

Investor Presentation
August 2017

**Oyu Tolgoi:
Advancing value,
creating options**



TURQUOISE HILL

Forward-looking statements

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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

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- 1. Oyu Tolgoi expected to be world's third-largest copper mine**
- 2. Significant cash flow expected from underground development**
- 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.



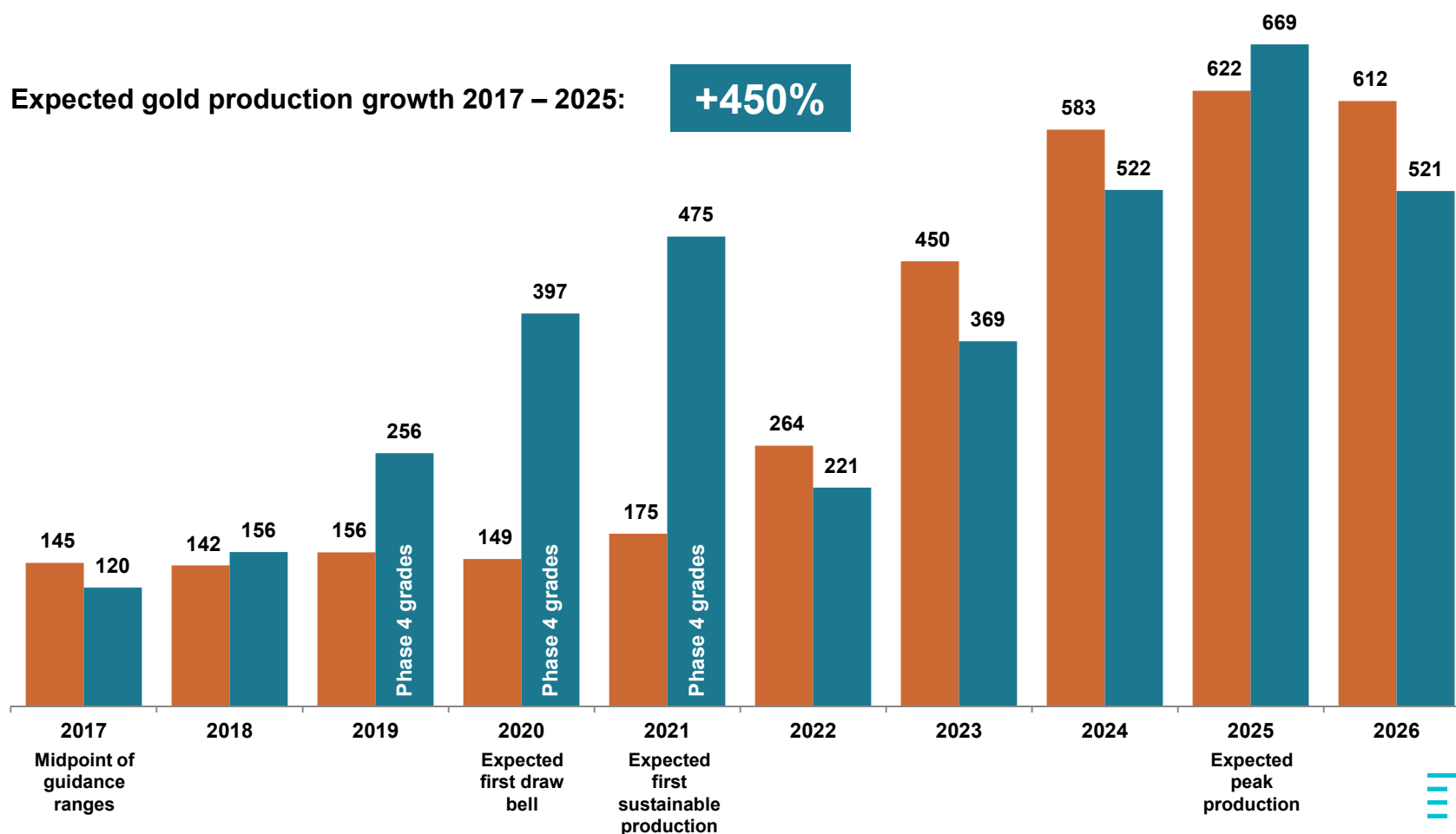
Oyu Tolgoi's expected production growth

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

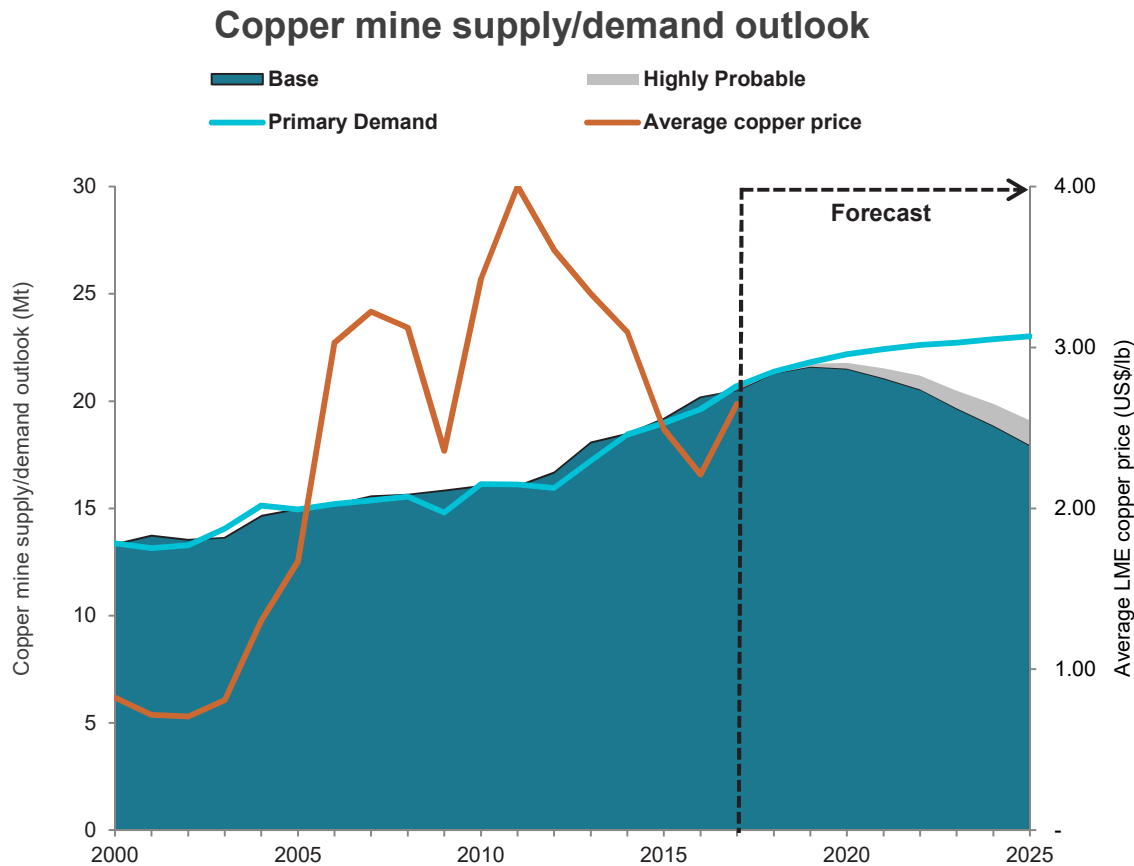
Expected copper production growth 2017 – 2025: **+320%**

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



Long-term copper fundamentals strong

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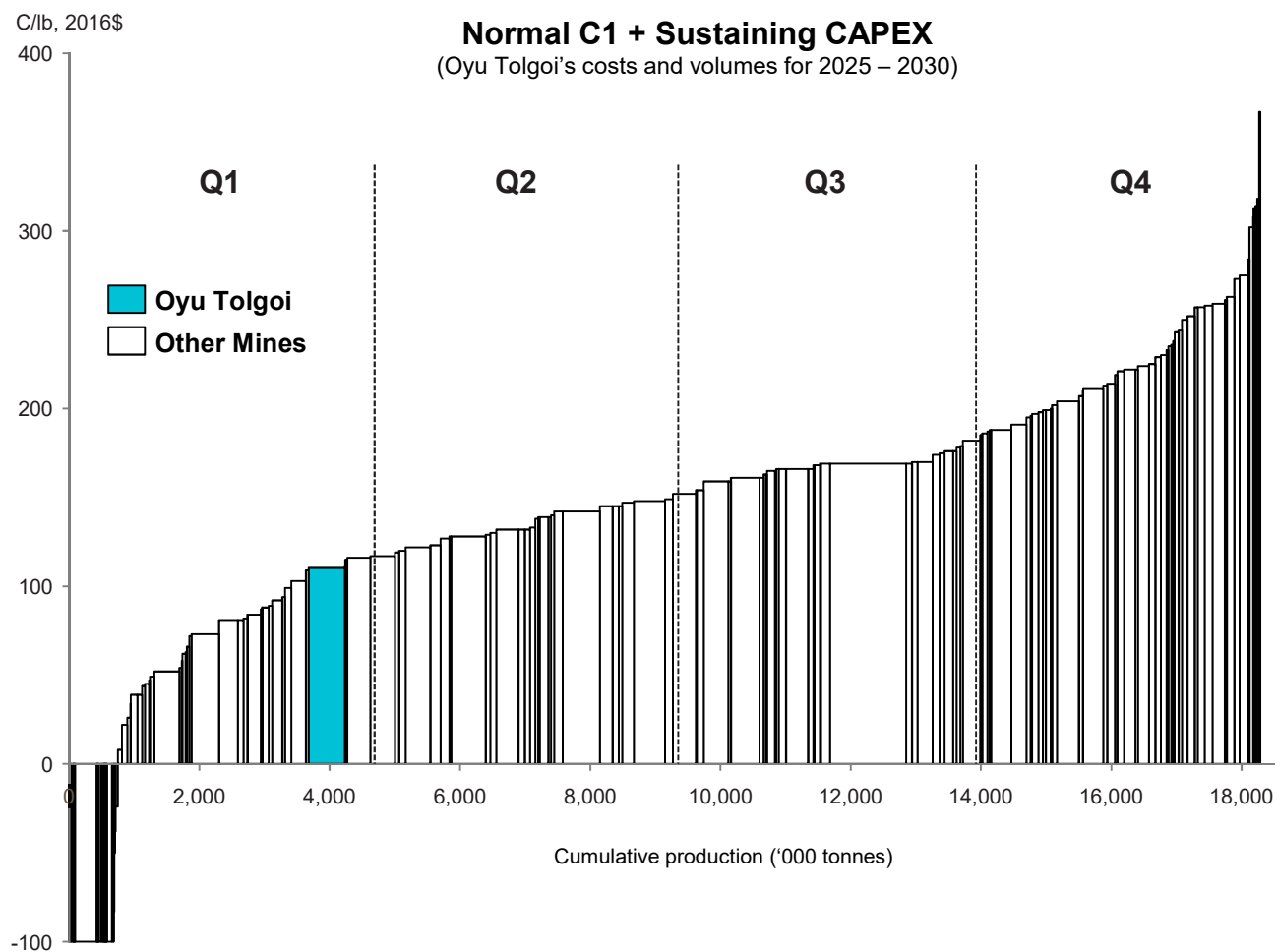
- Copper market likely to enter a temporary deficit in 2017.
- Ongoing attrition at existing mines driven by declining grade
- Continued demand growth requires new capacity in the medium-term
- Market expected to return to balance from 2018 before moving into deficit from 2020
- China now largest buyer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

Source: Wood Mackenzie (Q1'17 Long-Term Outlook)



First quartile producer

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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.



A photograph of a worker in a hard hat and safety vest operating a large orange Jumbo drill rig in an underground tunnel. The tunnel walls are covered in a dense grid of rebar. The worker is positioned on the right side of the frame, looking towards the left where the drill rig is mounted. The rig has multiple drill bits and is positioned against the tunnel wall. The lighting is dim, with a strong light source illuminating the worker and the rig.

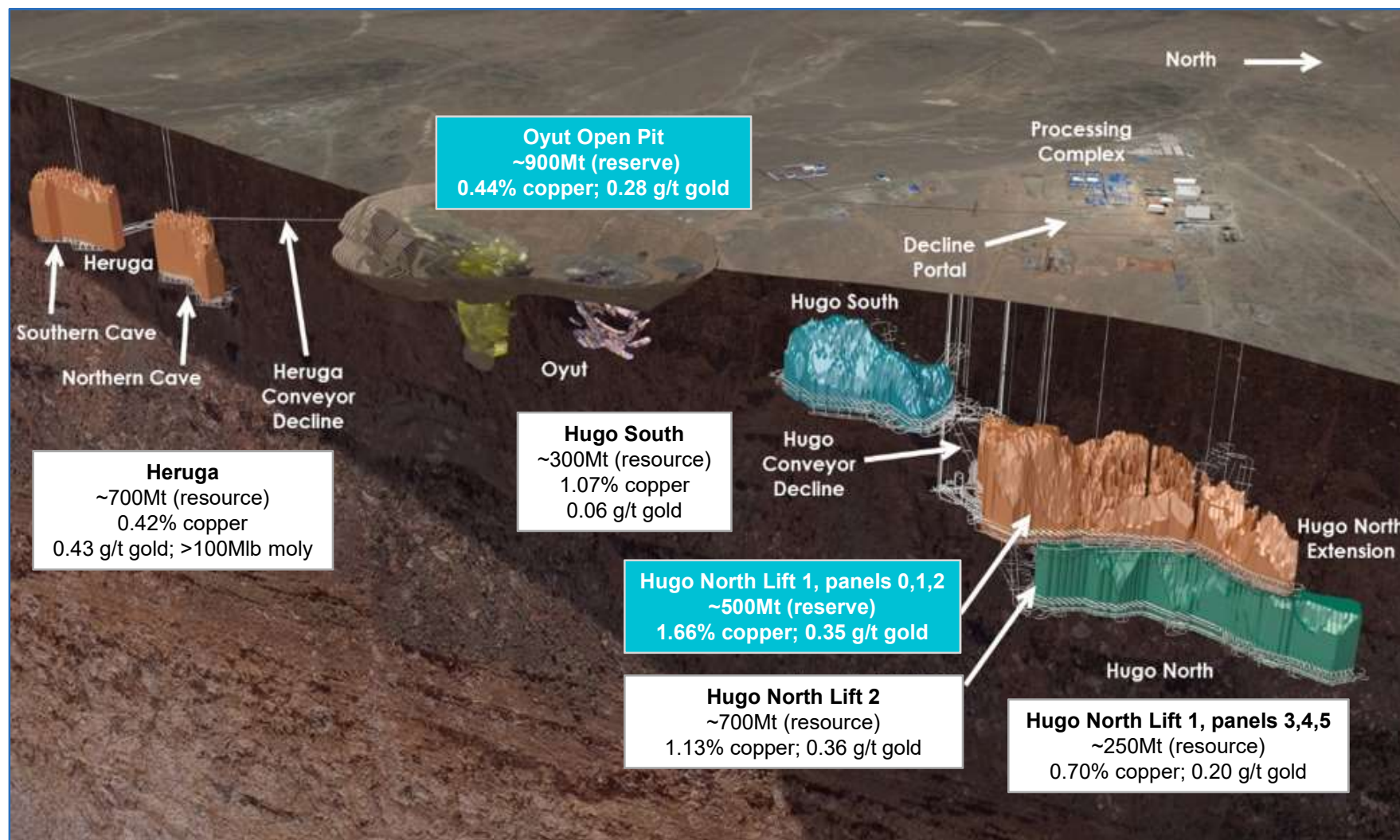
Underground development

Photo: Jumbo working on main access lateral development off of Shaft 1.

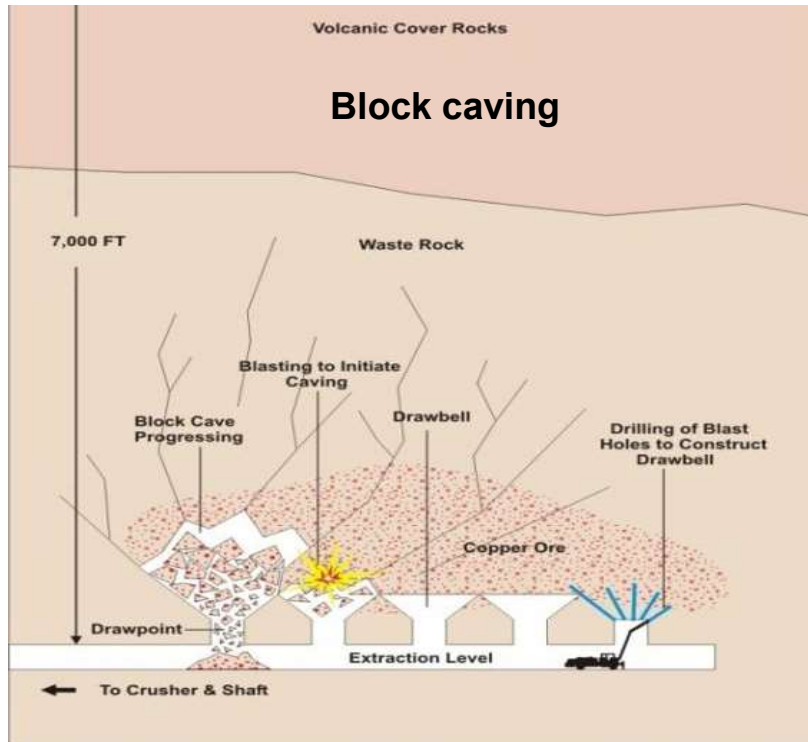


2016 Resources Case: ~3.4 billion tonnes

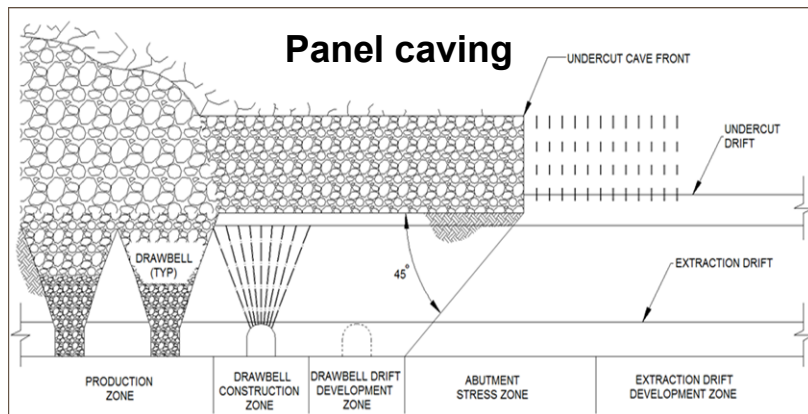
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Block cave concept



- Gravity used to exploit deep ore body
- Cave propagation (caveability) depends on in situ stresses and host rock's ability to fracture
- Initial drill, blast and extraction focused on bottom section of ore body via drawpoint to create void
- Broken ore removal from undercut area causes ore above it to collapse (vertical propagation) and void forms drawpoint
- In traditional block cave, whole ore body extracted through static set of drawpoints at base of ore body
- Once undercutting complete, no on-going construction; only production until end of cave life

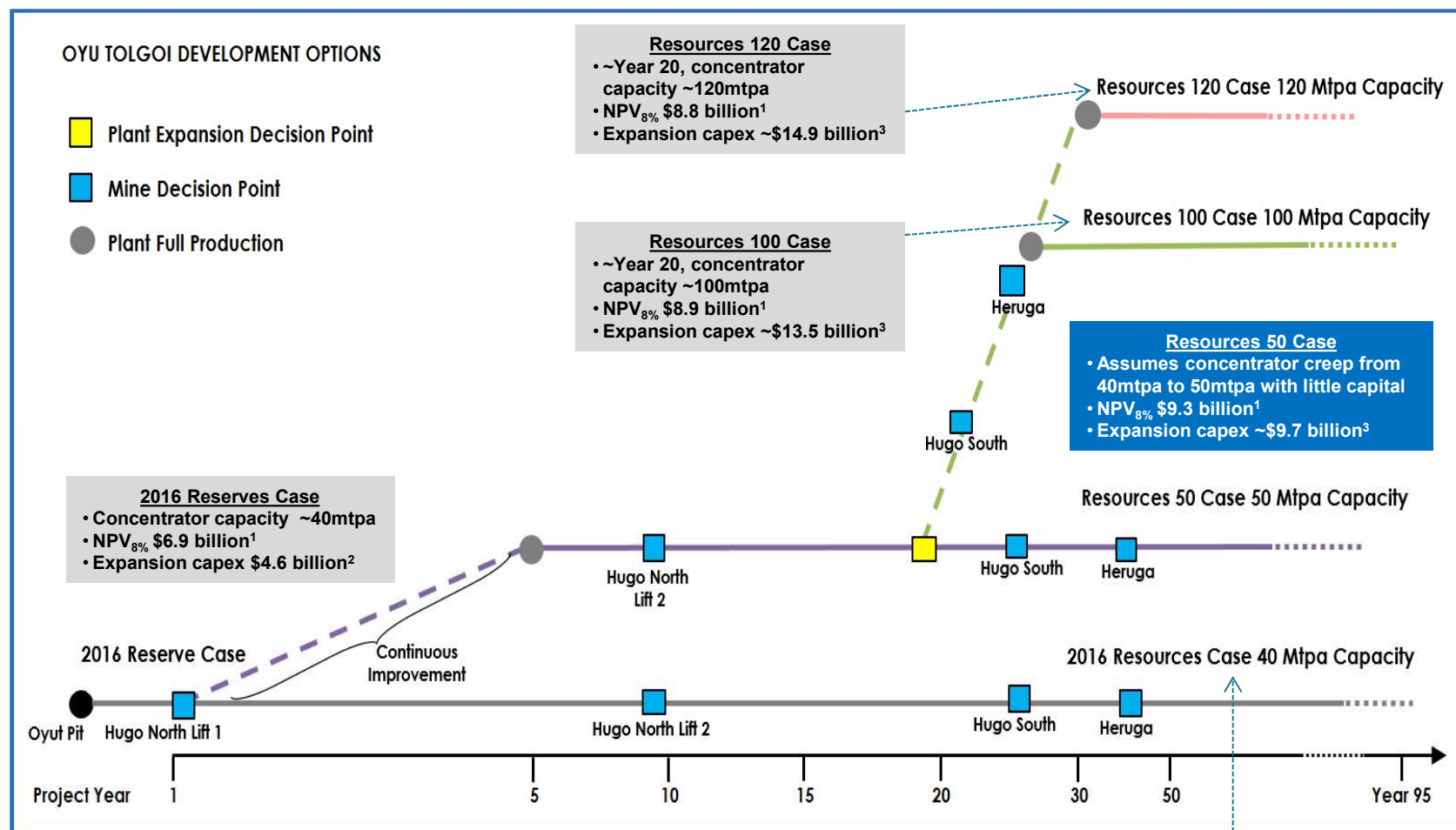


- Ore body progressively and systematically mined through moving *cave front* via series of panels
- Draw rates carefully managed to avoid riling and premature dilution
- Rate of undercut advance matched to both draw column height and production capacity



Alternative production cases

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1. NPV8% assumes \$3.00/lb copper and \$1,300/oz gold

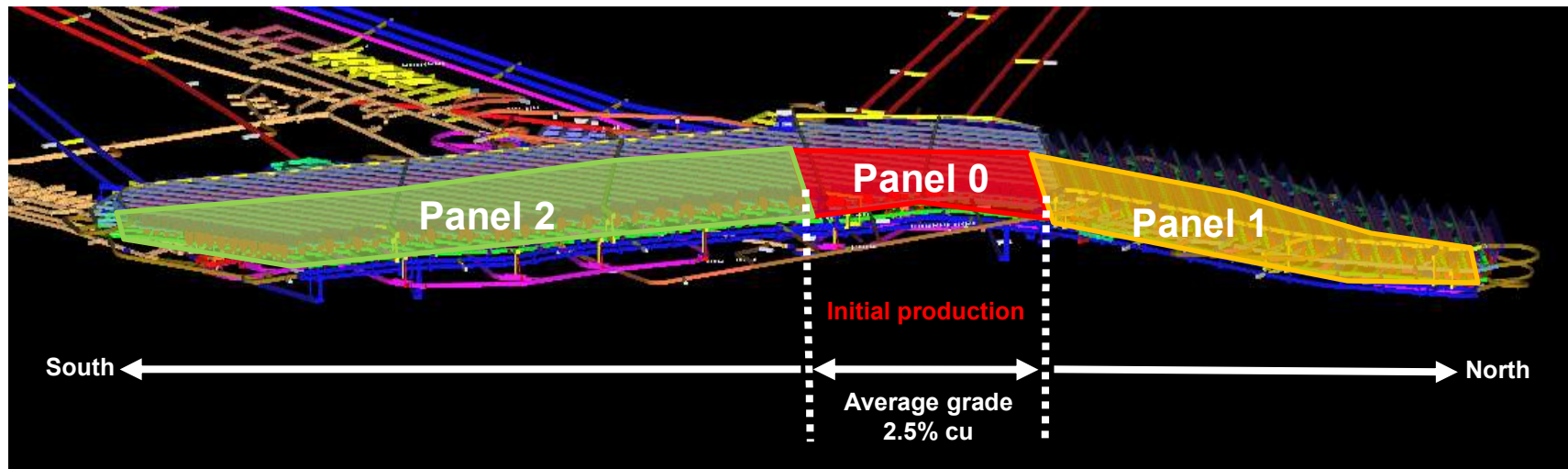
2. Expansion capital costs include only direct project costs and exclude interest expense, capitalized interest, debt repayments, tax pre-payments and forex adjustments. In all cases, total capital cost excludes capital costs for the year 2016. Expansion capital for 2016 excluded is \$0.46 billion.

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.



Underground mining sequence

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- 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



Underground development status

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Lateral development

- 4.0 equivalent metres completed (January 2016 – end Q2'17)
- Increased metres expected in 2H'17 with larger crusher
- Full utilization of third crew expected in Q3'17
- Fourth and fifth crews in training

Shaft 2

- Approximately 65 vertical metres¹ remaining until end of shaft sinking (expected late 2017)
- Shaft fit-out over 2018
- Used for production and ventilation

Shaft 5

- Approximately 520 vertical metres¹ remaining until end of shaft sinking (expected early 2018)
- Increase in lateral development when completed
- Used for ventilation

Convey-to-Surface

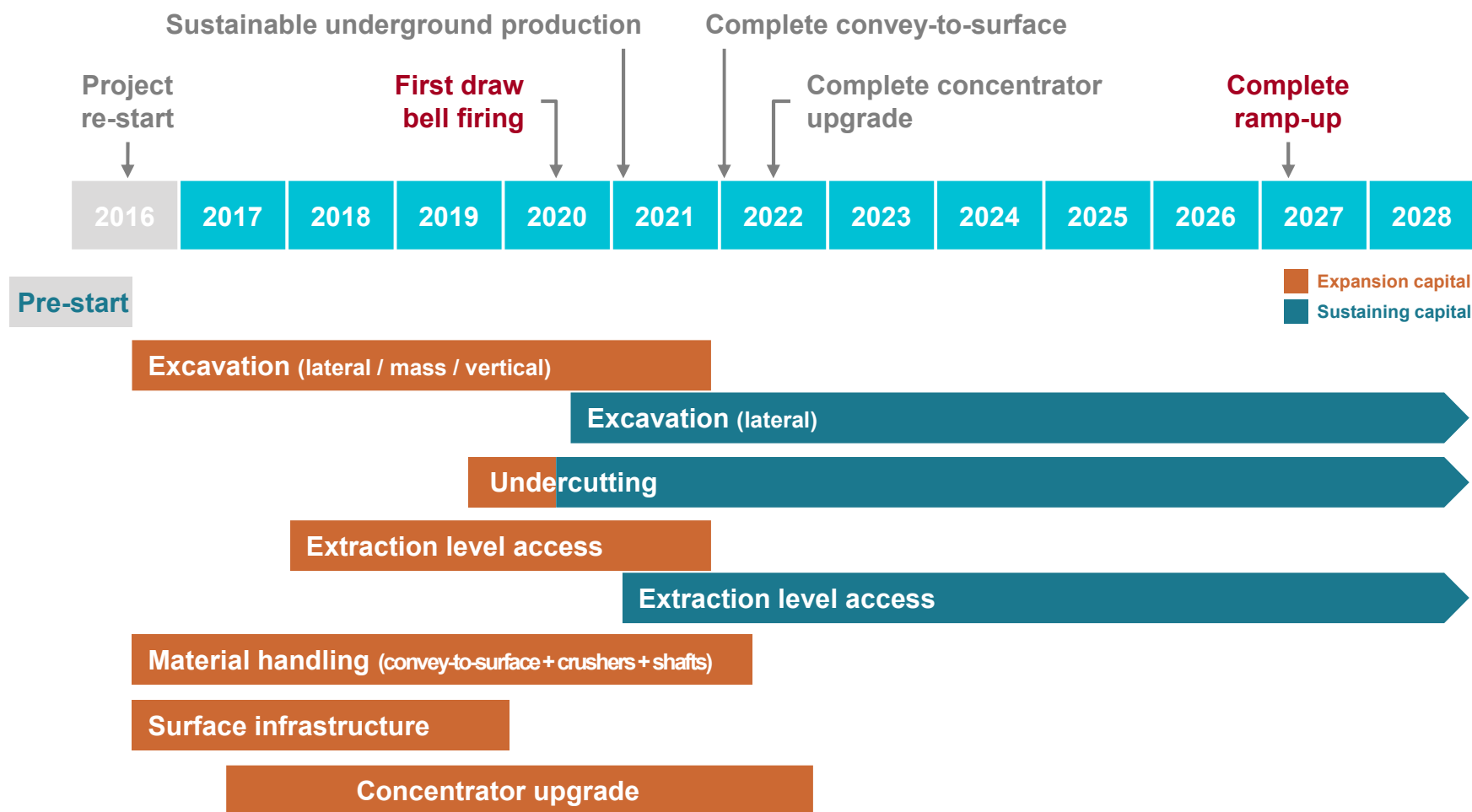
- Surface excavation complete
- Underground decline commenced in Q1'17

1. At the end of Q2'17.



Complete ramp-up expected by 2027

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Timeline is illustrative only and subject to change.



Sources and uses of development capital

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Uses of development capital (2016 – 2022)

Uses	Amount (\$B)	Note
Underground development	\$5.3	Includes concentrator upgrade
Debt service	\$3.3	Debt repayment, interest and financing fees
Total	\$8.6	

Sources of development capital (2016 – 2022)

Sources	Amount (\$B)	Note
Oyu Tolgoi operating cash flow	~\$2.0	Dependent on commodity prices
Project finance	\$4.4 + up to \$1.6	\$4.3 drawn down; remaining remitted by US Ex-Im
Turquoise Hill cash	\$1.4	
Total	\$9.4	



A wide-angle photograph of a massive open-pit mine. The mine is characterized by steep, terraced rock walls and a winding dirt road. A large yellow haul truck is positioned on a narrow ledge of the mine face. The sky is clear and blue.

Open-pit operations

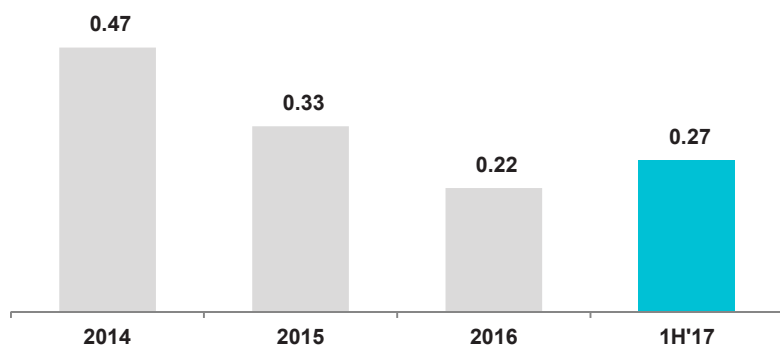
Photo: Oyu Tolgoi's open-pit mine.



Production highlights

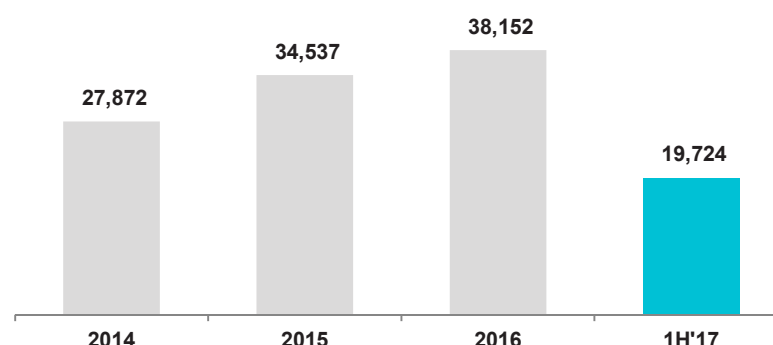
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All Injury Frequency Rate
(per 200,000 hours worked)



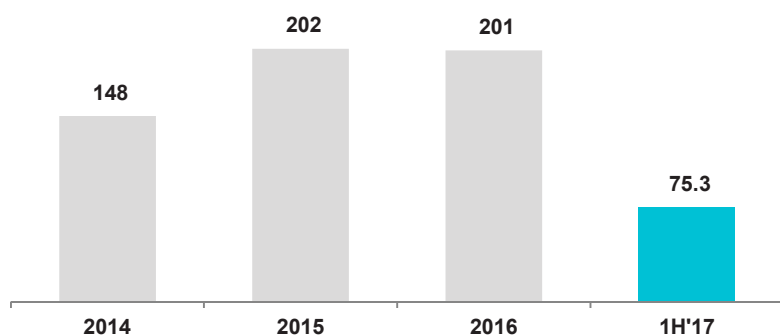
Industry-leading safety performance

Concentrator throughput
('000 tonnes)



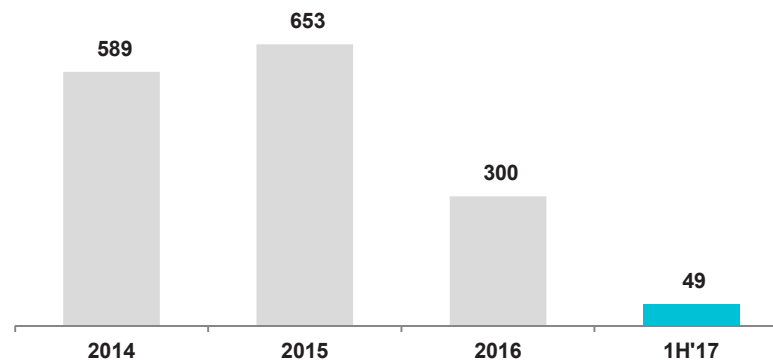
Throughput target of 40 million tonnes for 2017

Copper in concentrates
('000 tonnes)



2017 guidance of 130,000–160,000 tonnes of copper and 100,000 – 140,000 ounces of gold

Gold in concentrates
('000 ounces)

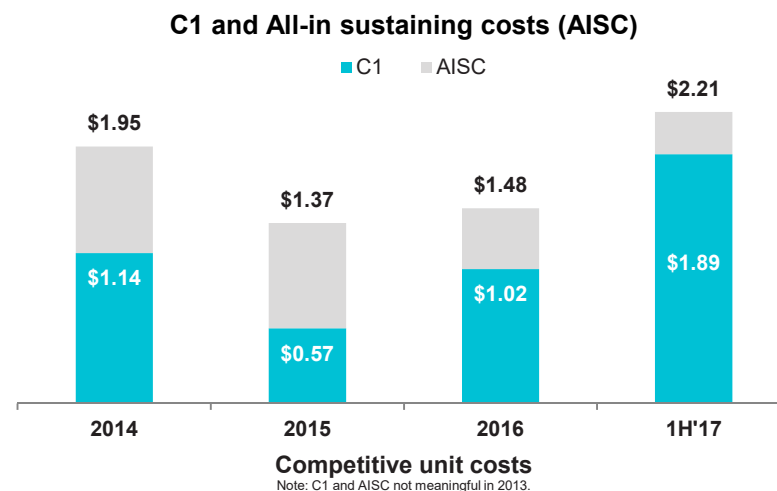
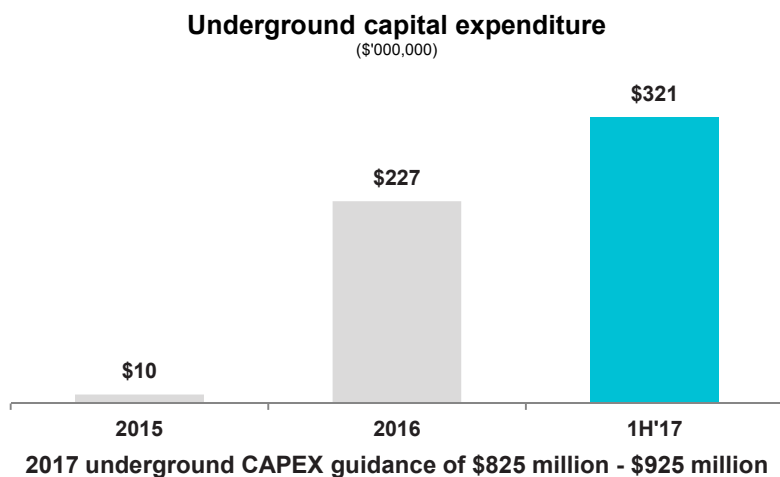
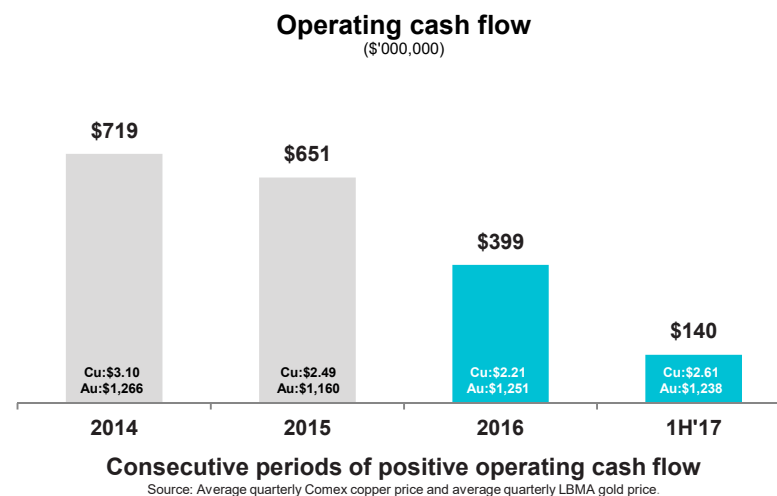
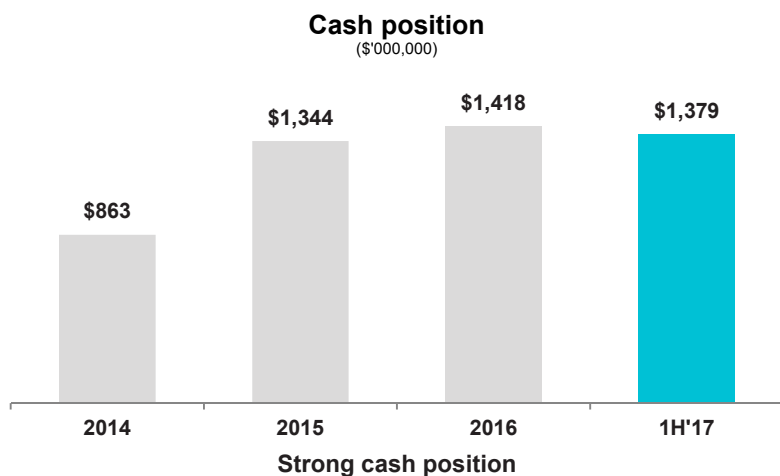


2017 gold production impacted by low grade Phase 6 ore



Financial highlights

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Production and financial guidance

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	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



Reserves case concentrator performance

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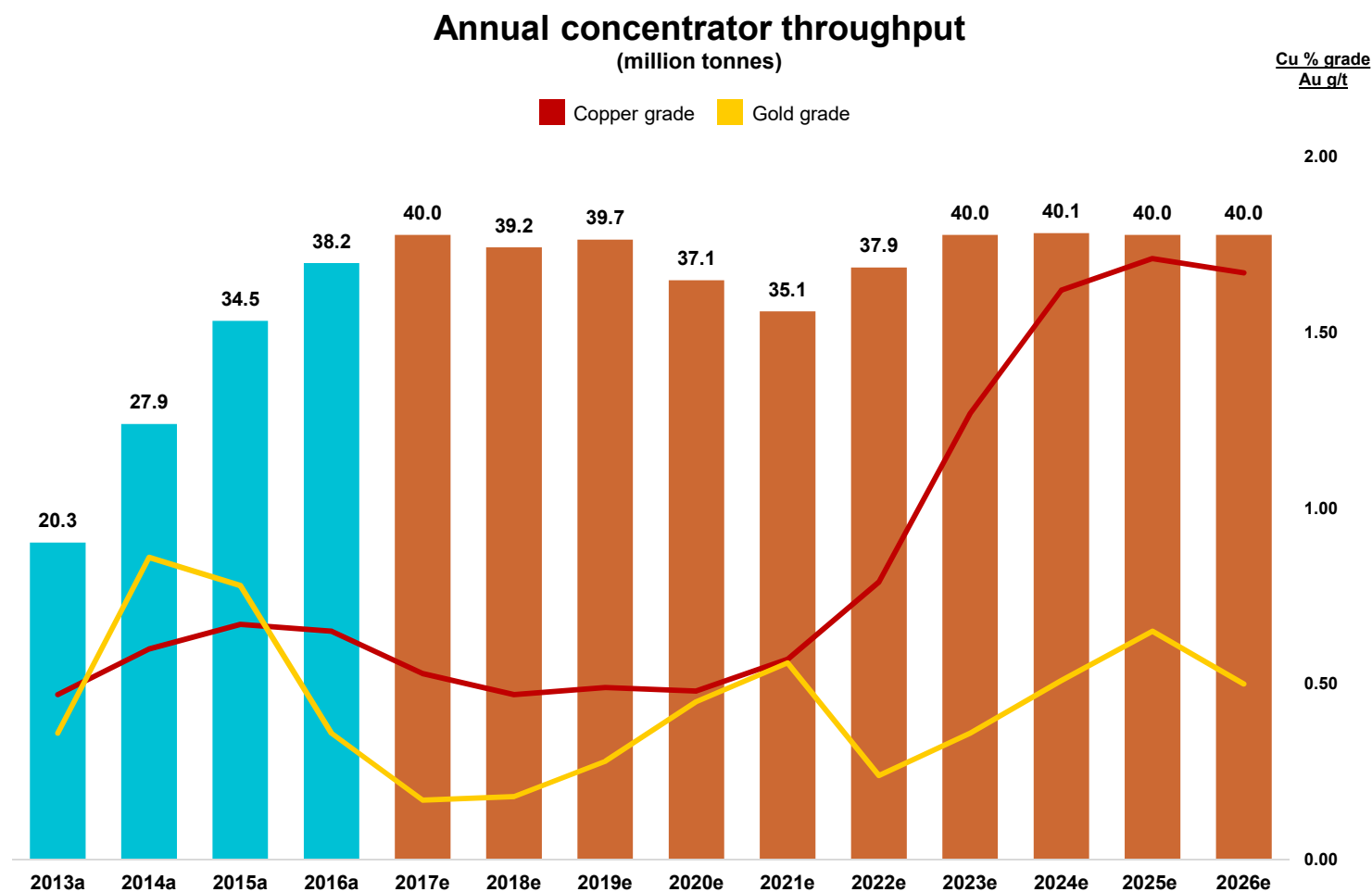
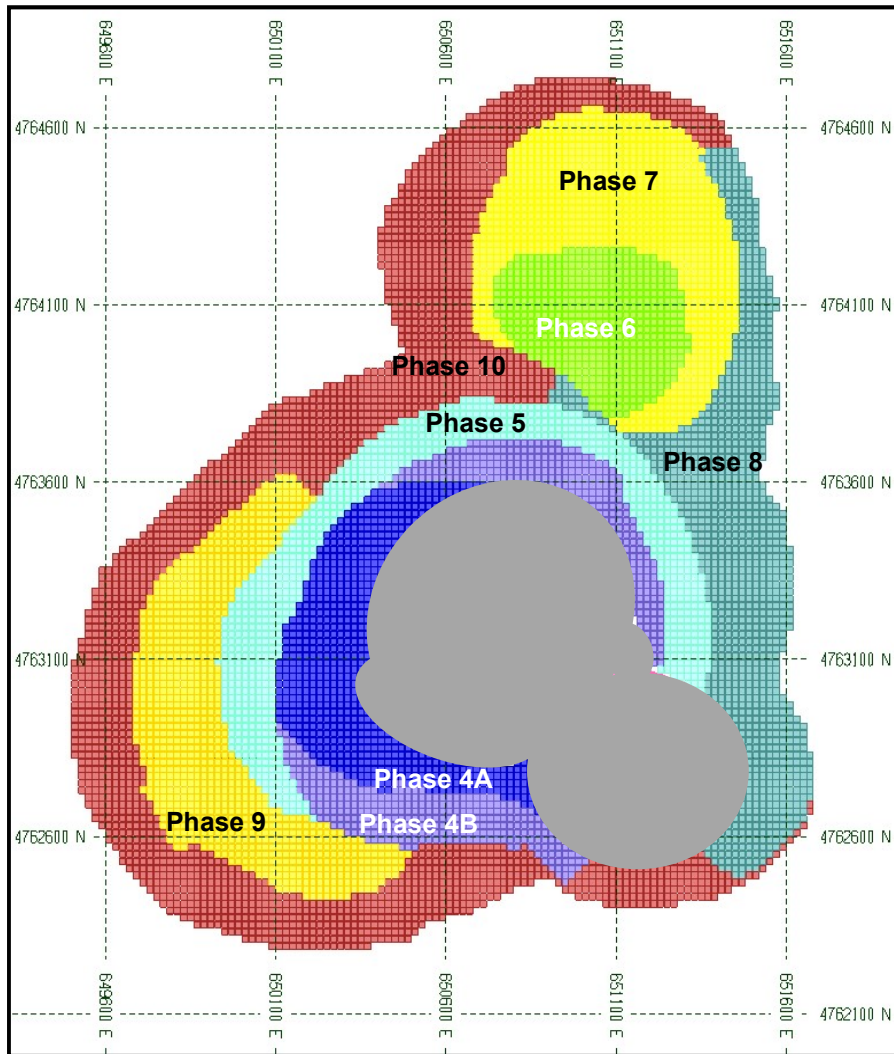


Figure: 2016 Oyu Tolgoi Technical Report. Note: a = actual, e = expected.



Managing near-term ore grade challenges

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- 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 – a long-term growth opportunity

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

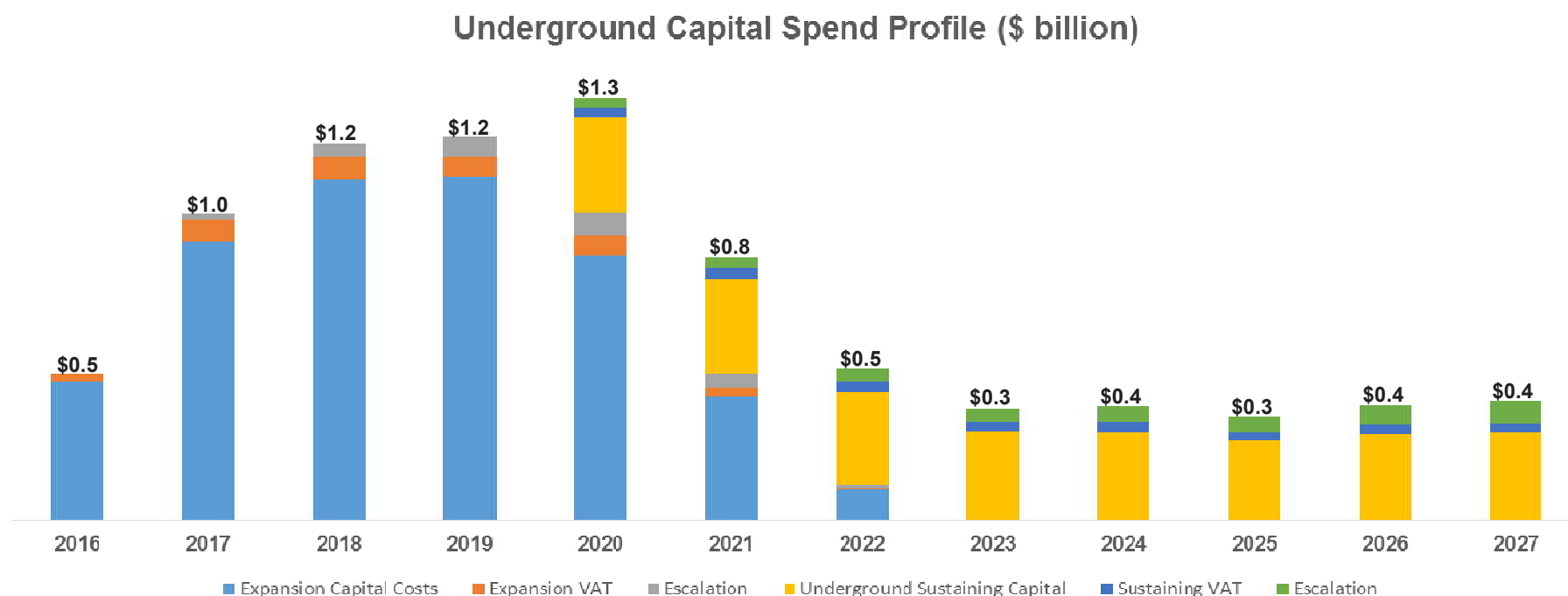


Appendix



Technical report CAPEX profile

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- 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



Reserves Case cash flow model

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Cash Flow Statement (US\$M)	Year													Total
Year Number	1	2	3	4	5	6	7	8	9	10	11	21	31	
Year To											20	30	40	
Gross Revenue	954	923	1,189	1,402	1,735	1,993	3,380	4,434	4,879	4,622	35,422	13,698	8,175	82,806
Realization Costs	263	237	222	212	246	311	513	664	728	709	5,955	2,502	1,206	13,770
Net Sales Revenue	691	686	967	1,190	1,489	1,682	2,867	3,770	4,151	3,912	29,467	11,196	6,969	69,036
Site Operating Costs														
Mining	191	182	177	188	188	221	220	250	287	254	3,072	2,158	1,038	8,427
Processing and Tailings	285	295	297	279	266	292	326	328	329	327	3,248	3,193	2,445	11,911
G&A and Operations Support	100	93	94	96	97	96	96	96	92	88	851	586	387	2,771
Infrastructure and Other	65	84	91	41	69	57	69	83	69	30	373	359	371	1,761
Total Site Operating Costs	641	655	659	604	620	665	710	756	776	700	7,544	6,297	4,241	24,869
Operating Surplus / (Deficit)	51	31	307	585	869	1,016	2,157	3,013	3,375	3,213	21,923	4,899	2,728	44,167
Indirect Costs	171	182	180	187	182	178	182	188	178	164	1,746	1,190	848	5,576
Net Profit Before Income Tax	-121	-151	128	398	688	838	1,974	2,825	3,197	3,049	20,177	3,708	1,880	38,591
Income Tax	-	-	-	-	-	-	-	-	-	-	1,496	557	254	2,307
Net Profit After Income Tax	-121	-151	128	398	688	838	1,974	2,825	3,197	3,049	18,681	3,151	1,627	36,284
Capital Expenditure														
Expansion Capital	874	1,071	1,080	831	387	92	-	-	-	-	-	-	-	4,336
Sustaining Capital	82	101	58	351	424	373	397	430	320	350	1,912	866	424	6,088
VAT & Duties	79	82	66	102	75	44	43	47	35	38	209	99	47	967
Subtotal	1,035	1,254	1,205	1,285	886	509	440	477	354	388	2,121	964	472	11,391
Working Capital, Capitalized Operating Costs and Closure	-47	-34	-2	80	87	76	37	6	18	49	411	187	937	1,805
VAT & Duties (Capex)	3	1	-	5	2	3	1	-	1	5	44	21	-	86
Total Capital Expenditure	992	1,221	1,203	1,369	975	588	479	483	374	442	2,576	1,172	1,408	13,282
Net Cash Flow After Tax	-1,112	-1,372	-1,075	-971	-287	250	1,496	2,342	2,823	2,607	16,105	1,979	218	23,003

Table 22.11 from Oyu Tolgoi 2016 Technical Reprot.



Oyu Tolgoi at China's doorstep

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Hugo North Lift 1 production schedule

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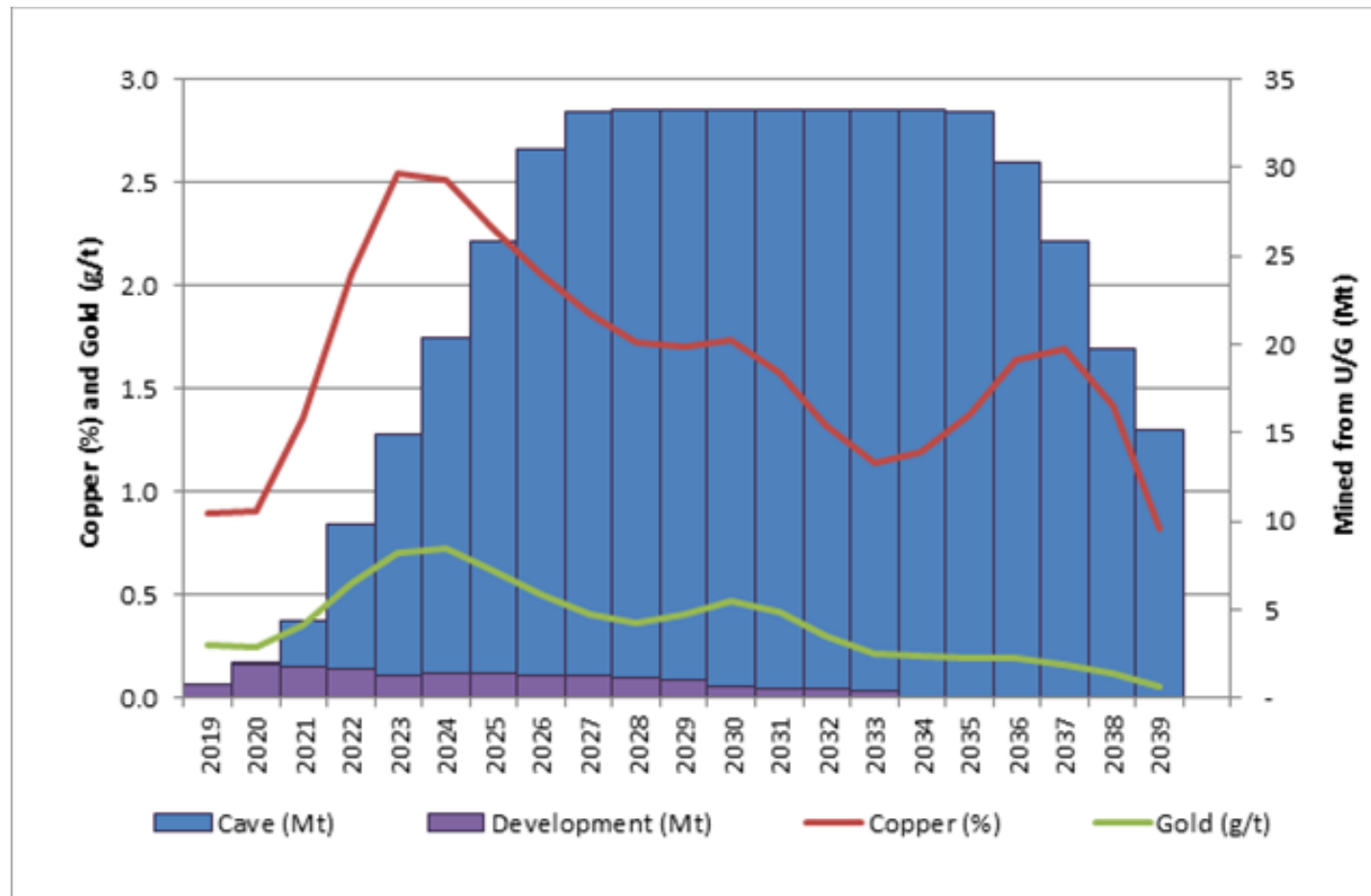


Figure: 2016 Oyu Tolgoi Technical Report, OreWin, 2016.



Project finance flow of funds

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Shareholder loan



Payable to Turquoise Hill*

Shareholder loan Q1'16: \$7.0 billion

Drawdown Q2'16: \$4.3 billion

Shareholder loan Q2'17: \$3.4 billion

TURQUOISE HILL

Receivable from Oyu Tolgoi*

Shareholder loan Q2'17: \$3.4 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 June 3, 2017 the balance was approximately \$1.1 billion

* Interest rate LIBOR + 6.5%

At project finance drawdown



Proceeds: \$4.3 billion²

Payable to Turquoise Hill*

Shareholder loan: \$3.4 billion

TURQUOISE HILL

\$4.3 billion³

Receivable from Oyu Tolgoi*

Shareholder loan: \$3.4 billion

RioTinto

\$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

- #1 Oyu Tolgoi operating cash flow
- #2 Project finance funds
- #3 Turquoise Hill cash

Oyu Tolgoi cash call



Funding

Payable to Turquoise Hill

(2.5%** guarantee fee on funds used)

Shareholder loan: ↑

Equity loan: ↑

TURQUOISE HILL

Funding

Receivable from Oyu Tolgoi*

Shareholder loan: ↑

Equity loan: ↑

RioTinto

Funding

* 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%

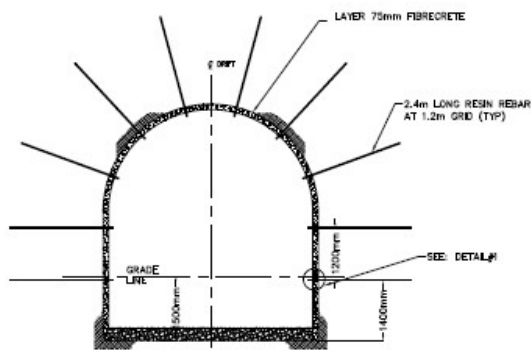
** Guarantee fee - Oyu Tolgoi pays 1.9% and Turquoise Hill pays 0.6%



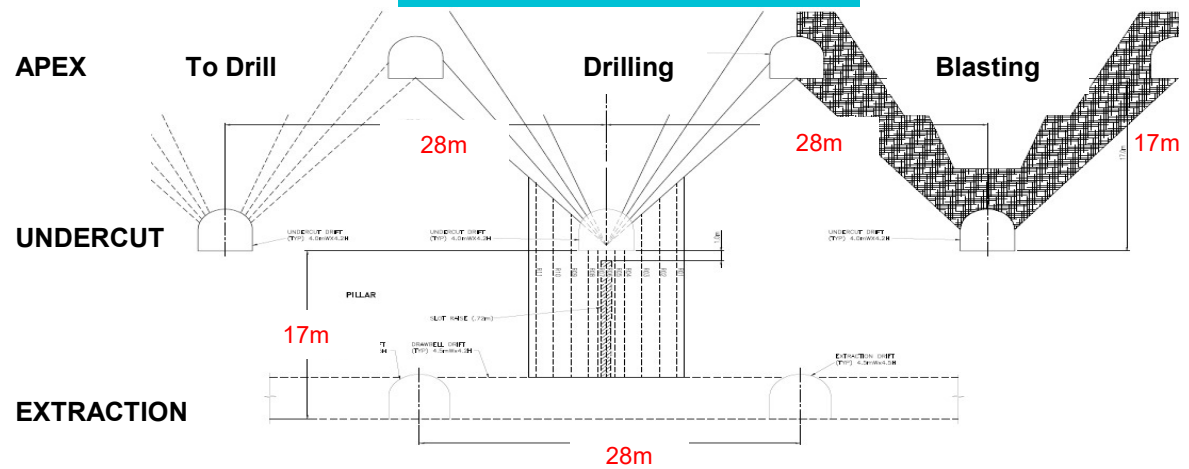
Underground elements

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Ground Support



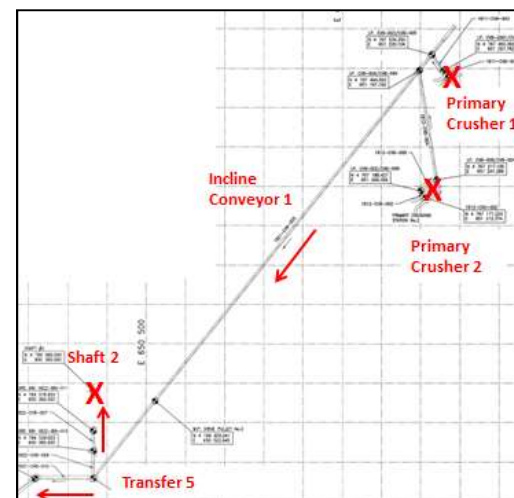
Undercut



Extraction



Ore Handling



turquoisehill.com

Turquoise Hill Resources Ltd.
Suite 354 - 200 Granville Street
Vancouver, BC, Canada V6C 1S4

TRQ: TSX, NYSE & NASDAQ

Turquoise Hill is an international mining company focused on the operation and development of the Oyu Tolgoi copper-gold mine in southern Mongolia.

