TURQUOISE HILL RESOURCES LTD.

Third Quarter Report – September 30, 2015
Financial Statements and MD&A

Turquoise Hill Resources Ltd.

Condensed Interim Consolidated Financial Statements

September 30, 2015

(unaudited)

TURQUOISE HILL RESOURCES LTD.
Consolidated Statements of Income (Loss)
(Stated in thousands of U.S. dollars)
(Unaudited)

	Note	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Continuing operations					
Revenue	4	**$ 431,701**	$ 491,569	**$ 1,279,119**	$ 1,065,064
Cost of sales	5	**(252,172)**	(370,714)	**(735,701)**	(847,657)
Gross margin		**179,529**	120,855	**543,418**	217,407
Operating expenses	6	**(151,721)**	(94,540)	**(339,330)**	(261,989)
Corporate administration expenses		**(2,899)**	(5,894)	**(12,198)**	(20,855)
Other income (expenses)	7	**271**	(1,128)	**(44,278)**	10,219
Income (loss) before finance items and taxes		**25,180**	19,293	**147,612**	(55,218)
Finance items					
Finance income	8	**1,003**	1,283	**2,214**	7,903
Finance costs	8	**(2,249)**	(1,985)	**(4,609)**	(12,390)
		(1,246)	(702)	**(2,395)**	(4,487)
Income (loss) from continuing operations before taxes		**23,934**	18,591	**145,217**	(59,705)
Provision for income and other taxes		**(11,298)**	(12,154)	**(35,949)**	(38,073)
Income (loss) from continuing operations		**12,636**	6,437	**109,268**	(97,778)
Discontinued operations					
Income (loss) after tax from discontinued operations	14	**(22,784)**	(246,644)	**10,866**	(290,177)
Income (loss) for the period		**$ (10,148)**	$ (240,207)	**$ 120,134**	$ (387,955)
Attributable to owners of Turquoise Hill Resources Ltd.		**21,184**	(93,957)	**142,229**	(107,716)
Attributable to owners of non-controlling interests		**(31,332)**	(146,250)	**(22,095)**	(280,239)
Income (loss) for the period		**$ (10,148)**	$ (240,207)	**$ 120,134**	$ (387,955)
Income (loss) attributable to owners of Turquoise Hill Resources Ltd.					
Continuing operations		**$ 43,968**	$ 43,927	**$ 160,998**	$ 54,594
Discontinued operations		**(22,784)**	(137,884)	**(18,769)**	(162,310)
		$ 21,184	$ (93,957)	**$ 142,229**	$ (107,716)
Basic and diluted earnings (loss) per share attributable to Turquoise Hill Resources Ltd.					
Continuing operations	22	**$ 0.02**	$ 0.02	**$ 0.08**	$ 0.03
Discontinued operations		**(0.01)**	(0.07)	**(0.01)**	(0.08)
Income (loss) for the period		**$ 0.01**	$ (0.05)	**$ 0.07**	$ (0.05)
Basic weighted average number of shares outstanding (000's)		**2,012,309**	2,012,299	**2,012,306**	1,964,352

The accompanying notes are an integral part of these consolidated financial statements.

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of U.S. dollars)

(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2015		2014		**2015**		2014
Income (loss) for the period	**$**	**(10,148)**	$	(240,207)	**$**	**120,134**	$	(387,955)
Other comprehensive income (loss):								
Items that have been / may be classified subsequently to income or loss:								
Fair value movements:								
Losses on revaluation of available for sale investments (Note 19)		**(2,114)**		(6,964)		**(8,932)**		(21,689)
Losses on revaluation of available for sale investments transferred to the statement of income (loss) (Note 19)		**140**		-		**9,136**		1,766
Other comprehensive income (loss) for the period	**$**	**(1,974)**	$	(6,964)	**$**	**204**	$	(19,923)
Total comprehensive income (loss) for the period	**$**	**(12,122)**	$	(247,171)	**$**	**120,338**	$	(407,878)
Attributable to owners of Turquoise Hill	**$**	**19,210**	$	(101,400)	**$**	**142,433**	$	(128,075)
Attributable to owners of non-controlling interests		**(31,332)**		(145,771)		**(22,095)**		(279,803)
Total comprehensive income (loss) for the period	**$**	**(12,122)**	$	(247,171)	**$**	**120,338**	$	(407,878)

The accompanying notes are an integral part of these consolidated financial statements.

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Cash Flows

(Stated in thousands of U.S. dollars)

(Unaudited)

	Note	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash generated from operating activities before interest and tax	21	**$ 171,741**	$ 256,251	**$ 512,394**	$ 298,173
Interest received		**816**	145	**1,461**	356
Interest paid		**(1,161)**	(348)	**(1,161)**	(19,715)
Income and other taxes paid		**(6,138)**	(161)	**(15,606)**	(527)
Net cash generated from operating activities		**165,258**	255,887	**497,088**	278,287
Cash flows from investing activities					
Proceeds from sale of discontinued operations	14	**6,514**	-	**11,867**	-
Proceeds from sale and redemption of financial assets		**223**	-	**17,005**	-
Expenditures on property, plant and equipment		**(29,231)**	(78,708)	**(88,678)**	(223,687)
Proceeds from sales of mineral property rights and other assets		**-**	-	**1,237**	4,000
Other investing cash flows		**656**	-	**1,645**	168
Cash used in investing activities of continuing operations		**(21,838)**	(78,708)	**(56,924)**	(219,519)
Cash generated from (used in) investing activities of discontinued operations		**-**	1,525	**(114)**	-
Cash used in investing activities		**(21,838)**	(77,183)	**(57,038)**	(219,519)
Cash flows from financing activities					
Issue of share capital	18	**-**	100	**20**	2,288,573
Proceeds from bridge funding facility	15	**-**	-	**-**	62,373
Repayment of interim and bridge funding facilities	15	**-**	-	**-**	(2,191,635)
Proceeds from credit facilities	15	**-**	-	**-**	143,826
Repayment of credit facilities	15	**-**	(30,000)	**-**	(90,000)
Cash from financing activities of continuing operations		**-**	(29,900)	**20**	213,137
Cash from financing activities of discontinued operations		**-**	2	**3,500**	9
Cash from financing activities		**-**	(29,898)	**3,520**	213,146
Effects of exchange rates on cash and cash equivalents		**73**	(77)	**247**	(81)
Net increase in cash and cash equivalents		**143,493**	148,729	**443,817**	271,833
Cash and cash equivalents - beginning of period		**$ 1,166,867**	$ 201,216	**$ 866,543**	$ 78,112
Cash and cash equivalents - end of period		**1,310,360**	349,945	**1,310,360**	349,945
Less cash and cash equivalents classified in current assets held for sale		**-**	(4,768)	**-**	(4,768)
Cash and cash equivalents as presented on the statement of financial position		**$ 1,310,360**	$ 345,177	**$ 1,310,360**	$ 345,177

The accompanying notes are an integral part of these consolidated financial statements.

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Financial Position

(Stated in thousands of U.S. dollars)

(Unaudited)

	Note	**September 30, 2015**	December 31, 2014	January 1, 2014
Current assets				
Cash and cash equivalents	9	**$ 1,310,360**	$ 862,755	$ 78,112
Inventories	10	**329,596**	396,782	844,510
Trade and other receivables		**10,562**	14,519	4,853
Prepaid expenses and other assets	11	**42,182**	76,903	105,088
Due from related parties	23	**9,717**	7,864	5,070
Assets held for sale	14	**14,643**	229,489	-
		1,717,060	1,588,312	1,037,633
Non-current assets				
Property, plant and equipment	12	**6,387,718**	6,597,395	7,209,453
Inventories	10	**20,299**	52,757	21,229
Financial assets	13	**9,605**	60,553	370,471
		6,417,622	6,710,705	7,601,153
Total assets		**$ 8,134,682**	$ 8,299,017	$ 8,638,786
Current liabilities				
Borrowings and other financial liabilities	15	**-**	-	2,145,093
Trade and other payables	16	**177,136**	185,852	280,395
Deferred revenue		**51,183**	140,135	107,796
Payable to related parties	23	**41,788**	53,784	247,692
Liabilities held for sale	14	**-**	120,871	-
		270,107	500,642	2,780,976
Non-current liabilities				
Borrowings and other financial liabilities	15	**13,705**	14,086	108,866
Deferred income tax liabilities		**141,125**	122,820	91,380
Decommissioning obligations	17	**105,397**	93,004	118,562
		260,227	229,910	318,808
Total liabilities		**$ 530,334**	$ 730,552	$ 3,099,784
Equity				
Share capital	18	**11,432,084**	11,432,060	9,150,621
Contributed surplus		**1,555,790**	1,555,721	1,551,466
Accumulated other comprehensive income (loss)	19	**(4,301)**	(4,505)	22,347
Deficit		**(4,644,434)**	(4,788,340)	(4,815,269)
Equity attributable to owners of Turquoise Hill		**8,339,139**	8,194,936	5,909,165
Attributable to non-controlling interests	20	**(734,791)**	(626,471)	(370,163)
Total equity		**7,604,348**	7,568,465	5,539,002
Total liabilities and equity		**$ 8,134,682**	$ 8,299,017	$ 8,638,786

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the directors on November 5, 2015 and signed on their behalf by:

/s/ J. Gardiner
J. Gardiner, Director

/s/ R. Robertson
R. Robertson, Director

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Equity

(Stated in thousands of U.S. dollars, except for share amounts)

(Unaudited)

Nine Months Ended September 30, 2015	Attributable to owners of Turquoise Hill						
	Share capital (Note 18)	Contributed surplus	Accumulated other comprehensive income (loss) (Note 19)	Deficit	Total	Non-controlling Interests (Note 20)	Total equity
Opening balance	**$11,432,060**	**$ 1,555,721**	**$ (4,505)**	**$ (4,788,340)**	**$ 8,194,936**	**$ (626,471)**	**$ 7,568,465**
Income (loss) for the period	-	-	-	142,229	142,229	(22,095)	120,134
Comprehensive income for the period	-	-	204	-	204	-	204
Equity issued to holders of non-controlling interests	-	-	-	1,677	1,677	1,823	3,500
Employee share options	24	69	-	-	93	-	93
Other decrease in non-controlling interests (Note 20)	-	-	-	-	-	(88,048)	(88,048)
Closing balance	**$11,432,084**	**$ 1,555,790**	**$ (4,301)**	**$ (4,644,434)**	**$ 8,339,139**	**$ (734,791)**	**$ 7,604,348**

Nine Months Ended September 30, 2014	Attributable to owners of Turquoise Hill						
	Share capital (Note 18)	Contributed surplus	Accumulated other comprehensive income (loss) (Note 19)	Deficit	Total	Non-controlling Interests (Note 20)	Total equity
Opening balance	**$ 9,150,621**	**$ 1,551,466**	**$ 22,347**	**$ (4,815,269)**	**$ 5,909,165**	**$ (370,163)**	**$ 5,539,002**
Loss for the period	-	-	-	(107,716)	(107,716)	(280,239)	(387,955)
Comprehensive (loss) income for the period	-	-	(20,359)	-	(20,359)	436	(19,923)
Equity issued for rights offering (Note 18), net of share issue costs of $79,775	2,281,083	-	-	-	2,281,083	-	2,281,083
Equity issued to holders of non-controlling interests	-	2,897	-	-	2,897	(3,094)	(197)
Employee share options	265	2,176	-	-	2,441	203	2,644
Closing balance	**$11,431,969**	**$ 1,556,539**	**$ 1,988**	**$ (4,922,985)**	**$ 8,067,511**	**$ (652,857)**	**$ 7,414,654**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

The condensed interim consolidated financial statements of Turquoise Hill Resources Ltd. ("Turquoise Hill") were authorized for issue in accordance with a directors' resolution on November 5, 2015. Rio Tinto plc is the ultimate parent company and indirectly owns a 50.8% majority interest in Turquoise Hill as at September 30, 2015.

Turquoise Hill, together with its subsidiaries (collectively referred to as "the Company"), is an international mining company focused principally on the operation and further development of the Oyu Tolgoi copper-gold mine in Southern Mongolia. Turquoise Hill's head office is located at 354-200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4. Turquoise Hill's registered office is located at 300-204 Black Street, Whitehorse, Yukon, Canada, Y1A 2M9.

Turquoise Hill has its primary listing in Canada on the Toronto Stock Exchange and secondary listings in the U.S. on the New York Stock Exchange and the NASDAQ.

2. Summary of significant accounting policies

(a) *Statement of compliance*

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* ("IAS 34"). These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's condensed interim consolidated financial statements for the three months ended March 31, 2015. The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS issued and applicable as of November 5, 2015, the date the Board of Directors approved the financial statements. An explanation of how the transition to IFRS has affected the reported equity and comprehensive income (loss) of the Company is provided in Note 26.

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2014, prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and interim financial statements for the three months ended March 31, 2015, the Company's first condensed interim consolidated financial statements prepared in accordance with IFRS.

(b) *New standards and interpretations not yet adopted*

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending December 31, 2015, and have not been applied in preparing these condensed interim consolidated financial statements. The following standards may have a potential effect on the consolidated financial statements of the Company:

2. Summary of significant accounting policies (continued)

(b) New standards and interpretations not yet adopted (continued)

(i) IFRS 9, *Financial Instruments*, is mandatorily effective for the Company's consolidated financial statements for the year ending December 31, 2018 and is expected to impact the classification and measurement of financial assets and financial liabilities.

The Company does not intend to early adopt IFRS 9 in its financial statements for the annual period ending December 31, 2015. The extent of the impact of adoption has not yet been determined.

(ii) IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*, is effective for the Company's fiscal year ending December 31, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. Revenue is recognized as control is passed to the customer, either at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending December 31, 2015. The extent of the impact of adoption of the standard has not yet been determined.

None of the remaining standards and amendments to standards and interpretations are expected to have a significant effect on the condensed interim consolidated financial statements of the Company.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. Operating segments - continuing operations

	Three Months Ended September 30, 2015		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 431,701	$ -	**$ 431,701**
Cost of sales	(252,172)	-	**(252,172)**
Gross margin	179,529	-	**179,529**
Operating expenses	(159,294)	7,573	**(151,721)**
Corporate administration expenses	-	(2,899)	**(2,899)**
Other income (expenses)	557	(286)	**271**
Income (loss) before finance items and taxes	20,792	4,388	**25,180**
Finance items			
Finance income	196	807	**1,003**
Finance costs	(113,140)	110,891	**(2,249)**
Income (loss) from continuing operations before taxes	$ (92,152)	$ 116,086	**$ 23,934**
Provision for income and other taxes	-	(11,298)	**(11,298)**
Income (loss) from continuing operations	$ (92,152)	$ 104,788	**$ 12,636**
Depreciation and depletion	$ 95,381	$ 26	**$ 95,407**
Capital expenditures	$ 40,803	$ -	**$ 40,803**
Total assets	$ 6,513,843	$ 1,606,196	**$ 8,120,039**

(a) During the three months ended September 30, 2015, all of Oyu Tolgoi's revenue arose from copper-gold concentrate sales to customers in China and revenue from the three largest customers was $114.4 million, $102.1 million and $52.3 million (September 30, 2014 - $148.6 million, $113.3 million and $53.2 million), respectively. Revenue by geographic destination is based on the ultimate country of destination, if known. If the destination of the copper concentrate sold through traders is not known, then revenue is allocated to the location of the copper concentrate at the time when revenue is recognized.

All long-lived assets of the Oyu Tolgoi segment, other than financial instruments, are located in Mongolia.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. Operating segments - continuing operations (continued)

	Three Months Ended September 30, 2014		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 491,569	$ -	**$ 491,569**
Cost of sales	(370,714)	-	**(370,714)**
Gross margin	120,855	-	**120,855**
Operating expenses	(110,655)	16,115	**(94,540)**
Corporate administration expenses	-	(5,894)	**(5,894)**
Other income (expenses)	-	(1,128)	**(1,128)**
Income (loss) before finance items and taxes	10,200	9,093	**19,293**
Finance items			
Finance income	458	825	**1,283**
Finance costs	(118,582)	116,597	**(1,985)**
Income (loss) from continuing operations before taxes	$ (107,924)	$ 126,515	**$ 18,591**
Provision for income and other taxes	(338)	(11,816)	**(12,154)**
Income (loss) from continuing operations	$ (108,262)	$ 114,699	**$ 6,437**
Depreciation and depletion	$ 123,798	$ 124	**$ 123,922**
Capital expenditures	$ 42,037	$ 88	**$ 42,125**
Total assets	$ 7,695,117	$ 301,329	**$ 7,996,446**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. Operating segments - continuing operations (continued)

	Nine Months Ended September 30, 2015		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 1,279,119	$ -	**$ 1,279,119**
Cost of sales	(735,701)	-	**(735,701)**
Gross margin	543,418	-	**543,418**
Operating expenses	(323,342)	(15,988)	**(339,330)**
Corporate administration expenses	-	(12,198)	**(12,198)**
Other income (expenses)	2,163	(46,441)	**(44,278)**
Income (loss) before finance items and taxes	222,239	(74,627)	**147,612**
Finance items			
Finance income	776	1,438	**2,214**
Finance costs	(340,981)	336,372	**(4,609)**
Income (loss) from continuing operations before taxes	$ (117,966)	$ 263,183	**$ 145,217**
Provision for income and other taxes	(111)	(35,838)	**(35,949)**
Income (loss) from continuing operations	$ (118,077)	$ 227,345	**$ 109,268**
Depreciation and depletion	$ 263,779	$ 75	**$ 263,854**
Capital expenditures	$ 107,557	$ -	**$ 107,557**
Total assets	$ 6,513,843	$ 1,606,196	**$ 8,120,039**

(b) During the nine months ended September 30, 2015, all of Oyu Tolgoi's revenue arose from copper-gold concentrate sales to customers in China and revenue from the three largest customers was $285.9 million, $275.6 million and $152.2 million (September 30, 2014 - $327.4 million, $216.5 million and $197.5 million), respectively. Revenue by geographic destination is based on the ultimate country of destination, if known. If the destination of the copper concentrate sold through traders is not known, then revenue is allocated to the location of the copper concentrate at the time when revenue is recognized.

All long-lived assets of the Oyu Tolgoi segment, other than financial instruments, are located in Mongolia.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

3. Operating segments - continuing operations (continued)

	Nine Months Ended September 30, 2014		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 1,065,064	$ -	**$ 1,065,064**
Cost of sales	(847,657)	-	**(847,657)**
Gross margin	217,407	-	**217,407**
Operating expenses	(302,647)	40,658	**(261,989)**
Corporate administration expenses	-	(20,855)	**(20,855)**
Other income (expenses)	-	10,219	**10,219**
Income (loss) before finance items and taxes	(85,240)	30,022	**(55,218)**
Finance items			
Finance income	1,853	6,050	**7,903**
Finance costs	(350,562)	338,172	**(12,390)**
Income (loss) from continuing operations before taxes	$ (433,949)	$ 374,244	**$ (59,705)**
Provision for income and other taxes	(2,413)	(35,660)	**(38,073)**
Income (loss) from continuing operations	$ (436,362)	$ 338,584	**$ (97,778)**
Depreciation and depletion	$ 269,706	$ 528	**$ 270,234**
Capital expenditures	$ 128,198	$ 370	**$ 128,568**
Total assets	$ 7,695,117	$ 301,329	**$ 7,996,446**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

4. Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Copper-gold concentrate				
Copper	**$ 224,502**	$ 319,057	**$ 635,006**	$ 698,441
Gold	**202,803**	167,164	**632,533**	354,094
Silver	**4,396**	5,348	**11,580**	12,529
	$ 431,701	$ 491,569	**$ 1,279,119**	$ 1,065,064

5. Cost of sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Production and delivery	**$ 159,375**	$ 250,498	**$ 480,765**	$ 585,583
Depreciation and depletion	**92,797**	120,216	**254,936**	262,074
	$ 252,172	$ 370,714	**$ 735,701**	$ 847,657

6. Operating expenses by nature

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Operating segment administration (a)	**$ 33,925**	$ 33,345	**$ 132,370**	$ 130,696
Royalty expenses (b)	**24,126**	25,425	**95,781**	54,891
Impairment and write downs (c)	**76,447**	19,824	**67,202**	46,867
Selling expenses	**4,346**	9,794	**19,248**	19,034
Care and maintenance and underground remobilization costs (d)	**10,283**	1,110	**14,280**	1,929
Depreciation	**2,610**	3,706	**8,918**	8,160
Other	**(16)**	1,336	**1,531**	412
	$ 151,721	$ 94,540	**$ 339,330**	$ 261,989

(a) Operating segment administration in the nine month period ended September 30, 2015 includes a charge of $22.1 million for settlement of amounts not previously paid or provided for in relation to a Tax Act received by Oyu Tolgoi in June 2014. Settlement followed signature of the Oyu Tolgoi Underground Mine Development and Financing Plan ("UDP") on May 18, 2015.

(b) Royalty expenses during the nine month period ended September 30, 2015 include an adjustment of $17.1 million made for recalculation of royalties payable following signature of the UDP on May 18, 2015.

(c) Write downs include adjustments to the carrying value of inventories; refer to Note 10.

(d) Remobilization costs include pre-start activities underway on the underground project.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

7. Other income (expenses)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Gain on sale of mineral property rights	**$ -**	$ -	**$ -**	$ 14,019
Realized losses on disposal of available for sale investments (Note 19)	**(140)**	-	**(9,136)**	-
Foreign exchange gains	**1,542**	996	**4,124**	4,032
Write off of property, plant and equipment (a)	**-**	-	**(36,794)**	-
Other, including exploration and evaluation	**(1,131)**	(2,124)	**(2,472)**	(7,832)
	$ 271	$ (1,128)	**$ (44,278)**	$ 10,219

(a) Following signature of the UDP, a net smelter royalty, purchased in 2003 from BHP Billiton and included in property, plant and equipment, was written off as the Company conceded that it has no entitlement to receive payment.

8. Finance income and finance costs

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Finance income:				
Interest income on bank deposits and short-term investments	**$ 1,003**	$ 1,283	**$ 2,214**	$ 4,267
Realized gains on foreign currency forward contracts	**-**	-	**-**	2,572
Other finance income	**-**	-	**-**	1,064
	$ 1,003	$ 1,283	**$ 2,214**	$ 7,903
Finance costs:				
Interest expense and similar charges	**$ (1,393)**	$ (238)	**$ (1,867)**	$ (7,014)
Accretion of decommissioning obligations (Note 17)	**(856)**	(1,747)	**(2,742)**	(5,376)
	$ (2,249)	$ (1,985)	**$ (4,609)**	$ (12,390)

9. Cash and cash equivalents

	September 30, 2015	December 31, 2014	January 1, 2014
Cash on hand and demand deposits	**$ 428,187**	$ 141,271	$ 78,112
Short-term liquid investments (a)	**882,173**	721,484	-
	$ 1,310,360	$ 862,755	$ 78,112

(a) As at September 30, 2015, short-term liquid investments of $739.9 million (December 31, 2014 - $711.5 million) have been placed with wholly owned subsidiaries of Rio Tinto (refer to Note 23).

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

10. Inventories

	September 30, 2015	December 31, 2014	January 1, 2014
Current			
Copper-gold concentrate	**$ 67,044**	$ 142,242	$ 533,895
Copper-gold stockpiles	**30,352**	11,596	7,529
Materials and supplies	**266,955**	274,320	309,620
Coal stockpiles	**-**	-	8,305
Provision against carrying value of materials and supplies	**(34,755)**	(31,376)	(14,839)
	$ 329,596	$ 396,782	$ 844,510
Non-current			
Copper-gold stockpiles	**$ 190,611**	$ 159,246	$ 118,497
Provision against carrying value	**(170,312)**	(106,489)	(97,268)
	$ 20,299	$ 52,757	$ 21,229

During the nine month period ended September 30, 2015, net inventory write downs amounting to $67.2 million (September 30, 2014 - $35.9 million write down) were recognized.

11. Prepaid expenses and other deposits

	September 30, 2015	December 31, 2014	January 1, 2014
Mongolian tax prepayments (Note 13)	**$ 35,636**	$ 60,000	$ -
Prepaid expenses and other deposits	**6,546**	16,903	33,378
Standby purchaser fee prepayment (Note 18 (c))	**-**	-	71,710
	$ 42,182	$ 76,903	$ 105,088

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

12. Property, plant and equipment

Nine Months Ended September 30, 2015	Oyu Tolgoi: Mineral property interests	Oyu Tolgoi: Plant and equipment	Oyu Tolgoi: Capital works in progress	Other capital assets	**Total**
Net book value:					
January 1, 2015	$ 948,372	$ 3,695,939	$ 1,952,772	$ 312	**$ 6,597,395**
Additions	51,938	78	55,541	-	**107,557**
Depreciation for the period	(85,275)	(193,133)	-	(70)	**(278,478)**
Disposals and write offs	(36,794)	(1,958)	-	-	**(38,752)**
Transfers and other movements	-	1,410	(1,410)	(4)	**(4)**
September 30, 2015	**$ 878,241**	**$ 3,502,336**	**$ 2,006,903**	**$ 238**	**$ 6,387,718**
Cost	1,081,936	4,214,422	2,006,903	3,783	**7,307,044**
Accumulated depreciation / impairment	(203,695)	(712,086)	-	(3,545)	**(919,326)**
September 30, 2015	**$ 878,241**	**$ 3,502,336**	**$ 2,006,903**	**$ 238**	**$ 6,387,718**

Nine Months Ended September 30, 2014	Oyu Tolgoi: Mineral property interests	Oyu Tolgoi: Plant and equipment	Oyu Tolgoi: Capital works in progress	Other capital assets	**Total**
Net book value:					
January 1, 2014	$ 984,017	$ 3,856,856	$ 1,961,714	$ 406,866	**$ 7,209,453**
Additions	51,181	4,272	72,745	8,287	**136,485**
Depreciation for the period	(40,785)	(162,711)	-	(33,578)	**(237,074)**
Impairments charges	-	-	(8,170)	(277)	**(8,447)**
Disposals and write offs	-	(1,064)	-	(173)	**(1,237)**
Transfers and other movements	-	25,771	(25,771)	(380,611)	**(380,611)**
September 30, 2014	**$ 994,413**	**$ 3,723,124**	**$ 2,000,518**	**$ 514**	**$ 6,718,569**
Cost	1,093,391	4,154,266	2,000,518	4,622	**7,252,797**
Accumulated depreciation / impairment	(98,978)	(431,142)	-	(4,108)	**(534,228)**
September 30, 2014	**$ 994,413**	**$ 3,723,124**	**$ 2,000,518**	**$ 514**	**$ 6,718,569**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

13. Financial assets

	September 30, 2015	December 31, 2014	January 1, 2014
Mongolian tax prepayments (a)	**$ -**	$ 19,886	$ 157,983
Available for sale investments (b)	**8,388**	34,325	70,254
Mongolian treasury bill (c)	**-**	-	109,294
Interests in joint ventures (d)	**-**	-	24,205
Other	**1,217**	6,342	8,735
	$ 9,605	$ 60,553	$ 370,471

(a) Mongolian tax prepayments

The Company made tax prepayments to the Mongolian Government of $50.0 million and $100.0 million on April 7, 2010 and June 7, 2011, respectively. The after-tax rate of interest on the tax prepayments is 1.59% compounding annually. Tax payments are offset at a rate of $5.0 million per month since September 2013. Unless already off-set fully against Mongolian taxes, the Mongolian Government is required to repay any remaining tax prepayment balance, including accrued interest, on the fifth anniversary of the date the tax prepayment was made. The Company initially recognized the tax prepayments at their fair value ($125.4 million) and subsequently carried them at amortized cost with interest income recognized in income using the effective interest method.

During 2014, the Company reached an agreement with the Government of Mongolia to apply up to $5.0 million per month of the tax prepayments against Mongolian taxes owing. During the three and nine month periods ended September 30, 2015, the Company offset $15.0 million (2014 - $15.0 million) and $45.0 million (2014 - $65.0 million) of tax prepayments against Mongolian taxes and recognized $0.2 million (2014 - $0.5 million) and $0.8 million (2014 - $1.6 million) of interest income. The expected application against Mongolian taxes for the next 12 months of $35.6 million is recorded as current in Prepaid expenses and other deposits (Note 11).

The total prepayment outstanding at September 30, 2015 was $35.6 million and is recorded in the financial statements at amortized cost. The fair value of the outstanding prepayment at September 30, 2015 was $33.8 million (December 31, 2014: $75.4 million; January 1, 2014: $145.0 million). The fair value of the tax prepayments was estimated based on available public information regarding what market participants would consider paying for such investments.

(b) Available for sale equity securities

	September 30, 2015				December 31, 2014				January 1, 2014			
	Equity Interest	**Cost Basis**	**Unrealized Loss**	**Fair Value**	Equity Interest	Cost Basis	Unrealized Loss	Fair Value	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value
Ivanhoe Mines Ltd. (i)	**1.2%**	**$ 7,916**	**$ (3,665)**	**$ 4,251**	5.4%	$ 34,057	$ (2,206)	$ 31,851	6.4%	$ 34,057	$ 25,953	$ 60,010
Entrée Gold Inc.	**9.4%**	**4,723**	**(620)**	**4,103**	9.4%	4,723	(2,283)	2,440	9.4%	4,723	(696)	4,027
Other	**-**	**50**	**(16)**	**34**	-	50	(16)	34	-	5,710	507	6,217
		$ 12,689	**$ (4,301)**	**$ 8,388**		$ 38,830	$ (4,505)	$ 34,325		$ 44,490	$ 25,764	$ 70,254

13. Financial assets (continued)

(b) Available for sale equity securities (continued)

(i) At September 30, 2015, the Company held 2.6 million freely tradable Class A common shares (December 31, 2014 – 22.4 million, January 1, 2014 – 11.7 million) of Ivanhoe Mines Ltd. (“Ivanhoe”) and 6.0 million Class A common shares (December 31, 2014 – 14.7 million, January 1, 2014 – 25.4 million) that are subject to certain trading restrictions that are lifted on a portion every three months, with all the common shares becoming freely tradable by January 23, 2016.

During September 2015, Turquoise Hill disposed of 0.4 million shares in Ivanhoe at a weighted average price of Cdn$0.76 per share resulting in a realized loss on disposal of $0.1 million. In the nine months ended September 30, 2015, Turquoise Hill disposed of 28.5 million shares in Ivanhoe at a weighted average price of Cdn$0.79 per share resulting in a realized loss on disposal of $9.1 million.

(c) Mongolian treasury bill

On October 20, 2009, Turquoise Hill purchased a Treasury Bill (“T-Bill”) from the Mongolian Government, having a face value of $115.0 million, for $100.0 million. The annual rate of interest on the T-Bill was set at 3.0%. The maturity date of the T-Bill was October 20, 2014 and the $115.0 million face value was repaid by the Mongolian Government on October 17, 2014.

(d) Interests in joint ventures

SouthGobi has a 40% interest in RDCC LLC, a joint venture. The investment in joint venture was classified as held for sale within the SouthGobi disposal group from July 29, 2014 to April 23, 2015, when SouthGobi ceased to be a consolidated subsidiary.

14. Assets held for sale and discontinued operations

2014 sale and purchase agreement and impairment charge

Following signature of a sale and purchase agreement with National United Resources Holdings Limited (“NUR”) on July 29, 2014, the reporting segment for SouthGobi was considered to be a disposal group held for sale and a discontinued operation.

On May 1, 2015, the Company announced that the sale and purchase agreement with NUR had expired on April 30, 2015 without the transaction contemplated thereunder having being completed.

Upon classification of SouthGobi as held for sale during the three month period ended September 30, 2014, the Company remeasured SouthGobi at the lower of its carrying value and fair value less cost to sell (“FVLCS”), with subsequent adjustment to an updated FVLCS at December 31, 2014. As a result, the Company recorded an impairment charge of $216.2 million ($122.0 million after non-controlling interests) against property, plant and equipment (including deferred stripping balances recognized on transition to IFRS) within the disposal group in its financial statements for the year ended December 31, 2014.

14. Assets held for sale and discontinued operations (continued)

2015 impairment reversal

As a result of an increase in SouthGobi's quoted share price during the three month period ended March 31, 2015, the Company recorded an impairment reversal of $73.6 million ($35.2 million after non-controlling interests) against property, plant and equipment. The estimate of FVLCS giving rise to the reversal of impairment was based upon a quoted share price of Cdn$0.90 at March 31, 2015 and included adjustments for amounts receivable from SouthGobi which eliminated on consolidation prior to divestment.

Divestment to Novel Sunrise Investments Limited

On April 23, 2015, the Company completed the sale of 48.7 million shares in SouthGobi to Novel Sunrise Investments Limited ("NSI") at a price of Cdn$0.35 per common share. Cash proceeds of Cdn$8.5 million were received on completion, with a balance of Cdn$8.5 million received by the Company on August 4, 2015. A further 1.7 million shares were sold to NSI on June 3, 2015 at a price of Cdn$0.35 per common share.

A loss on sale of $20.2 million was recorded within discontinued operations for the three months ended June 30, 2015, as a result of the price per share divested being below the quoted share price on which the estimate of FVLCS was based.

Following completion of the transactions with NSI, Turquoise Hill's ownership of SouthGobi fell to 22.6%. On completion of the April 23 transaction, SouthGobi ceased to be a subsidiary company of Turquoise Hill and became an investment in an associate.

The Company continues to pursue a strategy of divesting its interest in SouthGobi and sold additional shares in on-market transactions during the three months ended September 30, 2015, reducing its ownership to 21.3% (52.4 million shares).

Subsequent re-measurement and presentation

Immediately after the divestment to NSI, the Company's remaining investment in SouthGobi was recorded within current assets held for sale at an initial carrying value of $36.2 million, being an estimate of FVLCS based on the quoted share price at April 23, 2015. The investment is measured at the lower of original carrying amount and FVLCS, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Charges and credits relating to changes in the FVLCS of the investment, based on the quoted stock price, are included within other expenses within discontinued operations, together with gains or losses arising from on-market divestment and other adjustments for transactions relating to SouthGobi.

Income and cash flows of SouthGobi up to April 23, 2015 are presented as discontinued operations in the consolidated statements of income (loss) and the consolidated statements of cash flows, respectively.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

14. Assets held for sale and discontinued operations (continued)

The carrying amounts of assets and liabilities included in the disposal group are as follows:

	September 30, 2015	December 31, 2014
Cash and cash equivalents	**$ -**	$ 3,788
Inventories	**-**	31,256
Trade and other receivables	**-**	461
Prepaid expenses and other assets	**-**	4,194
Property, plant and equipment	**-**	163,216
Investment in associated company	**14,643**	-
Financial assets	**-**	26,574
Assets of disposal groups held for sale	**$ 14,643**	$ 229,489
Borrowings and other financial liabilities	**-**	2,301
Trade and other payables	**-**	10,324
Deferred revenue	**-**	11,898
Payable to related parties	**-**	771
Convertible credit facility	**-**	92,873
Decomissioning obligations	**-**	2,704
Liabilities of disposal groups held for sale	**$ -**	$ 120,871

The net loss reported in discontinued operations for all periods presented is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Revenue	**$ -**	$ 8,603	**$ 2,392**	$ 23,252
Cost of sales	**-**	(19,622)	**(8,364)**	(57,701)
(Write down) / reversal of write down of property, plant and equipment	**-**	(227,277)	**73,638**	(227,277)
Loss on sale of discontinued operations	**-**	-	**(20,167)**	-
Other expenses (a)	**(22,784)**	(8,348)	**(36,633)**	(28,451)
Income (loss) after tax from discontinued operations	**$ (22,784)**	$ (246,644)	**$ 10,866**	$ (290,177)

(a) Other expenses in the three month period ended September 30, 2015 include a charge of $17.1 million relating to changes in fair value less cost to sell of the Company's investment in SouthGobi.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

15. Borrowings and other financial liabilities

	September 30, 2015	December 31, 2014	January 1, 2014
Current			
Interim funding facilities (a)	**$ -**	$ -	$ 1,789,787
Bridge funding facilities (a)	**-**	-	339,475
Interest payable	**-**	-	15,831
Credit facilities (b)	**-**	-	-
	$ -	$ -	$ 2,145,093
Non-current			
Capital lease payable	**$ 13,705**	$ 14,086	$ 14,564
Convertible debenture (c)	**-**	-	94,302
	$ 13,705	$ 14,086	$ 108,866

(a) Interim and bridge funding facilities

All amounts owing under the Interim and Bridge funding facilities provided by Rio Tinto to the Company were repaid by January 14, 2014 with proceeds from the 2013 rights offering. The facilities were then cancelled.

(b) Revolving credit facility

On March 19, 2015, Oyu Tolgoi signed a secured $200.0 million revolving credit facility with five banks, replacing an unsecured $200.0 million facility signed on February 24, 2014 which matured on February 24, 2015. Amounts drawn under the credit facility are required to be used by Oyu Tolgoi for working capital purposes. The credit facility bears interest at a fixed margin over LIBOR on any drawn amounts together with a utilization fee, which varies according to the utilized portion of the facility, and a commitment fee on undrawn amounts. The credit facility matures on March 19, 2016. At September 30, 2015, no amounts had been drawn down on the facility.

(c) Convertible debenture

On November 19, 2009, SouthGobi issued a convertible debenture to a wholly owned subsidiary of China Investment Corporation ("CIC") for $500.0 million. The convertible debenture bears interest at 8.0% (6.4% payable semi-annually in cash and 1.6% payable annually in shares of SouthGobi) and has a term of 30 years. A first charge over SouthGobi's assets, including the shares of its material subsidiaries, is pledged as collateral against the convertible debenture. An event of default on the convertible debenture can be triggered as a result of certain encumbrances on SouthGobi's assets. Pursuant to the convertible debenture's terms, on March 29, 2010, SouthGobi exercised its right to call for conversion of $250 million of the convertible debenture into 21.5 million shares.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

15. Borrowings and other financial liabilities (continued)

	September 30, 2015	December 31, 2014	January 1, 2014
Principal amount of convertible debenture	**$ -**	$ 250,000	$ 250,000
(Deduct) add:			
Transaction costs	**-**	(2,801)	(2,801)
Bifurcation of embedded derivative liability	**-**	(156,646)	(156,646)
Accretion of discount	**-**	486	354
Carrying amount of debt host contract	**$ -**	$ 91,039	$ 90,907
Embedded derivative liability	**-**	1,834	3,395
Convertible credit facility	**$ -**	$ 92,873	$ 94,302
Less amount classified as liabilities held for sale	**-**	(92,873)	-
Net carrying amount of convertible credit facility	**$ -**	$ -	$ 94,302

CIC has the right to convert the debenture, in whole or in part, into common shares of SouthGobi from November 19, 2010 onwards. After November 19, 2014, SouthGobi is entitled to convert the debenture, in whole or in part, into its common shares at the conversion price if the conversion price is at least Cdn$10.66. The conversion price is the lower of Cdn$11.88 or the 50-day volume-weighted average price at the date of conversion, subject to a floor price of Cdn$8.88 per share.

The debenture was classified as held for sale within the SouthGobi disposal group from July 29, 2014.

16. Trade and other payables

	September 30, 2015	December 31, 2014	January 1, 2014
Trade payables and accrued liabilities	**$ 174,522**	$ 184,750	$ 278,902
Other	**2,614**	1,102	1,493
	$ 177,136	$ 185,852	$ 280,395

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

17. Decommissioning obligations

	September 30, 2015	December 31, 2014	January 1, 2014
Oyu Tolgoi	**$ 105,397**	$ 93,004	$ 116,254
SouthGobi	**-**	-	2,308
	$ 105,397	$ 93,004	$ 118,562

	Nine Months Ended September 30, **2015**	Nine Months Ended September 30, 2014
Opening carrying amount	**$ 93,004**	$ 118,562
Changes in estimates	**9,651**	3,841
Accretion of present value discount	**2,742**	5,376
Transfer to assets and liabilities held for sale	**-**	(2,704)
	$ 105,397	$ 125,075

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and other commitments made to stakeholders, and are measured as the net present value of future cash expenditures upon reclamation and closure.

Estimated future cash expenditures have been discounted to their present value at a real rate of 2.0% (December 31, 2014 – 2.0%, January 1, 2014 – 2.0 %).

18. Share capital

	Nine Months Ended September 30, 2015	
	Number of Common Shares	Amount
Balances, January 1, 2015	2,012,298,797	$ 11,432,060
Shares issued for:		
Exercise of stock options (b)	10,222	24
Balances, September 30, 2015	**2,012,309,019**	**$11,432,084**

	Nine Months Ended September 30, 2014	
	Number of Common Shares	Amount
Balances, January 1, 2014	1,006,116,602	$ 9,150,621
Shares issued for:		
Rights offering net of issue costs of $79,775 (c)	1,006,116,602	2,280,931
Exercise of stock options (b)	59,840	398
Share purchase plan	5,753	19
Balances, September 30, 2014	**2,012,298,797**	**$11,431,969**

18. Share capital (continued)

(a) Rio Tinto interests

As at September 30, 2015, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2014 – 50.8%, September 30, 2014 – 50.8%, January 1, 2014 – 50.8%). The Company's Series D and Anti-Dilution Series D Warrants (the Warrants) expired on May 22, 2015 unexercised. The Warrants were acquired by Rio Tinto in conjunction with the 2012 Memorandum of Agreement. The Series D Warrants were exercisable to purchase 74,247,460 common shares of the Company at a price of $8.20 per common share. The Anti-Dilution Series D Warrants were exercisable to purchase 74,247,460 common shares of the Company at a price of $4.31 per common share.

(b) Share Options

During the nine month period ended September 30, 2015, 10,222 options were exercised, 1,643,668 options were cancelled, no options expired, no options were granted and $0.1 million was charged to operations.

(c) 2013 Rights Offering

In November 2013, the Company filed a final short form prospectus for a rights offering open to all shareholders on a dilution-free, equal participation basis. In accordance with the terms of the rights offering, each shareholder of record as at December 6, 2013 received one right for each common share held. Every right held entitled the holder thereof to purchase one common share of the Company at $2.40 per share or Cdn$2.53 per share, at the election of the holder. The rights traded on the TSX, NYSE and NASDAQ and expired on January 7, 2014.

Under the 2013 Memorandum of Agreement ("MOA") and the November 14, 2013 amendment thereto, Rio Tinto agreed, subject to certain terms, conditions and limitations, to exercise its basic subscription privilege in full and to provide a standby commitment to acquire all common shares not otherwise taken up under the 2013 Rights Offering in exchange for a standby purchaser fee equal to 3% of the gross rights offering proceeds. Because the rights offering was oversubscribed, Rio Tinto did not purchase any shares under its standby commitment.

The pro rata distribution of rights to the Company's shareholders was accounted for as an equity instrument. Upon the closing of the rights offering in January 2014, the Company issued a total of 1,006,116,602 common shares for gross proceeds of $2.4 billion. Expenses and fees relating to the rights offering totalled approximately $79.8 million, including the $70.8 million standby purchaser fee paid to Rio Tinto, and reduced the gross proceeds recorded as share capital.

The standby purchaser fee liability contained an embedded derivative as it was equal to 3% of the Canadian and U.S. dollar proceeds received upon the rights offering close. Therefore, the embedded derivative was measured at fair value, which was estimated using the optimal currency of exercise for a right at each measurement date. On December 3, 2013, the Company recognized a standby purchaser fee liability of $71.7 million and a deferred charge for the same amount, which was classified as a prepaid expense in the consolidated balance sheet. Upon closing the rights offering in January 2014, the deferred charge was reclassified from other assets to share capital to reflect a cost of the rights offering. During the nine month period ended September 30, 2014, the Company recognized a derivative gain of $1.1 million associated with the remeasurement of the standby purchaser fee liability.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

19. Accumulated other comprehensive income (loss)

	Unrealized Gain (Loss) on Available For Sale Equity Securities	Unrealized (Loss) Gain on Available For Sale Debt Securities	Noncontrolling Interests	**Total Attributable to the Company**
Balance, January 1, 2015	$ (4,505)	$ -	$ -	**$ (4,505)**
Change in other comprehensive loss before reclassifications	(8,932)	-	-	**(8,932)**
Reclassifications from accumulated other comprehensive income (Note 13 (b))	9,136	-	-	**9,136**
Net other comprehensive income	204	-	-	**204**
Balance, September 30, 2015	**$ (4,301)**	**$ -**	**$ -**	**$ (4,301)**

	Unrealized Gain (Loss) on Available For Sale Equity Securities	Unrealized (Loss) Gain on Available For Sale Debt Securities	Noncontrolling Interests	**Total Attributable to the Company**
Balance, January 1, 2014	$ 25,764	$ (3,171)	$ (246)	**$ 22,347**
Change in other comprehensive (loss) income before reclassifications	(24,568)	2,879	(436)	**(22,125)**
Reclassifications from accumulated other comprehensive income	1,766	-	-	**1,766**
Net other comprehensive (loss) income	(22,802)	2,879	(436)	**(20,359)**
Balance, September 30, 2014	**$ 2,962**	**$ (292)**	**$ (682)**	**$ 1,988**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

20. Non-controlling interests

At September 30, 2015, there were non-controlling interests in subsidiaries as follows:

	Non-controlling Interests		
	SouthGobi	Oyu Tolgoi (a)	**Total**
Balance, January 1, 2015	$ 56,590	$ (683,061)	**$ (626,471)**
Non-controlling interests' share of income (loss)	29,635	(51,730)	**(22,095)**
Changes in equity interests held by Turquoise Hill	1,823	-	**1,823**
Disposal of subsidiary	(88,048)	-	**(88,048)**
Balance, September 30, 2015	**$ -**	**$ (734,791)**	**$ (734,791)**

	Non-controlling Interests		
	SouthGobi	Oyu Tolgoi (a)	**Total**
Balance, January 1, 2014	$ 171,348	$ (541,511)	**$ (370,163)**
Non-controlling interests' share of loss	(127,867)	(152,372)	**(280,239)**
Non-controlling interests' share of other comprehensive income	436	-	**436**
Changes in equity interests held by Turquoise Hill	(2,891)	-	**(2,891)**
Balance, September 30, 2014	**$ 41,026**	**$ (693,883)**	**$ (652,857)**

(a) Common share investments funded on behalf of non-controlling interests

Since 2011, Turquoise Hill has funded common share investments in Oyu Tolgoi on behalf of Erdenes Oyu Tolgoi LLC (“Erdenes”). In accordance with the Amended and Restated Shareholders Agreement dated June 8, 2011, such funded amounts earn interest at an effective annual rate of LIBOR plus 6.5% and are repayable to Turquoise Hill via a pledge over Erdenes’ share of future Oyu Tolgoi common share dividends. Erdenes also has the right to reduce the outstanding balance by making payments directly to Turquoise Hill.

Common share investments funded on behalf of Erdenes are recorded as a reduction to the net carrying value of non-controlling interest. As at September 30, 2015, the cumulative amounts of such funding and accrued interest were $751.1 million (December 31, 2014 - $751.1 million; September 30, 2014 - $751.1 million; and January 1, 2014 - $751.1 million) and $214.9 million (December 31, 2014 - $168.6 million; September 30, 2014 - $153.7 million; and January 1, 2014 - $110.5 million), respectively.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

21. Cash flow information

(a) Reconciliation of net income (loss) to net cash flow generated from operating activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Income (loss) from continuing operations	**$ 12,636**	$ 6,437	**$ 109,268**	$ (97,778)
Adjustments for:				
Concentrate prepayment facility offsets	**-**	(9,521)	**-**	(36,434)
Depreciation and amortization	**95,407**	123,922	**263,854**	270,234
Finance items:				
Interest income	**(1,003)**	(1,283)	**(2,214)**	(4,267)
Interest and accretion expense	**2,249**	1,985	**4,609**	12,390
Realized and unrealized losses on financial instruments	**140**	-	**9,136**	-
Unrealized foreign exchange (gains) losses	**(92)**	(171)	**(222)**	(5)
Inventory write downs net of reversals	**76,447**	19,824	**67,202**	38,697
Write down of carrying value of property, plant and equipment	**-**	-	**38,341**	8,170
Tax prepayment offset	**15,000**	15,049	**45,000**	65,014
Gains on sale of mineral property rights and other assets	**-**	-	**-**	(14,019)
Income and other taxes	**11,298**	12,154	**35,949**	38,073
Other items	**(337)**	718	**453**	1,971
Net change in non-cash operating working capital items:				
Decrease (increase) in:				
Inventories	**17,075**	108,673	**36,626**	147,546
Trade and other receivables and Prepaid expenses and other assets	**3,321**	6,597	**18,982**	(12,505)
Due from related parties	**1,233**	(518)	**4,508**	866
Increase (decrease) in:				
Trade and other payables	**8,719**	(22,733)	**(12,239)**	(91,261)
Deferred revenue	**(75,230)**	27,891	**(88,952)**	35,154
Payable to related parties	**4,878**	(30,109)	**(11,996)**	(38,431)
Cash generated from operating activities of continuing operations before interest and tax	**171,741**	258,915	**518,305**	323,415
Cash used in operating activities of discontinued operations before interest and tax	**-**	(2,664)	**(5,911)**	(25,242)
Cash generated from operating activities before interest and tax	**$ 171,741**	$ 256,251	**$ 512,394**	$ 298,173

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

21. Cash flow information (continued)

(b) Supplementary information regarding other non-cash transactions

The non-cash investing and financing activities relating to continuing operations not already disclosed in the consolidated statements of cash flows were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Investing activities				
Tax prepayment (Note 13)	**$ 15,000**	$ 15,049	**$ 45,000**	$ 65,014
Financing activities				
Repayment of credit facility	**$ -**	$ (9,521)	**$ -**	$ (36,434)

22. Earnings (loss) per share

The basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common stock by the weighted average number of common shares outstanding during the period. All stock options and share purchase warrants outstanding at each period end have been excluded from the weighted average share calculation.

The potentially dilutive shares excluded from the earnings (loss) per share calculation due to anti-dilution are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Options	**1,707,792**	3,695,563	**1,707,792**	3,695,563
Series D warrants	**-**	74,247,460	**-**	74,247,460
Anti-diultive Series D warrants	**-**	74,247,460	**-**	74,247,460
	1,707,792	152,190,483	**1,707,792**	152,190,483

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

23. Related parties

	September 30, 2015	December 31, 2014	January 1, 2014
Due from related parties:			
Rio Tinto (a)	**$ 3,356**	$ 7,864	$ 5,070
SouthGobi (b)	**6,361**	-	-
	$ 9,717	$ 7,864	$ 5,070
Payable to related parties:			
Rio Tinto (a)	**$ (41,788)**	$ (53,784)	$ (247,692)
SouthGobi (b)	**-**	-	-
	$ (41,788)	$ (53,784)	$ (247,692)

(a) Related party transactions with Rio Tinto

As at September 30, 2015, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2014 and January 1, 2014: 50.8%).

The following table presents the consolidated balance sheet line items which include deposits with Rio Tinto, amounts due from Rio Tinto and amounts payable to Rio Tinto:

	September 30, 2015	December 31, 2014	January 1, 2014
Cash and cash equivalents (i)	**$ 739,850**	$ 711,468	$ -
Due from related parties	**3,356**	7,864	5,070
Payable to related parties:			
Management service payments (ii)	**(7,572)**	(7,729)	(100,569)
Cost recoveries (iii)	**(34,216)**	(46,055)	(75,237)
Standby purchaser fee	**-**	-	(71,886)
Interest payable on long-term debt	**-**	-	(13,530)
Interim funding facility (Note 15)	**-**	-	(1,789,787)
New bridge facility (Note 15)	**-**	-	(339,475)
	$ 701,418	$ 665,548	$ (2,385,414)

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

23. Related parties (continued)

(a) Related party transactions with Rio Tinto (continued)

The following table summarizes transactions with Rio Tinto by their nature:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
Interest income on cash and cash equivalents (i)	**$ 554**	$ -	**$ 1,109**	$ -
Cost recoveries - Turquoise Hill	**536**	659	**2,917**	1,541
Financing costs:				
Commitment fees (iv)	**-**	-	**-**	(224)
Interest expense (iv)	**-**	-	**-**	(4,903)
Management services payment (ii)	**(7,572)**	(6,508)	**(18,727)**	(20,016)
Cost recoveries - Rio Tinto (iii)	**(13,755)**	(12,848)	**(38,482)**	(53,389)
	$ (20,237)	$ (18,697)	**$ (53,183)**	$ (76,991)

(i) In addition to placing cash and cash equivalents on deposit with banks or investing funds with other financial institutions, Turquoise Hill may, from time to time, deposit cash and cash equivalents or invest funds with Rio Tinto in accordance with an agreed upon policy and strategy for the management of liquid resources. All cash and cash equivalents are repayable to the Company either on demand or at maturity. At September 30, 2015, cash and cash equivalents included deposits with wholly owned subsidiaries of Rio Tinto totalling $739.9 million, which earn interest at rates equivalent to those offered by financial institutions.

(ii) In accordance with the Amended and Restated Shareholders Agreement, which was signed on June 8, 2011, and other related agreements, Turquoise Hill is required to pay a management services payment to Rio Tinto equal to a percentage of all capital costs and operating costs incurred by Oyu Tolgoi from March 31, 2010 onwards. Until the Oyu Tolgoi open pit mine achieved Commencement of Production, as defined in the Investment Agreement, on September 1, 2013, the percentage of costs used to calculate the management services payment was 1.5%. Thereafter, the percentage increased to 3.0% for open pit operations and, in accordance with the UDP signed on May 18, 2015, is 1.5% for Underground capital costs.

(iii) Rio Tinto recovers the costs of providing general corporate support services and mine management services to Turquoise Hill. Mine management services are provided by Rio Tinto in its capacity as the manager of the Oyu Tolgoi mine.

(iv) The Rio Tinto credit facilities included gross-up provisions for withholding taxes. Accordingly, front end fees, commitment fees and interest expense include gross-ups for withholding taxes where applicable.

The above noted transactions were carried out in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

23. Related parties (continued)

(b) Related party transactions with SouthGobi

The following table summarizes transactions with SouthGobi which were primarily incurred on a cost-recovery basis with companies related by way of directors, officers or shareholders in common:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
SouthGobi - from April 23, 2015 (i)	**$ 206**	$ -	**$ 404**	$ -
	$ 206	$ -	**$ 404**	$ -

The above noted transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At September 30, 2015, $6.4 million was due from SouthGobi. There were no amounts payable to companies related to Turquoise Hill by way of directors, officers or shareholders in common.

(i) SouthGobi became an investment in a company subject to significant influence on April 23, 2015 (see Note 14 for further information); prior to this SouthGobi was a consolidated subsidiary of Turquoise Hill and transactions between the Company and SouthGobi were eliminated upon consolidation. Amounts owing from SouthGobi at September 30, 2015 are classified as receivable from related parties; transactions occurring after April 23, 2015 between the Company and SouthGobi are disclosed as related party transactions.

24. Contingencies

Due to the size, complexity and nature of Turquoise Hill's operations, various legal and tax matters arise in the ordinary course of business. Turquoise Hill recognizes a liability with respect to such matters when an outflow of economic resources is assessed as probable and the amount can be reliably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

25. Financial instruments and fair value measurements

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis.

The fair value of financial assets and financial liabilities measured at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. Except as otherwise specified, the Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value because of the demand nature or short-term maturity of these instruments.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

25. Financial instruments and fair value measurements (continued)

The following tables provide an analysis of the Company's financial assets that are measured subsequent to initial recognition at fair value on a recurring basis, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Fair Value at September 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Available for sale investments	**$ 8,388**	$ 5,440	$ 2,948	$ -
	$ 8,388	**$ 5,440**	**$ 2,948**	**$ -**

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Available for sale investments	**$ 34,325**	$ 22,215	$ 12,110	$ -
	$ 34,325	**$ 22,215**	**$ 12,110**	**$ -**

	Fair Value at January 1, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Available for sale investments	**$ 70,254**	$ 30,899	$ 39,355	$ -
Mongolian treasury bill	**109,294**	-	-	109,294
	$ 179,548	**$ 30,899**	**$ 39,355**	**$ 109,294**
Liabilities:				
Payable to related parties	**$ 71,886**	$ -	$ 71,886	$ -
	$ 71,886	**$ -**	**$ 71,886**	**$ -**

The Company's freely tradable available for sale investments are classified within level 1 of the fair value hierarchy as they are valued using quoted market prices. Available for sale investments with trading restrictions are classified within level 2 as they are valued by applying a liquidity discount to quoted market prices.

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

26. First time adoption of IFRS

The Company's first condensed interim consolidated financial statements prepared in accordance with IFRS were published on May 8, 2015 for the three months ended March 31, 2015.

The accounting policies set out in Note 2 and in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2015, have been consistently applied in preparing interim financial statements for the periods ended September 30, 2015, the comparative information presented in these interim financial statements for both periods ended September 30, 2014 and year ended December 31, 2014, and in the preparation of an opening IFRS statement of financial position at January 1, 2014 (Transition Date).

In preparing its opening IFRS statement of financial position, Turquoise Hill has adjusted amounts reported previously in financial statements prepared in accordance with US GAAP (its previous GAAP). Explanations of how the transition from its previous GAAP to IFRS has affected the Company's equity and its comprehensive income (loss) are set out in the following reconciliations and the notes that accompany them.

Changes made to the consolidated statements of income (loss), comprehensive income (loss) and the consolidated statements of financial position have resulted in reclassification of various amounts on the statements of cash flows; however as there have been no changes to the net cash flows, no reconciliations have been prepared.

Pursuant to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, Turquoise Hill has applied IFRS on a retrospective basis, subject to relevant mandatory exceptions and voluntary exemptions to retrospective application of IFRS. These exceptions and exemptions are described in the notes to the condensed interim consolidated financial statements for the three months ended March 31, 2015, and the reconciliations below should be read in conjunction with that information.

Reconciliation of equity	Note	December 31, 2014	September 30, 2014	January 1, 2014
Equity under U.S. GAAP		**$ 7,576,725**	**$ 7,508,913**	**$ 4,578,086**
IFRS adjustments to equity:				
Non-current inventories	a	(110,330)	(129,505)	(103,892)
Deferred stripping costs (Oyu Tolgoi)	b	42,395	32,469	9,442
Deferred stripping costs (SouthGobi)	b	-	(1,674)	96,063
Available for sale equity investments	c	873	2,423	14,331
Loans receivable	d	4,509	4,911	13,024
Decommissioning obligations	e	(1,703)	(2,237)	(1,614)
Income taxes	f	-	269	4,547
Rights offering	g	-	-	928,280
Consolidation and classification of SouthGobi	h	55,986	-	-
Other		10	(915)	735
Total IFRS adjustments to equity		**$ (8,260)**	**$ (94,259)**	**$ 960,916**
Total equity under IFRS		**$ 7,568,465**	**$ 7,414,654**	**$ 5,539,002**

(Stated in U.S. dollars unless otherwise noted; tabular amounts in thousands)

26. First time adoption of IFRS (continued)

Reconciliation of total comprehensive loss	Note	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Comprehensive loss under U.S. GAAP		**$ (142,872)**	**$ (316,806)**
IFRS adjustments to income (loss):			
Non-current inventories	a	(11,344)	(25,613)
Deferred stripping costs	b	(86,651)	(74,711)
Decommissioning obligations	e	(247)	(623)
Income taxes	f	(1,337)	(10,013)
Rights offering	g	-	34,034
Other		(201)	142
IFRS adjustments to comprehensive income (loss)			
Investments in securities available for sale	c	(3,030)	(11,909)
Loans receivable	d	(1,630)	(8,113)
Income taxes	f	141	5,734
Total IFRS adjustments to comprehensive loss		**$ (104,299)**	**$ (91,072)**
Comprehensive loss under IFRS		**$ (247,171)**	**$ (407,878)**

Notes to the reconciliations

The following notes should be read in conjunction with the accounting policies contained in Note 2 and detailed further in the condensed interim consolidated financial statements for the three months ended March 31, 2015.

(a) Non-current inventories

Under US GAAP, the Company valued copper-gold stockpiles expected to be processed and sold in greater than one year at the lower of weighted average cost and undiscounted net realizable value. Under IFRS, the Company has elected to value inventory at the lower of cost and net realizable value, calculated on a discounted cash flow basis when the inventory is expected to be sold in greater than one year.

(b) Deferred stripping costs

Under US GAAP, production phase stripping costs for open pit mines are treated as current production costs. Under IFRS, stripping costs in the production phase are capitalized to mineral properties if the stripping activities provide a probable future economic benefit.

(c) Available for sale equity investment - Ivanhoe Mines Ltd.

Under US GAAP, the Company's investment in Class A common shares of Ivanhoe Mines Ltd., including those which were restricted from trading for less than a year, were accounted for as an available for sale investment. Class A common shares restricted for over a year were accounted for using the cost method. Under IFRS, all Class A common shares of Ivanhoe Mines Ltd. are accounted for as available for sale investments.

26. First time adoption of IFRS (continued)

(d) Loans and receivables - Mongolian Tax Prepayments

Under US GAAP, the Company treated the tax prepayments as available for sale financial assets. Under IFRS, the Company has classified these prepayments as loan receivables and carries them at amortized cost, reduced by amounts applied to tax prepayments.

(e) Decommissioning Obligations

Under US GAAP, provisions for decommissioning obligations are discounted using a credit-adjusted risk-free rate for the entity and the liability is remeasured only for changes to the estimated cash flows. Under IFRS, provisions for decommissioning obligations are discounted using a discount rate that reflects the specific risks of the liability but excludes the entity's own credit risk. The entire provision is remeasured each reporting period, reflecting changes in risk-free discount rates and estimated cash flows.

(f) Income Taxes

Under IFRS, deferred taxes are not recognized upon the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transition, affects neither accounting profit nor taxable profit. This exception to the recognition of deferred taxes does not exist under US GAAP. Accordingly, deferred taxes arising from such items have been derecognized upon the adoption of IFRS.

(g) Rights Offering

Under US GAAP, the Company recognized a derivative financial liability for the 2013 rights offering because the rights included a foreign currency option, as each holder was able to elect to exercise its rights in US or Canadian dollars. Under US GAAP, changes in the fair value of the derivative financial liability were recorded in the statement of operations. Under IFRS, the Company has recorded these rights as an equity instrument and therefore no derivative has been recorded.

(h) Consolidation and classification of SouthGobi

Under US GAAP, the Company classified SouthGobi as held for sale and a discontinued operation during the three months ended September 30, 2014 and as a result restated previous periods presented to reflect the classification as held for sale and a discontinued operation. Following completion of a private placement by SouthGobi on December 3, 2014, Turquoise Hill's ownership fell to 47.9% and the Company classified SouthGobi as an investment subject to significant influence and no longer consolidated. The Company's investment in SouthGobi at December 31, 2014 was recognized at fair value as an investment within non-current assets held for sale in the Company's consolidated balance sheet.

Under IFRS, the Company determined that at the time of the private placement on December 3, 2014 and at December 31, 2014, it had the power to control the activities of SouthGobi and consolidated SouthGobi in the Company's consolidated financial statements as held for sale and discontinued operations. Under IFRS, the assets and liabilities of SouthGobi are not reclassified as held for sale in comparative information for periods ending before the classification as held for sale during the three months ended September 30, 2014.

Turquoise Hill Resources Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2015

INTRODUCTION

This management discussion and analysis of the financial condition and results of operations (MD&A) of Turquoise Hill Resources Ltd. should be read in conjunction with the unaudited condensed interim consolidated financial statements of Turquoise Hill Resources Ltd. and the notes thereto for the nine month period ended September 30, 2015. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements. In this MD&A, unless the context otherwise dictates, a reference to the Company refers to Turquoise Hill Resources Ltd. and a reference to Turquoise Hill refers to Turquoise Hill Resources Ltd. together with its subsidiaries. Additional information about the Company, including its Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.

References to "C$" refer to Canadian dollars and "$" to United States dollars.

This MD&A contains certain forward-looking statements and certain forward-looking information. Please refer to the cautionary language commencing on page 20.

All readers of this MD&A are advised to review and consider the risk factors discussed under the heading "Risk and Uncertainties" in this MD&A commencing on page 16.

The effective date of this MD&A is November 5, 2015.

TABLE OF CONTENTS

1. OVERVIEW

Financial Results and Review of Operations for the Third Quarter of 2015

- Oyu Tolgoi achieved a strong safety performance with an All Injury Frequency Rate of 0.31 per 200,000 hours worked for the nine months ended September 30, 2015.
- Oyu Tolgoi recorded revenue of $431.7 million in Q3'15 on sales of 226,000 tonnes of concentrate, a 2.5% increase over Q2'15, reflecting higher sales volumes partially offset by lower copper prices.
- Turquoise Hill reported income from continuing operations attributable to shareholders of $44.0 million.
- In Q3'15, a non-cash charge of $76.4 million was recorded within operating expenses for provision against non-current ore stockpile inventory.
- Turquoise Hill generated operating cash flow before interest and taxes of $171.7 million during Q3'15.
- Oyu Tolgoi's Q3'15 mine production was at record levels while concentrate produced and contained copper were on par with Q2'15 even considering the planned concentrator shutdown in July 2015.
- During Q3'15, mined production increased 8.5% over Q2'15 due to shorter hauling routes and ongoing productivity initiatives.
- Copper in concentrates for Q3'15 increased 1.3% due to higher head grades while gold in concentrates decreased 48.3% over Q2'15 due to slower than anticipated access to gold-rich ore.
- Increased copper and gold production is expected in Q4'15 compared to Q3'15 as higher-grade ore is accessed in the open pit.
- Turquoise Hill continues to expect Oyu Tolgoi to produce 175,000 to 195,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates in 2015.
- In August 2015, Oyu Tolgoi filed revised schedules for the 2015 Oyu Tolgoi Feasibility Study with the Mongolian Minerals Council.
- Underground pre-start activities are underway in parallel with an update to the feasibility study capital estimate, which is expected to be completed in Q1'16.
- Turquoise Hill continues to expect signing of project financing by the end of 2015 and the decision for underground construction in early Q2'16.
- Capital expenditure for 2015 is now expected to be approximately $120 million, of which approximately $115 million relates to sustaining capital, due to operational efficiencies, changes to the mine plan during the year and capital optimization.
- Operating cash costs for 2015 are now expected to be approximately $900 million reflecting operational improvements throughout the year and excluding one-time costs related to the May 2015 underground agreement as well as pre-start costs for underground development.
- Sales contracts have been signed for more than 80% of Oyu Tolgoi's expected 2016 concentrate production.
- In September 2015, Oyu Tolgoi surpassed 1.5 million tonnes of concentrate shipped.
- Turquoise Hill's cash and cash equivalents at September 30, 2015 were $1.3 billion.

2. SELECTED QUARTERLY DATA

The following table sets forth selected unaudited quarterly financial information for each of the eight most recent quarters.

($ in millions of dollars, except per share information)	Quarter Ended			
	Sep-30 2015	Jun-30 2015	Mar-31 2015	Dec-31 2014
Revenue				
Copper-gold concentrate	$ 431.7	$ 421.3	$ 426.2	$ 670.6
Total revenue	$ 431.7	$ 421.3	$ 426.2	$ 670.6
Net income (loss) from continuing operations attributable to the Company	$ 44.0	$ 49.9	$ 67.1	$ 143.2
Income (loss) from discontinued operations attributable to the Company	(22.8)	(25.0)	29.1	(9.6)
Net income (loss) attributable to the Company	$ 21.2	$ 24.9	$ 96.2	$ 133.6
Basic income (loss) per share attributable to the Company				
Continuing operations	$ 0.02	$ 0.02	$ 0.03	$ 0.07
Discontinued operations	(0.01)	(0.01)	0.01	-
Total	$ 0.01	$ 0.01	$ 0.04	$ 0.07
Diluted income (loss) per share attributable to the Company				
Continuing operations	$ 0.02	$ 0.02	$ 0.03	$ 0.07
Discontinued operations	(0.01)	(0.01)	0.01	-
Total	$ 0.01	$ 0.01	$ 0.04	$ 0.07

	Sep-30 2014	Jun-30 2014	Mar-31 2014	Dec-31 2013[(a)]
Revenue				
Copper-gold concentrate	$ 491.6	$ 459.5	$ 113.9	$ 51.5
Total revenue	$ 491.6	$ 459.5	$ 113.9	$ 51.5
Net income (loss) from continuing operations attributable to the Company	$ 43.9	$ 20.1	$ (9.4)	$ 242.2
Loss from discontinued operations attributable to the Company	(137.9)	(12.2)	(12.2)	(103.8)
Net income (loss) attributable to the Company	$ (94.0)	$ 7.9	$ (21.6)	$ 138.4
Basic income (loss) per share attributable to the Company				
Continuing operations	$ 0.02	0.01	$ (0.01)	$ 0.19
Discontinued operations	(0.07)	(0.01)	(0.01)	(0.08)
Total	$ (0.05)	$ -	$ (0.02)	$ 0.11
Diluted income (loss) per share attributable to the Company				
Continuing operations	$ 0.02	$ 0.01	$ (0.01)	$ 0.19
Discontinued operations	(0.07)	(0.01)	(0.01)	(0.08)
Total	$ (0.05)	$ -	$ (0.02)	$ 0.11

[(a)] Financial information for 2015 and 2014 has been prepared under IFRS; financial information for 2013 was prepared under U.S. GAAP and has not been restated in the above table. Please refer to Section 11 – INTERNATIONAL FINANCIAL REPORTING STANDARDS – on page 14 on this MD&A.

3. REVIEW OF OPERATIONS

Turquoise Hill is an international mining company focused on the operation and further development of the Oyu Tolgoi copper-gold mine in southern Mongolia, which is the Company's principal and only material mineral resource property. The Oyu Tolgoi mine is held through a 66% interest in Oyu Tolgoi LLC (Oyu Tolgoi); the remaining 34% interest is held by Erdenes Oyu Tolgoi LLC (Erdenes).

As at September 30, 2015, Turquoise Hill held a 21.3% interest in SouthGobi Resources Ltd. (SouthGobi), which owns the Ovoot Tolgoi coal mine in southern Mongolia.

In Q3'15, the Company recorded net income attributable to owners of Turquoise Hill of $21.2 million or $0.01 per share compared with net loss of $94.0 million or ($0.05) per share in Q3'14, an increase of $115.2 million. The increase is mainly attributable to a $227.3 million non-cash impairment charge recorded in Q3'14 on reclassification of SouthGobi to assets held for sale.

Operating cash flows before interest and taxes in Q3'15 were $171.7 million compared with $256.3 million in Q3'14, reflecting continued production and delivery cost improvements and effective working capital management, offset by the impact of lower commodity prices on sales revenue.

Additions to property, plant and equipment, excluding adjustments relating to asset retirement obligations ($9.7 million), were $31.1 million in Q3'15 all of which related to sustaining capital activities including the tailing storage facility.

Turquoise Hill's cash and cash equivalents at September 30, 2015 were $1.3 billion.

A. OYU TOLGOI

The Oyu Tolgoi mine is approximately 550 kilometres south of Ulaanbaatar, Mongolia's capital city, and 80 kilometres north of the Mongolia-China border. Mineralization on the property consists of porphyry-style copper, gold, silver and molybdenum contained in a linear structural trend (the Oyu Tolgoi Trend) that has a strike length extending over 26 kilometres. Mineral resources have been identified in a series of deposits throughout this trend. They include, from south to north, the Heruga Deposit, the Southern Oyu deposits (Southwest Oyu, South Oyu, Wedge and Central Oyu) and the Hugo Dummett deposits (Hugo South, Hugo North and Hugo North Extension). Mining of ore commenced in May 2012 and first concentrate was produced in January 2013.

The Oyu Tolgoi mine has initially been developed as an open-pit operation. A copper concentrator plant, with related facilities and necessary infrastructure to support a nominal throughput of 100,000 tonnes of ore per day, has been constructed to process ore mined from the Southern Oyu open pit. Long term development plans for Oyu Tolgoi are based on a 95,000-tonne-per-day underground block-cave mine. In August 2013, development of the underground mine was delayed pending resolution of matters with the Government of Mongolia. On May 18, 2015, Turquoise Hill, the Government of Mongolia and Rio Tinto announced the signing of the Oyu Tolgoi Underground Mine Development and Financing Plan, which addressed key outstanding shareholder matters and set out an agreed basis for the funding of the project.

Preparation for underground development

Following the filing of revised schedules for the 2015 Oyu Tolgoi Feasibility Study with the Mongolian Minerals Council in August 2015, pre-start activities are underway in parallel with an update to the capital estimate, which is expected to be completed in Q1'16. Pre-start activities include ramp-up of the owners and EPCM team, re-estimate activities, detailed engineering and early procurement for equipment and materials required for necessary critical works that are key enablers for recommencement of underground lateral development mining activity. Care and maintenance activities have continued for Shaft #1, facilities and mobile equipment. Turquoise Hill expects the decision for underground construction in early Q2'16.

The Company continues to expect signing of project financing by the end of 2015. In September 2015, the Government of Mongolia signed the request of the Multilateral Investment Guarantee Agency (MIGA) for host country approval (HCA) with respect to guarantees to be issued by MIGA in connection with the Oyu Tolgoi project financing. The signing of the HCA was a significant milestone in the project financing timeline. In October 2015, the project financing information circular was provided to the banking syndicate allowing for each institution's respective internal consideration and approval.

Prior to the suspension in August 2013, underground lateral development at Hugo North had advanced approximately 16 kilometres off Shaft #1. Sinking of Shaft #2, the primary operations access and initial production hoisting shaft, had reached a depth of 1,168 metres below surface, 91% of its final depth of 1,284 metres. The 96 metre-high Shaft #2 concrete headframe has been constructed. Sinking of Shaft #5, a dedicated exhaust ventilation shaft, had reached a depth of 208 metres, 17% of its final depth of 1,174 metres. Surface facilities, including offices, mine dry, and workshop, are in place to support initial pre-production development and construction.

Q3'15 performance

Safety continues to be a major focus throughout Oyu Tolgoi's operations and the mine's management is committed to reducing risk and injury. Oyu Tolgoi achieved a solid safety performance with an All Injury Frequency Rate of 0.31 per 200,000 hours worked for the nine months ended September 30, 2015.

Key financial metrics for Q3'15 are as follows:

Oyu Tolgoi Key Financial Metrics*

	3Q 2014	4Q 2014	1Q 2015	2Q 2015	**3Q 2015**	9 Months 2014	9 Months 2015	Full Year 2014
Revenue ($'000,000)	491.6	670.6	426.2	421.3	**431.7**	1,065.0	1,279.2	1,735.6
Concentrates sold ('000 tonnes)	220.3	262.7	167.7	189.8	**226.0**	471.0	583.5	733.7
Revenue by metals in concentrates ($'000,000)								
Copper	319.1	368.5	190.2	220.3	**224.5**	698.5	635.0	1,066.9
Gold	167.2	296.4	232.3	197.4	**202.8**	354.1	632.5	650.5
Silver	5.3	5.7	3.6	3.6	**4.4**	12.4	11.6	18.2
Cost of sales ($'000,000)	363.8	402.8	257.9	225.7	**252.2**	832.3	735.8	1,235.1
Production and delivery costs	243.6	279.5	173.9	147.4	**159.4**	570.3	480.7	849.8
Depreciation and depletion	120.2	123.3	83.9	78.2	**92.8**	262.0	254.9	385.3
Capitalized property, plant and equipment ($'000,000)[1]	38.3	25.7	30.4	36.4	**31.1**	133.0	97.9	158.7
Royalties	25.4	36.6	21.9	49.8	**24.1**	54.8	95.8	91.5
Unit costs ($ per pound of copper)**								
C1			0.09	0.73	**0.40**		0.45	1.14
All-in sustaining			0.96	1.26	**1.52**		1.29	1.95

** Beginning on January 1, 2015, Turquoise Hill began preparing its financial statements in accordance with IFRS; all financial metrics included in the above table are prepared on the newly adopted IFRS basis. Any financial information in this MD&A should be reviewed in consultation with the Company's condensed interim consolidated financial statements.*
*** Please refer to Section 14 – NON-GAAP MEASURES – on page 18 of this MD&A for reconciliation of these metrics, including total cash operating costs, to the financial statements.*
1. Total additions for Q3'15 include an adjustment of $4.0 million, which reduced the carrying amount of underground evaluation costs capitalized in previous quarters to be in accordance with the Company's accounting policy on the recognition of exploration and evaluation costs.

Revenue in Q3'15 increased 2.5% over Q2'15. Higher revenues reflect higher volumes of copper-gold concentrate sales, partially offset by a fall in copper prices. The Q3'15 mix of revenue by metals is the result of inventory with higher contained copper and gold drawn down during the quarter from concentrate produced in Q2'15. Gross margin at 41.6% for the quarter reduced from 46.4% in Q2'15 due to the effect of lower copper prices.

Production and delivery costs include primarily the cash costs in inventory sold as well as allocated mine administration costs. Depreciation and depletion includes the depreciation and depletion in inventory sold as well as any depreciation of assets used in the selling and delivery process, including the depreciation of capitalized production phase stripping costs. A non-cash charge of $76.4 million was recorded in Q3'15, within operating expenses, for additional provision against non-current ore stockpiles, following re-estimation of realizable value to reflect lower copper and gold prices and updated assumptions for timing of processing.

Total additions capitalized to property, plant and equipment, on an accruals basis, for Q3'15 were $31.1 million (Q3'14: $38.3 million) all attributed to sustaining activities, including the tailings storage facility and deferred stripping. Total additions for Q3'15 include an adjustment of $4.0 million, which reduced the carrying amount of underground evaluation costs capitalized in previous quarters to be in accordance with the Company's accounting policy on the recognition of exploration and evaluation costs.

Total cash operating costs at Oyu Tolgoi in Q3'15 were $222.5 million. Following transition to IFRS, the 5% royalty payable to the Government of Mongolia, previously deducted from revenue, is reflected as a cash operating expense, and production phase stripping costs, previously included within cash operating expense, are capitalized and depreciated. Please refer to Section 11 – INTERNATIONAL FINANCIAL REPORTING STANDARDS – on page 14 of this MD&A. During Q3'15, Oyu Tolgoi continued to improve and optimize operations in order to reduce costs across the mine's operation.

Oyu Tolgoi's C1 costs in Q3'15 were $0.40 per pound, compared with $0.73 per pound in Q2'15. The decrease was mainly due to a $22.1 million charge in Q2'15 for settlement of amounts not previously paid or provided for in relation to Mongolian Tax assessments, following signature of the underground agreement on May 18, 2015, and a net reduction in inventory (excluding non-cash write-down) as sales volumes exceeded production. Oyu Tolgoi's open-pit mine has a high-grade zone containing a large proportion of gold in addition to copper; Turquoise Hill anticipates quarterly fluctuation of C1 costs as the quantity of gold in concentrates sold varies after ore from this zone is fed through the mill.

All-in sustaining costs in Q3'15 were $1.52 per pound, compared with $1.26 per pound in Q2'15. The increase was mainly due to a non-cash charge for additional provision against non-current ore stockpile partially offset by royalty expenses returning to regular operational levels following the Q2'15 adjustment upon signing of the underground agreement.

Key operational metrics for Q3'15 are as follows:

Oyu Tolgoi Production Data

All data represents full production and sales on a 100% basis

	3Q 2014	4Q 2014	1Q 2015	2Q 2015	**3Q 2015**	9 months 2014	9 months 2015	Full Year 2014
Open pit material mined ('000 tonnes)	19,493	18,944	21,999	22,094	**23,969**	57,975	68,063	76,919
Ore treated ('000 tonnes)	7,029	7,505	7,512	9,025	**8,632**	20,367	25,168	27,872
Average mill head grades:								
Copper (%)	0.59	0.74	0.52	0.69	**0.75**	0.55	0.66	0.60
Gold (g/t)	0.80	1.46	0.48	1.09	**0.56**	0.64	0.73	0.86
Silver (g/t)	1.64	1.65	1.16	1.46	**1.90**	1.58	1.52	1.60
Concentrates produced ('000 tonnes)	134.1	186.7	130.9	215.5	**210.3**	377.0	556.7	563.6
Average concentrate grade (% Cu)	27.3	26.9	25.7	25.6	**26.6**	26.0	26.0	26.3
Production of metals in concentrates:								
Copper ('000 tonnes)	36.6	50.3	33.6	55.3	**56.0**	98.2	144.9	148.4
Gold ('000 ounces)	132	278	86	238	**123**	311	446	589
Silver ('000 ounces)	216	286	184	297	**388**	608	869	893
Sales of metals in concentrates:								
Copper ('000 tonnes)	53.6	67.6	42.1	46.3	**58.2**	118.3	146.5	185.8
Gold ('000 ounces)	144	263	200	177	**200**	298	577	561
Silver ('000 ounces)	323	383	219	250	**334**	710	798	1,093
Metal recovery (%)								
Copper	89.3	90.7	86.8	88.6	**86.4**	88.4	87.3	89.1
Gold	74.8	78.6	71.6	75.6	**76.4**	75.0	74.4	76.6
Silver	58.6	71.6	65.4	70.6	**73.0**	58.8	69.6	62.3

Oyu Tolgoi's Q3'15 mine production was at record levels while concentrate produced and contained copper was on par with Q2'15 even considering the planned concentrator shutdown in July. During Q3'15, mined production increased 8.5% over Q2'15 due to shorter hauling routes and ongoing productivity initiatives. Copper in concentrates for Q3'15 increased 1.3% due to higher head grades. Gold in concentrates for the quarter decreased 48.3% over Q2'15 due to slower than anticipated access to gold-rich ore.

Funding of Oyu Tolgoi by Turquoise Hill

In accordance with the ARSHA dated June 8, 2011, Turquoise Hill has funded Oyu Tolgoi's cash requirements beyond internally generated cash flows by a combination of equity investment and shareholder debt.

For amounts funded by debt, Oyu Tolgoi must repay such amounts, including accrued interest, before it can pay common share dividends. At September 30, 2015, the aggregate outstanding balance of shareholder loans extended by subsidiaries of the Company to Oyu Tolgoi was $6.8 billion, including accrued interest of $1.4 billion. These loans bear interest at an effective annual rate of LIBOR plus 6.5%. In Q3'15, Oyu Tolgoi repaid a total amount of $180.0 million with respect to these loans, including accrued interest of $57.9 million.

In accordance with the ARSHA, a subsidiary of the Company has funded the common share investments in Oyu Tolgoi on behalf of Erdenes. These funded amounts earn interest at an effective annual rate of LIBOR plus 6.5% and are repayable, by Erdenes to a subsidiary of the Company, via a pledge over Erdenes' share of Oyu Tolgoi common share dividends. Erdenes also has the right to reduce the outstanding balance by making cash payments at any time. As at September 30, 2015, the cumulative amount of such funding was $751.1 million, representing approximately 34% of invested common share equity; unrecognized interest on the funding amounted to $214.9 million.

Operational outlook

Increased copper and gold production is expected in Q4'15 when compared to Q3'15 as higher-grade ore is anticipated to be accessed in the open pit.

Turquoise Hill continues to expect Oyu Tolgoi to produce 175,000 to 195,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates in 2015. The Company expects copper production to be at the top of the range while gold production is expected to be in the middle of the range.

Capital expenditure for 2015 is now expected to be approximately $120 million, of which approximately $115 million relates to sustaining capital. The Company previously expected capital expenditure of approximately $230 million, of which approximately $185 million related to sustaining capital. The reduction is the result of operational efficiencies, changes to the mine plan during the year and capital optimization.

Operating cash costs for 2015 are now expected to be approximately $900 million. The Company previously expected operating cash costs of approximately $1 billion. The reduction reflects changes from operational improvements throughout the year and excludes one-time costs related to the May 2015 underground agreement as well as pre-start costs for underground development.

Sales contracts have been signed for more than 80% of Oyu Tolgoi's expected 2016 concentrate production.

Q3'15 exploration

Oyu Tolgoi's exploration strategy is focused on developing a project pipeline prioritized in areas that can impact the current development of the Oyu Tolgoi orebodies, seeking low-cost development options; in particular looking for shallower targets. Historical datasets are added to and reinterpreted to enable future discovery.

B. OTHER ASSETS

SouthGobi

On April 23, 2015, the Company completed sale of 48.7 million shares in SouthGobi to Novel Sunrise Investments Limited (NSI) at a price of C$0.35 per common share payable in cash, and on June 3, 2015 a further 1.7 million shares were sold to NSI at a price of C$0.35 per share. Half of the aggregate cash proceeds, representing C$8.5 million in total, were received at closing; the balance of approximately C$8.5 million was received on August 4, 2015.

At September 30, 2015, Turquoise Hill owned 52.4 million SouthGobi common shares, representing approximately 21.3% of the issued and outstanding SouthGobi shares at that date. The carrying value of this interest at September 30, 2015 was $14.6 million based on the quoted share price.

At September 30, 2015, SouthGobi is classified as an investment in associate within assets held for sale in the Company's financial statements.

Other exploration

Desk top studies, data compilation and detailed satellite imagery interpretation are in progress for an orbit area approximately surrounding Oyu Tolgoi. An induced polarization and magnetotellurics survey on Turquoise Hill's Teregt licence (bordering the south of the Oyu Tolgoi licences) was conducted. The results have been analyzed and the interpretation downgraded the previous induced polarization targets. Additional soil and rock geochemical sampling has been done to test for shallow exploration targets. A service agreement is in place with Rio Tinto Holdings (Exploration), under which they provide exploration services to the Company. This agreement benefits Turquoise Hill by allowing access to Rio Tinto's global expertise, knowledge base and skills.

C. CORPORATE ACTIVITIES

Management change

In September 2015, Turquoise Hill announced the resignation of Stewart Beckman, Senior Vice President, Operations and Technical Development, effective October 1, 2015 due to Mr. Beckman having accepted a new position within Rio Tinto. The Company is conducting a search for Mr. Beckman's replacement, which will be announced in due course. Mr. Beckman will provide support in the interim to ensure a smooth transition.

D. CORPORATE ADMINISTRATIVE EXPENSES

Corporate administrative expenses. Corporate administrative costs in Q3'15 were $2.9 million, a decrease of $3.0 million from Q3'14 ($5.9 million), mainly due to lower employee and consulting costs as the Company continued to focus on core operations.

4. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, Turquoise Hill held consolidated cash and cash equivalents of $1.3 billion, consolidated working capital (inclusive of cash and cash equivalents) of $1.4 billion and an accumulated deficit of $4.6 billion.

Cash flow

Operating activities. A total of $171.7 million of cash was generated from operating activities in Q3'15, reflecting: cost improvements as Oyu Tolgoi continued to optimize operations and working capital efficiencies.

Investing activities. Cash used in investing activities totalled $21.8 million in Q3'15. Property, plant and equipment purchases of $29.2 million related mainly to Oyu Tolgoi sustaining activities (including deferred stripping and construction of tailings storage facility). Capital expenditure was partly offset by proceeds from divestment of shares in SouthGobi and Ivanhoe Mines Ltd.

Financing activities. There was no significant financing activity during Q3'15.

Liquidity and capital resources

On March 19, 2015, Oyu Tolgoi signed a secured $200.0 million revolving credit facility with five banks, replacing an unsecured $200.0 million revolving facility signed on February 24, 2014, which matured on February 24, 2015. Amounts drawn under the facility are required to be used by Oyu Tolgoi for working capital purposes. The credit facility bears interest at a fixed margin over LIBOR on any drawn amounts together with a utilization fee which varies according to the utilized portion of the facility, and a commitment fee on undrawn amounts. The revolving credit facility matures on March 19, 2016. At September 30, 2015, no amounts had been drawn down on the facility.

Turquoise Hill believes that, based on its current cash position, cash generated from operation of the Oyu Tolgoi mine, and the $200.0 million revolving credit facility, it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months. Carrying out the underground development and further exploration of the Oyu Tolgoi mine and other mineral properties depends upon the Company's ability to obtain financing.

In late February 2013, the boards of the European Bank of Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) approved their respective participation in project financing of the Underground Development. On April 17, 2013, Rio Tinto signed commitment letters with 15 global commercial banks that locked in pricing and terms. In addition to the approval of the EBRD and the IFC, the Oyu Tolgoi project financing has been conditionally approved by the boards of Export Development

Canada, Australian Export Finance and Insurance Corporation, and Export-Import Bank of the United States. Following agreement reached on the Underground Mine Development and Financing Plan on May 18, 2015, progress has been made on re-engaging members of the original syndicate for arrangement of project financing. The Company continues to expect signing of project financing by the end of 2015. In September 2015, the Government of Mongolia signed the request of the Multilateral Investment Guarantee Agency (MIGA) for host country approval (HCA) with respect to guarantees to be issued by MIGA in connection with the Oyu Tolgoi project financing. The signing of the HCA was a significant milestone in the project financing timeline. In October 2015, the project financing information circular was provided to the banking syndicate allowing for each institution's respective internal consideration and approval.

Project financing is subject to the unanimous approval of the Oyu Tolgoi Board of Directors, which includes representatives from the Government of Mongolia.

Financial instruments

The carrying value of Turquoise Hill's financial instruments was as follows:

(Stated in $000's of dollars)	**September 30, 2015**	December 31, 2014
Financial Assets		
Cash and cash equivalents	**$ 1,310,360**	$ 862,755
Available-for-sale:		
Long-term investments	**8,388**	34,325
Cost method:		
Long-term investments	**115**	115
Loans and receivables:		
Trade and other receivables	**10,562**	14,519
Due from related parties	**9,717**	7,864
Financial Liabilities		
Trade and other payables	**177,136**	185,852
Payable to related parties	**41,788**	53,784

Certain of the above financial instruments are carried at fair value. Their fair values were determined as follows:

- Long-term investments – Fair values of freely tradable long-term investments were determined by reference to published market quotations, which may not be reflective of future values. Fair values of long-term investments with trading restrictions have been determined by applying a liquidity discount to published market quotations, which may not be reflective of future values.

Turquoise Hill is exposed to credit risk with respect to its accounts receivable, other long-term investments and cash and cash equivalents. The significant concentrations of credit risk are with counterparties situated in Mongolia, China, Canada and Europe.

Turquoise Hill is exposed to United States interest-rate risk with respect to the variable rates of interest receivable on cash and cash equivalents.

5. SHARE CAPITAL

As at November 5, 2015, the Company had a total of:

- 2,012,309,019 common shares outstanding;
- 2,409,847 incentive stock options outstanding, with a weighted average exercise price of C$12.16 per share. Each option is exercisable to purchase a common share of the Company at prices ranging from C$2.41 to C$23.75 per share.

6. OUTLOOK

The information below is in addition to disclosures already contained in this report regarding the Company's operations and activities.

Turquoise Hill's financial performance and its ability to advance its future operations and development plans are heavily dependent on the availability of funding, base and precious metal prices and foreign-exchange rates. Volatility in these markets continues to be high.

For further details on the Company's financing plans, please refer to Section 4 – LIQUIDITY AND CAPITAL RESOURCES – on page 11 of this MD&A.

Copper market

Commodity prices are a key driver of Turquoise Hill's future earnings. Copper prices climbed to $2.41 per pound during mid-October supported by a weak dollar and news of proposed production cuts from Zambia this year as well as expansion delays at Collahuasi. However, worries on slowing Chinese demand pushed prices down to approximately $2.35 per pound due to the release of lower-than-expected economic data. Analysts expect the supply-demand balance to become increasingly tight in the medium term in response to mine cutbacks, even with conservative demand assumptions.

During October, gold prices jumped to $1,190 per ounce, their highest level of in four months, then slipped to approximately $1,159 per ounce in line with US dollar fluctuation and timing expectations of a US interest rate increase.

The spot concentrate market was quiet in October. Treatment charges remained flat at $95-$105 with annual negotiations kicking off during London Metal Exchange Week. Chinese smelters are still seeking benchmark treatment charges of more than $100 for 2016, although market expectation is around $90-$100.

It is difficult to reliably forecast commodity prices and customer demand for Turquoise Hill's products; however, long-term sales contracts based on international terms have been signed on a substantial portion of the Oyu Tolgoi mine's concentrate production.

Exchange Rates

Oyu Tolgoi's sales are settled in U.S. dollars, and a portion of its expenses are incurred in local currencies. Foreign exchange fluctuations could have an effect on Turquoise Hill's operating margins; however in view of the proportion of locally incurred expenditures, such fluctuations are not expected to have a significant impact.

7. OFF-BALANCE SHEET ARRANGEMENTS

During the nine months ended September 30, 2015, Turquoise Hill was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.

8. CONTRACTUAL OBLIGATIONS

As at September 30, 2015, there were no significant changes in Turquoise Hill's contractual obligations and commercial commitments from those disclosed in its MD&A for the year ended December 31, 2014.

9. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires Turquoise Hill to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

A detailed summary of all of the Company's significant accounting policies and the estimates derived therefrom is included in Note 2 to the condensed interim consolidated financial statements for the three months ended March 31, 2015. The Company's significant accounting policies and the estimates derived therefrom identified as being critical under IFRS are substantially unchanged from those identified as being critical under U.S. GAAP and disclosed in the Company's MD&A for the year ended December 31, 2014, and elaborated upon in Section 9 of the MD&A for the three months ended March 31, 2015.

10. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, amendments to standards and interpretations are not yet effective, or are not mandatory for adoption, for the year ending December 31, 2015 and have therefore not been applied in preparing the condensed interim consolidated financial statements.

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The condensed interim consolidated financial statements for the three months ended March 31, 2015 were the Company's first consolidated interim financial statements prepared in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2014 (Transition Date).

The following outlines the key IFRS transitional impacts on the Company's financial statements and the impact of the IFRS transition on systems, process, business activities and controls.

Note 26 to the condensed interim consolidated financial statements for the nine months ended September 30, 2015 provides more detail on the key U.S. GAAP to IFRS differences, the accounting policy decisions and the application of IFRS 1 – *First Time Adoption of International Financial Reporting Standards*.

Transitional financial impact

On adoption of IFRS, the Company has adjusted amounts reported previously in financial statements prepared in accordance with U.S. GAAP.

The impact of the transition to IFRS on total equity is outlined in the table below for the comparative period end dates presented:

(Stated in U.S. dollars, except where noted)

Reconciliation of equity	December 31, 2014	September 30, 2014	January 1, 2014
Equity under U.S. GAAP	$ 7,576,725	$ 7,508,913	$ 4,578,086
IFRS adjustments to equity:			
Non-current inventories	(110,330)	(129,505)	(103,892)
Deferred stripping costs (Oyu Tolgoi)	42,395	32,469	9,442
Deferred stripping costs (SouthGobi)	-	(1,674)	96,063
Available for sale equity investments	873	2,423	14,331
Loans receivable	4,509	4,911	13,024
Decommissioning obligations	(1,703)	(2,237)	(1,614)
Income taxes	-	269	4,547
Rights offering	-	-	928,280
Consolidation and classification of SouthGobi	55,986	-	-
Other	10	(915)	735
Total IFRS adjustments to equity	**$ (8,260)**	**$ (94,259)**	**$ 960,916**
Total equity under IFRS	**$ 7,568,465**	**$ 7,414,654**	**$ 5,539,002**

The impact of the transition on comprehensive income is outlined in the table below for the comparative periods presented:

Reconciliation of total comprehensive income (loss)	Nine months ended September 30, 2014	Three months ended September 30, 2014
Comprehensive loss under U.S. GAAP	**$ (316,806)**	**$ (142,872)**
IFRS adjustments to income (loss):		
Non-current inventories	(25,613)	(11,344)
Deferred stripping costs	(74,711)	(86,651)
Decommissioning obligations	(623)	(247)
Income taxes	(10,013)	(1,337)
Rights offering	34,034	-
Other	142	(201)
IFRS adjustments to comprehensive income (loss)		
Investments in securities available for sale	(11,909)	(3,030)
Loans receivable	(8,113)	(1,630)
Income taxes	5,734	141
Total IFRS adjustments to comprehensive loss	**$ (91,072)**	**$ (104,299)**
Comprehensive loss under IFRS	**$ (407,878)**	**$ (247,171)**

As there has been no change in the net cash flows, no reconciliations have been prepared. The changes made to the consolidated statements of income (loss), comprehensive income (loss) and the consolidated statements of financial position have resulted in reclassification of various amounts on the statements of cash flows.

Financial statement presentation changes

The Company has also changed the presentation of certain items in its condensed interim consolidated financial statements for September 30, 2015 as compared to its financial statements previously published in accordance with U.S. GAAP.

- Mining royalties are now included within operating expenses where previously they were netted against revenues.
- Accretion expense for decommissioning obligations is included within finance costs where previously it was shown separately on the face of the statement of operations; and

- Deferred income tax liabilities for withholding taxes on intercompany interest payments is now classified as non-current deferred income taxes where previously they were included in accounts payable and accrued liabilities as withholding tax payable.

Systems, processes and business activities

The Company has assessed the impact of the IFRS transition on systems and processes, including an assessment on information technology systems and internal controls and implemented changes required as a result. These changes were not significant.

The Company applied its existing control framework to the IFRS changeover process. All accounting policy changes and transitional financial position impacts were subject to review by senior management and the Company's Audit Committee.

Post-implementation

During post-implementation, the Company will continue to monitor the changes to IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that Turquoise Hill has selected. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

12. RISK AND UNCERTAINTIES

Turquoise Hill is subject to a number of risks due to the nature of the industry in which it operates and the present state of development of its business and the foreign jurisdictions in which it carries on business. The material risks and uncertainties affecting Turquoise Hill, their potential impact, and the Company's principal risk-management strategies are substantially unchanged, other than that which is described below, from those disclosed in its MD&A for the year ended December 31, 2014 (2014 MD&A) and in its Annual Information Form (AIF) dated March 20, 2015 in respect of such period.

Following partial divestment of SouthGobi to NSI on April 23, 2015, the Company no longer consolidates its interest, which is recorded as an investment in an associated company within assets held for sale in the financial statements. The Company's exposures in relation to its investment in SouthGobi now relate mainly to factors having an impact on fair value, and ability to complete the divestment of its remaining interest in the future.

At September 30, 2015 the Company recorded its investment in SouthGobi at a carrying value of $14.6 million, being the lower of cost and Fair Value less Cost to Sell (FVLCS) in accordance with the measurement requirements of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and IAS 39, *Financial Instruments: Recognition and Measurement*, and based upon a quoted share price of C$0.40. As the quoted price per share fluctuates, the Company will record charges or credits in its income statement for the future reporting periods in which it continues to classify SouthGobi as an associated company within assets held for sale. The Company may also be required in the future to record further income statement adjustments with respect to its remaining holding in SouthGobi.

13. RELATED-PARTY TRANSACTIONS

Transactions with Rio Tinto

As at September 30, 2015, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2014: 50.8%).

The following table presents the consolidated balance sheet line items which include amounts due from or payable to Rio Tinto:

(Stated in $000's of dollars)	**September 30 2015**	December 31, 2014	January 1, 2014
Cash and cash equivalents (i)	**$ 739,850**	$ 711,468	$ -
Due from related parties	**3,356**	7,864	5,070
Payable to related parties:			
Management services payment (ii)	**(7,572)**	(7,729)	(100,569)
Cost recoveries (iii)	**(34,216)**	(46,055)	(75,237)
Standy purchaser fee (iv)	**-**	-	(71,886)
Interest payable on long-term debt (v)	**-**	-	(13,530)
Interim funding facility (v)	**-**	-	(1,789,787)
New bridge facility (v)	**-**	-	(339,475)
	701,418	665,548	(2,385,414)

The following table summarizes transactions with Rio Tinto by their nature:

(Stated in $000's of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Interest income on demand deposits (i)	**$ 554**	$ -	**$ 1,109**	$ -
Costs recoveries - Turquoise Hill	**536**	659	**2,917**	1,541
Financing costs:				
Commitment fees	**-**	-	**-**	(224)
Interest expense (vi)	**-**	-	**-**	(4,903)
Management services payment (ii)	**(7,572)**	(6,508)	**(18,727)**	(20,016)
Costs recoveries - Rio Tinto (iii)	**(13,755)**	(12,848)	**(38,482)**	(53,389)
	$ (20,237)	$ (18,697)	**$ (53,183)**	$ (76,991)

(i) In addition to placing cash and cash equivalents on deposit with banks or investing funds with other financial institutions, Turquoise Hill may, from time to time, deposit cash and cash equivalents or invest funds with Rio Tinto in accordance with an agreed upon policy and strategy for the management of liquid resources. Cash and cash equivalents at September 30, 2015 included short term deposits, net of withdrawals, made between December 2014 and September 2015 with wholly owned subsidiaries of Rio Tinto totalling $739.9 million. During the nine months ended September 30, 2015, these deposits earned interest at rates equivalent to those offered by financial institutions.

(ii) In accordance with the ARSHA, which was signed on June 8, 2011, and other related agreements, Turquoise Hill is required to pay a management services payment (MSP) to Rio Tinto equal to a percentage of all capital costs and operating costs incurred by Oyu Tolgoi from March 31, 2010 onwards. After signing of the Underground Mine Development and Financing Plan on May 18, 2015, the percentage applied to capital costs of the underground development is 1.5%, and the percentage applied to operating costs and capital related to current operations is 3%. Adjustments for the impact of these percentages to MSPs made in previous periods are included in the amount for the nine months ended September 30.

(iii) Rio Tinto recovers the costs of providing general corporate support services and mine management services to Turquoise Hill. Mine management services are provided by Rio Tinto in its capacity as the manager of the Oyu Tolgoi mine.

(iv) In Q1'14, the Company recognized a derivative gain of $1.1 million associated with re-measuring the standby purchaser fee liability.

(v) In Q1'14, the Company used $2.2 billion of the net proceeds from the rights offering that closed in January 2014 to repay all amounts outstanding on the Interim Funding Facility ($1.8 billion) and the New Bridge Facility ($402.6 million).

(vi) The terms of the Rio Tinto credit facilities include gross-up provisions for withholding taxes. Accordingly, commitment fees and interest expense include gross-ups for withholding taxes where applicable.

Transactions with SouthGobi

As at September 30, 2015, Turquoise Hill's equity ownership in South Gobi was 21.3%. Prior to the sale of 48.7 million shares on April 23, 2015, SouthGobi was classified as a consolidated subsidiary, and transactions between the Company and SouthGobi were eliminated on consolidation and were therefore not reported as related party transactions. At September 30, 2015, $6.4 million was due from SouthGobi.

There were no amounts payable to companies related to Turquoise Hill by way of directors, officers or shareholders in common.

The above noted transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. NON-GAAP MEASURES

The Company's financial results are prepared in accordance with IFRS. In addition, the Company presents and refers to the following measures (non-GAAP measures) which are not defined in IFRS. A description and calculation of these measures is given below, and may differ in some aspects from equivalent measures provided by other issuers.

Cash operating costs

This measure comprises Oyu Tolgoi cash operating costs, and is presented in order to provide investors and other stakeholders in the Company with a greater understanding of performance and operations at Oyu Tolgoi. The measure of cash operating costs excludes: depreciation and depletion; exploration and evaluation; charges for asset write-down (including write-down of materials and supplies inventory), and includes management services payments to Rio Tinto, and management services payments to Turquoise Hill which are eliminated in the consolidated financial statements of the Company.

C1 cash costs

C1 cash costs is a metric representing the cash cost per unit of extracting and processing the Company's principal metal product to a condition in which it may be delivered to customers, net of by-product credits. It is provided in order to support peer group comparability and to provide investors and other stakeholders useful information about the underlying cash costs of Oyu Tolgoi and the impact of by-product credits on the operations' cost structure. C1 cash costs are relevant to understanding the Company's operating profitability and ability to generate cash flow. When calculating costs associated with producing a pound of copper, the Company includes gold and silver revenue credits as the production cost is reduced as a result of selling these by-products.

Turquoise Hill's principal metal product is copper, and C1 cash costs are reported for Oyu Tolgoi only.

All-in sustaining costs

All-in sustaining costs (AISC) is an extended cash based cost metric, providing further information on the aggregate cash, capital and overhead outlay per unit, and is intended to reflect the costs of producing the Company's principal metal product over the life-cycle of its operations. The measure seeks to reflect the full cost of copper production from current operations and as a result development project capital is not included. AISC allows Turquoise Hill to assess the ability of Oyu Tolgoi to support sustaining capital expenditures for future production from the generation of operating cash flows

A reconciliation of total cash operating costs, C1 cash costs and all-in sustaining costs, is provided below.

	Operating and unit costs			
C1 costs (US$'000)	**September 30, 2015 (Three months)**	**June 30, 2015 (Three months)[1.]**	**March 31, 2015 (Three months)**	**September 30, 2015 (Nine months)**
Production and delivery	159,375	147,446	173,944	480,765
Change in inventory	(17,075)	17,276	(36,827)	(36,626)
Other operating expenses	151,721	94,066	93,543	339,330
Less:				
- Impairment / write-down of inventory	(76,448)	25,625	(16,381)	(67,203)
- Depreciation	(2,610)	(3,766)	(2,542)	(8,918)
Management services payment to Turquoise Hill	7,572	3,964	7,191	18,727
Cash operating costs	222,535	284,612	218,928	726,075
Cash operating costs: $/lb of copper produced	**1.80**	**2.33**	**2.96**	**2.27**
Adjustments to cash operating costs[2.]	33,736	5,120	23,760	62,616
Less: Gold and silver revenues	(207,199)	(200,994)	(235,920)	(644,113)
C1 costs (US$'000)	**49,072**	**88,738**	**6,768**	**144,578**
C1 costs: $/lb of copper produced	**0.40**	**0.73**	**0.09**	**0.45**
All-in sustaining costs (US$'000)				
Corporate administration	2,899	5,797	3,502	12,198
Asset retirement expense	1,395	513	1,943	3,852
Royalty expenses	24,126	49,775	21,880	95,781
Non-current stockpile and stores write-down reversal	76,448	(25,625)	16,381	67,203
Other expenses	1,116	2,300	588	4,003
Sustaining cash capital including deferred stripping	32,792	32,498	20,283	85,573
All-in sustaining costs (US$000)	**187,847**	**153,995**	**71,345**	**413,188**
All-in sustaining costs: $/lb of copper produced	**1.52**	**1.26**	**0.96**	**1.29**

1. C1 costs for the three months ended June 30, 2015 include applicable one-time charges and adjustments of $16.7 million, as a result of signing the Underground Mine Development and Financing Plan on May 18, 2015. Before recording these items, C1 costs were $72.0 million for the three month period ended June 30 and $0.59 per lb. of copper produced.
2. Adjustments to cash operating costs include: treatment, refining and freight differential charges less the 5% Government of Mongolia royalty and other expenses not applicable to the definition of C1 cost.

15. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the nine months ended September 30, 2015, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's CEO and CFO assessed the effectiveness of the Company's internal controls over financial reporting as at December 31, 2014 in accordance with Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's CEO and CFO plan to assess the effectiveness of internal controls over financial reporting at December 31, 2015 in accordance with the revised framework issued by the COSO in 2013.

16. QUALIFIED PERSON

Disclosure of a scientific or technical nature in this MD&A in respect of the Oyu Tolgoi mine was prepared under the supervision of Bernard Peters (responsibility for overall preparation and mineral reserves), B. Eng. (Mining), FAusIMM (201743), employed by OreWin as Technical Director – Mining and Kendall Cole-Rae (responsibility for mineral resources, geology and exploration), B.Sc. (Geology), SME (4138633), employed by Rio Tinto as Chief Adviser, Geology and Resource Estimation. Each of these individuals is a "qualified person" as that term is defined in NI 43-101.

17. CAUTIONARY STATEMENTS

Language Regarding Reserves and Resources

Readers are advised that NI 43-101 requires that each category of mineral reserves and mineral resources be reported separately. For detailed information related to Company resources and reserves, readers should refer to the Annual Information Form of the Company for the year ended December 31, 2014, and other continuous disclosure documents filed by the Company since January 1, 2014 under Turquoise Hill's profile on SEDAR at www.sedar.com.

Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This document has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States (U.S.) securities laws. Unless otherwise indicated, all reserve and resource estimates included in this document have been prepared in accordance with 43-101, and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for mineral resources and mineral reserves (CIM Standards). NI 43-101 is a rule developed by the Canadian Securities Authorities that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the U.S. Securities and Exchange Commission (the SEC), and reserve and resource information contained in this document may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Mineral reserves estimates included herein may not qualify as "reserves" under SEC standards. The SEC's disclosure standards normally do not permit the inclusion of information concerning "Measured mineral resources", "Indicated mineral resources" or "Inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "Inferred mineral resources" have an even greater amount of uncertainty as to their existence and an even greater uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred mineral resource" will ever be upgraded to a higher category. Under NI 43-101, estimated "Inferred mineral resources" generally may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "Inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained pounds" or "contained ounces" of metal in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

18. FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION

Certain statements made herein, including statements relating to matters that are not historical facts and statements of the Company's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. *Private Securities Litigation Reform Act of 1995*. Forward-looking information and statements relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "plan", "estimate", "will", "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to, statements respecting anticipated business activities; planned expenditures; corporate strategies; discussions with the Government of Mongolia; and other statements that are not historical facts.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements or information. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the price of copper, gold and silver, anticipated capital and operating costs, anticipated future production and cash flows, the ability to complete the disposition of certain of its non-core assets, the completion of the Tavan Tolgoi power plant project and the availability of a long-term power source at a reasonable cost, the ability and timing to complete project financing and/or secure other financing on acceptable terms, and the adherence to and implementation of the terms of the Underground Plan. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements and information include, among others, copper, gold and silver price volatility, discrepancies between actual and estimated production, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities or assessments by governmental authorities, currency fluctuations, the speculative nature of mineral exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements, capital and operating costs for the construction and operation of the Oyu Tolgoi mine and defective title to mineral claims or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements.

With respect to specific forward-looking information concerning the construction and development of the Oyu Tolgoi mine, the Company has based its assumptions and analyses on certain factors which are inherently uncertain. Uncertainties and assumptions include, among others: the timing and cost of the construction and expansion of mining and processing facilities; the impact of the delay in the funding and development of the Oyu Tolgoi underground mine pending resolution of outstanding matters with the Government of Mongolia associated with the development and operation of the Oyu Tolgoi mine; adherence to and implementation of the terms of the Underground Plan; the approval of the underground feasibility study by Oyu Tolgoi LLC's shareholders, the impact of changes in interpretation to or changes in enforcement of, laws, regulations and government practices in Mongolia; the availability and cost of skilled labour and transportation; the availability and cost of appropriate smelting and refining arrangements; the obtaining of (and the terms and timing of obtaining) necessary environmental and other government approvals, consents and permits; the availability of funding on reasonable terms; the timing and availability of a long-term power source for the Oyu Tolgoi mine; delays, and the costs which result from delays, in the development of the underground mine (which could significantly exceed the costs projected in the underground feasibility study and in the 2014 Oyu Tolgoi Technical Report); projected copper, gold and silver prices and demand; and production estimates and the anticipated yearly production of copper, gold and silver at the Oyu Tolgoi mine.

The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as the Oyu Tolgoi mine. It is common in new mining operations and in the development or expansion of existing facilities to experience unexpected problems and delays during development, construction and mine start-up. Additionally, although the Oyu Tolgoi mine has achieved commercial production, there is no assurance that future development activities will result in profitable mining operations. In addition, funding and development of the underground component of the Oyu Tolgoi mine have been delayed to allow matters with the Government of Mongolia to be resolved and a new timetable agreed. These delays can impact project economics.

This MD&A also contains references to estimates of mineral reserves and mineral resources. The estimation of reserves and resources is inherently uncertain and involves subjective judgments about many relevant factors. The mineral resource estimates contained in this MD&A are inclusive of mineral reserves. Further, mineral resources that are not mineral reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including future production from the Oyu Tolgoi mine, the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized), which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral reserves and mineral resources can be mined or processed profitably. See the discussion under the headings "Language Regarding Reserves and Resources" and "Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources" in Section 17 of this MD&A. Such estimates and statements are, in large part, based on the following:

- Interpretations of geological data obtained from drill holes and other sampling techniques. Large scale continuity and character of the deposits will only be determined once significant additional drilling and sampling has been completed and analyzed. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Reserve and resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of metals or increases in the costs to recover metals from the Company's mining projects may render mining of ore reserves uneconomic and affect the Company's operations in a materially adverse manner. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period;

- Assumptions relating to commodity prices and exchange rates during the expected life of production, mineralization of the area to be mined, the projected cost of mining, and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates;

- Assumptions relating to projected future metal prices. The prices used reflect organizational consensus pricing views and opinions in the financial modeling for the Oyu Tolgoi Mine and are subjective in nature. It should be expected that actual prices will be different than the prices used for such modeling (either higher or lower), and the differences could be significant; and

- Assumptions relating to the costs and availability of treatment and refining services for the metals mined from the Oyu Tolgoi Mine, which require arrangements with third parties and involve the potential for fluctuating costs to transport the metals and fluctuating costs and availability of refining services. These costs can be significantly impacted by a variety of industry-specific and also regional and global economic factors (including, among others, those which affect commodity prices). Many of these factors are beyond the Company's control.

Readers are cautioned not to place undue reliance on forward-looking information or statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are included in the "Risk Factors" section of the AIF.

Readers are further cautioned that the list of factors enumerated in the "Risk Factors" section of the AIF that may affect future results is not exhaustive. When relying on the Company's forward-looking information and statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking information and statements contained in this MD&A are made as of the date of this document and the Company does not undertake any obligation to update or to revise any of the included forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking information and statements contained in this MD&A are expressly qualified by this cautionary statement.