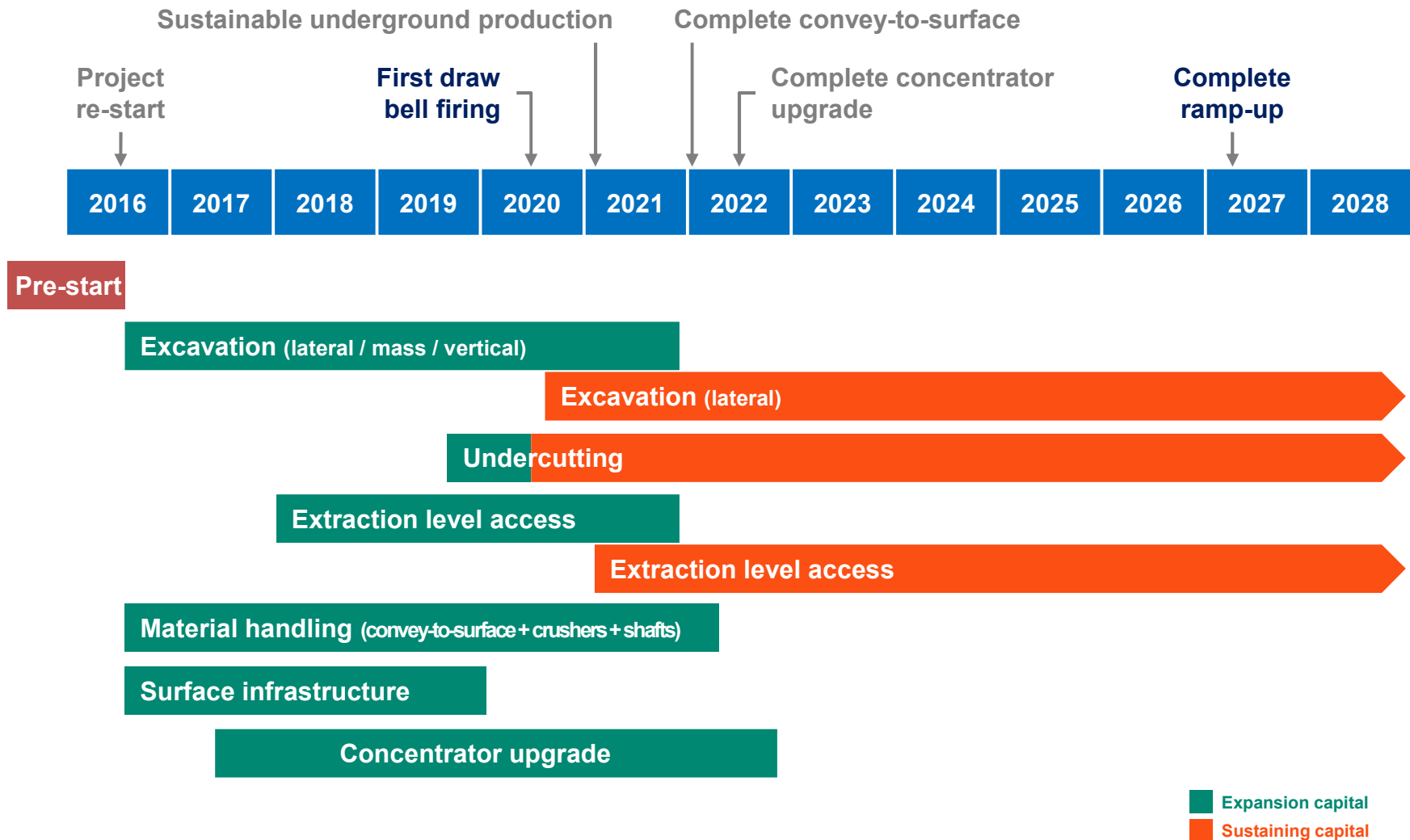
Remaining until shaft completion (expected 2017); used for ventilation; increase in lateral development rates when complete

Underground mining sequence



- Initial underground production begins with Panel 0
- Highest copper grades occur during ramp up exceeding 2.5% in several years
- 2024-2026: Oyu Tolgoi *peak* copper production during period expected to average > 600,000 tonnes annually due to high grades
- 2024-2036: Total mine copper production over period expected to average > 500,000 tonnes annually
- Following completion of Panel 0, production will move outward with Panels 1 and 2

Complete ramp-up expected by 2027



Timeline is illustrative only and subject to change

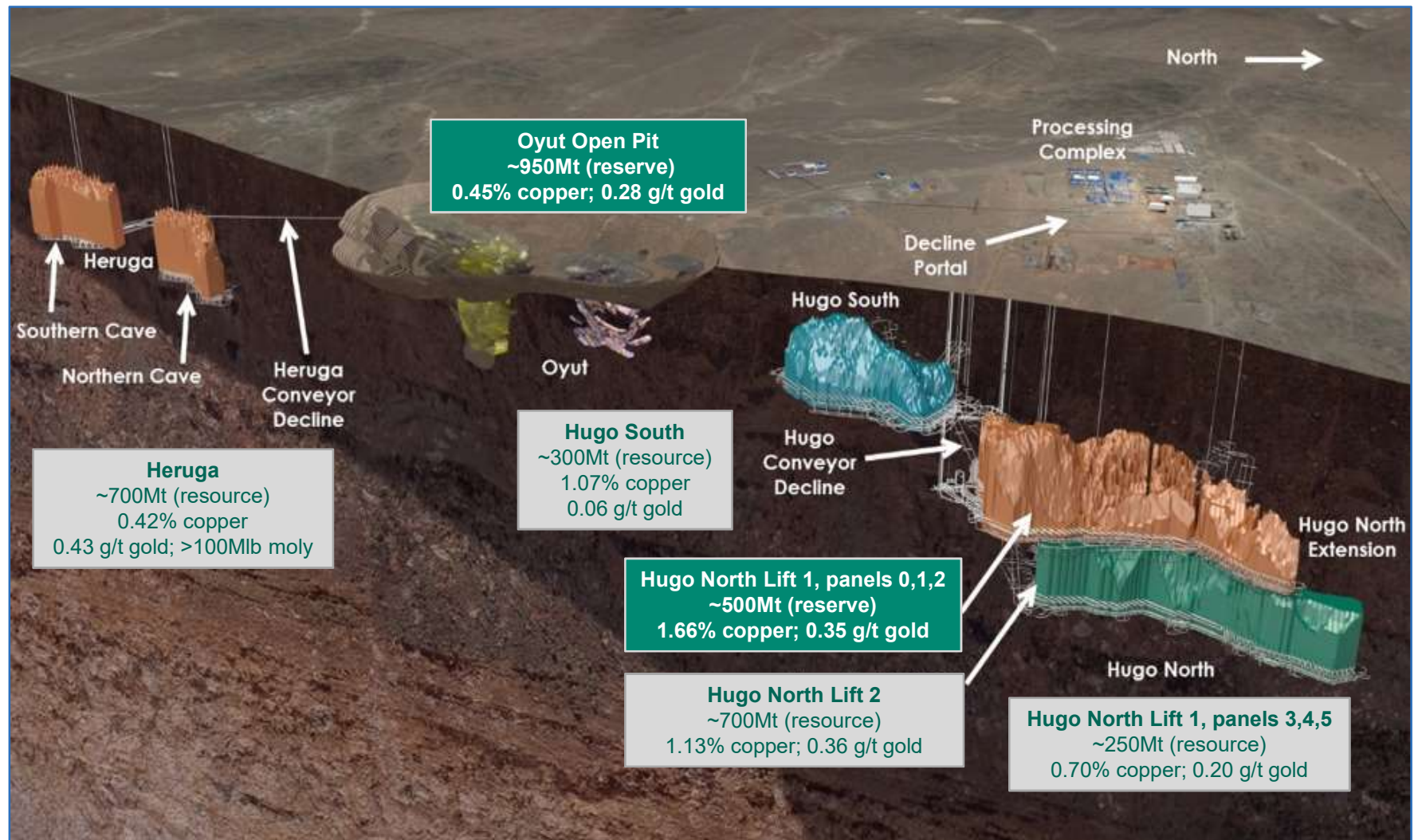
Key underground components

	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 2017	Expected 2017	Expected 2021	Expected 2021
Remaining	Complete	~85 metres	~840 metres	Not started	Not started

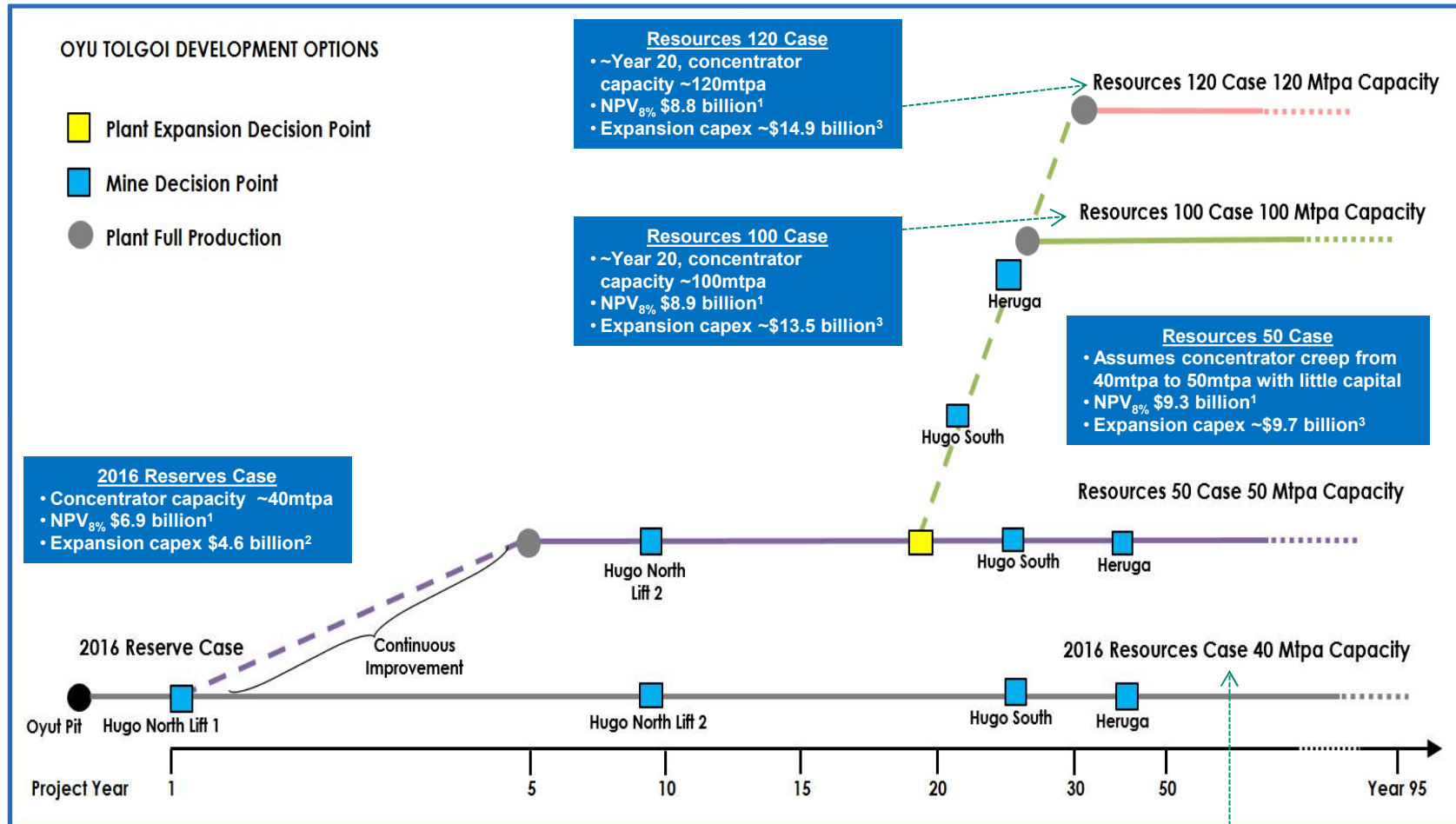
Lateral Development (includes conveyor development)



2016 Resources Case: ~3.4 billion tonnes



Alternative Production Cases



1. NPV_{8%} assumes \$3.00/lb copper and \$1,300/oz gold

2. Expansion capital costs include only direct project costs and exclude interest expense, capitalized interest, debt repayments, tax pre-payments and forex adjustments. In all cases, total capital cost excludes capital costs for the year 2016. Expansion capital for 2016 excluded is \$0.46 billion.

3. Expansion capital costs inclusive of 2016 Reserves Case expansion capital. Expansion capital costs include only direct project costs and exclude interest expense, capitalized interest, debt repayments, tax pre-payments and forex adjustments. In all cases, total capital cost excludes capital costs for the year 2016.

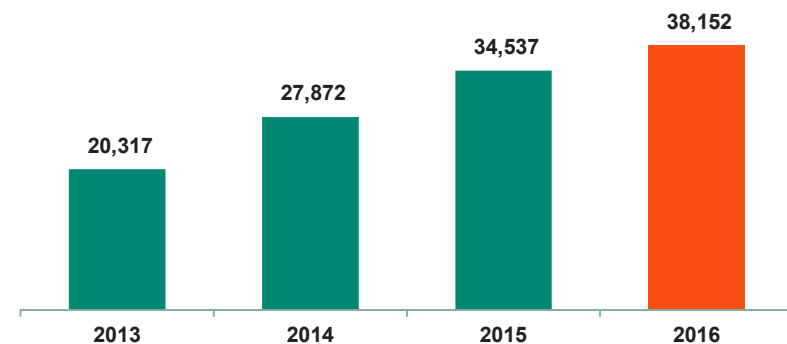
Production highlights

All Injury Frequency Rate
(per 200,000 hours worked)



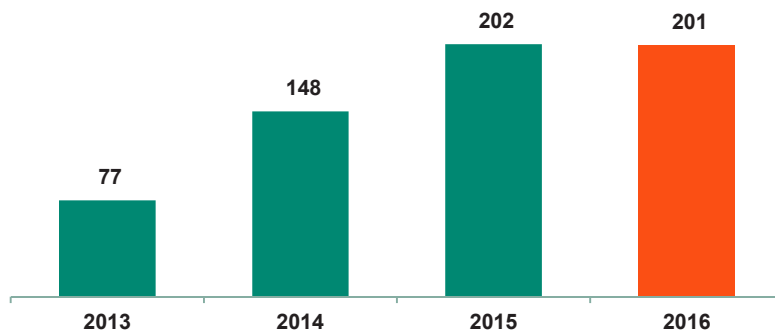
Industry-leading safety performance

Concentrator throughput
(⁰⁰⁰ tonnes)



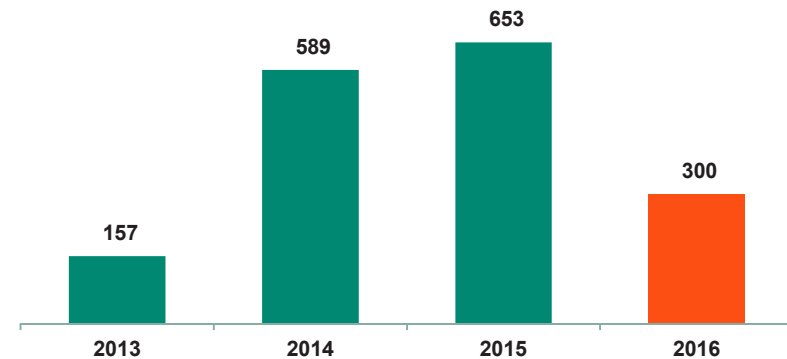
Multiple productivity initiatives have led to improved throughput

Copper in concentrates
(⁰⁰⁰ tonnes)



Exceeded 2016 guidance of 175,000–195,000 tonnes of copper and 255,000 – 285,000 ounces of gold

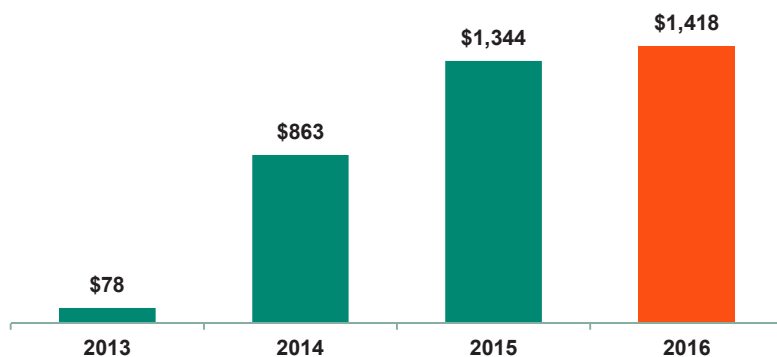
Gold in concentrates
(⁰⁰⁰ ounces)



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

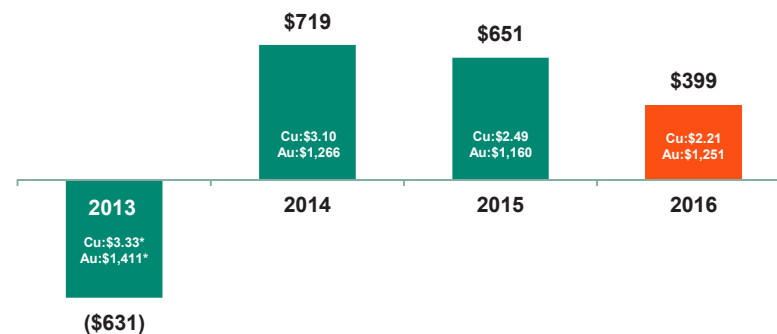
Financial highlights

Cash position
(\$'000,000)



Strong cash position

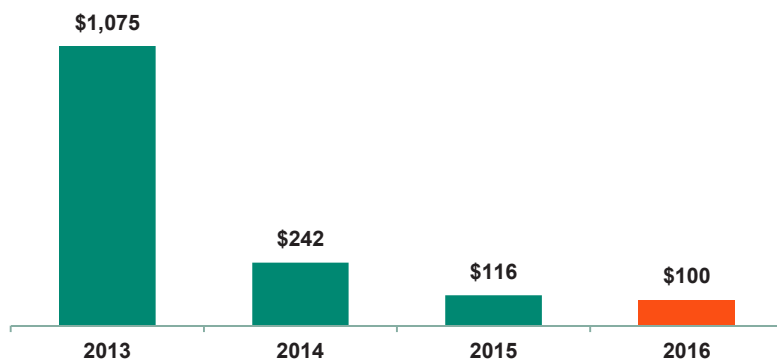
Operating cash flow
(\$'000,000)



Consecutive periods of positive operating cash flow

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

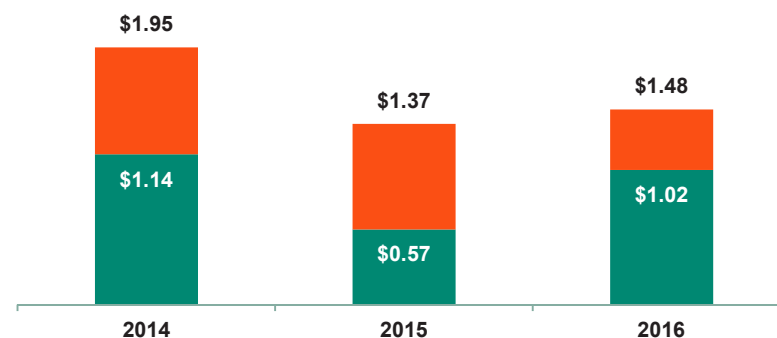
Open-pit capital expenditures
(\$'000,000)



2016 open-pit CAPEX reflects completion of Phase 2, Phase 4 deferred stripping and tailings storage facility spending

C1 and All-in sustaining costs (AISC)

■ C1 ■ AISC



Competitive unit costs

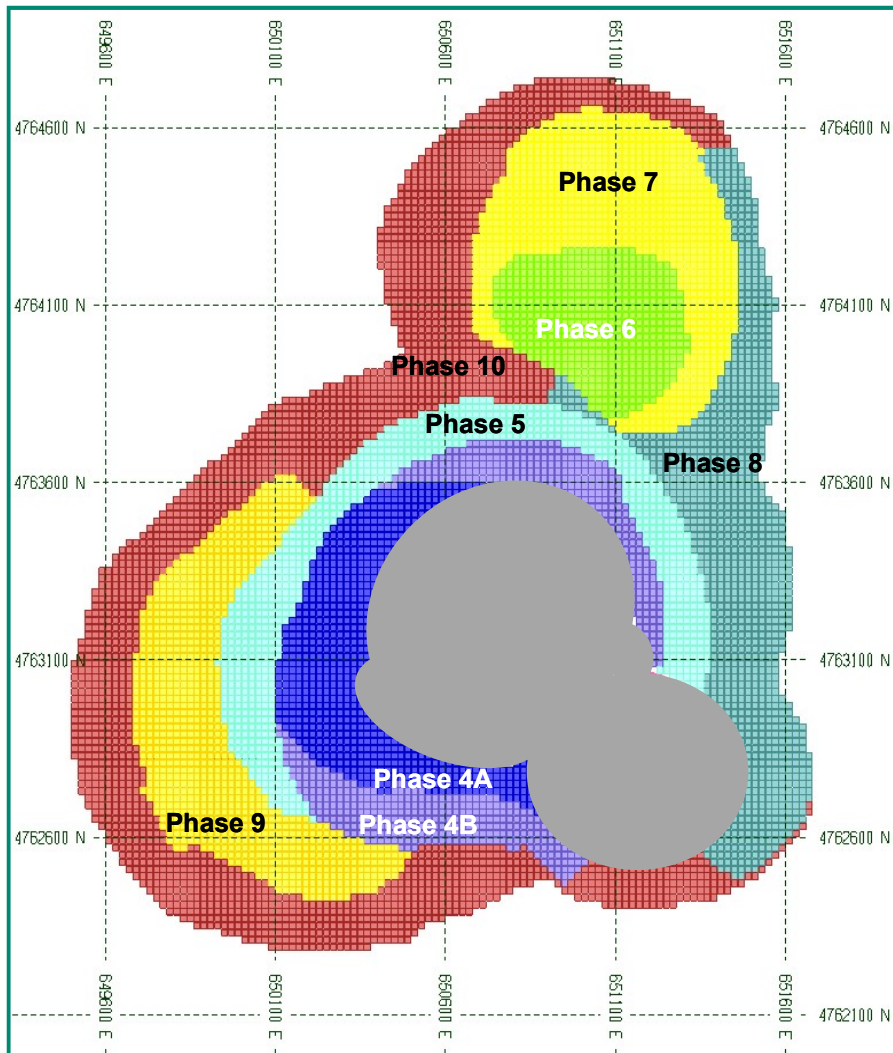
Note: C1 and AISC not meaningful in 2013.

Production and financial guidance

	2016	2017
Copper in concentrates	201,300 tonnes (actual) 175,000 – 195,000 tonnes	130,000 – 160,000 tonnes
Gold in concentrates	~300,000 ounces (actual) 255,000 – 285,000 ounces	100,000 – 140,000 ounces
Operating cash costs	\$775 million (actual) \$840 million	\$720 million
Capital expenditures	\$100 million (open pit actual) \$200 million	\$100 million (open pit) \$825 million - \$925 million (underground)

- 2017 production impacted by ~25% less copper head grade and ~50% less gold head grade
- 2017 operating cash costs reflects cost improvements and impact of lower logistics costs from decreased production
- 2017 open-pit CAPEX reflects lower maintenance costs, reduced deferred stripping cost due to optimization and improved tailings storage costs

Managing near-term ore grade challenges



- Phases 6 and 4a as well as low-grade stockpile ore processed in 2017
- Phase 4 stripping provides access to higher ore grades in 2018

Oyu Tolgoi's impact in Mongolia

Mongolian Workforce

94%

At the end of 2016, ~94% of Oyu Tolgoi's workforce was Mongolian

Taxes and Fees

\$1.6B

Between 2010 and 2016, Oyu Tolgoi paid \$1.6B in taxes, fees and other payments to the Mongolian Government

In-country Spend

\$6.1B

Between 2010 and 2016, Oyu Tolgoi has spent \$6.1B in Mongolia¹

Taxpayer Rank

#1

Oyu Tolgoi was the top corporate taxpayer in Mongolian for 2015

Community Investment

\$9.7M

Oyu Tolgoi invested \$9.7M in sustainable long-term projects in the South Gobi community in 2016

Water Recycling

86.2%

Oyu Tolgoi's water recycling rate averaged 86.2% for 2016 against a recycling target of 80%

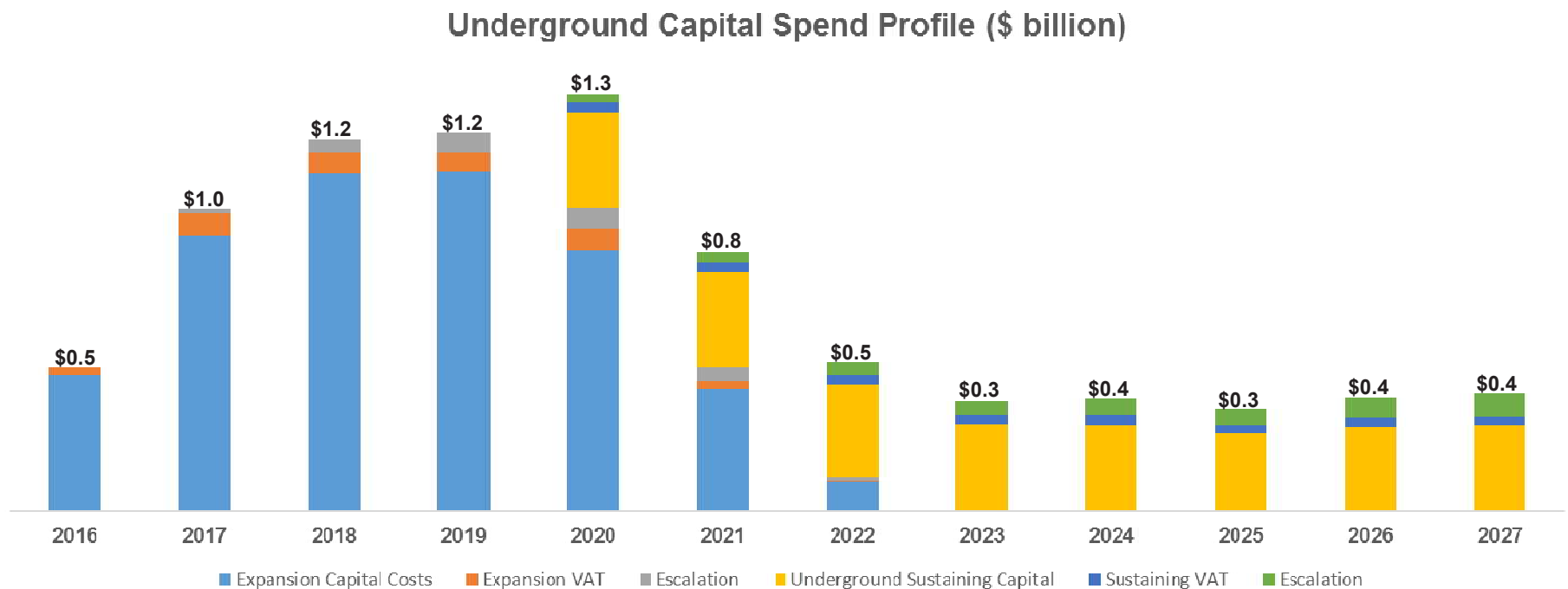
1. In-country spend includes salaries, payments to Mongolian suppliers, taxes and other payments to the Government of Mongolia.

Oyu Tolgoi – a long-term growth opportunity

- **Advancing** underground development
- **Creating** long-term development options
- **Demonstrated** productivity and cost improvements
- **Best copper asset** in development today

Appendix

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

Project finance – flow of funds

At December 31, 2016¹



Payable to Turquoise Hill*

Shareholder loan: \$3.0 billion



Receivable from Oyu Tolgoi*

Shareholder loan: \$3.0 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 December 31, 2016 the balance was approximately \$1.0 billion

* Interest rate LIBOR + 6.5%

At project finance drawdown



Proceeds: \$4.3 billion²

Payable to Turquoise Hill*

Shareholder loan: \$3.0 billion



\$4.3 billion³

Receivable from Oyu Tolgoi*

Shareholder loan: \$3.0 billion



\$4.2 billion

Deposit from Turquoise Hill

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

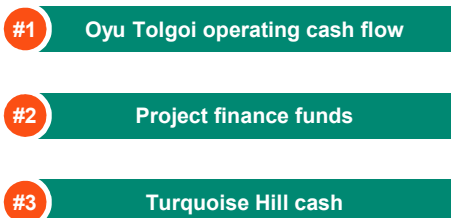
2. Project finance facility made directly with Oyu Tolgoi

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%

Priority of funding used for development



Oyu Tolgoi cash call



Funding

Payable to Turquoise Hill

(2.5%** guarantee fee on funds used)

Shareholder loan: ↑
Equity loan: ↑



Funding

Receivable from Oyu Tolgoi*

Shareholder loan: ↑
Equity loan: ↑



Funding

**Reduction in deposit
from Turquoise Hill***

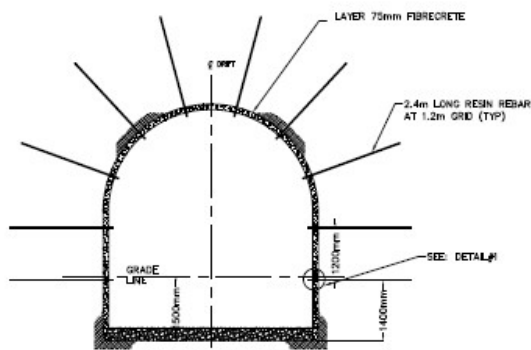
Deposit: ↓

* 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%

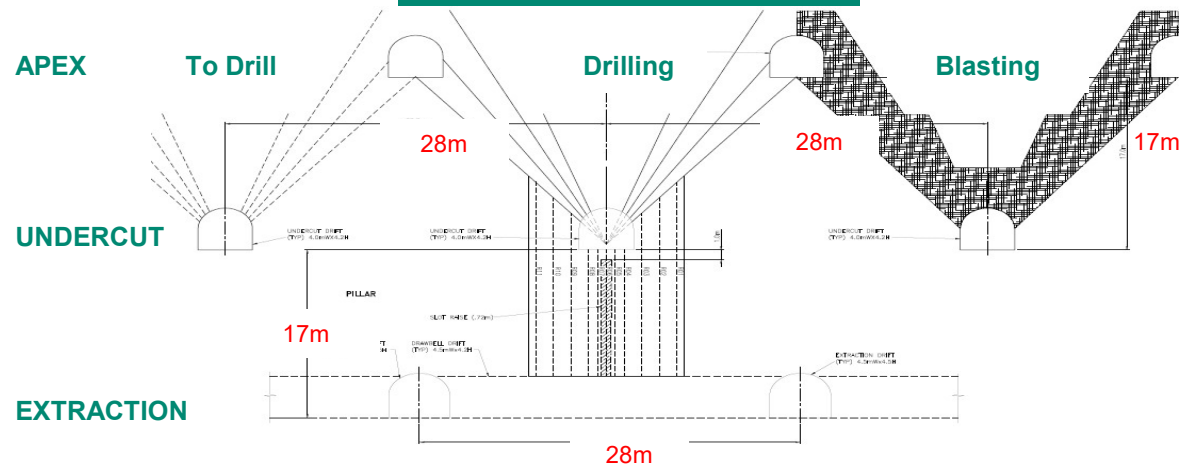
** Guarantee fee - Oyu Tolgoi pays 1.9% and Turquoise Hill pays 0.6%

Underground elements

Ground Support



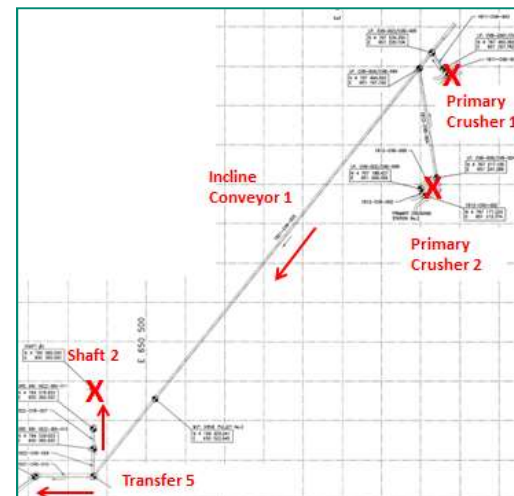
Undercut



Extraction



Ore Handling



24

