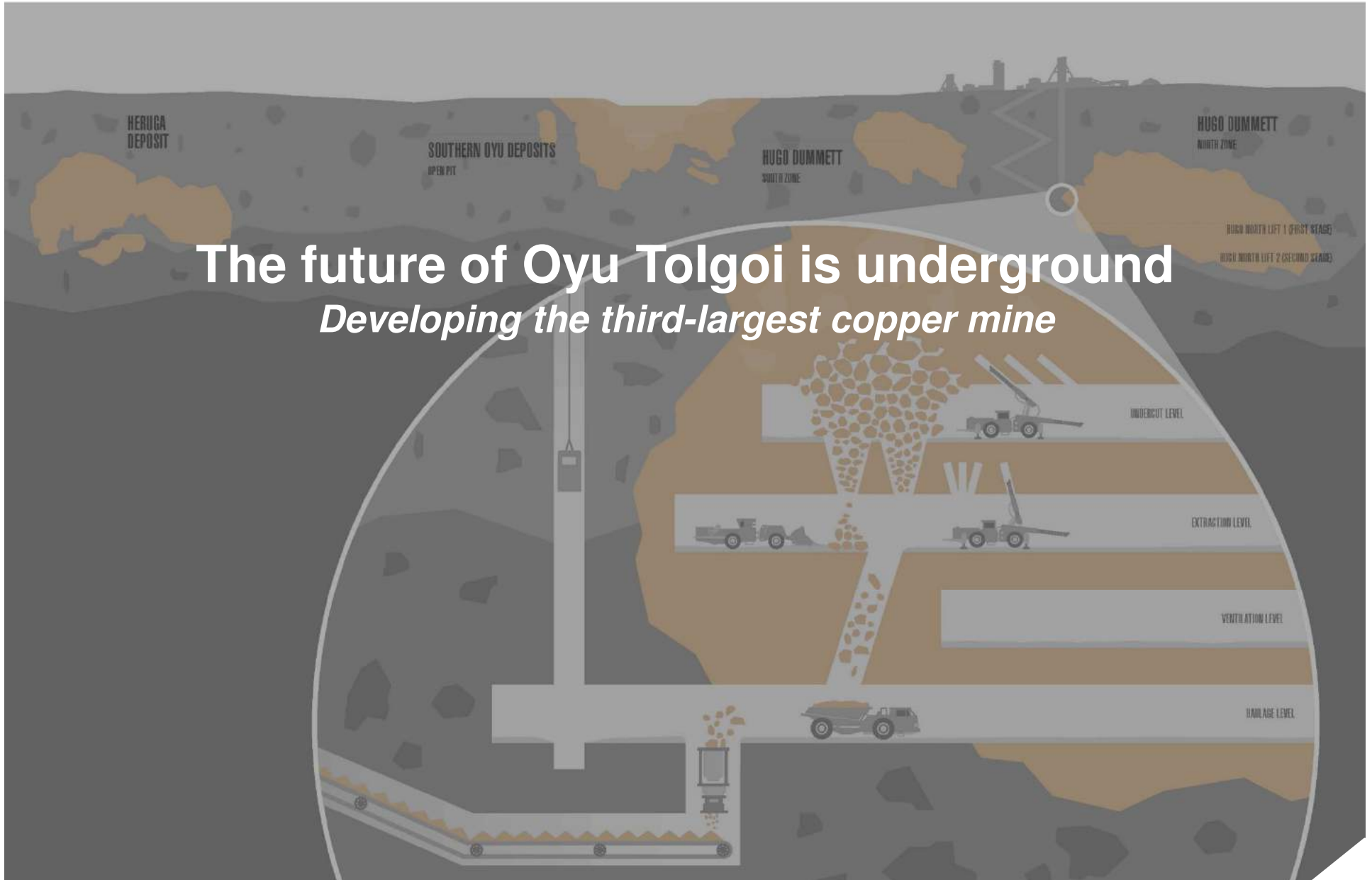


# The future of Oyu Tolgoi is underground

*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” section 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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## Re-starting underground development

- 2015 –Underground Development Plan approved (May), pre-start activities began (Aug) and project finance signed (Dec)
- May 2016 – Notice to proceed approved and 2016 feasibility study completed
- June 2016 – EPCM contract awarded to Jacobs Engineering
- Targeting mid-2016 underground construction re-start

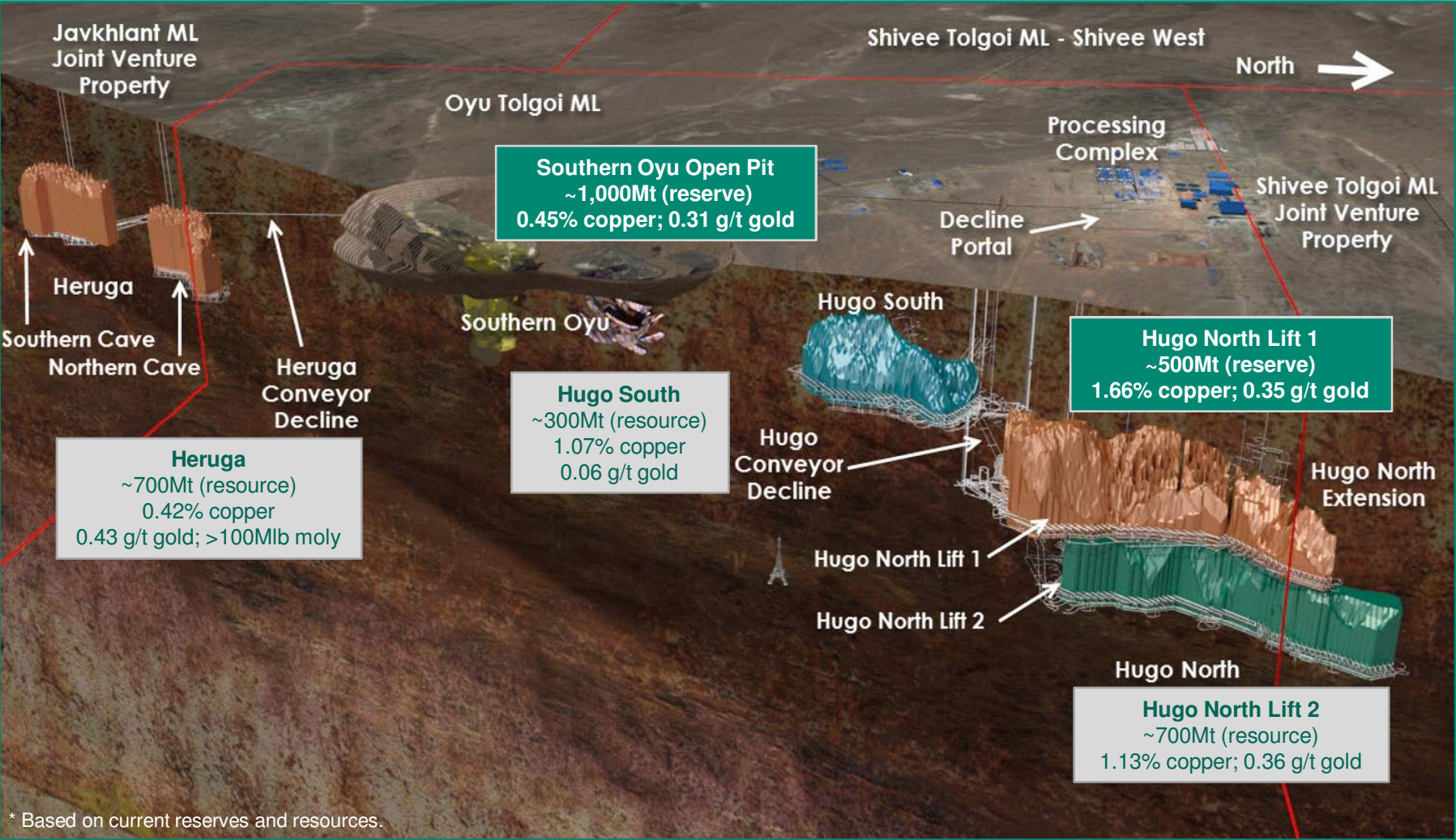
## Long-life, high-grade asset with significant expansion potential

- 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

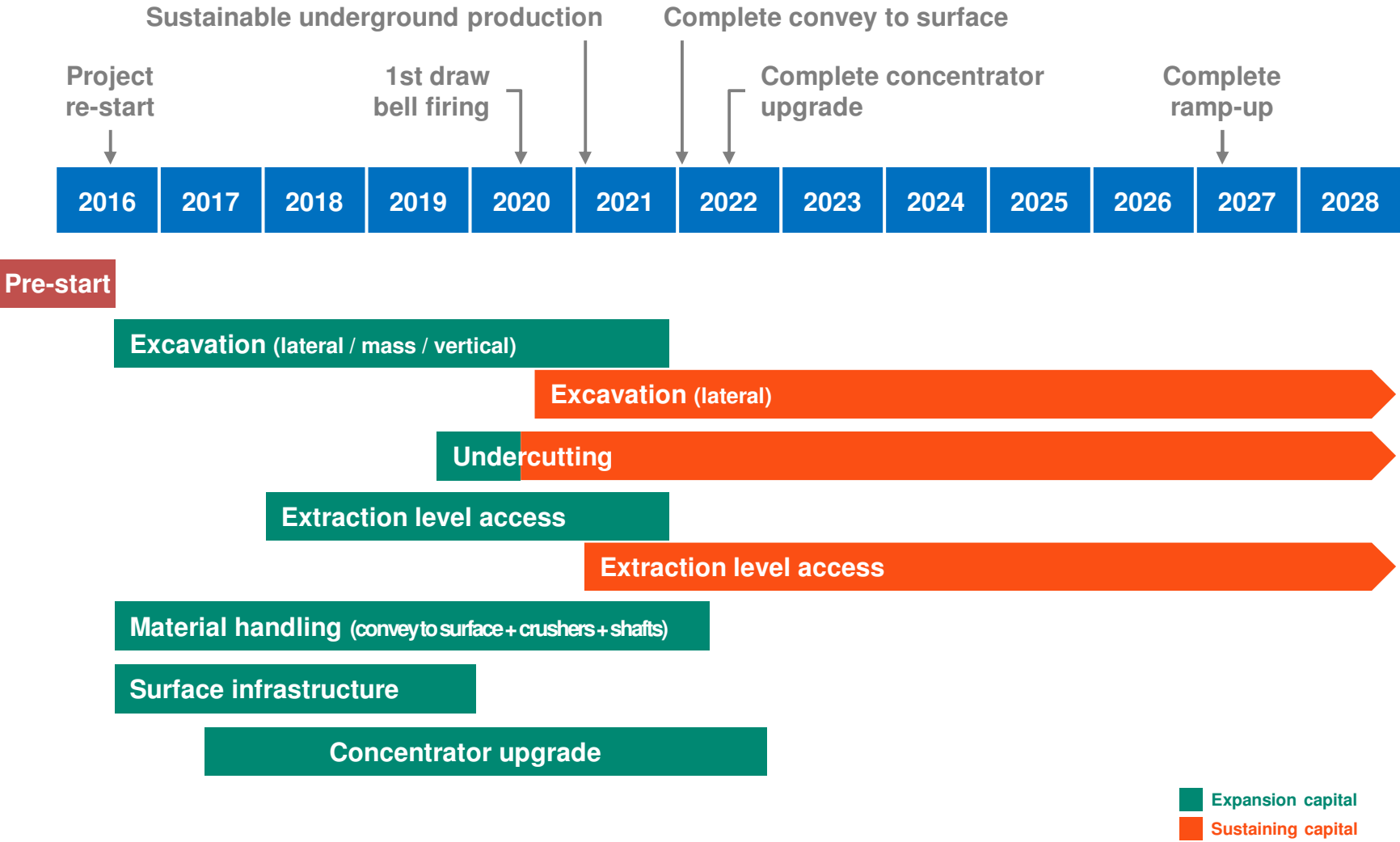
## Open pit in production

- Strong Q1'16 concentrator performance; currently averaging above nameplate capacity
- All-in sustaining cost per pound of copper: \$0.62 – Q1'16; \$1.37 – 2015
- Cash of \$1.5 billion (Q1'16)
- Investment to date of >\$6.5 billion

# Multi-generational copper asset\*



# Hugo North Lift 1 development timeline



Timeline is illustrative only and subject to change.

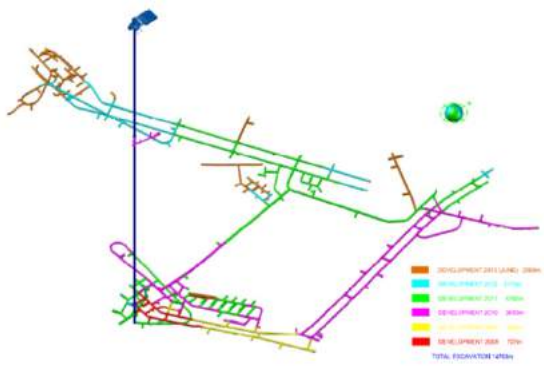
# Key underground components

	Shaft 1 (early development and ventilation)	Shaft 2 (production and ventilation)	Shaft 5 (ventilation)	Not on critical path	
	Shaft 3 (ventilation)	Shaft 4 (ventilation)			
Total Depth	1,385 metres	1,284 metres	1,195 metres	1,148 metres	1,220 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)



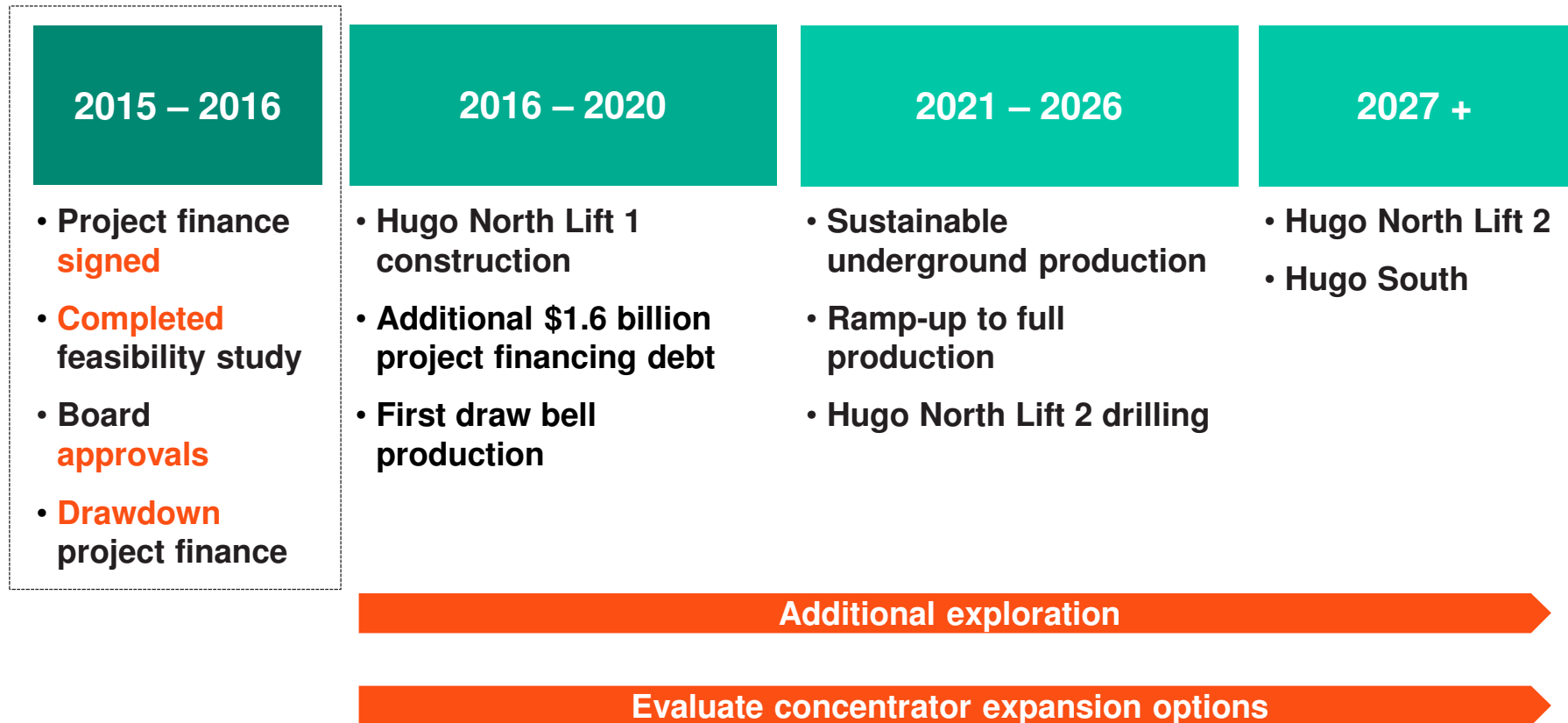
## Underground Development 2008-2013



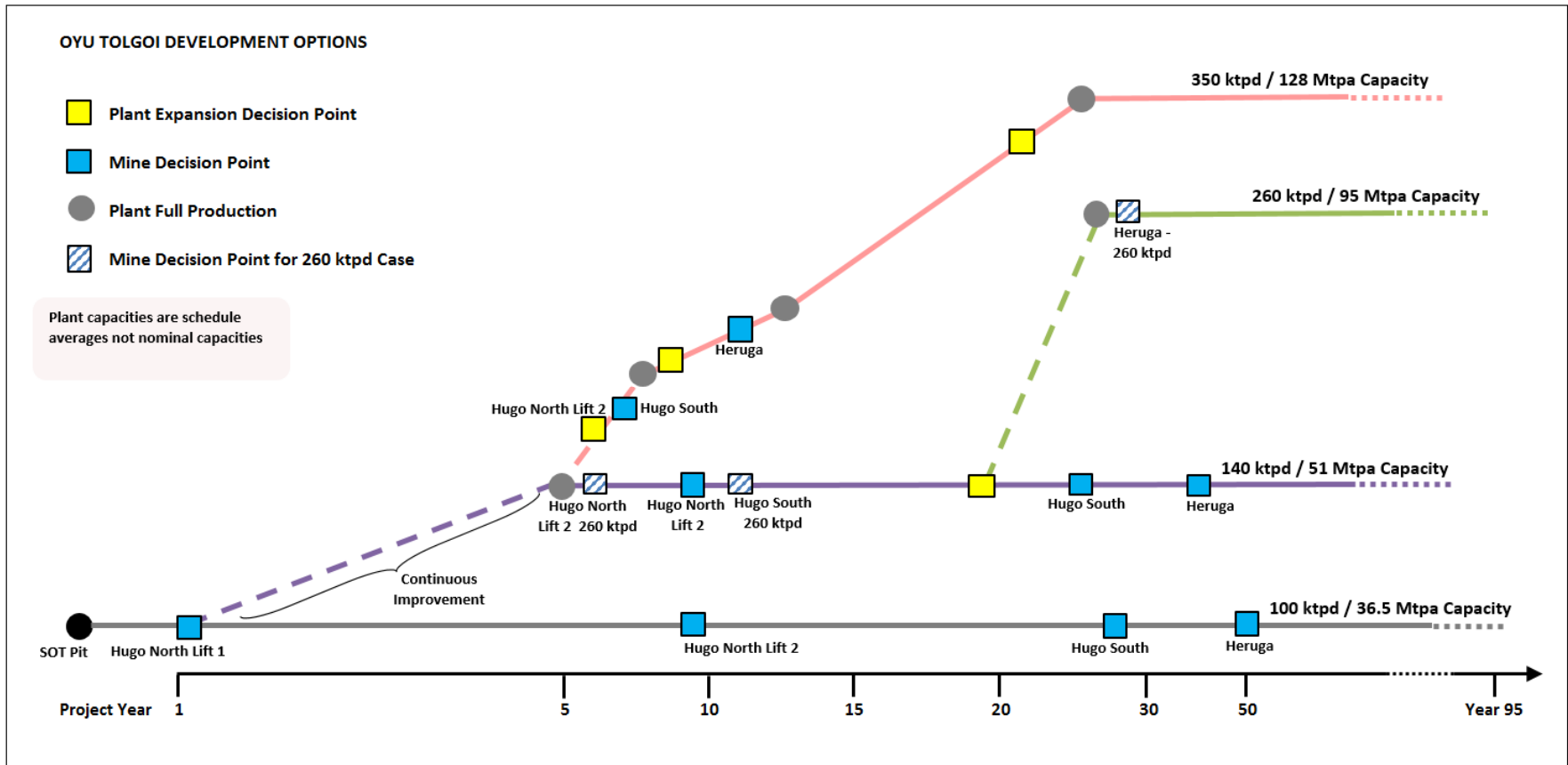


# Medium-term timeline

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# Multiple development options



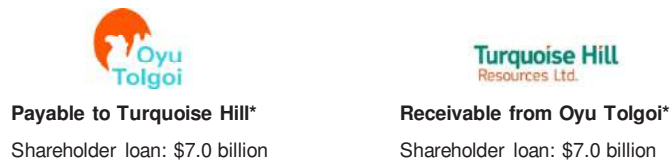
Source: 2014 Oyu Tolgoi Technical Report

- 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



# Project financing – flow of funds

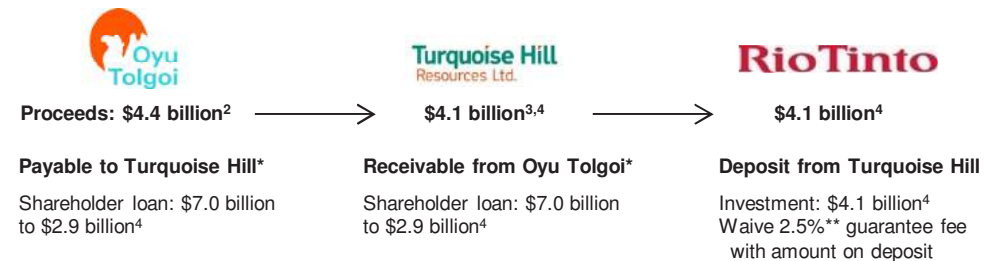
## At March 31, 2016<sup>1</sup>



1. In accordance with the ARSHA, Turquoise Hill funded the common share investments in Oyu Tolgoi on behalf of Erdenes Oyu Tolgoi LLC; at March 31, 2016 the balance was approximately \$999.4 million

\* Balances as of March 31, 2016 | Interest rate LIBOR + 6.5%

## At project financing drawdown



2. Project finance facility made directly with Oyu Tolgoi

3. Amount received net of withholding tax and facility fees

4. Approximate amount

\* Calculated on balances as of March 31, 2016 | 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 operating cash flow
- Project financing funds
- Turquoise Hill cash

## Oyu Tolgoi cash call

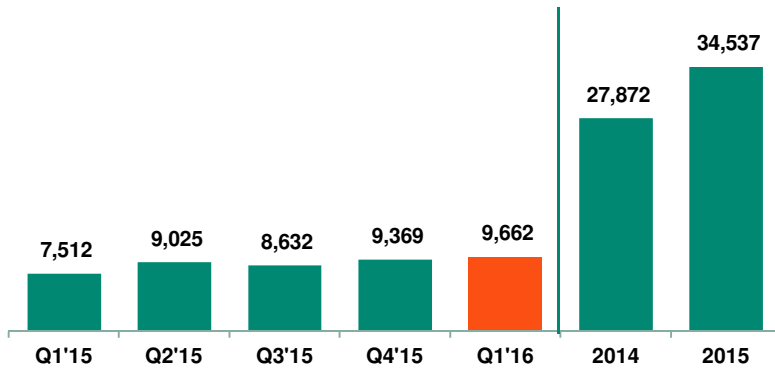


\* Indicative, does not show the withholding tax implications | original shareholder loan interest rate LIBOR + 6.5% | Oyu Tolgoi's all-in project finance interest rate, including upfront and ongoing fees as well as the guarantee fee, is LIBOR + 6.0%

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

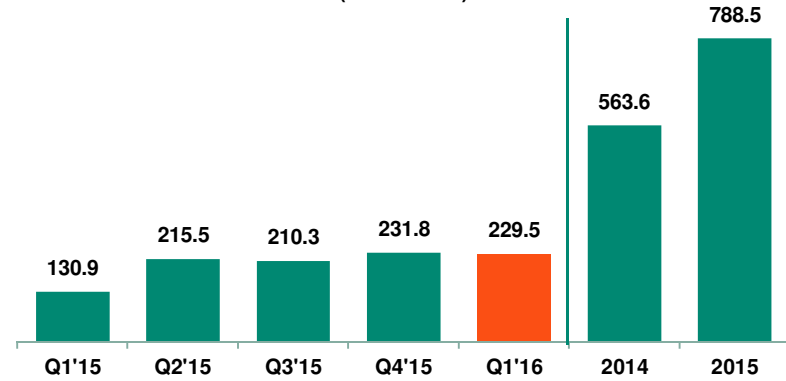
# Production highlights

**Concentrator throughput**  
(’000 tonnes)



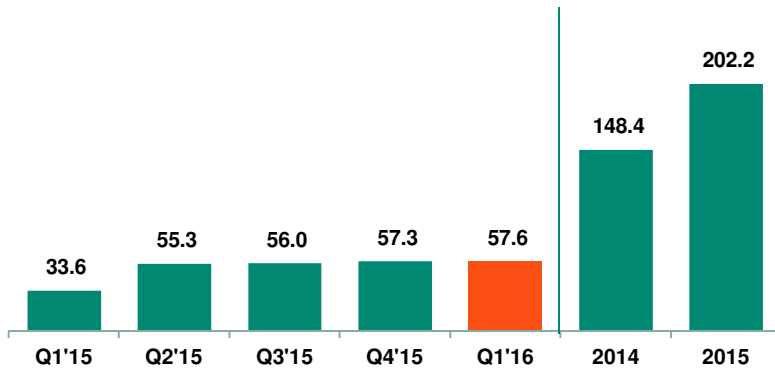
Q1'16 throughput averaging above nameplate capacity

**Concentrate production**  
(’000 tonnes)



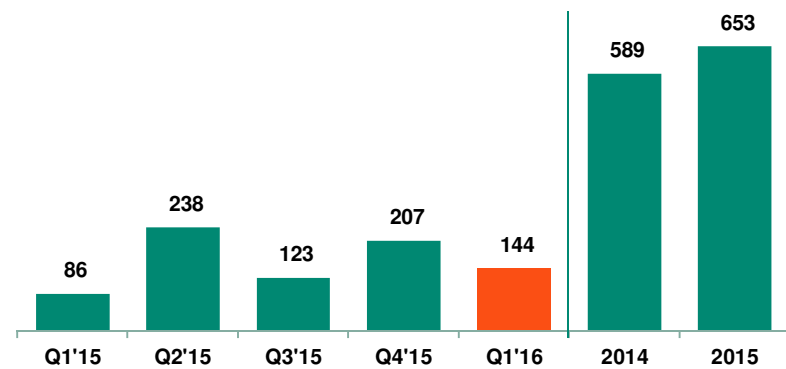
Strong concentrate sales; ~95% of 2016 production under contract

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



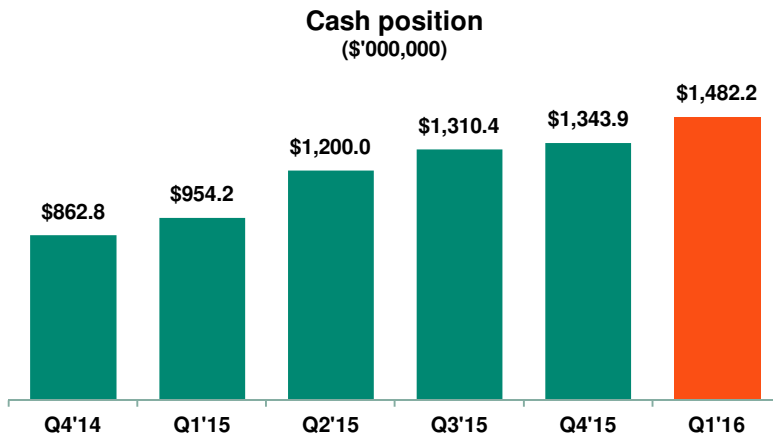
Q1'16 copper production reached quarterly high

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

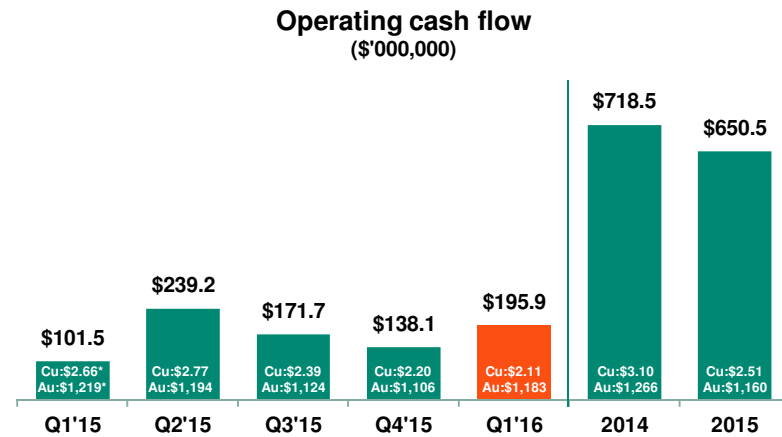


Revised 2016 gold guidance of 255,000 to 285,000

# Financial highlights

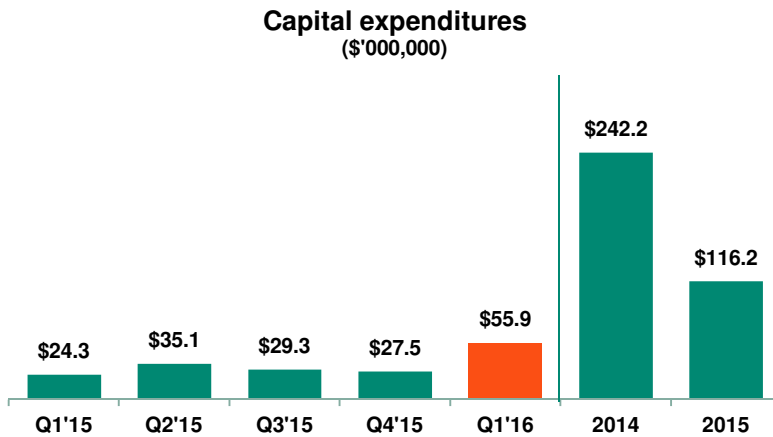


Strong cash position

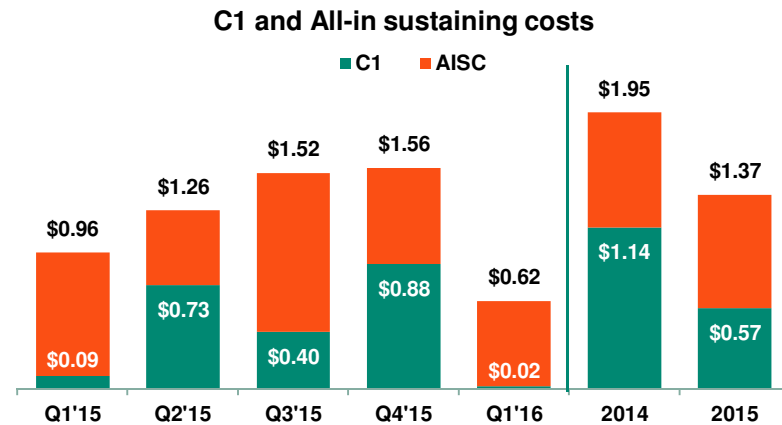


Consecutive quarters of positive operating cash flow

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



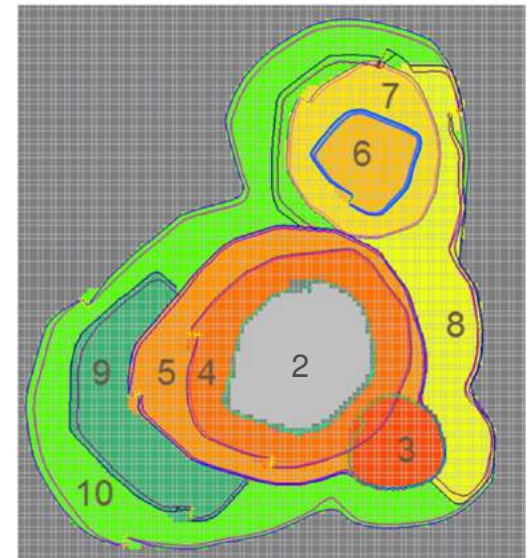
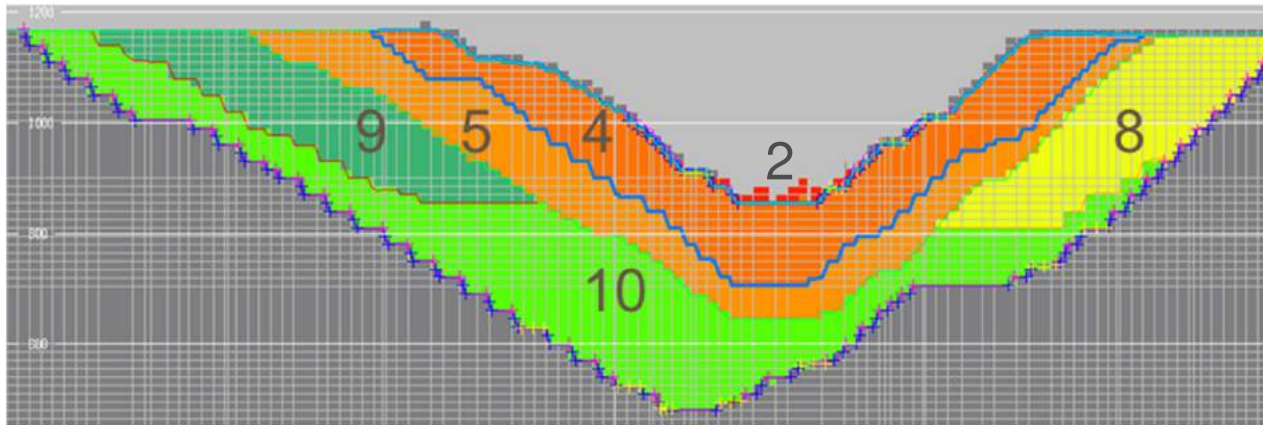
2016 CAPEX guidance: \$300 million, \$285 million sustaining



Competitive unit costs

# 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



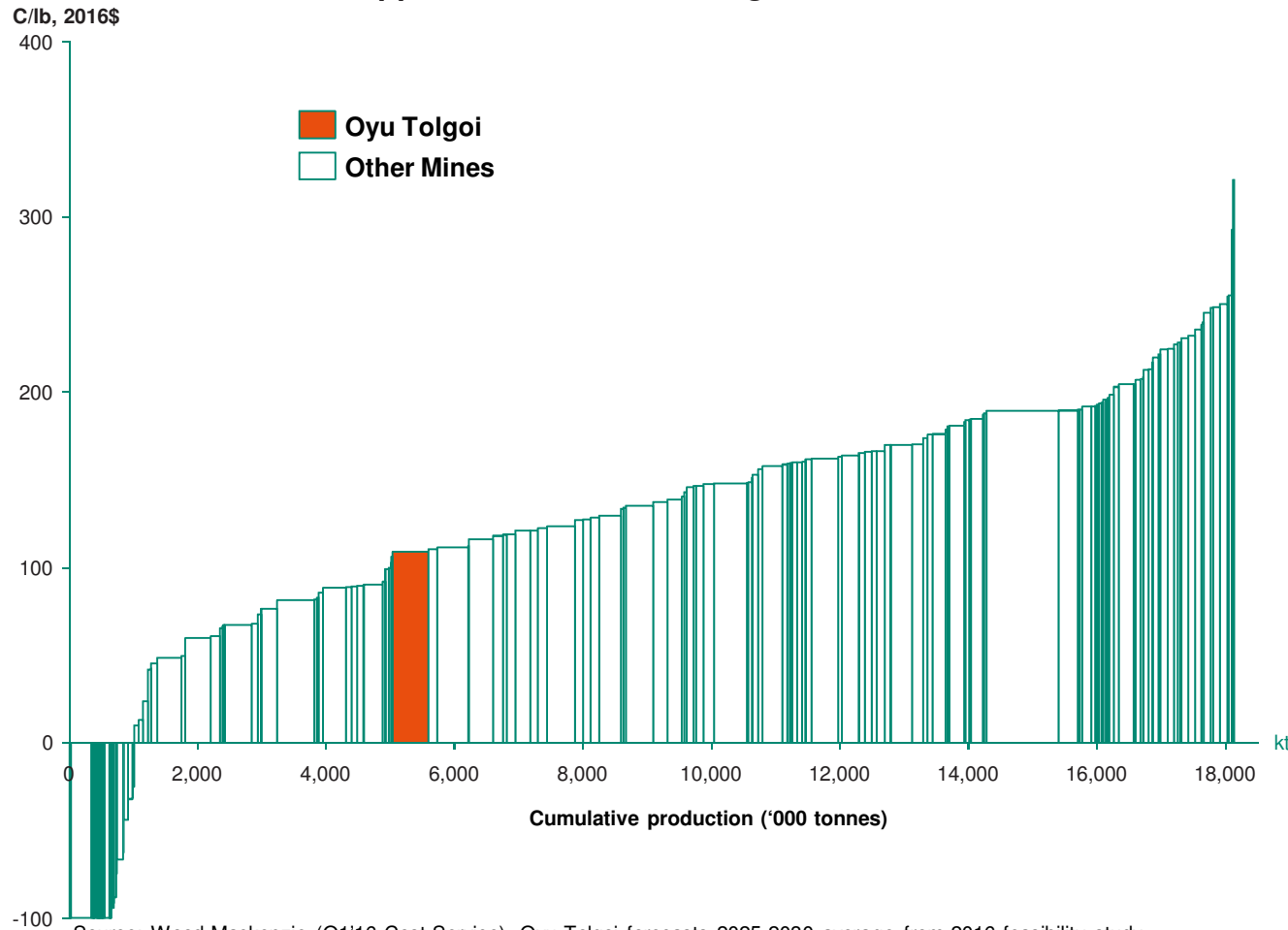
**Material by select pit phases**

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

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

# Copper industry overview

2025 copper mine C1 + sustaining normal cost curve



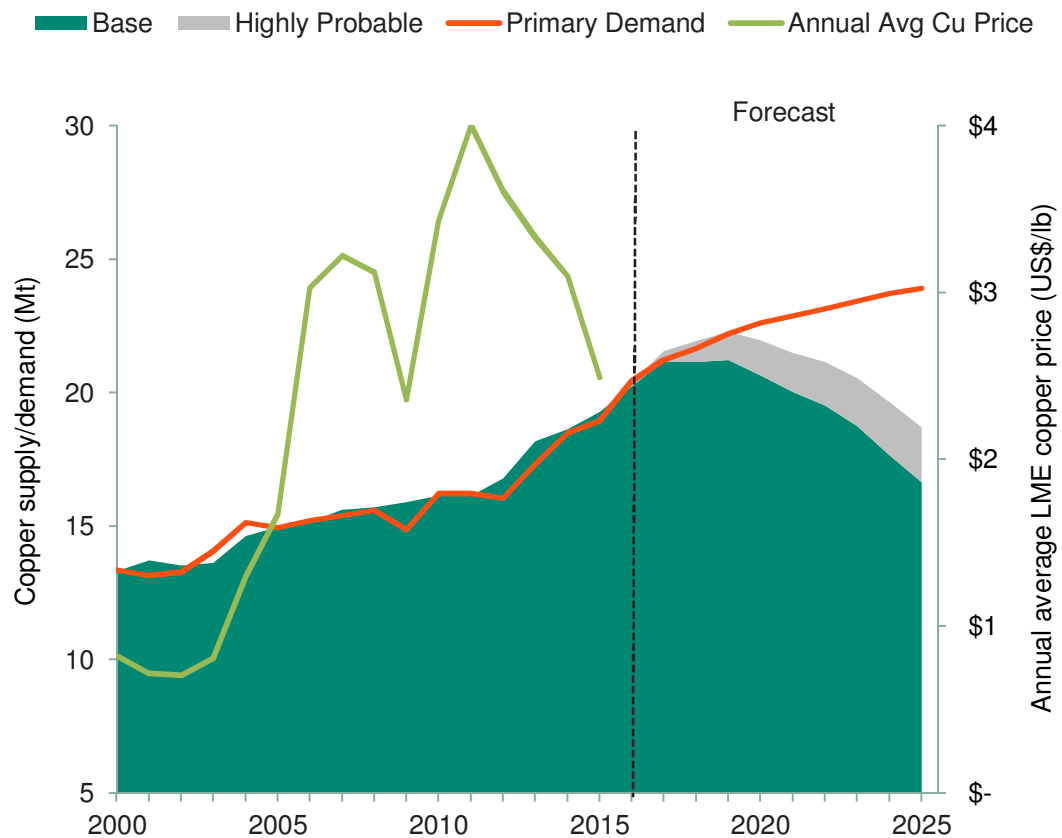
- In top three largest copper mines after planned expansion<sup>1</sup>
- 2025-2030 expected average annual copper production of ~560kt<sup>2</sup>
- Top 10 copper deposit by contained reserves and resource<sup>3</sup>
- One of largest gold deposits by contained reserves and resources<sup>2</sup>

Source: Wood Mackenzie (Q1'16 Cost Service). Oyu Tolgoi forecasts 2025-2030 average from 2016 feasibility study. Normal C1 cost + sustaining capex, range capped at -100/lb and 400/lb for base, highly probable and probable mines only.

1. Oyu Tolgoi's 10-year average peak production including underground
2. Oyu Tolgoi 2016 Feasibility Study
3. Metals Economics Group and 2014 Oyu Tolgoi Technical Report

# Long-term copper fundamentals strong

## Copper mine supply/demand outlook



Source: Wood Mackenzie (Q1'16 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 at end of decade and deficit from 2020
- China now largest buyer of gold and continues to be largest consumer of copper

# Turquoise Hill – a long-term growth opportunity

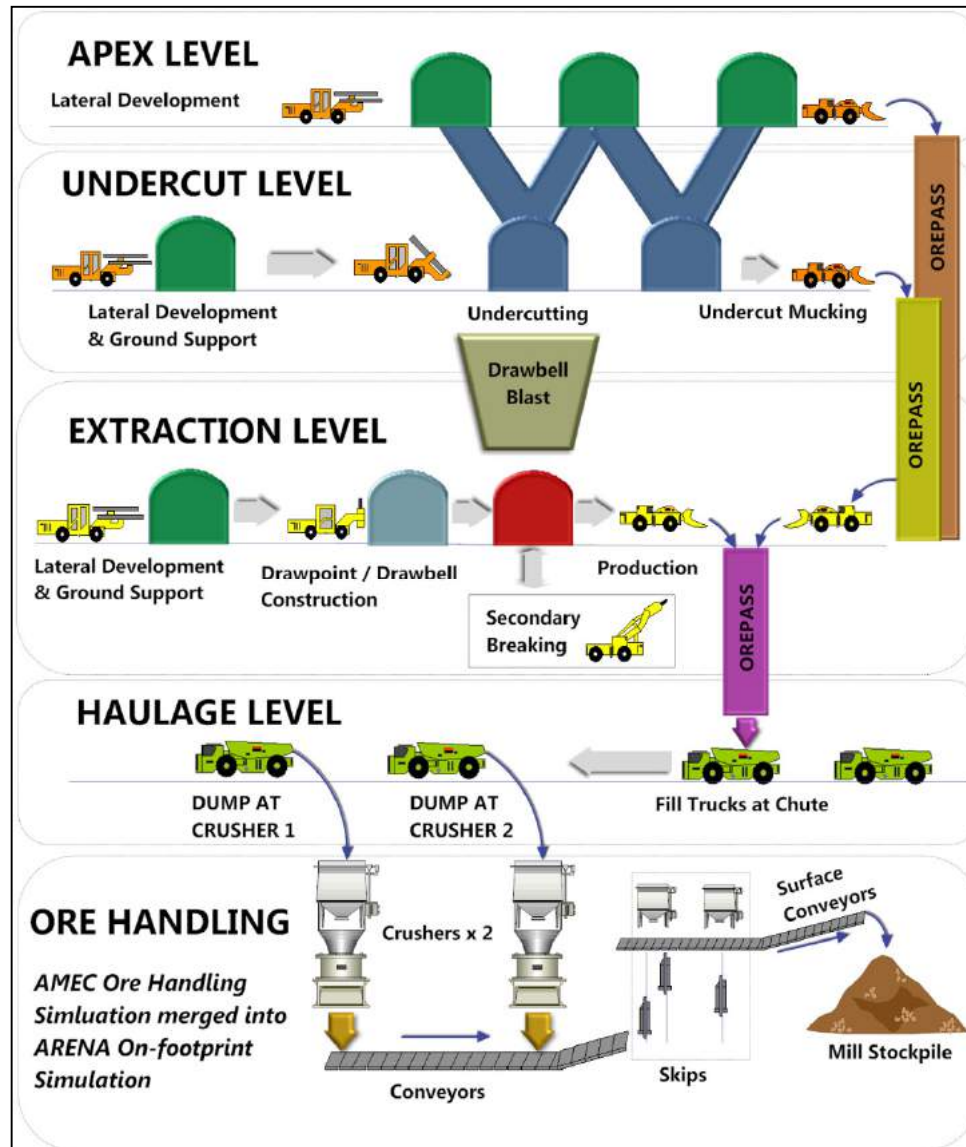
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- **Pure copper and gold exposure**
- **Positive operating cash flow** with focused asset optimization
- Agreed path forward for development of the **high-grade underground mine**
- Significant growth, development and **expansion opportunities**
- 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 95% of Oyu Tolgoi roles
- Since 2010, in-country spend of \$5.5 billion (Mongolian suppliers, salaries, taxes and other Government payments)
- 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
- *Mongolian Mining Journal* awarded Oyu Tolgoi 'Best Responsible Mine of the Year' in 2014
- Oyu Tolgoi expected to represent about 30% of country's GDP when fully developed

