

**The future of Oyu Tolgoi is underground**  
*Developing the third-largest copper mine*



# 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 15, 2016 in respect to the year ended December 31, 2015.

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

# Investment summary

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## Underground development commenced

- 2015 – Underground Development Plan approved, pre-start activities began and project finance signed
- May 2016 – Notice to proceed approved and 2016 feasibility study completed
- June 2016 – EPCM contract awarded to Jacobs Engineering
- Underground construction underway

## Long-life, high-grade asset with significant expansion potential

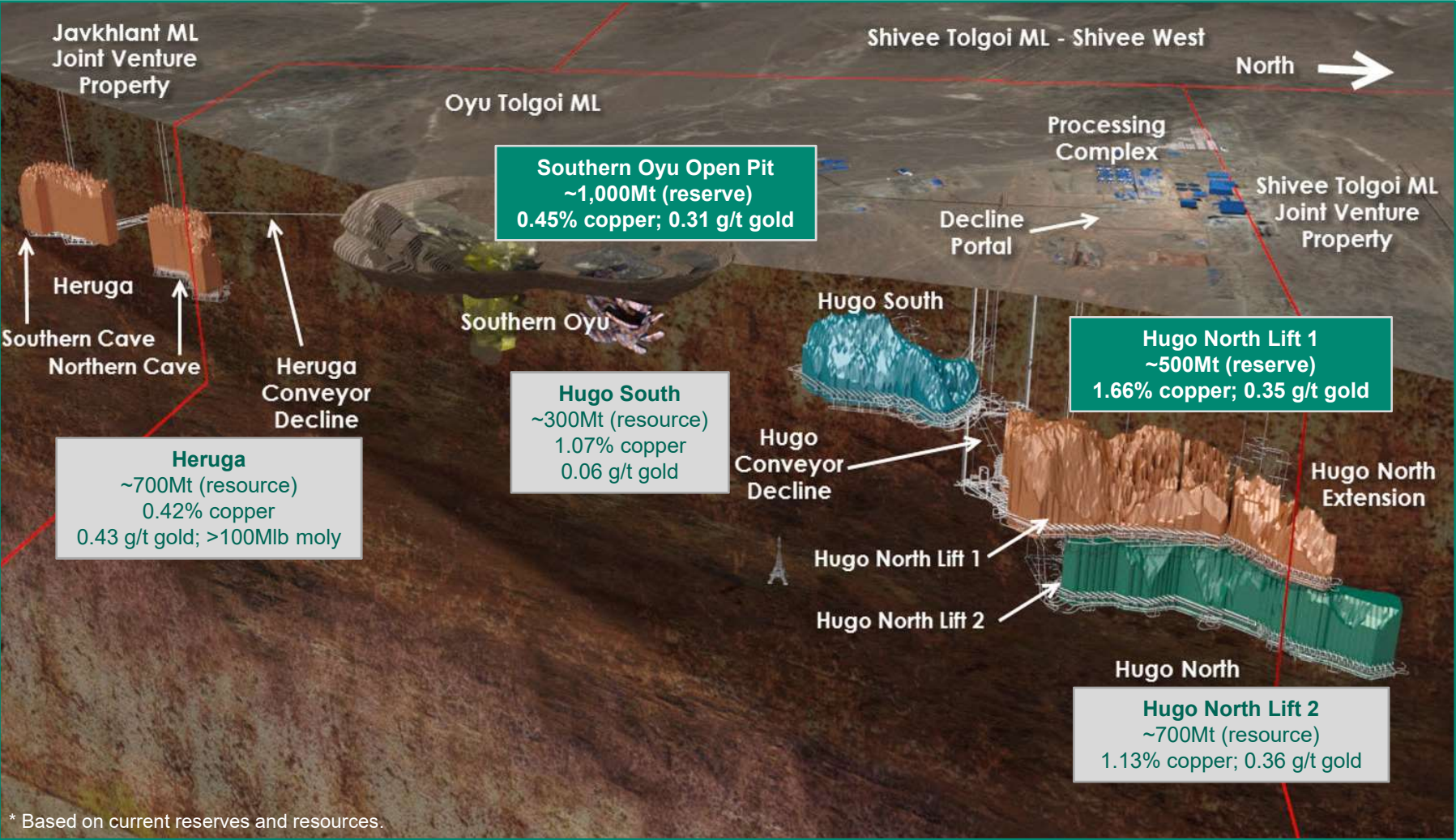
- Underground copper grades roughly 3.5 times open pit
- Hugo North Lift 1 first part of underground development
- Development pipeline includes Hugo North Lift 2, Hugo South and Heruga
- Multi-generational copper asset based on current reserves and resources

## Open pit in production

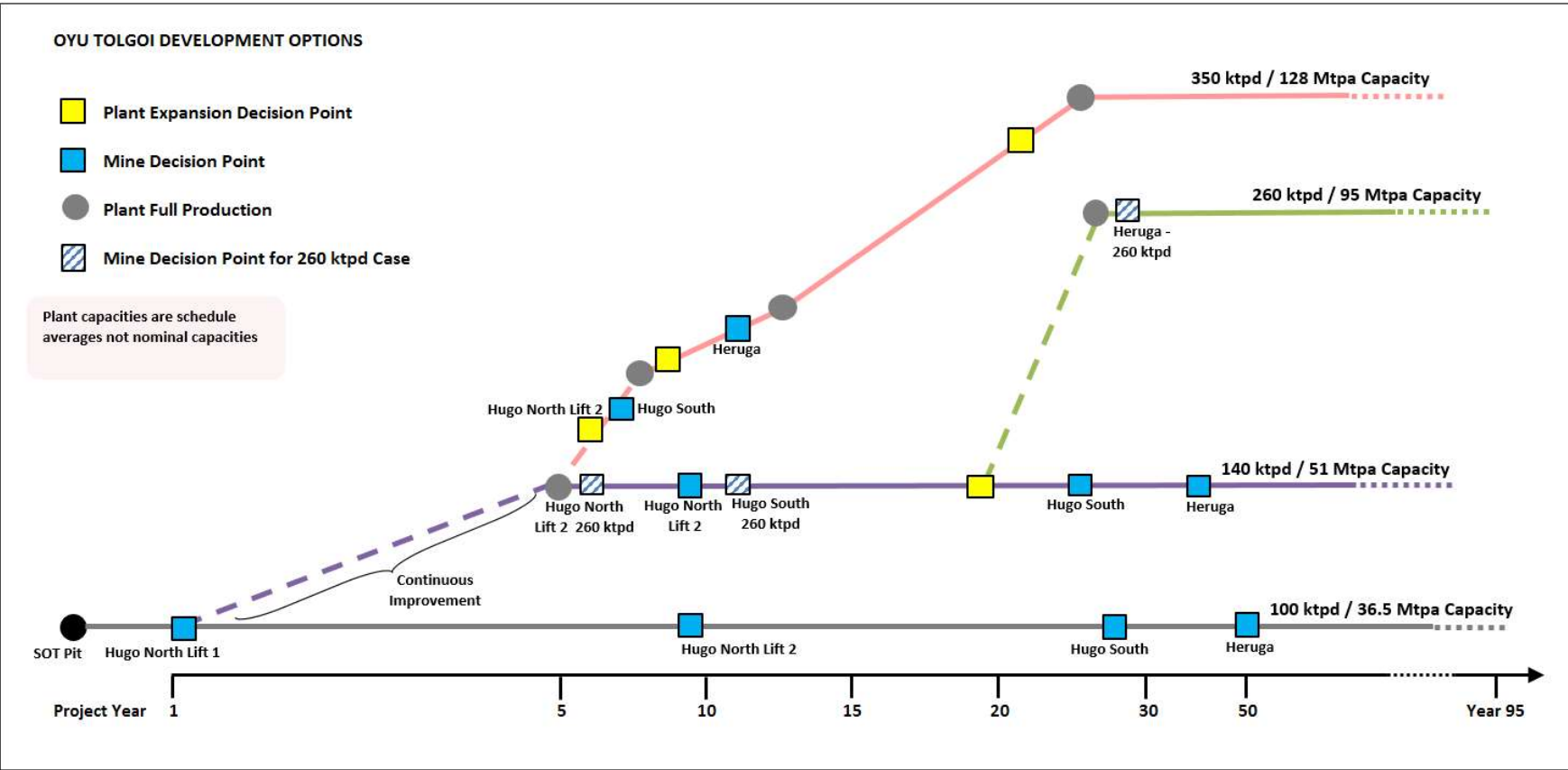
- Strong Q2'16 concentrator performance; currently averaging above nameplate capacity
- All-in sustaining cost per pound of copper: \$1.55 – Q2'16; \$1.37 – 2015
- Cash of \$1.5 billion at June 30, 2016
- Investment to date of >\$6.5 billion



# Multi-generational copper asset\*



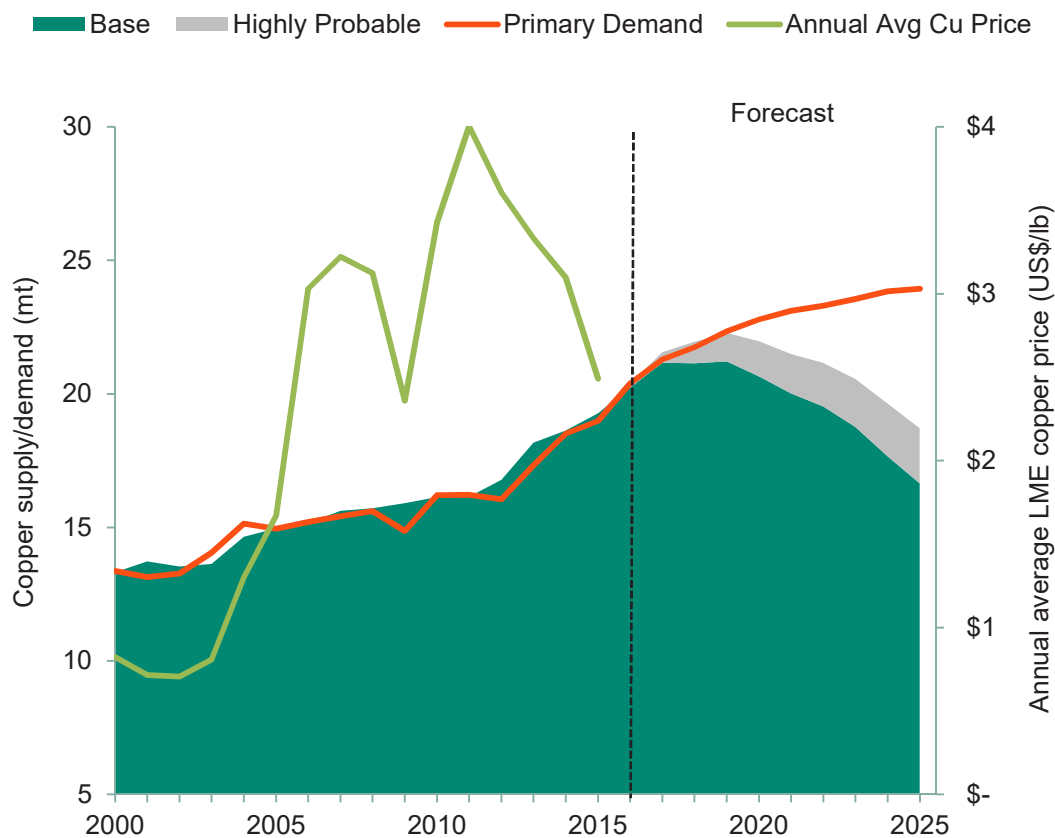
# Multiple development options



- Production creep targeted along with expansion
- Actual operating performance will inform choice of expansion path
- A decision to expand the concentrator is not required for a couple years

# Long-term copper fundamentals strong

## Copper mine supply/demand outlook

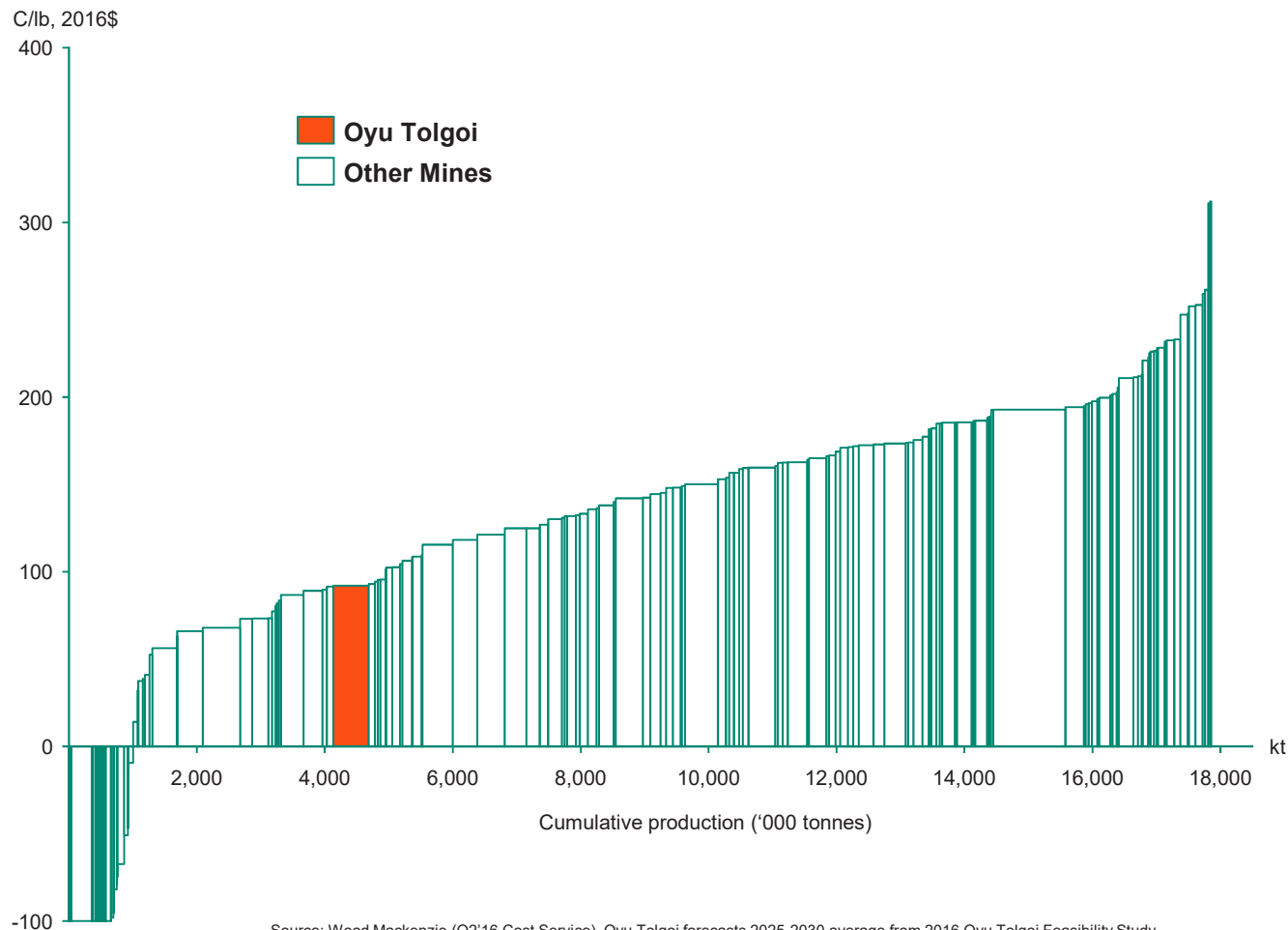


Source: Wood Mackenzie (Q2'16 Long-Term Outlook)

- Copper market likely to see small surplus in coming years
- Ongoing attrition at existing mines driven by declining grades
- Continued demand growth requires new capacity in the medium-term
- Market anticipates smaller surplus in 2017/18 and deficit from 2020
- China now largest buyer of gold and continues to be largest consumer of copper

# Copper industry overview

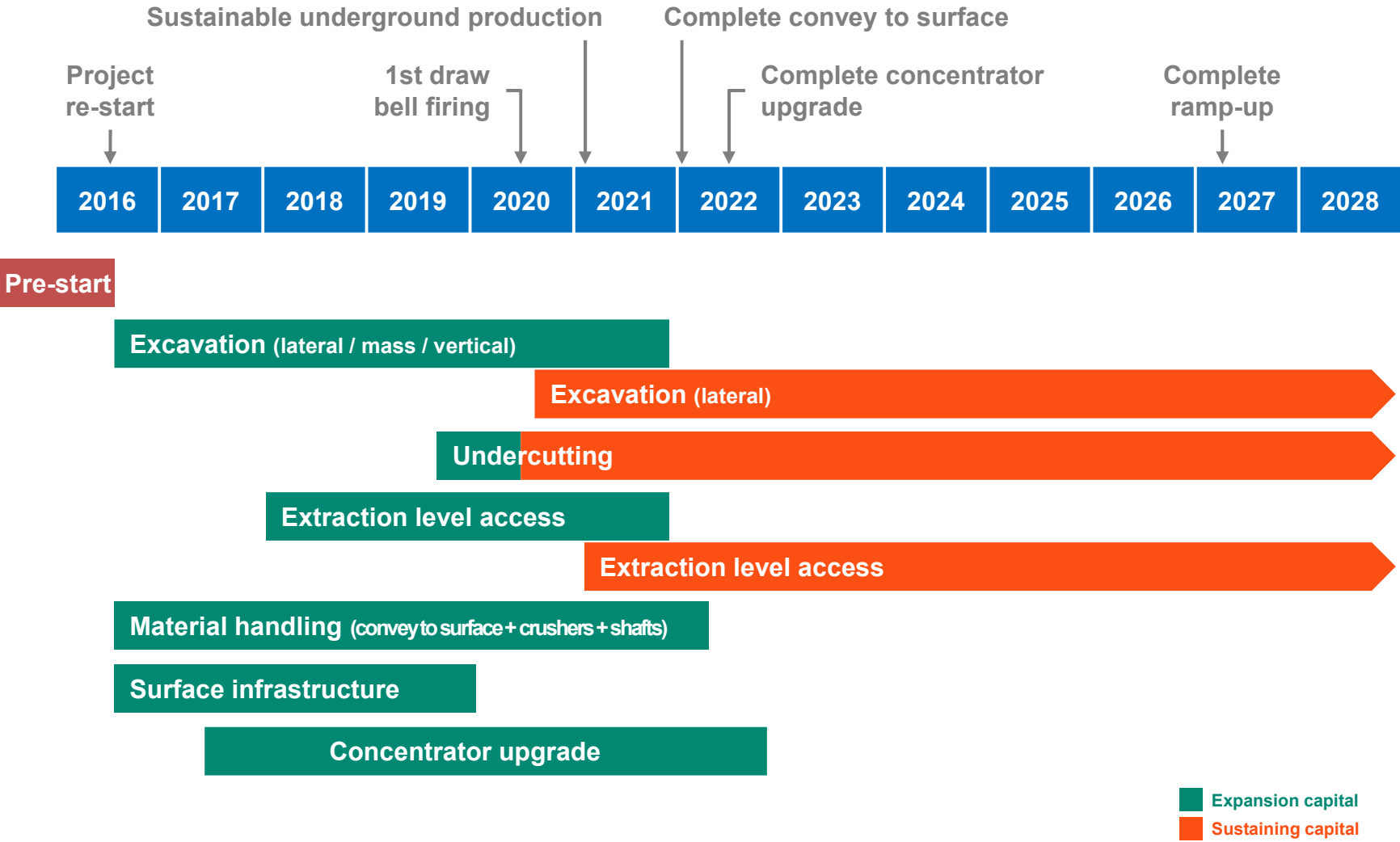
2025 copper mine C1 + sustaining normal cost curve



- In top three largest copper mines after planned expansion<sup>1</sup>
- 2025-2030 average annual copper production of ~560,000 tonnes<sup>2</sup>
- Top 10 copper deposit by contained reserves and resource<sup>3</sup>
- One of the largest gold deposits by contained reserves and resources<sup>2</sup>

Source: Wood Mackenzie (Q2'16 Cost Service). Oyu Tolgoi forecasts 2025-2030 average from 2016 Oyu Tolgoi Feasibility Study. Normal C1 cost + sustaining capex, range capped at -100/lb & 400/lb for base, highly probable and probable mines only.  
 1. Over the period 2025-2030, including underground expansion  
 2. Oyu Tolgoi 2016 Feasibility Study  
 3. Metals Economics Group and 2014 Oyu Tolgoi's Technical Report

# Hugo North Lift 1 development timeline



Timeline is illustrative only and subject to change



# Key underground components

|             | Shaft 1<br>(early development and ventilation) | Shaft 2<br>(production and ventilation) | Shaft 5<br>(ventilation) | Shaft 3<br>(ventilation) | Shaft 4<br>(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              |

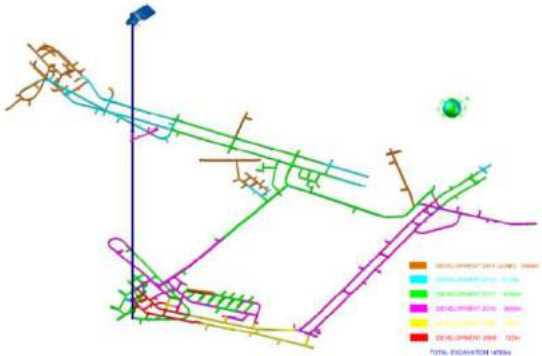
## Lateral Development

(includes conveyor development)

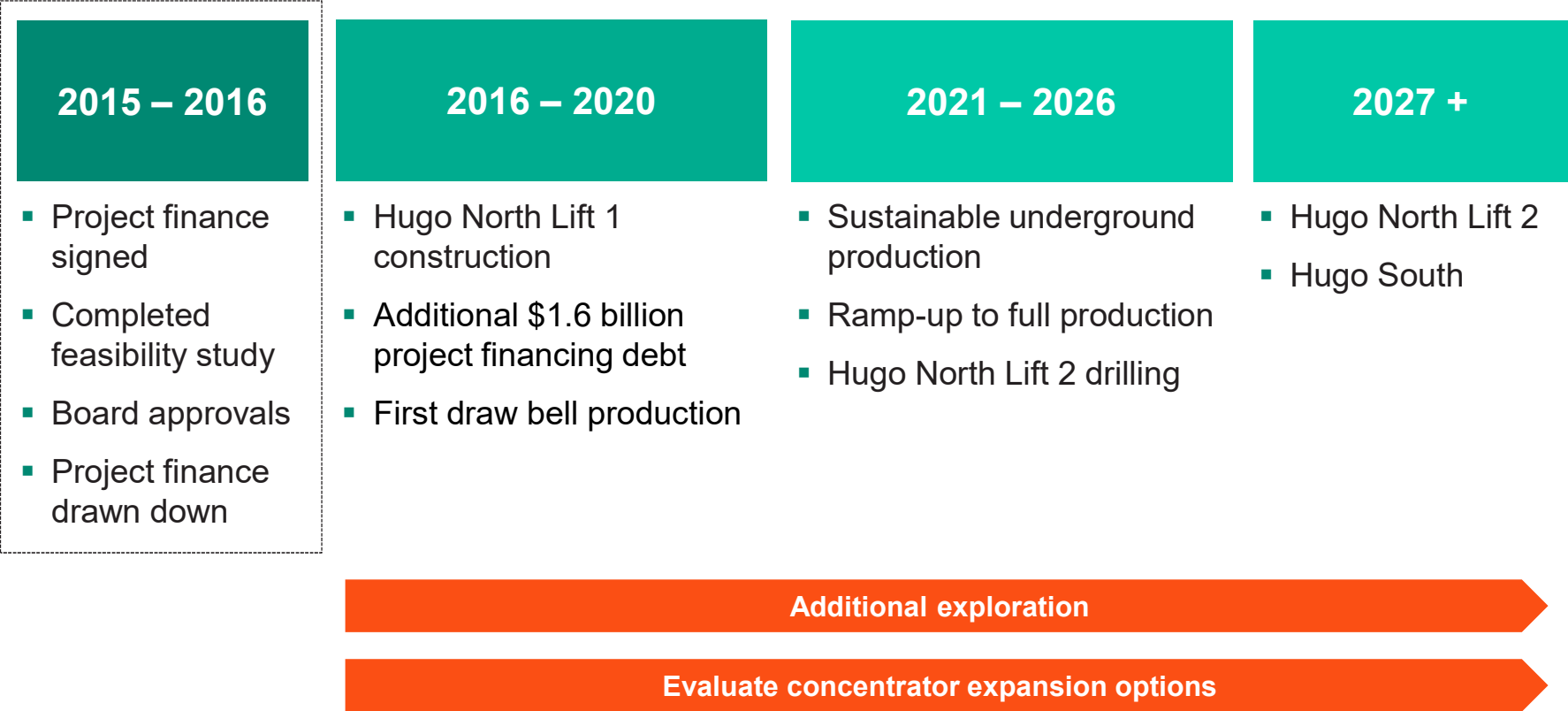


## Underground Development

2008-2013



# Medium-term timeline



# Project financing – flow of funds

## At June 30, 2016<sup>1</sup>



**Payable to Turquoise Hill\***  
Shareholder loan: \$2.8 billion



**Receivable from Oyu Tolgoi\***  
Shareholder loan: \$2.8 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 30, 2016 the balance was approximately \$1.0 billion  
\* Interest rate LIBOR + 6.5%

## At project finance drawdown



**Proceeds: \$4.3 billion<sup>2</sup>**  
**Payable to Turquoise Hill\***  
Shareholder loan: \$2.8 billion



**\$4.3 billion<sup>3</sup>**  
**Receivable from Oyu Tolgoi\***  
Shareholder loan: \$2.8 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

- #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: ↑



**Funding**

**Receivable from Oyu Tolgoi\***  
Shareholder loan: ↑  
Equity loan: ↑



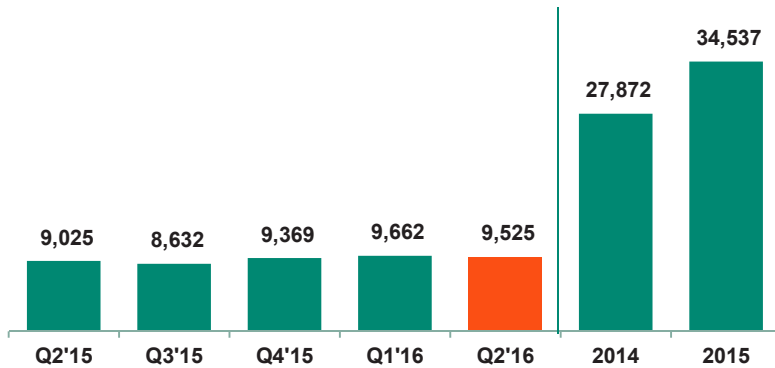
**Funding**

**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%

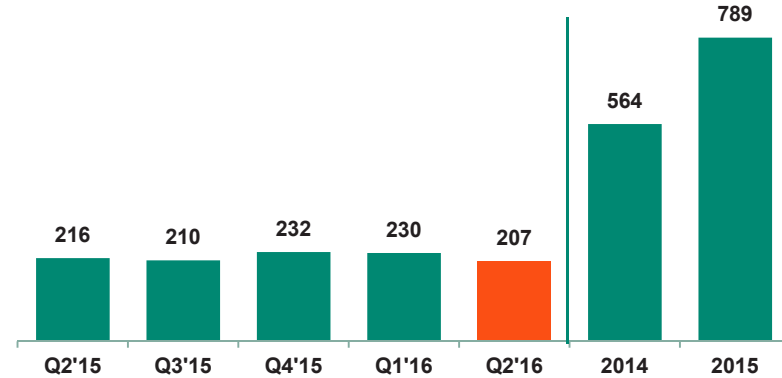
# Production highlights

**Concentrator throughput**  
(’000 tonnes)



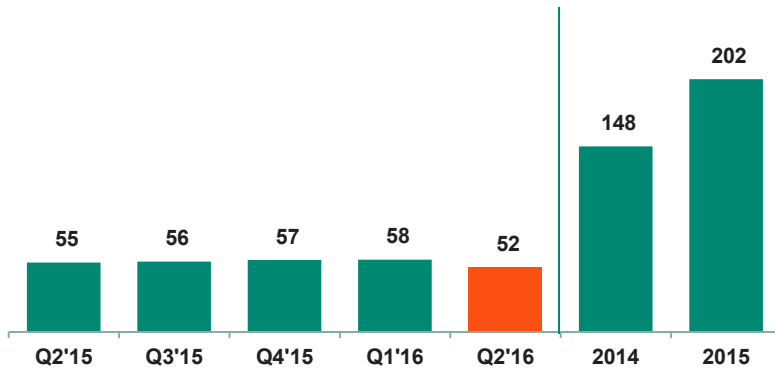
Throughput in Q2'16 continued to exceed nameplate capacity

**Concentrate production**  
(’000 tonnes)



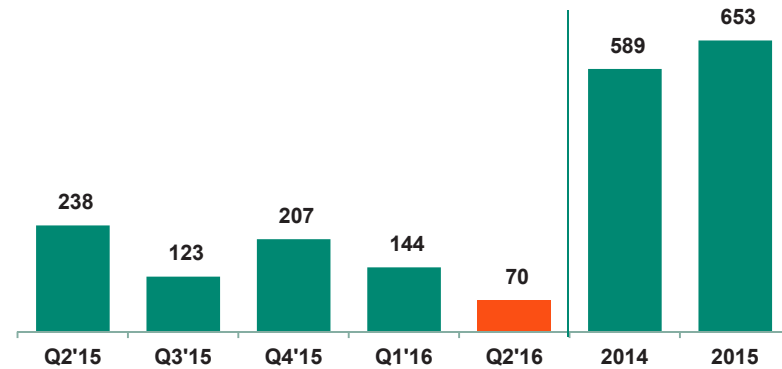
Essentially all 2016 production under contract

**Copper in concentrates**  
(’000 tonnes)



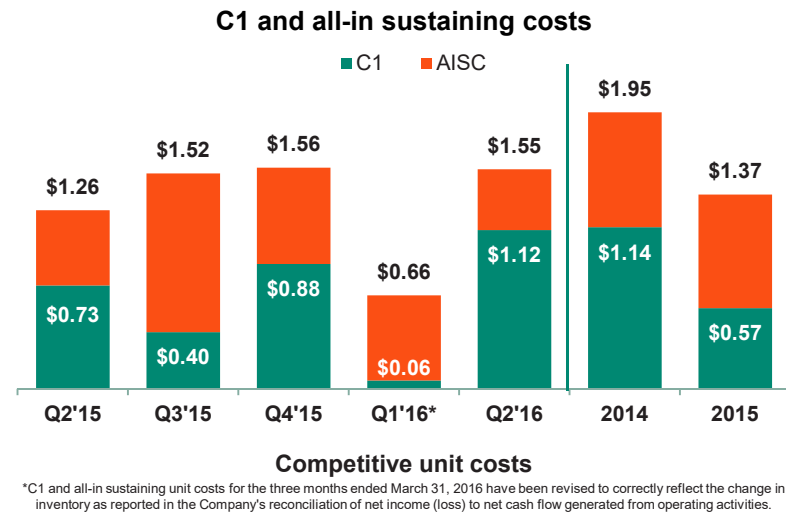
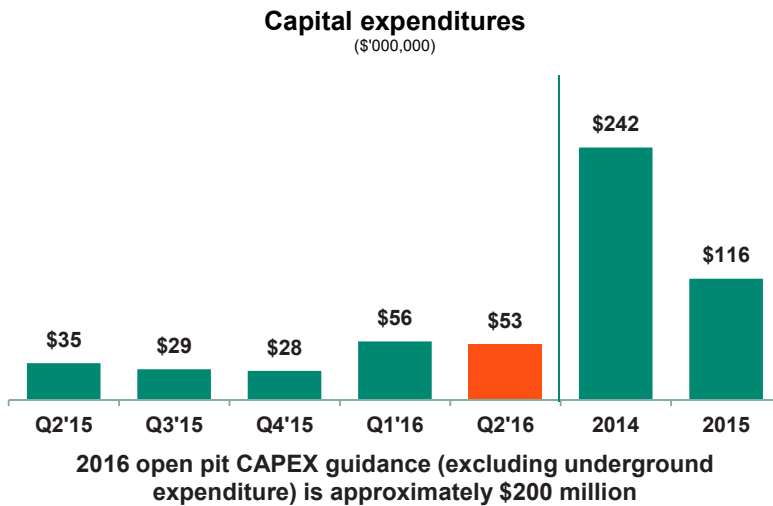
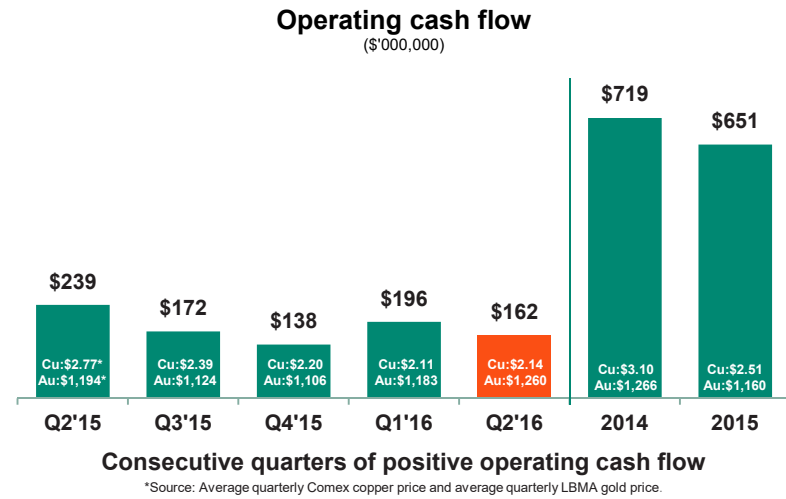
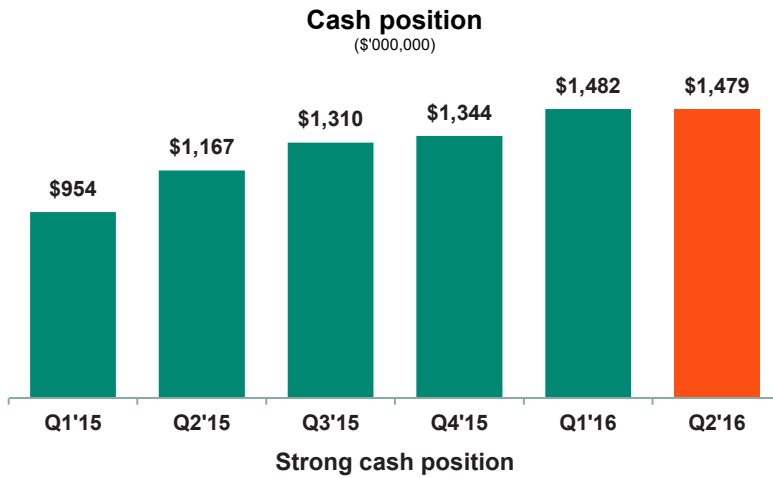
Q2'16 copper production reflected lower grades from reduced mining in Phase 2 and relative lower recovery from Phase 6 ore

**Gold in concentrates**  
(’000 ounces)



Q2'16 gold production reflected lower grades from reduced mining in Phase 2

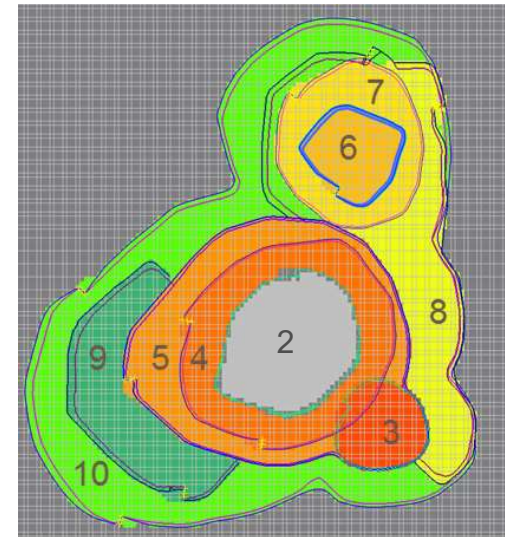
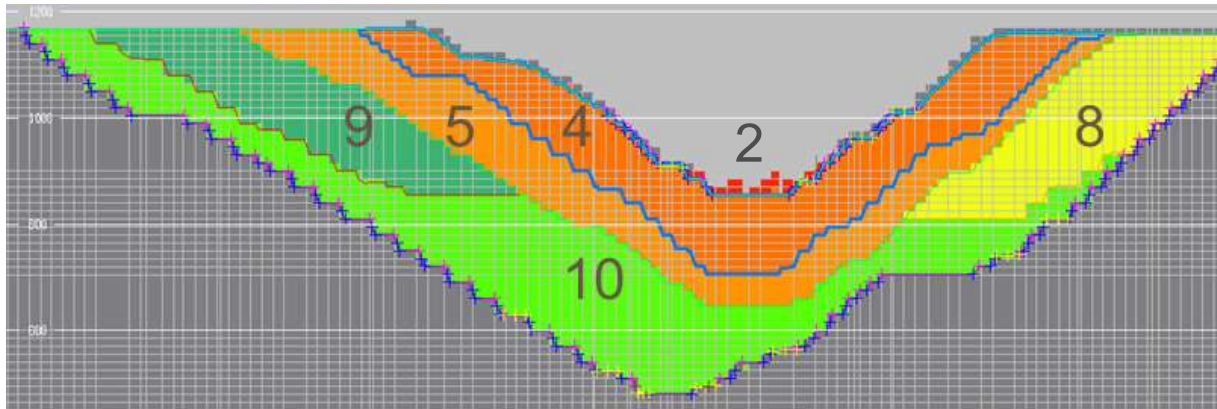
# Financial highlights





# Phases of open-pit production

- In Q2'16, mining bottom of phase 2 as well as phases 3 and 6
- Phase 2 mining expected to complete in Q2'16
- Deferred stripping of phase 4 underway, expected until late 2018



**Material by select pit phases**

| Phase          | Ore (Mt) | Waste (Mt) | Strip Ratio | Cu (%) | Au (g/t) |
|----------------|----------|------------|-------------|--------|----------|
| <b>Phase 3</b> | 41       | 48         | 1.15        | 0.56   | 0.16     |
| <b>Phase 4</b> | 103      | 146        | 1.42        | 0.42   | 0.42     |
| <b>Phase 6</b> | 55       | 70         | 1.27        | 0.60   | 0.08     |

Source: 2014 Oyu Tolgoi Technical Report, Table 16.5, page 298

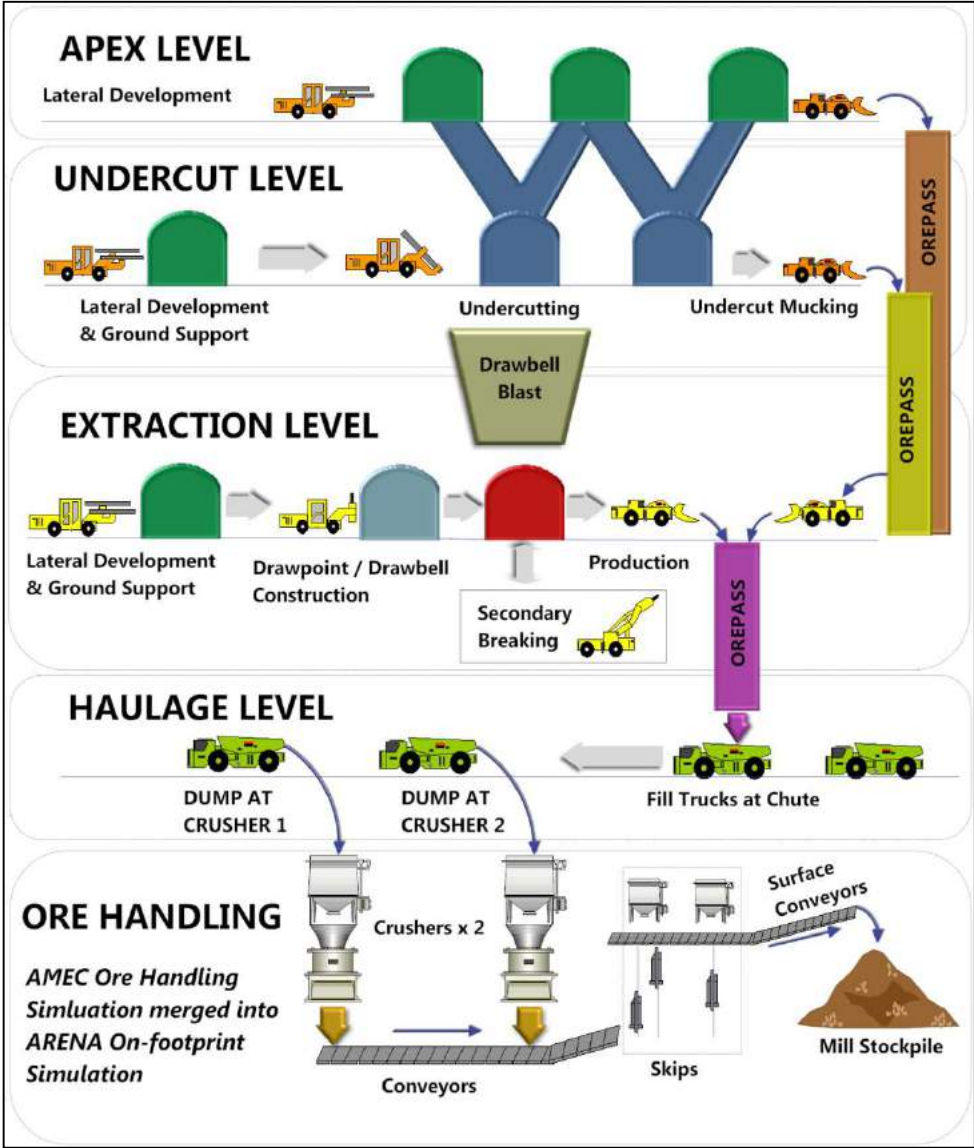
# Turquoise Hill – a long-term growth opportunity

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- **Pure copper and gold exposure**
- **Positive operating cash flow** with focused asset optimization
- Agreed path forward for development of the **high-grade underground mine**
- Significant growth, development and **expansion opportunities**
- Resources located near China with **further prospectivity**

# Appendix

# Ore flow



# Oyu Tolgoi at China's doorstep





# Made in Mongolia

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- Mongolians occupy 93% of Oyu Tolgoi roles
- Since 2010, in-country spend of \$5.7 billion (Mongolian suppliers, salaries, taxes and other Government payments)
- In 2015, Oyu Tolgoi paid \$315 million in taxes, fees and other payments to the Government of Mongolia
- Oyu Tolgoi partnered with more than 800 local suppliers in 2015, accounting for over 50% of procurement spend
- In April 2015, Oyu Tolgoi signed a Cooperation Agreement with local governments for community development
- Oyu Tolgoi recognized by Mongolian Business Council as 'Company of the Year' for 2015
- Oyu Tolgoi expected to represent about 30% of country's GDP when fully developed

