

# 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, including any statements relating to the status of the Company’s relationship and interaction with the Government of Mongolia on the continued development of the Oyu Tolgoi project and Oyu Tolgoi LLC internal governance, 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 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 20, 2015 in respect of the year ended December 31, 2014 and in the forward-looking statements contained in the Company’s press release dated May 18, 2015 announcing the agreement to develop the underground mine.

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

# Investment summary

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## Oyu Tolgoi: Tier 1 asset in production from open pit

- Concentrator performance improving; currently averaging above nameplate capacity
- All-In Sustaining Cost \$1.29 per pound of copper (September 2015)
- Cash of \$1.3 billion (September 2015)
- Investment to date of > \$6.5 billion

## Underground Development Plan provides pathway for restarting construction

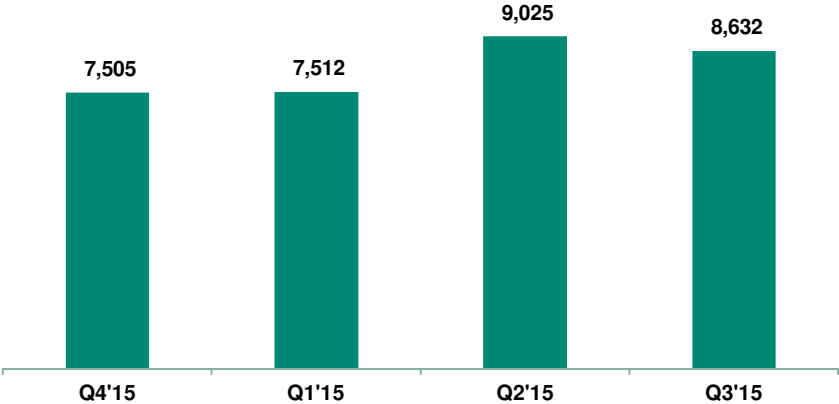
- Agreement maintains Investment Agreement
- Long life, high grade with significant expansion potential
- Underground grades 4x open pit
- Targeting mid-2016 restart

## Refreshing underground capital estimate

- CAPEX not expected to materially change from current \$4.9 billion estimate
- Productivity initiatives and cost reductions implemented during negotiations with Government
- Delay allowed mine plan optimization for underground

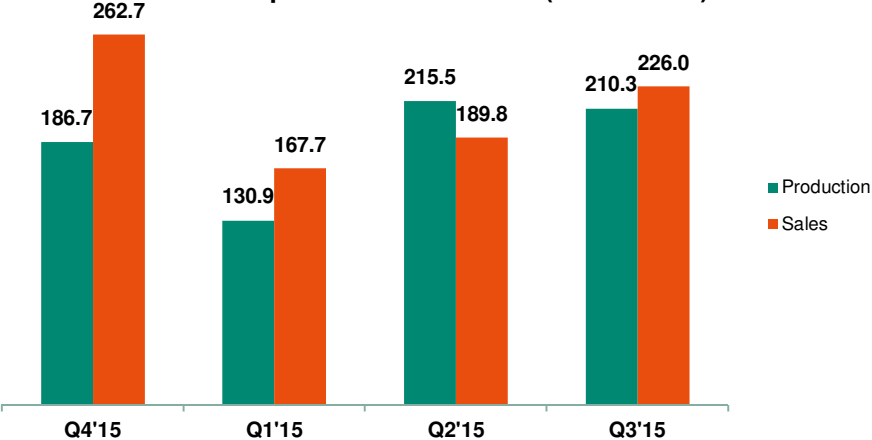
# Production highlights

Concentrator throughput ('000 tonnes)



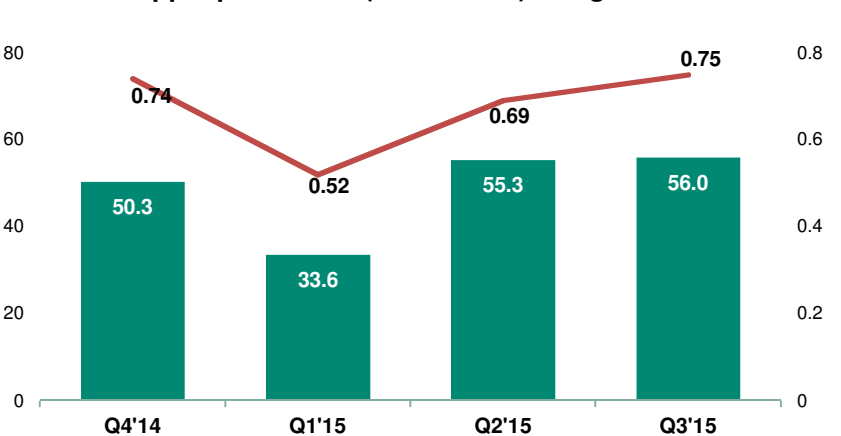
Throughput averaging 2-3% above capacity post-July shutdown

Concentrate production and sales ('000 tonnes)



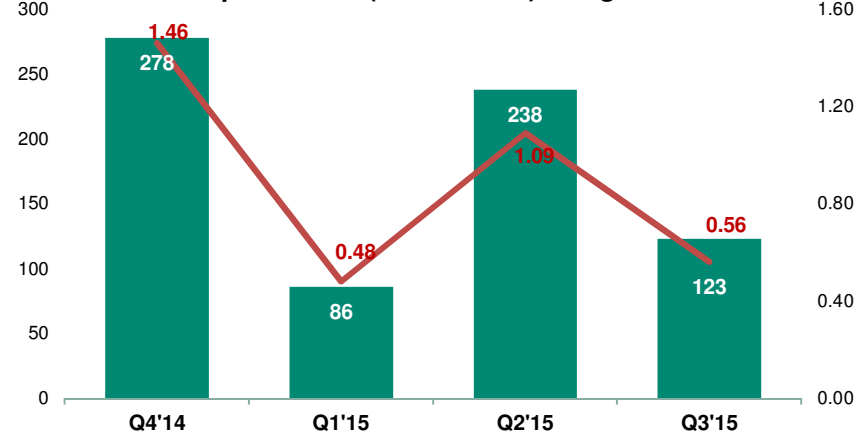
Strong concentrate sales; >80% of 2016 production under contract

Copper production ('000 tonnes) and grades



Expect strong Q4'15 production; anticipate high-end of copper guidance

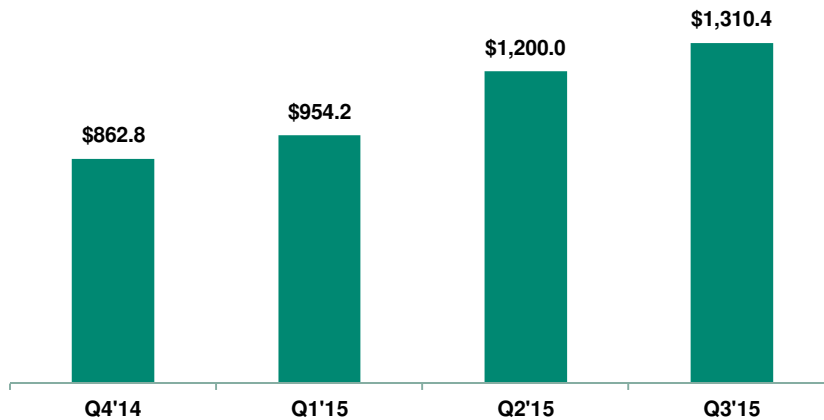
Gold production ('000 ounces) and grades



Expect strong Q4'15 production from high-grade ore access; anticipate mid-range of gold guidance

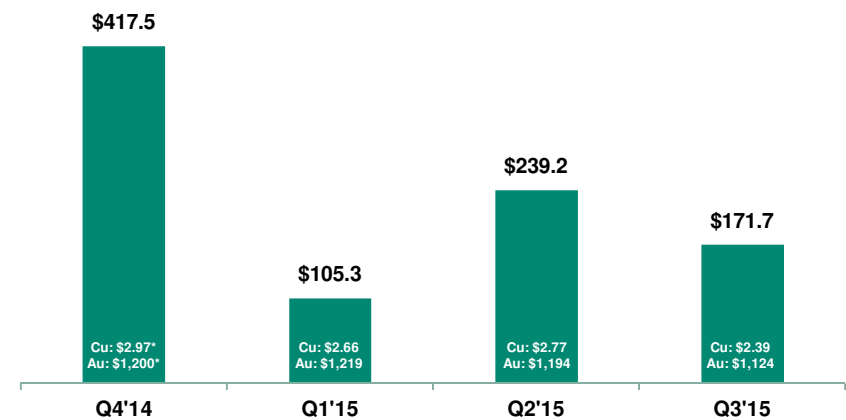
# Financial highlights

Cash position (\$'000,000)



Growing cash position, debt-free balance sheet

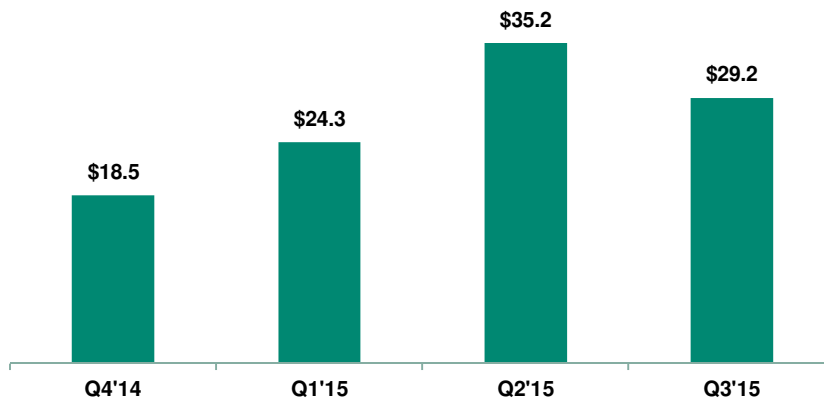
Operating cash flow (\$'000,000)



Consecutive quarters of positive operating cash flow

Source: Average quarterly Comex copper price and average quarterly LME gold price.

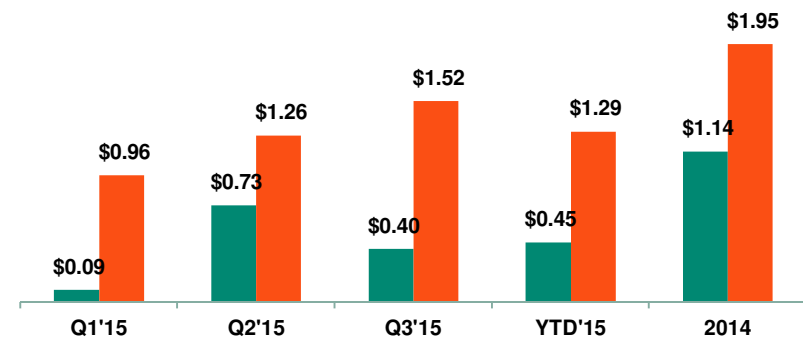
Capital Expenditures (\$'000,000)



2015 CAPEX guidance: \$120 million, \$115 million sustaining

C1 and All-in Sustaining costs

■ C1 ■ AISC



Competitive unit costs

# Underground: next steps

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## Project Finance

- Signing expected by end of 2015
- MIGA signed September 2015
- Drawdown expected Q2'16 after board approvals
- Low-cost capital for development
- De-risks project and aligns stakeholders

## Board Approvals

- Expected early Q2'16
- Approval by Turquoise Hill, Rio Tinto and Oyu Tolgoi boards

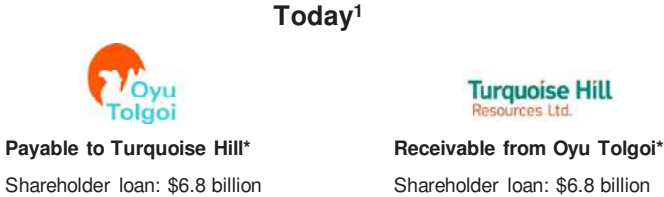
## Feasibility Study

- Revised development schedules submitted August 2015
- Updated CAPEX estimate expected Q1'16
- Incorporates productivity improvements
- Updated technical report planned for 2016

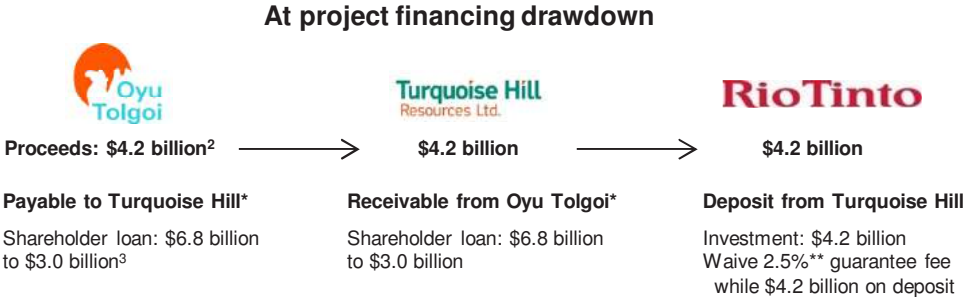
## Underground Re-start

- Target mid-2016
- Early works underway
- Leverage existing infrastructure
- Large resource base provides optionality

# Project financing – flow of funds



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, 2015 the balance is approximately \$965 million  
\* Balances as of September 30, 2015 | Interest rate LIBOR + 6.5%



2. Project finance facility made directly with Oyu Tolgoi  
3. At drawdown, Turquoise Hill will provide Oyu Tolgoi with \$400 million for fees and taxes  
\* Calculated on balances as of September 30, 2015 | 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

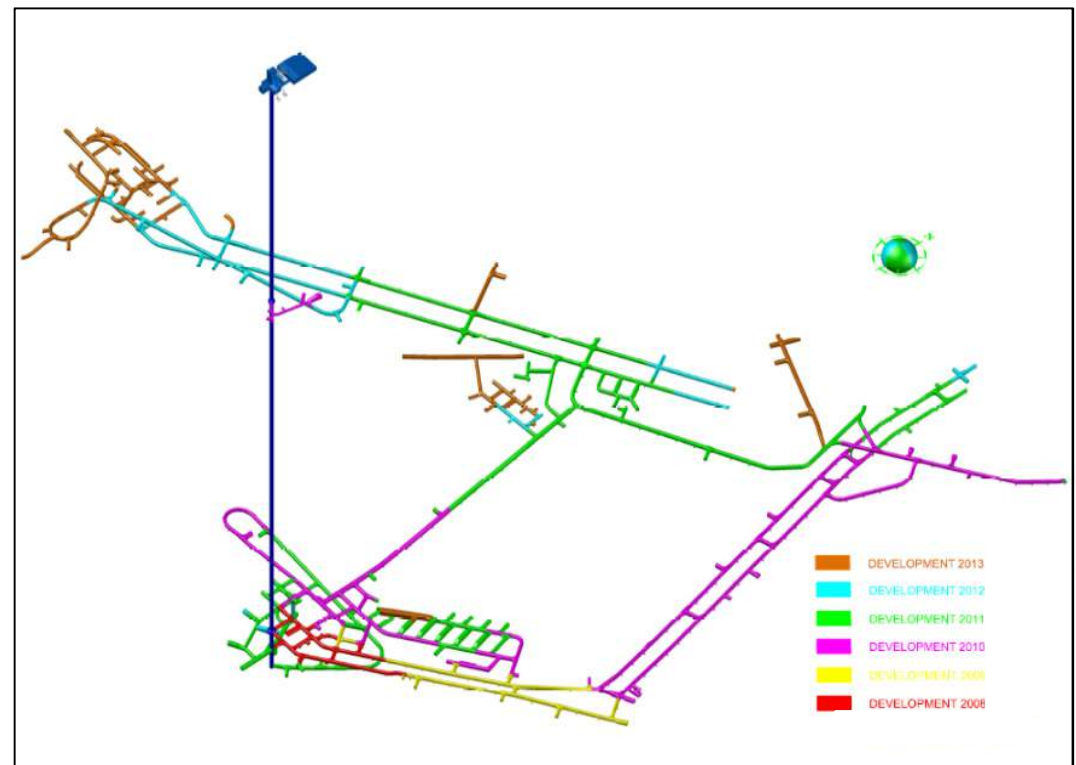


\* Indicative, does not show the withholding tax implications | original shareholder loan interest rate LIBOR + 6.5% | new amounts subject to interest rate no more than LIBOR + 6.5%  
\*\* Guarantee fee - Oyu Tolgoi pays 1.9% and Turquoise Hill pays 0.6%



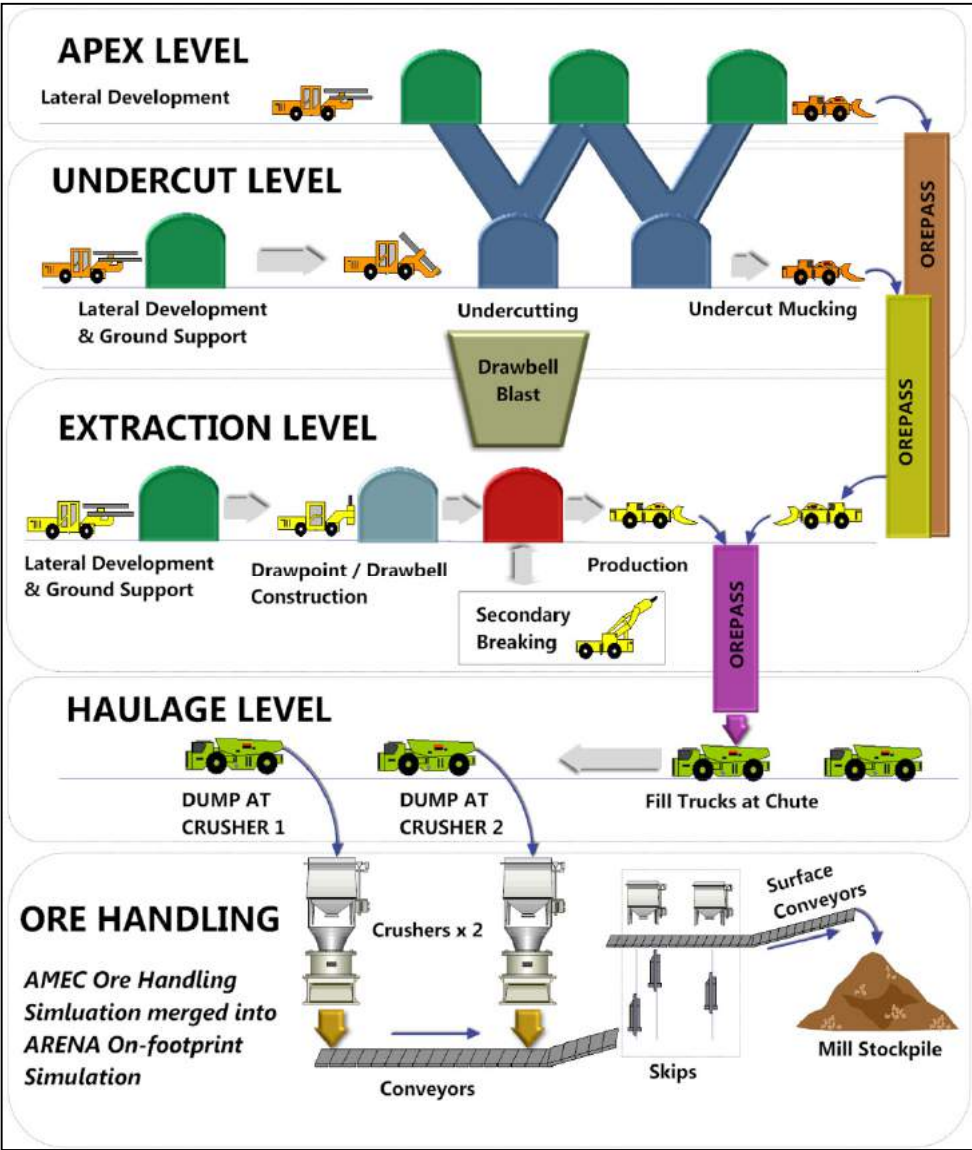
# Shaft and underground development status

- Shaft 1 completed in 2008, 1,385m
- Off-shaft lateral development 16km 2008 – Aug 2013
- Shaft 2 currently 1,167m, ~100m left
- Shaft 5 currently 208m, ~1,000m left
- Extensive geotechnical data collection program
- Demonstrated performance and quality



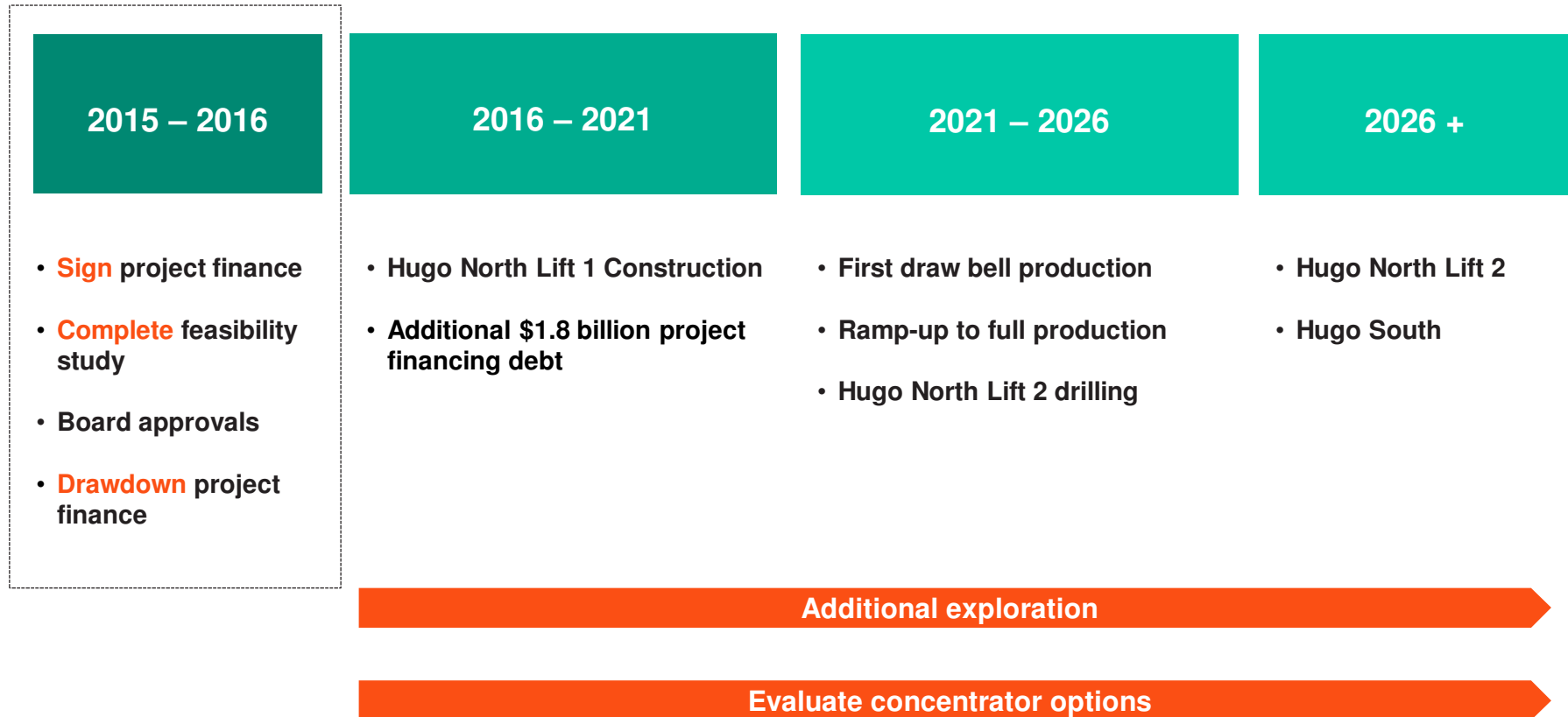


# Ore flow



# Medium-term timeline

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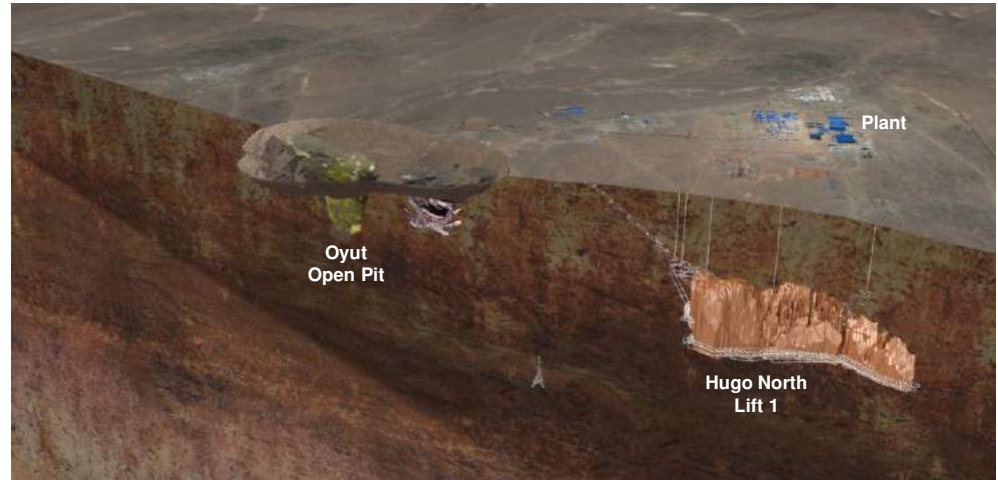
# Highly-attractive economics

## 2014 Reserve Case

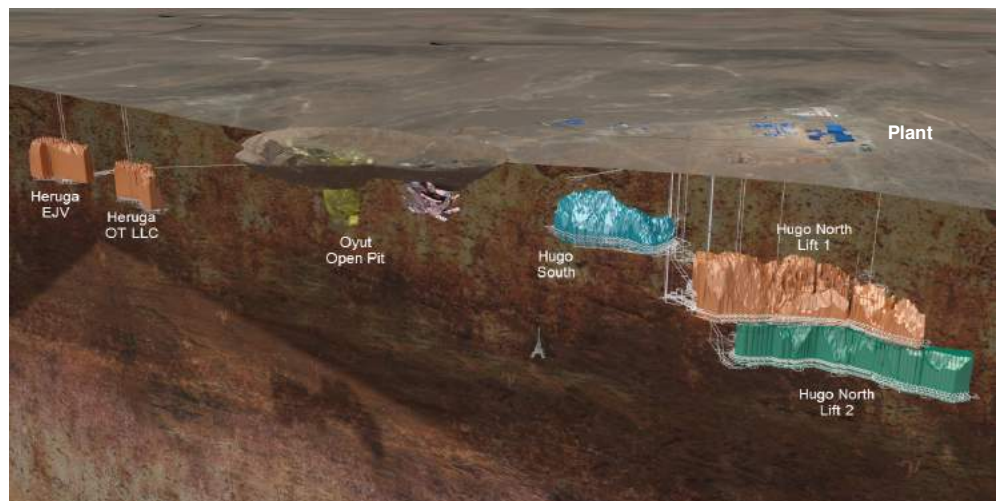
<b>Total Processed (Bt)</b>	<b>1.5</b>
<b>Copper Grade (%)</b>	<b>0.85</b>
<b>Gold Grade (g/t)</b>	<b>0.32</b>
<b>Silver Grade (g/t)</b>	<b>1.94</b>
<b>Copper Recoverable (B lb)</b>	<b>24.9</b>
<b>Gold Recoverable (M oz)</b>	<b>11.9</b>
<b>Silver Recoverable (M oz)</b>	<b>78.0</b>
<b>Life (years)</b>	<b>41</b>
<b>Expansion Capital (US\$B)</b>	<b>4.9</b>
<b>NPV (8.0%) After Tax (US\$B)</b>	<b>7.4</b>
<b>IRR After Tax</b>	<b>29%</b>
<b>Payback Period (years)</b>	<b>9</b>

Note: US\$ amounts presented in real 2015 terms; expansion capital includes only direct project costs

## Reserve Case (Feasibility Study)

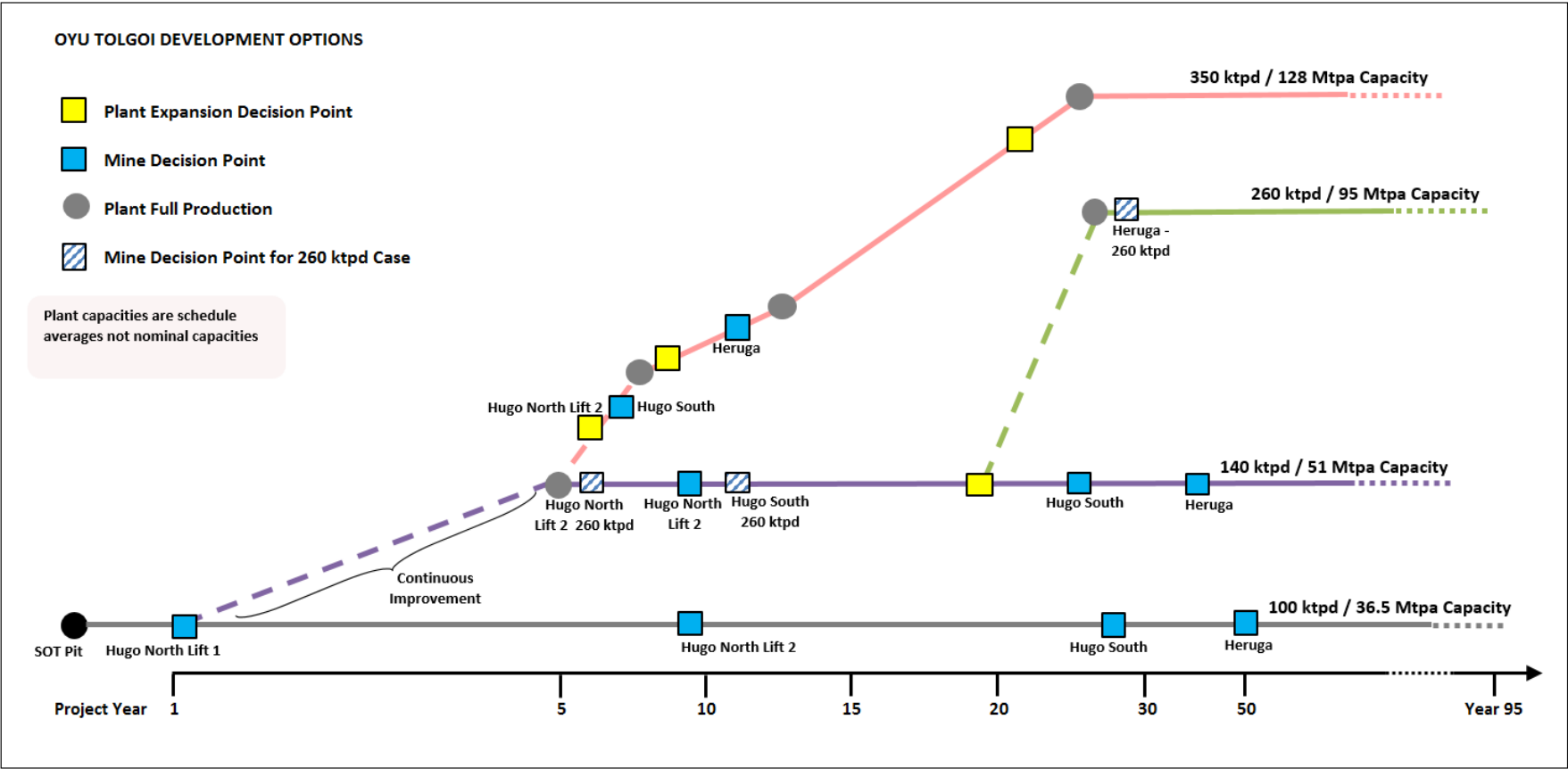


## Life of Mine Case\*



\* Note: Life of Mine Case includes inferred; therefore not included in economic evaluation

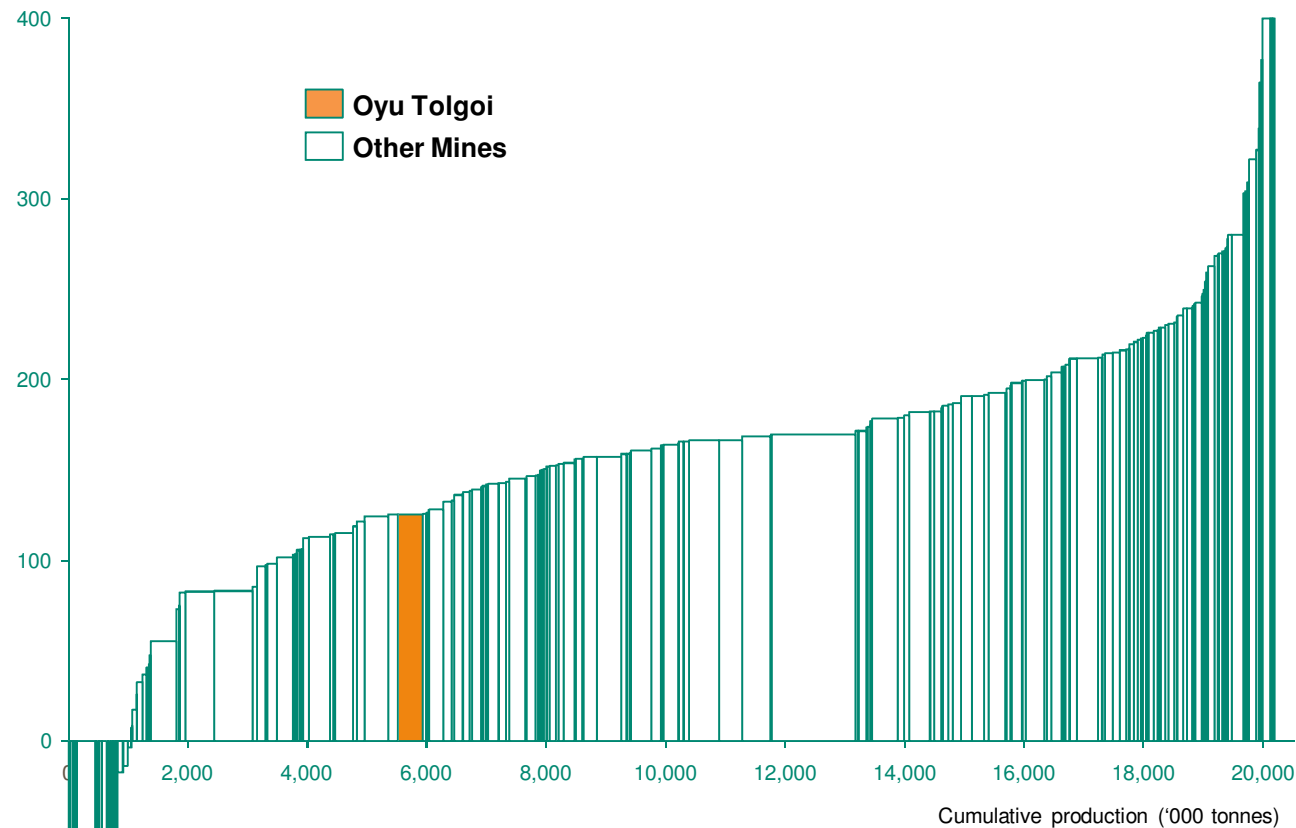
# Multiple development options



- 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

# Copper industry overview

Post-2020 copper mine C1+sustaining cost curve (c/lb, 2015\$)



- Third largest copper mine after planned expansion<sup>1</sup>
- Top 10 copper deposit by contained reserves and resource<sup>2</sup>
- One of the largest gold deposits by contained reserves and resources<sup>2</sup>

Source: Wood Mackenzie (Q3'15 Cost Service)

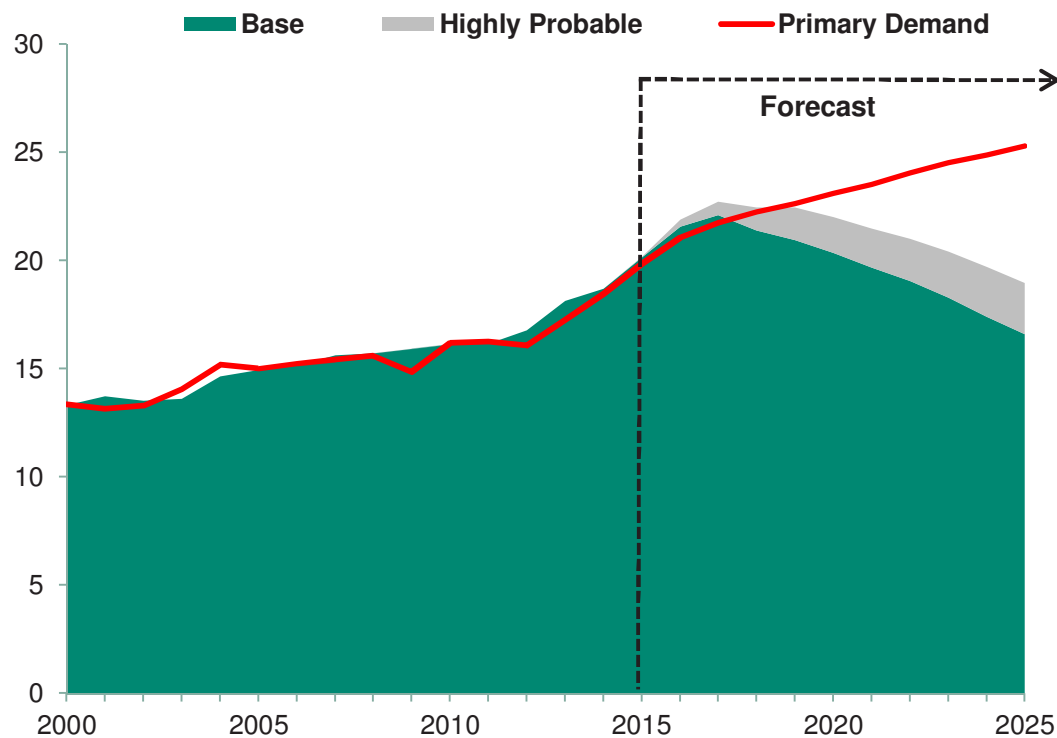
Normal C1 cost + sustaining capex, range capped at -100/lb & 400/lb for base, highly probable and probable mines only

1. Oyu Tolgoi's 10-year average peak production including underground

2. Metals Economics Group and 2014 Oyu Tolgoi Technical Report (2020-2024 average costs)

# Long-term copper fundamentals strong

Copper mine supply/demand outlook (Mt)



Source: Wood Mackenzie (Q2'15 long-term outlook)

- Small surplus likely over next few years
- Ongoing attrition at existing mines driven by declining grade
- Continued demand growth requires new capacity in the medium-term
- Market anticipates deficit towards the end of decade
- China now largest buyer of gold and continues to be largest consumer of copper

# Turquoise Hill – a long-term growth opportunity

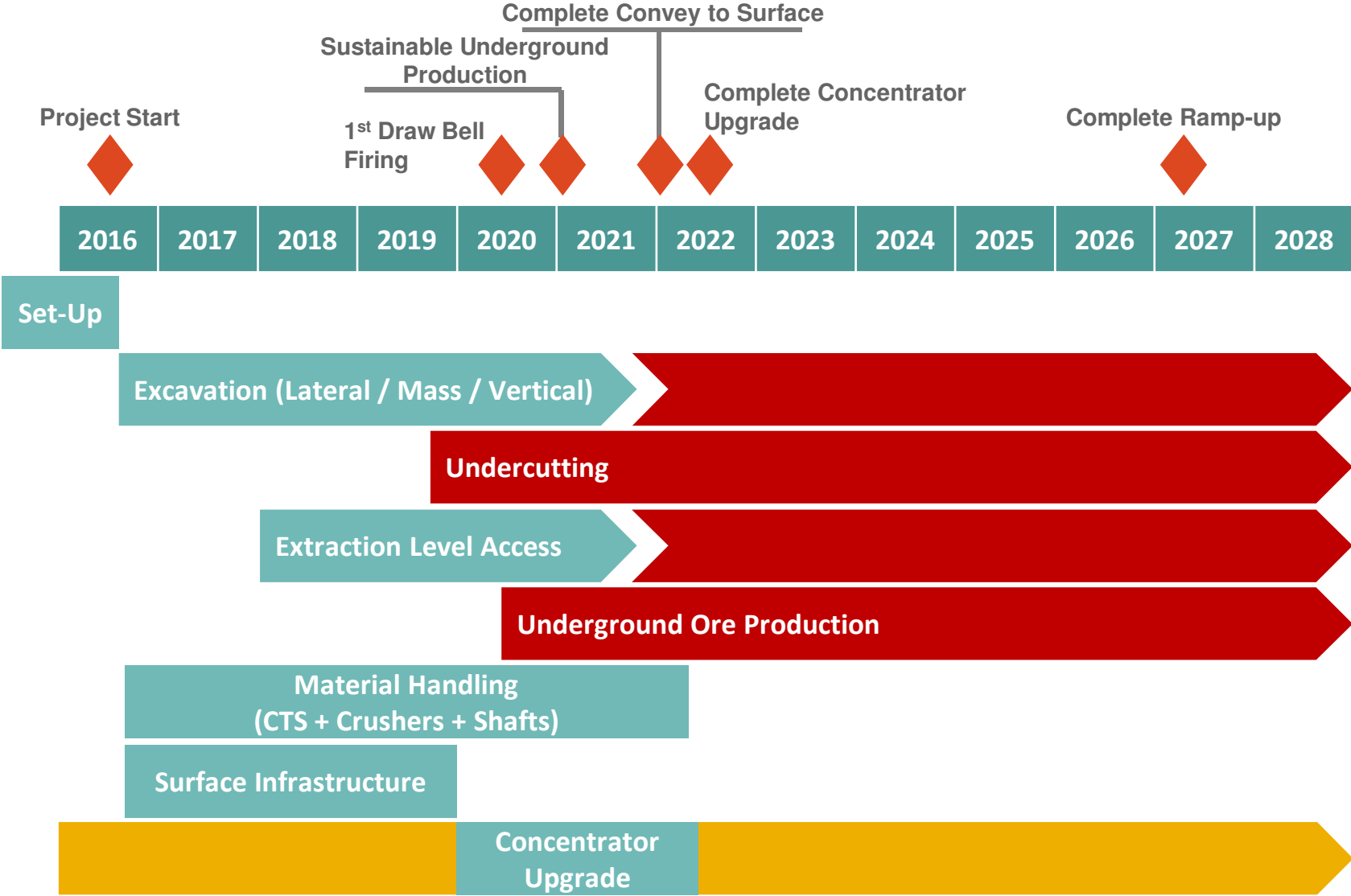
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- **Pure copper and gold exposure**
- **Positive operating cash flow** and focusing on asset optimization
- Agreed path forward for development of the **high-grade underground mine**
- Significant growth, development and **expansion opportunities**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



# Appendix

# Probable development schedule





# Made in Mongolia

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- Mongolians now occupy 95% of Oyu Tolgoi roles
- Since 2010, in-country spend of \$5.1 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



# Summary of Underground Development Plan

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## **Concludes outstanding shareholder matters**

- Resolves initial development costs
- Maintains Investment Agreement tax stability principles
  - Tax settlement of \$30 million
- Clarifies sales royalty calculation
- Eliminates 2% net smelter royalty

## **Provides path forward for restarting underground development**

- Acknowledges definition of feasibility study as an estimate
- Management Services Payment: 3% for underground construction
- Outlines comprehensive funding plan

***Overall NPV impact to Turquoise Hill is ~2% of total reserve case value***