TURQUOISE HILL RESOURCES LTD.

First Quarter Report – March 31, 2015
Financial Statements and MD&A

Turquoise Hill Resources Ltd.

Condensed Interim Consolidated Financial Statements

March 31, 2015

(unaudited)

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Income (Loss)

(Stated in thousands of U.S. dollars)

(Unaudited)

	Note	Three Months Ended March 31, 2015	2014
Continuing operations			
Revenue	4	**$ 426,157**	$ 113,947
Cost of sales	5	**(257,867)**	(93,482)
Gross margin		**168,290**	20,465
Operating expenses	6	**(93,543)**	(68,877)
Corporate administration expenses		**(3,502)**	(6,432)
Other (expenses) income	7	**(5,921)**	1,229
Income (loss) before finance items and taxes		**65,324**	(53,615)
Finance items			
Finance income	8	**598**	5,114
Finance costs	8	**(1,731)**	(8,466)
		(1,133)	(3,352)
Income (loss) from continuing operations before taxes		**64,191**	(56,967)
Provision for income and other taxes		**(11,763)**	(13,384)
Income (loss) from continuing operations		**52,428**	(70,351)
Discontinued operations			
Income (loss) after tax from discontinued operations	14	**60,604**	(20,985)
Income (loss) for the period		**$ 113,032**	$ (91,336)
Attributable to owners of Turquoise Hill Resources Ltd.		**96,170**	(21,643)
Attributable to owners of non-controlling interests		**16,862**	(69,693)
Income (loss) for the period		**$ 113,032**	$ (91,336)
Income (loss) attributable to owners of Turquoise Hill Resources Ltd.			
Continuing operations		**$ 67,141**	$ (9,469)
Discontinued operations		**29,029**	(12,174)
		$ 96,170	$ (21,643)
Basic and diluted earnings (loss) per share attributable to Turquoise Hill Resources Ltd.			
Continuing operations	22	**$ 0.03**	$ (0.01)
Discontinued operations		**0.01**	(0.01)
Income (loss) for the period		**$ 0.04**	$ (0.02)
Basic weighted average number of shares outstanding (000's)		**2,012,306**	1,866,912

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)

	Note		Three Months Ended March 31, 2015		2014
Income (loss) for the period		**$**	**113,032**	$	(91,336)
Other comprehensive loss:					
Items that have been / may be classified subsequently to income or loss:					
Fair value movements:					
Losses on revaluation of available for sale investments	19		**(8,970)**		(6,967)
Losses on revaluation of available for sale investments transferred to the statement of income	19		**8,075**		1,766
Other comprehensive income (loss) for the period		**$**	**(895)**	$	(5,201)
Total comprehensive income (loss) for the period		**$**	**112,137**	$	(96,537)
Attributable to owners of Turquoise Hill		**$**	**95,275**	$	(26,618)
Attributable to owners of non-controlling interests			**16,862**		(69,919)
Total comprehensive income (loss) for the period		**$**	**112,137**	$	(96,537)

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 March 31, 2015	2014
Cash generated from (used in) operating activities before interest and tax	21	**$ 105,259**	$ (111,869)
Interest received		**283**	-
Interest paid		**-**	(18,434)
Income and other taxes paid		**(4,473)**	-
Net cash generated from (used in) operating activities		**101,069**	(130,303)
Cash flows from investing activities			
Proceeds from sale and redemption of financial assets		**12,875**	-
Expenditures on property, plant and equipment	12	**(24,283)**	(76,838)
Proceeds from sales of mineral property rights and other assets		**1,237**	168
Other investing cash flows		**903**	-
Cash used in investing activities of continuing operations		**(9,268)**	(76,670)
Cash used in investing activities of discontinued operations		**(114)**	(3,379)
Cash used in investing activities		**(9,382)**	(80,049)
Cash flows from financing activities			
Issue of share capital	18	**20**	2,288,448
Proceeds from bridge funding facility	15	**-**	62,373
Repayment of interim and bridge funding facilities	15	**-**	(2,191,635)
Proceeds from credit facilities	15	**-**	113,826
Cash from financing activities of continuing operations		**20**	273,012
Cash from financing activities of discontinued operations		**3,500**	4
Cash from financing activities		**3,520**	273,016
Effects of exchange rates on cash and cash equivalents		**(95)**	(65)
Net increase in cash and cash equivalents		**95,112**	62,599
Cash and cash equivalents - beginning of period		**$ 862,755**	$ 78,112
Cash and cash equivalents - end of period		**957,867**	140,711
Less cash and cash equivalents classified in current assets held for sale		**(3,647)**	-
Cash and cash equivalents as presented on the statement of financial position		**$ 954,220**	$ 140,711

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	**March 31, 2015**	December 31, 2014	January 1, 2014
Current assets				
Cash and cash equivalents	9	**$ 954,220**	$ 862,755	$ 78,112
Inventories	10	**331,706**	396,782	844,510
Trade and other receivables		**14,192**	14,519	4,853
Prepaid expenses and other assets	11	**76,827**	76,903	105,088
Due from related parties	23	**4,445**	7,864	5,070
Assets of disposal groups held for sale	14	**300,593**	229,489	-
		1,681,983	1,588,312	1,037,633
Non-current assets				
Property, plant and equipment	12	**6,555,469**	6,597,395	7,209,453
Inventories	10	**43,533**	52,757	21,229
Financial assets	13	**22,363**	60,553	370,471
		6,621,365	6,710,705	7,601,153
Total assets		**$ 8,303,348**	$ 8,299,017	$ 8,638,786
Current liabilities				
Borrowings and other financial liabilities	15	**-**	-	2,145,093
Trade and other payables	16	**138,934**	185,852	280,395
Deferred revenue		**71,882**	140,135	107,796
Payable to related parties	23	**42,818**	53,784	247,692
Liabilities of disposal groups held for sale	14	**127,871**	120,871	-
		381,505	500,642	2,780,976
Non-current liabilities				
Borrowings and other financial liabilities	15	**13,961**	14,086	108,866
Deferred income tax liabilities		**129,231**	122,820	91,380
Decommissioning obligations	17	**94,497**	93,004	118,562
		237,689	229,910	318,808
Total liabilities		**$ 619,194**	$ 730,552	$ 3,099,784
Equity				
Share capital	18	**11,432,084**	11,432,060	9,150,621
Contributed surplus		**1,557,426**	1,555,721	1,551,466
Accumulated other comprehensive (loss) income	19	**(5,400)**	(4,505)	22,347
Deficit		**(4,692,170)**	(4,788,340)	(4,815,269)
Equity attributable to owners of Turquoise Hill		**8,291,940**	8,194,936	5,909,165
Attributable to non-controlling interests	20	**(607,786)**	(626,471)	(370,163)
Total equity		**7,684,154**	7,568,465	5,539,002
Total liabilities and equity		**$ 8,303,348**	$ 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 May 8, 2015 and signed on their behalf by:

/s/ J. Gardiner	/s/ R. Robertson
J. Gardiner, Director	R. Robertson, Director

TURQUOISE HILL RESOURCES LTD.

Consolidated Statements of Equity

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

(Unaudited)

Three Months Ended March 31, 2015	**Attributable to owners of Turquoise Hill**						
	Share capital (Note 18)	Contributed surplus	Accumulated other comprehensive 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 for the period	-	-	-	96,170	96,170	16,862	113,032
Comprehensive loss for the period	-	-	(895)	-	(895)	-	(895)
Equity issued to holders of non-controlling interests	-	1,677	-	-	1,677	1,823	3,500
Employee share options	24	28	-	-	52	-	52
Closing balance	**$11,432,084**	**$ 1,557,426**	**$ (5,400)**	**$ (4,692,170)**	**$ 8,291,940**	**$ (607,786)**	**$ 7,684,154**

Three Months Ended March 31, 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	-	-	-	(21,643)	(21,643)	(69,693)	(91,336)
Comprehensive loss for the period	-	-	(4,975)	-	(4,975)	(226)	(5,201)
Equity issued for rights offering (Note 18), net of share issue costs of $79,771	2,280,959	-	-	-	2,280,959	-	2,280,959
Equity issued to holders of non-controlling interests	-	2,397	-	-	2,397	(2,469)	(72)
Employee share options	11	796	-	-	807	76	883
Closing balance	**$11,431,591**	**$ 1,554,659**	**$ 17,372**	**$ (4,836,912)**	**$ 8,166,710**	**$ (442,475)**	**$ 7,724,235**

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 May 8, 2015. Rio Tinto plc is the ultimate parent company and indirectly owns a 50.8% majority interest in Turquoise Hill as at March 31, 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 interim 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") and as these are the Company's first condensed interim consolidated financial statements prepared under IFRS, also IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). These condensed interim consolidated financial statements comply with IAS 34 and do not include all of the information required for full annual financial statements.

The accounting policies applied in these condensed interim consolidated financial statements are presented below and are based on IFRS issued and applicable as of May 8, 2015, the date the Board of Directors approved the financial statements. The accounting policies have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2014 for the purpose of the transition to IFRS, unless otherwise indicated. An explanation of how the transition to IFRS has affected the reported equity and comprehensive income (loss) of the Company is provided in Note 25.

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 that were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The condensed interim consolidated financial statements disclose IFRS information for the year ended December 31, 2014 that is material to the understanding of these condensed interim consolidated financial statements.

(b) Use of estimates and judgments

The preparation of financial statements requires management to make assumptions and estimates that affect the reported amounts and other disclosures in these condensed interim consolidated financial statements. Actual results may differ from those estimates. Significant estimates used in the preparation of these condensed interim consolidated financial statements include, among other things, the recoverability of investments, the proven and probable ore reserves, the estimated recoverable tonnes of

2. Summary of significant accounting policies (continued)

(b) Use of estimates and judgments (continued)

ore from each mine area, the estimated net realizable value of inventories, the valuation of deferred income tax assets, the expected economic lives of and the recoverability of property, plant and equipment, depreciation and depletion, estimated fair values of financial assets and liabilities falling within levels 2 or 3 of the IFRS guidance for fair value measurements and the anticipated costs and timing of decommissioning obligations.

Significant judgments used in the preparation of these condensed interim consolidated financial statements include, among other things, the assessment of control over subsidiaries and the capitalization of stripping costs.

(c) Basis of consolidation

The financial statements consist of the consolidation of the accounts of Turquoise Hill and its respective subsidiaries, together with the Company's share of associates accounted for as described below.

All intercompany transactions and balances between Turquoise Hill and its subsidiaries have been eliminated on consolidation.

Where necessary, adjustments are made to assets, liabilities, and results of subsidiaries and associates to bring their accounting policies into line with those used by the Company.

(i) Subsidiaries

Subsidiaries are entities controlled by Turquoise Hill. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity if it has power to divest the activities of the entity that significantly affects its returns (the relevant activities), has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power to affect those returns.

The Company consolidates all wholly-owned subsidiary undertakings. The following table illustrates the Company's method of accounting for its interests in operating subsidiaries where the Company holds less than a 100% voting or economic interest:

Entity	Percent of equity interests owned at March 31, 2015	Method at March 31, 2015
Oyu Tolgoi LLC (1)	66.0%	Consolidation
SouthGobi Resources Ltd. (2)	47.9%	Consolidation

(1) The Company's principal operating subsidiary is Oyu Tolgoi LLC ("Oyu Tolgoi"). Wholly-owned subsidiaries of Turquoise Hill together hold a 66.0% interest in Oyu Tolgoi, whose principal asset is the Oyu Tolgoi copper-gold mine located in southern Mongolia.

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

The remaining 34% non-controlling interest in Oyu Tolgoi is owned by Erdenes Oyu Tolgoi LLC ("Erdenes"), a company controlled by the Mongolian government. The Company has historically funded 100% of the Oyu Tolgoi copper-gold mine's exploration and development costs via equity and debt investments in Oyu Tolgoi and non-recourse loans to Erdenes. Income and loss of Oyu Tolgoi is attributed to the controlling and non-controlling shareholders based on ownership percentage. Non-recourse loans advanced to Erdenes upon the issuance of additional equity interests to Erdenes are accounted for separately and recorded as an offset to non-controlling interest in equity. Unrealized interest on the non-recourse loans to Erdenes, which are recoverable principally through dividends from Oyu Tolgoi or sale by Erdenes of its interests in Oyu Tolgoi, is recognized when right to repayment of the interest becomes probable.

(2) The Company consolidates its interest in SouthGobi. Although the Company does not have the majority of voting rights following the issuance of voting units by SouthGobi to a third party in December 2014 (which reduced the Company's holdings from 53.9% to 47.9%), the Company has concluded that, considering the size and dispersion of other vote holders, it has retained the *de facto* ability to direct the relevant activities of SouthGobi and accordingly has continued to consolidate SouthGobi.

(ii) Associates

An associate is an entity that is neither controlled nor jointly controlled by the Company, over which the Company has significant influence. Significant influence is presumed to exist where there is neither control nor joint control and the Company has over 20 per cent of the voting rights, unless it can be clearly demonstrated that this is not the case. Significant influence can also arise where the Company holds fewer than 20 per cent of the voting rights if it has the power to participate in the financial and operating policy decisions affecting the entity. Investments in associates are accounted for using the equity method of accounting. For all associates, the carrying value will include any long term debt interests that in substance form part of the Company's net investment.

Under the equity method of accounting, the investment is recorded initially at cost to the Company. In subsequent periods the carrying amount of the investment is adjusted to reflect the Company's share of the associates' retained post-acquisition profit or loss and other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Currency translation and foreign exchange

The Company has determined the U.S. dollar to be its functional currency as it is the currency of the primary economic environment in which Turquoise Hill and all of its significant subsidiaries operate. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the date of the transaction. All exchanges gains and losses are included in the condensed interim consolidated statement of income during the period.

2. Summary of significant accounting policies (continued)

(e) Sales revenue

Sales revenue is only recognized on individual sales when all of the following criteria are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the product;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

These conditions are generally satisfied and sales revenue recognized when the product is delivered as specified by the customer, which is typically upon loading of the product to the customers' truck, train or vessel. The Company recognizes deferred revenue in the event it receives payment from a customer before a sales transaction meets all the criteria for revenue recognition.

Sales revenue is commonly subject to adjustment based on the final determination of contained metal. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal and subsequently adjusted.

Certain products are "provisionally priced" whereby the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 180 days after delivery to the customer as defined in the sales contract. The final price is based on the market price at the relevant quotation point stipulated in the contract which gives rise to an embedded derivative that is required to be bifurcated from the host contract. The host contract is the receivable from the sale of product based on relevant forward market prices at the time of sale. At each reporting date, the provisionally priced metal is marked to market based on the forward selling price for the quotation period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, gold, and silver, for which there exists an active and freely traded commodity market such as the London Metals Exchange and the value of product sold by the Company is directly linked to the form in which it is traded on that market. The marking- to-market of the embedded derivative is classified as a component of sales revenue.

Amounts billed to customers in respect of shipping and handling are classified as sales revenue where the Company is responsible for transportation, insurance and freight. All shipping and handling costs incurred by the Company are recognized as operating costs. If the Company is acting solely as an agent, amounts billed to customers are offset against the relevant costs.

Revenues from the sale of significant by-products such as gold are included in sales revenue. Mining royalties are included in operating expenses.

2. Summary of significant accounting policies (continued)

(f) Exploration and evaluation

All direct costs related to the acquisition of mineral property interests are capitalized in the period incurred.

Exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a mineral property has proven and probable reserves and the property is economically viable, in which case subsequent evaluation costs incurred to develop a mineral property are capitalized. Exploration and evaluation costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depletion and depreciation and accumulated impairment losses. The cost of property, plant and equipment includes the estimated close down and restoration costs associated with the asset.

Once an undeveloped mining project has been established as commercially viable, including that it has established proven and probable reserves and approval to mine has been given by those with the authority to do so, expenditure other than that on land, buildings, plant and equipment is capitalized under "Mineral property interests." Ore reserves may be declared for an undeveloped mining project before its commercial viability has been fully determined and approval to mine has been given. Evaluation costs may continue to be capitalized during the period between declaration of reserves and approval to mine as further work is undertaken in order to refine the development case to maximize the project's return.

Expenditures on buildings and equipment are capitalized under "Capital works in progress" provided that the project has been established as commercially viable. Capital works in progress are not categorized as mineral property interests, mining plant and equipment or other capital assets until the capital asset is in the condition and location necessary for its intended use.

Costs which are necessarily incurred while commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Development costs incurred after the commencement of production are capitalized to the extent they are expected to give rise to a future economic benefit. Interest on borrowings related to construction or development projects is capitalized until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

2. Summary of significant accounting policies (continued)

(h) Deferred stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development of an open pit mine, before production commences, stripping costs are capitalized as part of mineral property interests and are subsequently amortized over the life of the mine on a units of production basis.

During the production phase, stripping activity is undertaken for the dual purpose of extracting inventory for current production as well as improving access to the ore body.

Stripping costs incurred for the purpose of extracting current inventories are included in the costs of inventory produced during the period the stripping costs are incurred.

In order for production phase stripping costs to qualify for capitalization as a stripping activity asset, three criteria must be met:

- it must be probable that economic benefit will be realized in a future accounting period as a result of improved access to the ore body created by the stripping activity;
- it must be possible to identify the "component" of the ore body for which access has been improved; and
- it must be possible to reliably measure the costs that relate to the stripping activity.

When the cost of stripping related to development which has a future benefit is not distinguishable from the cost of producing current inventories, the stripping costs are allocated to each activity based on a relevant production measure. Generally, the measure would be calculated based on a ratio obtained by dividing the tonnage of waste mined for the component for the period by the quantity of ore mined for the component. Stripping costs incurred in the period related to the component are deferred to the extent that the current period ratio exceeds the life of component ratio.

The stripping activity asset is depreciated on a units of production basis based on expected production of ore over the life of the components benefited. The life of component ratios are based on proven and probable reserves based on the mine plan; they are a function of the mine design and therefore changes to that design will generally result in changes to the ratios. Changes in other technical or economic parameters that impact on reserves may also impact the life of component ratios. Changes to the life of component ratios are accounted for prospectively.

Deferred stripping costs are included in "Mineral property interests" within property, plant and equipment and are amortized on a units-of-production basis over the useful life of the component that has been more accessible as a result of the stripping activity. Amortization of deferred stripping costs is included as a cost of production in the period.

2. Summary of significant accounting policies (continued)

(i) Depreciation and depletion

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the mine if that is shorter and there is no alternative use for the asset.

The useful lives of the major assets of a cash-generating unit are often dependent on the life of the ore body to which they relate. Where this is the case, the lives of mining properties, and their associated concentrators and other long lived processing equipment generally relate to the expected life of the ore body. The life of the ore body, in turn, is estimated on the basis of the life-of-mine plan. In applying the units of production method, depreciation is calculated using the metal content of the ore extracted from the mine in the period as a percentage of the total metal content of the ore to be extracted in current and future periods based on proved and probable reserves.

Development costs that relate to a discrete section of an ore body, and which only provide benefit over the life of those reserves, are depreciated over the estimated life of that discrete section. Development costs incurred that relate to the entire ore body are depreciated over the estimated life of the entire ore body.

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the mine are depreciated on a straight line basis. Depreciation commences when an asset is available for use.

(j) Impairment of non-current assets

Property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is assessed at the level of cash-generating units which are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs of disposal (“FVLCD”).

The value in use is the net present value of expected future cash flows of the relevant cash-generating unit in its current condition, both from continuing use and ultimate disposal. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IFRS.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount a market participant would pay for the cash generating unit in an arm’s length transaction. This is often estimated using discounted cash flow techniques based on detailed life of mine and/or production plans.

The cash flow forecasts are based on management’s best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up, which for FVLCD purposes management believe approximate those of a market participant. Forecast cash flows for impairment purposes are generally based on management’s price forecasts of commodity prices, which assume short term observable market prices will revert to the Company’s

2. Summary of significant accounting policies (continued)

(j) Impairment of non-current assets (continued)

assessment of the long term price, generally over a period of three to five years. These long-term forecast commodity prices are derived from industry analyst consensus.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Non-current assets that have previously been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Decommissioning obligations

The Company recognizes liabilities for statutory, contractual, legal or constructive obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning obligation is recognized at its net present value in the period in which it is incurred, using a discounted cash flow technique with market-based risk-free discount rates and cash flow projections for the timing of the settlement of the obligation.

Upon initial recognition of the liability, the corresponding decommissioning cost is added to the carrying amount of the related asset. Following initial recognition of the decommissioning obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current discount rate and amount or timing of the underlying cash flows needed to settle the obligation. Subsequent changes in the provisions resulting from new disturbances, updated cost estimates, changes to estimated lives of operations and revisions to discount rates are also capitalized to the related property, plant and equipment. Amounts capitalized to the related property, plant and equipment are depreciated over the lives of the assets to which they relate. The amortization or unwinding of the discount applied in establishing the net present value of provisions is charged to expense and is included within Finance costs in the Statement of Income (Loss).

(l) Inventories

Concentrate inventory is valued at the lower of weighted average cost and net realizable value. Cost is comprised of production and processing costs, which includes direct and indirect labour, operating materials and supplies, applicable transportation costs and apportionment of operating overheads, including depreciation and depletion. Net realizable value is the expected average selling price of the concentrate inventory less applicable selling and transportation costs.

Stockpiles represent ore that has been extracted and is available for further processing. Stockpiles are valued at the lower of weighted average production cost and net realizable value. Production cost includes direct and indirect labour, operating materials and supplies, applicable transportation costs, and apportionment of operating overheads, including depreciation and depletion. Net realizable value is the expected average selling price of the finished product less the costs to get the product into saleable form and to the selling location. If the ore will not be processed within the 12 months after the statement of

2. Summary of significant accounting policies (continued)

(l) Inventories (continued)

financial position date it is included within non-current assets and net realizable value is calculated on a discounted cash flow basis over the planned use of such ore.

Mine stores and supplies are valued at the lower of the weighted average cost and net realizable value less allowances for obsolescence.

(m) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of unused tax losses and credits, as well as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on enacted or substantively enacted laws at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future.

The Company is subject to assessments by various taxation authorities, who may interpret tax legislation differently from the Company. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals or negotiated settlements. Such differences are accounted for based on management's best estimate of the probable outcome of these matters.

The Company must make significant estimates and judgments in respect of its provision for income taxes and the composition and measurement of its deferred income tax assets and liabilities. The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in adjustments to the amount of deferred income tax assets and liabilities; those adjustments may be material.

2. Summary of significant accounting policies (continued)

(n) Employee benefits

Wages, salaries, contributions to government pension and social insurance funds, compensated absences and bonuses are accrued in the year in which the employees render the associated services.

(o) Cash and cash equivalents

For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand, demand deposits and short term, highly liquid investments with an initial maturity of three months or less that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(p) Financial instruments

(i) Financial assets

The Company classifies its financial assets (excluding embedded derivatives) in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale or held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. The Company has no financial assets designated at fair value through profit or loss or held-to-maturity.

Management determines the classification of financial assets at initial recognition.

a) Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, with the exception of items for which the Company may not recover substantially all of its investment for reasons other than credit deterioration, which are classified as available-for-sale. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to income or loss.

2. Summary of significant accounting policies (continued)

(p) Financial instruments (continued)

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, an evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the company invested in operates. Impairment losses are recorded in income or loss.

(ii) Financial liabilities

Borrowings and other financial liabilities (including trade payables but excluding embedded derivatives) are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost.

Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognized in the statement of income (loss) over the period to maturity using the effective interest method.

(iii) Derivative financial instruments

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed in the income statement. Derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognized in the income statement.

Embedded derivatives: Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

(q) Share based payments

The Company has an Employees' and Directors' Equity Incentive Plan, a Performance Share Unit ("PSU") Plan and a Director Deferred Share Unit ("DDSU") Plan.

The fair value of stock options at the date of grant is amortized to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The PSU's and DDSU's are accounted for at fair value upon issuance and remeasured each reporting period, based on the fair market value of a common share of the Company, and recognized as an expense on a straight-line basis over the vesting period.

2. Summary of significant accounting policies (continued)

(r) Rights

Rights to acquire equity instruments for a fixed amount of any currency (currencies), are accounted for as equity instruments if they are issued on a pro rata basis to existing owners of the same class of non-derivative equity instruments.

(s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's chief operating decision-maker, its Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company has two segments: Oyu Tolgoi with its copper-gold mine in southern Mongolia; and SouthGobi with its coal operations and exploration activities in Mongolia. The SouthGobi segment is reported within discontinued operations.

(t) 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. None of these is expected to have a significant effect on the condensed interim consolidated financial statements of the Company, except for:

(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 has not yet been determined.

(ii) IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*, is effective for fiscal years ending on or after December 31, 2017 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.

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

3. Operating segments - continuing operations

	Three Months Ended March 31, 2015		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 426,157	$ -	**$ 426,157**
Cost of sales	(257,867)	-	**(257,867)**
Gross margin	168,290	-	**168,290**
Operating expenses	(108,279)	14,736	**(93,543)**
Corporate administration expenses	-	(3,502)	**(3,502)**
Other income (expenses)	2,591	(8,512)	**(5,921)**
Income (loss) before finance items and taxes	62,602	2,722	**65,324**
Finance items			
Finance income	323	275	**598**
Finance costs	(114,340)	112,609	**(1,731)**
Income (loss) from continuing operations before taxes	$ (51,415)	$ 115,606	**$ 64,191**
Provision for income and other taxes	(50)	(11,713)	**(11,763)**
Income (loss) from continuing operations	$ (51,465)	$ 103,893	**$ 52,428**
Depreciation and depletion	$ 86,441	$ 24	**$ 86,465**
Capital expenditures	$ 30,357	$ -	**$ 30,357**
Total assets	$ 6,738,185	$ 1,264,570	**$ 8,002,755**

(a) During the three months ended March 31, 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 $91.3 million, $89.2 million and $88.8 million (March 31, 2014 - $58.2 million, $35.8 million and $20.9 million). 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 March 31, 2014		
	Oyu Tolgoi	Corporate and other eliminations	**Consolidated**
Revenue	$ 113,947	$ -	**$ 113,947**
Cost of sales	(93,482)	-	**(93,482)**
Gross margin	20,465	-	**20,465**
Operating expenses	(77,370)	8,493	**(68,877)**
Corporate administration expenses	-	(6,432)	**(6,432)**
Other income (expenses)	-	1,229	**1,229**
Income (loss) before finance items and taxes	(56,905)	3,290	**(53,615)**
Finance items			
Finance income	811	4,303	**5,114**
Finance costs	(115,761)	107,295	**(8,466)**
Income (loss) from continuing operations before taxes	$ (171,855)	$ 114,888	**$ (56,967)**
Provision for income and other taxes	(1,615)	(11,769)	**(13,384)**
Income (loss) from continuing operations	$ (173,470)	$ 103,119	**$ (70,351)**
Depreciation and depletion	$ 31,456	$ 180	**$ 31,636**
Capital expenditures	$ 43,306	$ 247	**$ 43,553**
Total assets	$ 7,986,647	$ 183,831	**$ 8,170,478**

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

4. Revenue

	Three Months Ended March 31,	
	2015	2014
Copper-gold concentrate		
Copper	**$ 190,237**	$ 78,596
Gold	**232,305**	33,886
Silver	**3,615**	1,465
	$ 426,157	$ 113,947

5. Cost of sales

	Three Months Ended March 31,	
	2015	2014
Production and delivery	**$ 173,944**	$ 64,470
Depreciation and depletion	**83,923**	29,012
	$ 257,867	$ 93,482

6. Operating expenses by nature

	Three Months Ended March 31,	
	2015	2014
Operating segment administration	**$ 42,437**	$ 46,044
Royalty expenses	**21,880**	5,943
Impairments, write-downs and impairment reversals	**16,380**	8,423
Selling expenses	**7,453**	5,750
Care and maintenance costs	**2,596**	122
Depreciation	**2,542**	2,624
Other	**255**	(29)
	$ 93,543	$ 68,877

7. Other (expenses) income

	Three Months Ended March 31,	
	2015	2014
Realized losses on disposal of available for sale investments (Note 19)	**$ (8,075)**	$ -
Foreign exchange gains	**2,487**	4,422
Other including exploration and evaluation	**(333)**	(3,193)
	$ (5,921)	$ 1,229

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

8. Finance income and finance costs

	Three Months Ended March 31, **2015**	2014
Finance income:		
Interest income on bank deposits and short-term investments	**$ 598**	$ 1,478
Realized gains on foreign currency forward contracts	**-**	2,572
Other finance income	**-**	1,064
	$ 598	$ 5,114
Finance costs:		
Interest expense and similar charges	**$ (238)**	$ (6,580)
Accretion of decommissioning obligations (Note 17)	**(1,493)**	(1,886)
	$ (1,731)	$ (8,466)

9. Cash and cash equivalents

	March 31, 2015	December 31, 2014	January 1, 2014
Cash on hand and demand deposits	**$ 145,538**	$ 141,271	$ 78,112
Short-term liquid investments (Note 23)	**808,682**	721,484	-
	$ 954,220	$ 862,755	$ 78,112

10. Inventories

	March 31, 2015	December 31, 2014	January 1, 2014
Current			
Copper-gold concentrate	**$ 87,226**	$ 142,242	$ 533,895
Run-of-mine copper-gold stockpiles	**3,537**	11,596	7,529
Materials and supplies	**272,319**	274,320	309,620
Coal stockpiles	**-**	-	8,305
Provision against carrying value of materials and supplies	**(31,376)**	(31,376)	(14,839)
	$ 331,706	$ 396,782	$ 844,510
Non-current			
Run-of-mine copper-gold stockpiles	**$ 166,402**	$ 159,246	$ 118,497
Provision against carrying value	**(122,869)**	(106,489)	(97,268)
	$ 43,533	$ 52,757	$ 21,229

During the three month period ended March 31, 2015, inventory write downs, net of reversals, amounting to $16.4 million (March 31, 2014 - $8.4 million) were recognized.

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

11. Prepaid expenses and other deposits

	March 31, 2015	December 31, 2014	January 1, 2014
Mongolian tax prepayments (Note 13)	$ **60,198**	$ 60,000	$ -
Prepaid expenses and other deposits	**16,629**	16,903	33,378
Standby purchaser fee prepayment (Note 18 (c))	**-**	-	71,710
	$ **76,827**	$ 76,903	$ 105,088

12. Property, plant and equipment

Three Months Ended March 31, 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	18,671	78	11,608	-	**30,357**
Depreciation for the period	(9,579)	(61,535)	-	(22)	**(71,136)**
Disposals	-	(1,157)	-	-	**(1,157)**
Transfers and other movements	-	1,410	(1,410)	10	**10**
March 31, 2015	**$ 957,464**	**$ 3,634,735**	**$ 1,962,970**	**$ 300**	**$ 6,555,469**
Cost	1,085,669	4,215,311	1,962,970	3,794	**7,267,744**
Accumulated depreciation	(128,205)	(580,576)	-	(3,494)	**(712,275)**
March 31, 2015	**$ 957,464**	**$ 3,634,735**	**$ 1,962,970**	**$ 300**	**$ 6,555,469**

Three Months Ended March 31, 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	23,119	412	19,775	6,603	**49,909**
Depreciation for the period	(11,518)	(50,782)	-	(13,432)	**(75,732)**
Disposals	-	(30)	-	(80)	**(110)**
Transfers and other movements	-	3,059	(3,059)	-	**-**
March 31, 2014	**$ 995,618**	**$ 3,809,515**	**$ 1,978,430**	**$ 399,957**	**$ 7,183,520**
Cost	1,065,329	4,130,819	1,978,430	578,622	**7,753,200**
Accumulated depreciation	(69,711)	(321,304)	-	(178,665)	**(569,680)**
March 31, 2014	**$ 995,618**	**$ 3,809,515**	**$ 1,978,430**	**$ 399,957**	**$ 7,183,520**

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

13. Financial assets

	March 31, 2015	December 31, 2014	January 1, 2014
Mongolian tax prepayments (a)	**$ 5,000**	$ 19,886	$ 157,983
Available for sale investments (b)	**12,481**	34,325	70,254
Mongolian treasury bill (c)	**-**	-	109,294
Interests in joint ventures (d)	**-**	-	24,205
Other	**4,882**	6,342	8,735
	$ 22,363	$ 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 month period ended March 31, 2015, the Company offset $15.0 million (March 31, 2014 - $28.9 million) of tax prepayments against Mongolian taxes and recognized $0.3 million of interest income (March 31, 2014 - $0.5 million). The expected application against Mongolian taxes for the next 12 months of $60.2 million is recorded as current in Prepaid expenses and other deposits (Note 11).

The total prepayment outstanding at March 31, 2015 was $65.2 million and is recorded in the financial statements at amortized cost. The fair value of the outstanding prepayment at March 31, 2015 was $61.1 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

	March 31, 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)	**2.1%**	**$ 13,108**	**$ (3,166)**	**$ 9,942**	5.4%	$ 34,057	$ (2,206)	$ 31,851	6.4%	$ 34,057	$ 25,953	$ 60,010
Entrée Gold Inc.	**9.4%**	**4,723**	**(2,222)**	**2,501**	9.4%	4,723	(2,283)	2,440	9.4%	4,723	(696)	4,027
Other	**-**	**50**	**(12)**	**38**	-	50	(16)	34	-	5,710	507	6,217
		$ 17,881	**$ (5,400)**	**$ 12,481**		$ 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 March 31, 2015, the Company held 2.3 million (December 31, 2014 - 22.4 million, January 1, 2014 – 11.7 million) freely tradable Class A common shares of Ivanhoe Mines Ltd. (“Ivanhoe”) and a further 12.0 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 February 2015, Turquoise Hill disposed of 22.9 million shares in Ivanhoe at a weighted average price of Cdn$0.71 per share resulting in a realized loss on disposal of $8.1 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 has been classified as held for sale within the SouthGobi disposal group from July 29, 2014.

14. Assets held for sale and discontinued operations

2014 sale and purchase agreement with National United Resources Limited

On July 29, 2014, the Company announced that it had entered into a sale and purchase agreement with National United Resources Holdings Limited (“NUR”), a Hong Kong-based public company listed on the main board of the Stock Exchange of Hong Kong (the “SEHK”), providing for the sale to NUR of 56.1 million common shares in SouthGobi at a price of Cdn$0.455 per common share.

Upon signing of the sale and purchase agreement 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. The transaction was unable to be completed as required by the terms of the sale and purchase agreement.

2014 impairment charge

Upon classification of the SouthGobi disposal group as held for sale during the 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 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.

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

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

2015 sale and purchase agreement with Novel Sunrise Investments Limited

On February 24, 2015, Turquoise Hill announced that it had entered into a share purchase agreement with Novel Sunrise Investments Limited providing for the sale of its remaining 48.7 million shares in SouthGobi, not subject to the agreement with NUR described above, at a price of Cdn$0.35 per common share payable in cash. The Company completed the sale on April 23, 2015; half of the aggregate purchase price, representing Cdn$8.5 million, was received at closing. The balance of approximately Cdn$8.5 million will be payable on the first anniversary of closing.

2015 impairment reversal

Following an increase in the quoted share price of SouthGobi 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 of SouthGobi at March 31, 2015 and included adjustments for amounts receivable from SouthGobi which eliminated on consolidation prior to divestment.

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

	March 31, 2015	December 31, 2014
Cash and cash equivalents	**$ 3,647**	$ 3,788
Inventories	**29,118**	31,256
Trade and other receivables	**269**	461
Prepaid expenses and other assets	**4,014**	4,194
Property, plant and equipment	**236,857**	163,216
Financial assets	**26,688**	26,574
Assets of disposal groups held for sale	**$ 300,593**	$ 229,489
Borrowings and other financial liabilities	**7,232**	2,301
Trade and other payables	**10,874**	10,324
Deferred revenue	**11,697**	11,898
Payable to related parties	**769**	771
Convertible credit facility	**94,470**	92,873
Decomissioning obligations	**2,829**	2,704
Liabilities of disposal groups held for sale	**$ 127,871**	$ 120,871

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

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

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

	Three Months Ended March 31,	
	2015	2014
Revenue	**$ 2,262**	$ 7,175
Cost of sales	**(7,070)**	(18,366)
Reversal of write down of property, plant and equipment	**73,638**	-
Other income (expenses)	**(8,226)**	(9,794)
Income (loss) after tax from discontinued operations	**$ 60,604**	$ (20,985)

15. Borrowings and other financial liabilities

	March 31, 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	**$ 13,961**	$ 14,086	$ 14,564
Convertible debenture (c)	**-**	-	94,302
	$ 13,961	$ 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.

During the three month period ended March 31, 2014, interest expense of $5.0 million, including a gross-up for applicable withholding taxes, was incurred on the facilities, of which $nil was capitalized as Oyu Tolgoi mine development costs. As at January 1, 2014, accrued interest of $13.5 million was outstanding on the Interim Funding Facility.

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

15. Borrowings and other financial liabilities (continued)

(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.

(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 (Note 24 - Contingencies). Pursuant to the convertible debenture’s terms, on March 29, 2010, SouthGobi exercised its right to call for conversion $250 million of the convertible debenture into 21.5 million shares.

	March 31, 2015	December 31, 2014	January 1, 2014
Principal amount of convertible debenture	**$ 250,000**	$ 250,000	$ 250,000
(Deduct) add:			
Transaction costs	**(2,801)**	(2,801)	(2,801)
Bifurcation of embedded derivative liability	**(156,646)**	(156,646)	(156,646)
Accretion of discount	**499**	486	354
Carrying amount of debt host contract	**$ 91,052**	$ 91,039	$ 90,907
Embedded derivative liability	**3,418**	1,834	3,395
Convertible credit facility	**$ 94,470**	$ 92,873	$ 94,302
Less amount classified as liabilities held for sale	**(94,470)**	(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 has been classified as held for sale within the SouthGobi disposal group from July 29, 2014.

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

16. Trade and other payables

	March 31, 2015	December 31, 2014	January 1, 2014
Trade payables and accrued liabilities	**$ 135,480**	$ 184,750	$ 278,902
Other	**3,454**	1,102	1,493
	$ 138,934	$ 185,852	$ 280,395

17. Decommissioning obligations

	March 31, 2015	December 31, 2014	January 1, 2014
Oyu Tolgoi	**$ 94,497**	$ 93,004	$ 116,254
SouthGobi	**-**	-	2,308
	$ 94,497	$ 93,004	$ 118,562

	Three Months Ended March 31,	
	2015	2014
Opening carrying amount	**$ 93,004**	$ 118,562
Changes in estimates	**-**	363
Accretion of present value discount	**1,493**	1,907
	$ 94,497	$ 120,832

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 terms rate of 2.0% (December 31, 2014 – 2.0%, January 1, 2014 – 2.0 %).

18. Share capital

	Three Months Ended March 31, 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, March 31, 2015	2,012,309,019	$ 11,432,084

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

18. Share capital (continued)

	Three Months Ended March 31, 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 $79,771 (c)	1,006,116,602	2,280,934
Exercise of stock options (b)	2,616	17
Share purchase plan	5,753	19
Balances, March 31, 2014	2,012,241,573	$ 11,431,591

(a) Rio Tinto interests

As at March 31, 2015, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2014 – 50.8%, March 31, 2014 - 50.8% January 1, 2014 – 50.8%). In addition, as at March 31, 2015, Rio Tinto held 74.2 million Series D Warrants (December 31, 2014 -74.2 million; March 31, 2014 – 74.2 million; January 1, 2014 – 74.2 million) exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $8.20 and a further 74.2 million Anti-Dilution Series D Warrants (December 31, 2014 -74.2 million; March 31, 2014 – 74.2 million; January 1, 2014 – nil) exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $4.31.

(b) Share Options

During the three month period ended March 31, 2015, 10,222 options were exercised, 531,569 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.

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

18. Share capital (continued)

(c) 2013 Rights Offering (continued)

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 three month period ended March 31, 2014, the Company recognized a derivative gain of $1.1 million associated with the remeasurement of the standby purchaser fee liability.

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	(8,970)	-	-	**(8,970)**
Reclassifications from accumulated other comprehensive income (Note 13 (b))	8,075	-	-	**8,075**
Net other comprehensive loss	(895)	-	-	**(895)**
Balance, March 31, 2015	**$ (5,400)**	**$ -**	**$ -**	**$ (5,400)**

	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	(7,722)	755	226	**(6,741)**
Reclassifications from accumulated other comprehensive income	1,766	-	-	**1,766**
Net other comprehensive (loss) income	(5,956)	755	226	**(4,975)**
Balance, March 31, 2014	**$ 19,808**	**$ (2,416)**	**$ (20)**	**$ 17,372**

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

20. Non-controlling interests

At March 31, 2015, there were non-controlling interests in subsidiaries as follows:

	Noncontrolling Interests		
	SouthGobi	Oyu Tolgoi (a)	**Total**
Balance, January 1, 2015	$ 56,590	$ (683,061)	**$ (626,471)**
Noncontrolling interests' share of income (loss)	31,575	(14,713)	**16,862**
Changes in equity interests held by Turquoise Hill	1,823	-	**1,823**
Balance, March 31, 2015	**$ 89,988**	**$ (697,774)**	**$ (607,786)**

	Noncontrolling Interests		
	SouthGobi	Oyu Tolgoi (a)	**Total**
Balance, January 1, 2014	$ 171,348	$ (541,511)	**$ (370,163)**
Noncontrolling interests' share of loss	(8,811)	(60,882)	**(69,693)**
Noncontrolling interests' share of other comprehensive loss	(226)	-	**(226)**
Changes in equity interests held by Turquoise Hill	(2,393)	-	**(2,393)**
Balance, March 31, 2014	**$ 159,918**	**$ (602,393)**	**$ (442,475)**

(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 March 31, 2015, the cumulative amounts of such funding and accrued interest were $751.2 million (December 31, 2014 - $751.2 million; March 31, 2014 - $751.2 million and January 1, 2014 - $751.2 million) and $183.1 million (December 31, 2014 - $168.6 million; March 31, 2014 - $124.7 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 loss to net cash flow generated from (used in) operating activities

	Three Months Ended March 31, **2015**	2014
Income (loss) from continuing operations	**$ 52,428**	$ (70,351)
Adjustments for:		
Depreciation and amortization	**86,465**	31,636
Finance items:		
Interest income	**(598)**	(1,478)
Interest and accretion expense	**1,731**	8,466
Realized and unrealized gains on financial instruments	**8,075**	-
Unrealized foreign exchange gains (losses)	**131**	307
Write down of carrying value of inventories	**16,380**	8,423
Tax prepayment offset	**15,000**	28,885
Income and other taxes	**11,763**	11,431
Other items	**417**	(310)
Net change in non-cash operating working capital items:		
(Increase) decrease in:		
Inventories	**36,827**	(71,469)
Trade and other receivables and Prepaid expenses and other assets	**1,074**	(7,661)
Due from related parties	**3,419**	184
(Decrease) increase in:		
Trade and other payables	**(48,607)**	(57,712)
Deferred revenue	**(68,253)**	22,427
Payable to related parties	**(10,966)**	(6,915)
Cash generated from (used in) operating activities of continuing operations before interest and tax	**105,286**	(104,137)
Cash used in operating activities of discontinued operations before interest and tax	**(27)**	(7,732)
Cash generated from (used in) operating activities before interest and tax	**$ 105,259**	$ (111,869)

(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 March 31,	
	2015	2014
Investing activities		
Tax prepayment (Note 13)	**$ 15,000**	$ 28,885
Financing activities		
Repayment of credit facility (Note 15)	**-**	(9,124)

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 year. 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 loss per share calculation due to antidilution are as follows:

	Three Months Ended March 31,	
	2015	2014
Options	**2,815,462**	5,750,383
Series D warrants	**74,247,460**	74,247,460
Anti-diultive Series D warrants	**74,247,460**	74,247,460
	151,310,382	154,245,303

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

23. Related parties

As at March 31, 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:

	March 31, 2015	December 31, 2014	January 1, 2014
Cash and cash equivalents (i)	**$ 808,682**	$ 711,468	$ -
Due from related parties	**4,445**	7,864	5,070
Payable to related parties:			
Management service payments (ii)	**(7,191)**	(7,729)	(100,569)
Cost recoveries (iii)	**(35,627)**	(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)
	$ 770,309	$ 665,548	$ (2,385,414)

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

	Three Months Ended March 31, **2015**	2014
Interest income on demand deposits	**$ 246**	$ -
Cost recoveries - Turquoise Hill	**1,100**	577
Financing costs:		
Commitment fees (iv)	**-**	(224)
Interest expense (iv)	**-**	(4,903)
Management services payment (ii)	**(7,191)**	(6,365)
Cost recoveries - Rio Tinto (iii)	**(8,653)**	(16,306)
	$ (14,498)	$ (27,221)

23. Related parties (continued)

(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 March 31, 2015 included deposits with wholly owned subsidiaries of Rio Tinto totalling $808.7 million and are repayable, in whole or in part, to the Company on demand. The deposits earned interest at an average market rate equivalent. The rate was determined with reference to commercially available returns, on similar investments, offered by a representative group of banks.

(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 mine achieved the 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%.

(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.

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.

(a) SouthGobi remains subject to investigations by Mongolia's Independent Authority against Corruption (the "IAAC") and the Mongolian State Investigation Office (the "SIA"). The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's taxation laws.

While the IAAC investigation into allegations of possible breaches of Mongolian anti-corruption laws has been suspended, SouthGobi has not received formal notice that the IAAC investigation is completed. The IAAC has not formally accused any current or former SouthGobi employees of breach of Mongolia's anti-corruption laws.

Following completion of an investigation into allegations of violations of Mongolian tax laws, three former employees of SouthGobi (the former employees) were indicted again on December 31, 2014 and were subsequently tried in the District Court. On January 31, 2015, a panel of appointed judges from the District Court found the former employees guilty of tax evasion. SouthGobi was informed that, following receipt of the written verdict, the former employees requested pardons from the President of Mongolia and waived their right of appeal. On February 26, 2015 the President of Mongolia issued a decree to pardon the former employees.

The written verdict declared SouthGobi Sands LLC, a subsidiary of SouthGobi, to be financially liable as a "civil defendant" for a penalty of MNT35,300,000 (approximately US$18.2 million) on February 1, 2015. The Company disputes this conclusion, and on February 18, 2015, SouthGobi appealed the written verdict. On March 25, 2015, a panel of three appointed judges upheld the written verdict, dismissing SouthGobi's appeal.

SouthGobi lodged a final appeal with the Supreme Court of Mongolia on April 22, 2015. In accordance with Mongolia's criminal procedure law, SouthGobi filed the appeal with the Supreme Court of Mongolia through the Second District Criminal Court of Justice.

On April 29, 2015 the Second District Criminal Court refused SouthGobi's appeal against the first appeal verdict to the Supreme Court. Following an immediate protest by SouthGobi, the Second District Criminal Court delivered SouthGobi's appeal to the Supreme Court of Mongolia and as at May 11, 2015, SouthGobi awaits confirmation from the Supreme Court as to whether they will hear the case.

The penalty would only be payable after a final appeal and SouthGobi has indicated that it will continue to defend itself through all available legal means.

The consequences for SouthGobi of the written verdict and subsequent appeals are uncertain. If the verdicts are not reversed on final appeal, or if the amount of the penalty is not reduced upon exhaustion of the appeal process, SouthGobi may not be able to pay the penalty or the final assessed amount, which could result in voluntary or involuntary insolvency proceedings involving SouthGobi.

In the opinion of the Company, at March 31, 2015 a provision for this matter is not required.

24. Contingencies (continued)

(b) SouthGobi has, since the first quarter of 2013, been subject to orders imposed by the IAAC which placed restrictions on certain of SouthGobi's Mongolian assets. The orders were imposed on SouthGobi in connection with the IAAC's investigation of the Company. The SIA also continues to enforce the orders on SouthGobi.

The orders placing restrictions on certain of SouthGobi's Mongolian assets could ultimately result in an event of default on SouthGobi's CIC convertible debenture. It is Turquoise Hill's view that this does not result in an event of default as defined under the CIC convertible debenture terms. However, if an event of default on SouthGobi's CIC convertible debenture occurs that remains uncured for ten business days, the principal amount owing and all accrued and unpaid interest will become immediately due and payable upon notice to SouthGobi by CIC.

The orders relate to certain items of operating equipment and infrastructure and SouthGobi's Mongolian bank accounts. The orders related to the operating equipment and infrastructure restricts the sale of these items; however, the orders do not restrict the use of these items in SouthGobi's mining activities. The orders related to SouthGobi's Mongolian bank accounts restrict the use of in-country funds. While the orders restrict the use of in-country funds pending outcome of the investigation, they are not expected to have any material impact on Turquoise Hill's activities.

(c) In June 2014, Oyu Tolgoi received a Tax Act (the "Tax Assessment") from the Mongolian Tax Authority (the "MTA") as a result of a general tax audit for the period covering 2010 through 2012. Following appeal by Oyu Tolgoi to the Mongolian Tax Dispute Resolution Council in 2014, the amount of unpaid taxes, penalties and fines imposed by the Tax Assessment remaining subject to dispute is $28 million. In October 2014 Oyu Tolgoi submitted an appeal of the outcome from the Tax Dispute Resolution Council to the Administrative Appellate Court. Oyu Tolgoi maintains that certain items remaining under dispute are breaches of the Investment Agreement and has reserved its rights to dispute these breaches under the process outlined in the Investment Agreement.

The Company accrues for such matters when both a liability is probable and the amount can be reasonably estimated. The Company believes that Oyu Tolgoi has paid all taxes and charges as required under the Investment Agreement and Mongolian law and in the opinion of the Company at March 31, 2015, a provision is not required. The final amount of taxes to be paid depends on a number of factors including the outcome of appeals, negotiation and possible arbitration. Changes in management's assessment of the outcome of this matter could result in adjustments to the Company's statements of income and financial position.

25. Financial instruments and fair value measurements

Certain of our 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 March 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Available for sale investments	$ **12,481**	$ 4,176	$ 8,306	$ -
	$ 12,481	**$ 4,176**	**$ 8,306**	**$ -**

	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.

26. First time adoption of IFRS

These are the Company's first consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 2 have been consistently applied in preparing the interim financial statements for the three months ended March 31, 2015, the comparative information presented in these interim financial statements for both the three months ended March 31, 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.

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, 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 the following relevant mandatory exceptions and voluntary exemptions to retrospective application of IFRS.

Turquoise Hill has applied the following mandatory exceptions in its first IFRS financial statements:

(a) Estimates

IFRS 1 provides that estimates in accordance with IFRS at the date of transition shall be consistent with estimates made in accordance with previous GAAP (after adjustment to reflect differences in accounting policies), unless there is objective evidence those estimates were in error. There were no adjustments made to previous GAAP estimates.

(b) Non-controlling interests (NCI)

IFRS 1 provides that the following requirements be applied prospectively from the date of transition:

(i) The requirement that total comprehensive income (loss) is attributed to owners of the parent and non-controlling interests even if this results in NCI having a deficit balance;

(ii) The requirements for changes in the parent's ownership interest that do not result in a loss of control; and

(iii) The requirements for accounting for a loss of control over a subsidiary and the related requirements of IFRS 5 *Non-current Assets Held-For-Sale and Discontinued Operations.*

26. First time adoption of IFRS (continued)

In accordance with IFRS 1, Turquoise Hill has applied the following voluntary exemptions in the conversion from its previous GAAP to IFRS.

(a) Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, prospectively from the Transition Date or from a specific date prior to the Transition Date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the Transition Date. The Company elected to apply IFRS 3 prospectively to business combinations occurring after its Transition Date. As a result, business combinations occurring prior to the Transition Date have not been restated.

(b) Exemption for share-based payment transactions

An IFRS 1 exemption allows the Company to not apply IFRS 2, *Share-based Payment*, to equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS. The Company has elected to apply the exemption and, as a result, has not recalculated the impact on any share based payments that have vested at the Transition Date.

(c) Exemption for borrowing costs

IFRS 1 allows a first time adopter to apply the transitional provisions set out in IAS 23, *Borrowing Costs*. The Company has elected to apply IAS 23 prospectively from the Transition Date.

(d) Exemption for assets and liabilities of subsidiaries, associates and joint ventures

The Company became a first-time adopter of IFRS after its subsidiaries, Oyu Tolgoi and SouthGobi, and is therefore required to measure the assets and liabilities of Oyu Tolgoi and SouthGobi at the same carrying amounts as in the subsidiaries' own financial statements, after adjusting for consolidation accounting adjustments and differences in accounting policy. Where an asset is affected by policy differences between the Company and its subsidiaries, the Company has applied relevant IFRS 1 voluntary exemptions described elsewhere in this note.

The Company also became a first-time adopter after its controlling shareholder, Rio Tinto; however, IFRS 1 allows a first time adopter that adopts IFRS later than its parent to measure assets and liabilities in its financial statements at either:

(i) the carrying amounts included in the parent's consolidated financial statements, based on the parent's IFRS transition date, if no adjustments were made for consolidation procedures and effects of the business combination in which the parent acquired the subsidiary; or

(ii) the carrying amounts based on the Company's own transition date, which could differ from (i) when exemptions results in measurements that depend on transition date or when accounting policies used differ from those used by the parent.

The Company has elected to use the carrying value of its assets and liabilities based upon its Transition Date and has not recorded assets and liabilities in its financial statements based on transition date elections made by Rio Tinto.

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

26. First time adoption of IFRS (continued)

(e) Exemption for compound financial instruments

IFRS 1 allows a first time adopter to not reassess the split of a compound financial instrument at inception into its separate liability and equity components when the liability component is no longer outstanding. The Company has elected to take this exemption with respect to financial instruments no longer outstanding at the Transition Date.

The Company has not elected to adopt the remaining voluntary exemptions under IFRS 1 or has determined that they do not apply to the Company.

Reconciliation of equity	Note	December 31, 2014	March 31, 2014	January 1, 2014
Equity under U.S. GAAP		**$ 7,576,725**	**$ 7,702,643**	**$ 4,578,086**
IFRS adjustments to equity:				
Non-current inventories	a	(110,330)	(109,533)	(103,892)
Deferred stripping costs (Oyu Tolgoi)	b	42,395	10,915	9,442
Deferred stripping costs (SouthGobi)	b	-	99,498	96,063
Available for sale equity investments	c	873	9,844	14,331
Loans receivable	d	4,509	9,907	13,024
Decommissioning obligations	e	(1,703)	(1,855)	(1,614)
Income taxes	f	-	2,818	4,547
Rights offering	g	-	-	928,280
Consolidation and classification of SouthGobi	h	55,986	-	-
Other		10	(2)	735
Total IFRS adjustments to equity		**$ (8,260)**	**$ 21,592**	**$ 960,916**
Total equity under IFRS		**$ 7,568,465**	**$ 7,724,235**	**$ 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 income (loss)	Note	Year Ended December 31, 2014	Three Months Ended March 31, 2014
Comprehensive loss under U.S. GAAP		**$ (208,884)**	**$ (120,298)**
IFRS adjustments to income (loss):			
Non-current inventories	a	(6,439)	(5,641)
Deferred stripping costs	b	37,234	4,908
Decommissioning obligations	e	953	(242)
Available for sale equity investments	c	-	-
Loans receivable	d	-	(122)
Income taxes	f	(10,087)	(7,268)
Rights offering	g	34,034	34,034
Consolidation and classification of SouthGobi	h	(99,758)	-
Other		2,397	35
IFRS adjustments to comprehensive income (loss)			
Investments in securities available for sale	c	(13,458)	(4,487)
Loans receivable	d	(8,514)	(2,995)
Income taxes	f	5,539	5,539
Total IFRS adjustments to comprehensive loss		**$ (58,099)**	**$ 23,761**
Comprehensive loss under IFRS		**$ (266,983)**	**$ (96,537)**

Notes to the reconciliations

The following notes should be read in conjunction with the accounting policies contained in Note 2.

(a) Non-current inventories

Under US GAAP, the Company valued run-of-mine 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.

26. First time adoption of IFRS (continued)

(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.

(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.

26. First time adoption of IFRS (continued)

(h) Consolidation and classification of SouthGobi

Under US GAAP, the Company classified the SouthGobi disposal group 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 the private placement on December 3, 2014, the Company's ownership of SouthGobi 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 has 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 has 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 prior to the determination of being held for sale during the three months ended September 30, 2014.

27. Subsequent Events

On April 23, 2015, the Company completed the sale of 48.7 million shares in SouthGobi to Novel Sunrise Investments Limited. Cash proceeds of Cdn$8.5 million were received on completion, with a balance of Cdn$8.5 million payable to the Company on the first anniversary of closing.

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. The transaction was unable to be completed as required by the terms of the sale and purchase agreement.

Turquoise Hill Resources Ltd.

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

March 31, 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 three month period ended March 31, 2015. 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.

Beginning on January 1, 2015, Turquoise Hill began preparing its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Given the conversion to IFRS, any financial information in this MD&A should be reviewed in consultation with the Company's condensed interim consolidated financial statements, in particular Notes 2 and 26 to the financial statements. 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 21.

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 17.

The effective date of this MD&A is May 11, 2015.

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1. OVERVIEW

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

- Oyu Tolgoi achieved a strong safety performance with no fatalities and an All Injury Frequency Rate of 0.25 per 200,000 hours worked.
- Beginning on January 1, 2015, Turquoise Hill began preparing its financial statements in accordance with International Financial Reporting Standards.
- Oyu Tolgoi recorded revenue of $426.2 million in Q1'15 on sales of 167,700 tonnes of concentrate containing high gold content; concentrate sales exceeded production for Q1'15.
- Revenue and sales in Q1'15 reflect expected lower quarterly production and reduced head grades as well as the impact of the Lunar New Year holiday when border and customs operations were closed.
- Turquoise Hill reported income attributable to shareholders of $96.2 million, including a non-cash impairment reversal credit of $35.2 million related to its SouthGobi investment.
- Turquoise Hill generated operating cash flow of $105.3 million during Q1'15.
- In Q1'15, material mined increased 16.1% over Q4'14 mainly due to improvements driven by a range of productivity initiatives in the open pit partially offset by longer haul distances.
- Concentrator milling rates increased through Q1'15 as improvements started to take effect, particularly in the pebble crushing circuit.
- Open-pit development for 2015 is proceeding to schedule with higher-grade material expected to be processed by the concentrator starting in Q2'15.
- Turquoise Hill expects production distribution at Oyu Tolgoi to be relatively similar to 2014 with production levels significantly higher in the second half of 2015.
- In February 2015, Oyu Tolgoi shipped its one millionth tonne of concentrate.
- Significant progress has been made in discussions with the Government of Mongolia; however no formal agreement has been signed that resolves all remaining matters.
- Oyu Tolgoi LLC signed a Cooperation Agreement in April 2015 with its partner communities, which is required under the Investment Agreement and the Mongolian Minerals Law.
- On April 23, 2015, Turquoise Hill completed its divestment transaction with Novel Sunrise Investments Limited for the sale of 48,705,155 shares in SouthGobi, with a loss on disposal expected in Q2'15.
- On May 1, 2015, Turquoise Hill announced the expiration of its share purchase agreement with National United Resources for the proposed sale of 56,102,000 shares in SouthGobi.
- During Q1'15, Turquoise Hill generated $95.1 million of cash.
- Turquoise Hill's cash and cash equivalents at March 31, 2015 were $954.2 million.

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			
	Mar-31 2015	Dec-31 2014	Sep-30 2014	Jun-30 2014
Revenue				
Copper-gold concentrate	$ 426.2	$ 670.6	$ 491.6	$ 459.5
Total revenue	$ 426.2	$ 670.6	$ 491.6	$ 459.5
Net income (loss) from continuing operations attributable to the Company	$ 67.1	$ 143.2	$ 45.0	$ 20.1
Loss from discontinued operations attributable to the Company	29.1	(9.6)	(137.9)	(12.2)
Net income (loss) attributable to the Company	$ 96.2	$ 133.6	$ (92.9)	$ 7.9
Basic income (loss) per share attributable to the Company				
Continuing operations	$ 0.03	$ 0.07	$ 0.02	$ 0.01
Discontinued operations	0.01	-	(0.07)	(0.01)
Total	$ 0.04	$ 0.07	$ (0.05)	$ -
Diluted income (loss) per share attributable to the Company				
Continuing operations	$ 0.03	$ 0.07	$ 0.02	$ 0.01
Discontinued operations	0.01	-	(0.07)	(0.01)
Total	$ 0.04	$ 0.07	$ (0.05)	$ -

	Mar-31 2014	Dec-31 2013	Sep-30 2013	Jun-30 2013
Revenue				
Copper-gold concentrate	$ 113.9	$ 51.5	$ -	$ -
Total revenue	$ 113.9	$ 51.5	$ -	$ -
Net income (loss) from continuing operations attributable to the Company	$ (9.4)	$ 242.2	$ (65.3)	$ (43.3)
Loss from discontinued operations attributable to the Company	(12.2)	(103.8)	(28.8)	(62.1)
Net income (loss) attributable to the Company	$ (21.6)	$ 138.4	$ (94.1)	$ (105.4)
Basic income (loss) per share attributable to the Company				
Continuing operations	$ (0.01)	$ 0.19	$ (0.06)	$ (0.03)
Discontinued operations	(0.01)	(0.08)	(0.02)	(0.05)
Total	$ (0.02)	$ 0.11	$ (0.08)	$ (0.08)
Diluted income (loss) per share attributable to the Company				
Continuing operations	$ (0.01)	$ 0.19	$ (0.06)	$ (0.03)
Discontinued operations	(0.01)	(0.08)	(0.02)	(0.05)
Total	$ (0.02)	$ 0.11	$ (0.08)	$ (0.08)

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 15 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 March 31, 2015, Turquoise Hill held a 47.9% interest in SouthGobi Resources Ltd. (SouthGobi), which owns the Ovoot Tolgoi coal mine in southern Mongolia. On April 23, 2015, Turquoise Hill completed the sale of 48,705,155 SouthGobi common shares to Novel Sunrise Investments Limited (NSI). Following closing of the transaction as well as NSI's private placement with SouthGobi, Turquoise Hill holds 23.3% of the issued and outstanding SouthGobi shares.

In Q1'15, Turquoise Hill recorded net income attributable to shareholders of $96.2 million, comprising net income from continuing operations of $67.1 million, and net income from discontinued operations of $29.1 million, largely related to appreciation of SouthGobi's quoted stock price during the quarter. Earnings per share of $0.04 comprised $0.03 per share from continuing operations and $0.01 from discontinued operations.

Operating cash flows were $105.3 million, reflecting period sales, which were particularly impacted by high by-product revenues, and further drawdown of run-of-mine inventories held at December 31, 2014.

Additions to property, plant and equipment were $30.4 million in Q1'15, including approximately $27.0 million for sustaining capital activities including the tailing storage facility.

Turquoise Hill's cash and cash equivalents at March 31, 2015 were $954.2 million.

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 an initial 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 to allow matters with the Government of Mongolia to be resolved. Further development of the underground mine is expected to commence once the following conditions are met: (1) successful resolution of the mine's shareholder matters, including the tax situation; (2) agreement of a comprehensive funding plan including project finance; (3) approval of the 2014 Feasibility Study by the Oyu Tolgoi shareholders and acceptance by the Mongolian Minerals Council; and (4) obtaining all necessary permits for the mine's operations and development.

Q1'15 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. For Q1'15, Oyu Tolgoi achieved a strong safety performance with no fatalities and an All Injury Frequency Rate of 0.25 per 200,000 hours worked.

Key financial metrics for Q1'15 are as follows:

Oyu Tolgoi Key Financial Metrics*

	1Q 2014	2Q 2014	3Q 2014	4Q 2014	**1Q 2015**	Full Year 2014
Revenue ($'000,000)	113.9	459.5	491.6	670.6	**426.2**	1,735.6
Concentrates sold ('000 tonnes)	48.2	202.5	220.3	262.7	**167.7**	733.7
Revenue by metals in concentrates ($'000,000)						
Copper	78.6	300.8	319.1	368.5	**190.2**	1,066.9
Gold	33.9	153.0	167.2	296.4	**232.3**	650.5
Silver	1.4	5.7	5.3	5.7	**3.6**	18.2
Cost of sales ($'000,000)	93.5	375.0	363.8	402.8	**257.9**	1,235.1
Production and delivery costs	64.5	262.2	243.6	279.5	**173.9**	849.8
Depreciation and depletion	29.0	112.8	120.2	123.3	**83.9**	385.3
Capitalized property, plant and equipment ($'000,000)	49.9	44.8	38.3	28.1	**30.4**	161.1
Underground evaluation costs capitalized	8.4	9.4	5.1	4.2	**3.4**	27.1
Royalties	5.9	23.5	25.4	36.6	**21.9**	91.5
Unit costs ($/lb of copper)						
C1					**0.09**	1.14
All-in sustaining					**0.96**	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 consolidated financial statements, in particular Notes 2 and 25 to the financial statements.*

Revenue and concentrate sales in Q1'15 decreased 36.4% and 36.2% respectively over Q4'14 reflecting expected lower quarterly production and reduced head grades as well as the impact of the Lunar New Year holiday when border and customs operations were closed for an extended period, and lower average London Metal Exchange copper prices. The Q1'15 mix of revenue by metals is the result of inventory with higher contained gold drawn down during the quarter from concentrate produced in 2014. Despite the Lunar New Year holiday, concentrate sales volumes exceeded production for the quarter. Gross margin at 39.5% for the quarter remained broadly consistent with Q4'14.

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.

Capitalized additions to property, plant and equipment for Q1'15 were $30.4 million (Q1'14: $49.9 million) including approximately $27.0 million for sustaining activities, including the tailings storage facility.

Total cash operating costs at Oyu Tolgoi in Q1'15 were $218.9 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 15 of this MD&A. As a result of the change in treatment of royalty payables, the Company has updated its 2015 total cash operating guidance to approximately $1.0 billion (previously $900.0 million). During Q1'15, Oyu Tolgoi continues to improve and optimize operations in order to reduce costs across the mine's operation.

Oyu Tolgoi's C1 costs per pound of copper as reported by Turquoise Hill in Q1'15 were $0.09 per pound, compared with $1.14 per pound for the full year ended December 31, 2014. The decrease is mainly driven by large by-product credits from Q1'15 revenue associated with high-grade concentrate produced in 2014. The favourable impact on C1 costs of by-product revenue and cost reduction initiatives was partly offset by the impact of lower production volumes. 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.

Please refer to Section 14 – NON-GAAP MEASURES – on page 19 of this MD&A for reconciliation of these metrics, including total cash operating costs, to the financial statements.

Key operational metrics for Q1'15 are as follows:

Oyu Tolgoi Key Operational Metrics

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

	1Q 2014	2Q 2014	3Q 2014	4Q 2014	**1Q 2015**	Full Year 2014
Open pit material mined ('000 tonnes)	21,621	16,861	19,493	18,944	**21,999**	76,919
Ore treated ('000 tonnes)	5,560	7,778	7,029	7,505	**7,512**	27,872
Average mill head grades:						
Copper (%)	0.52	0.53	0.59	0.74	**0.52**	0.60
Gold (g/t)	0.49	0.60	0.80	1.46	**0.48**	0.86
Silver (g/t)	1.52	1.57	1.64	1.65	**1.16**	1.60
Concentrates produced ('000 tonnes)*	102.9	140.0	134.1	186.7	**130.9**	563.6
Average concentrate grade (% Cu)	24.6	25.8	27.3	26.9	**25.7**	26.3
Production of metals in concentrates:						
Copper ('000 tonnes)	25.3	36.2	36.6	50.3	**33.6**	148.4
Gold ('000 ounces)	66	113	132	278	**86**	589
Silver ('000 ounces)	163	229	216	286	**184**	893
Sales of metals in concentrates:						
Copper ('000 tonnes)	13.1	51.6	53.6	67.6	**42.1**	185.8
Gold ('000 ounces)	28	126	144	263	**200**	561
Silver ('000 ounces)	78	309	323	383	**219**	1,093
Metal recovery (%)						
Copper	87.9	87.6	89.3	90.7	**86.8**	89.1
Gold	75.5	74.8	74.8	78.6	**71.6**	76.6
Silver	59.3	58.6	58.6	71.6	**65.4**	62.3

* Dry metric tonnes

Concentrate production in Q1'15 decreased 29.9% over Q4'14. Production was impacted by lower mill head grades as well as a planned shutdown to reline both SAG mills and undertake modification and improvement work. The shutdown was completed on time and with no injuries.

Material mined in Q1'15 increased 16.1% over Q4'14 mainly due to improvements driven by a range of productivity initiatives in the open pit partially offset by longer haul distances.

Head grades declined in Q1'15 as high-grade material from the open pit was largely processed in Q4'14. Concentrator milling rates increased through Q1'15 as improvements started to take effect, particularly in the pebble crushing circuit.

On March 18, 2015, Oyu Tolgoi filed a statutory 2015 Oyu Tolgoi Feasibility Study with the Mongolian Minerals Council. Under Mongolian law, Oyu Tolgoi is required to submit an update to the feasibility study at least every five years. The 2009 Oyu Tolgoi Feasibility Study was accepted in March 2010.

Funding of Oyu Tolgoi by Turquoise Hill

In accordance with the Amended and Restated Shareholders' Agreement dated June 8, 2011 (ARSHA), 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 March 31, 2015, the aggregate outstanding balance of shareholder loans extended by subsidiaries of the Company to Oyu Tolgoi was $6.9 billion, including accrued interest of $1.3 billion. These loans bear interest at an effective annual rate of LIBOR plus 6.5%. Subsidiaries of the Company have accrued $129.2 million in accounts payable and accrued liabilities for the withholding taxes due upon payment of the accrued interest by Oyu Tolgoi. In Q1'15, Oyu Tolgoi repaid a total amount of $150.0 million with respect to these loans, including accrued interest of $44.7 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 March 31, 2015, the cumulative amount of such funding was $751.2 million, representing approximately 34% of invested common share equity, plus unrecognized interest thereon of $183.1 million.

Operational outlook

Open-pit development for 2015 is proceeding to schedule with higher-grade material expected to be processed by the concentrator starting in Q2'15.

The Company expects production distribution to be relatively similar to 2014 with production levels significantly higher in the second half of 2015. Based on the current mine schedule, Oyu Tolgoi is expected to produce 175,000 to 195,000 tonnes of copper and 600,000 to 700,000 ounces of gold in concentrates in 2015. Production from the high-grade core of the southwest zone is expected to recommence in mid-2015.

Sales contracts have been signed for 100% of Oyu Tolgoi's expected 2015 concentrate production.

Discussions with the Government of Mongolia and project financing

Turquoise Hill, Rio Tinto and the Government of Mongolia remain committed to resolving the shareholder matters and finalizing project finance to restart the underground mine development at Oyu Tolgoi.

Turquoise Hill and Rio Tinto have made an offer to the Government of Mongolia to resolve the shareholder matters in a manner which the Company believes is beneficial to all stakeholders. Significant progress has been made; however no formal agreement has been signed that resolves all of the remaining matters.

Further development will commence once the following conditions are met:

- Successful resolution of shareholder matters, including the outstanding tax assessment;
- Agreement on a comprehensive funding plan, including Oyu Tolgoi project finance;
- Approval of the 2014 Feasibility Study by all shareholders and acceptance by the Mongolian Minerals Council; and
- Obtaining all necessary permits for the mine's operation and development.

Turquoise Hill continues to engage with the proposed project financing lender group and has kept both the international financial institutions and the commercial banks informed of the status of discussions with the Government of Mongolia. Commitments from the commercial bank consortium formally expired on September 30, 2014. Timing of any lender commitment extension requests will be determined when definitive progress or resolution has been made on shareholder matters. The lending group continues to be supportive of the Oyu Tolgoi project and current indications are that a suitable project financing package would be available upon resolution of the outstanding shareholder matters; however this is not guaranteed.

While discussions continue to resolve shareholder matters, and re-start underground mine development, Oyu Tolgoi's management is focused on efficiently and safely running the open-pit mine and the processing facilities, while the underground remains in care and maintenance.

Q1'15 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. SOUTHGOBI – HELD FOR SALE

On February 24, 2015, the Company announced that it had entered into a share purchase agreement with Novel Sunrise Investments Limited (NSI) providing for the sale of its holding of 48.7 million shares in SouthGobi, not subject to a previously announced sale transaction with National United Resources Holdings Limited (NUR), at a price of C$0.35 per common share payable in cash. The Company completed the sale on April 23, 2015 and expects to record a loss on this divestment in Q2'15. Half of the aggregate purchase price, representing C$8.5 million, was received at closing and the balance of approximately C$8.5 million will be payable on the first anniversary of closing. The carrying value of the Company's total interest in SouthGobi at March 31, 2015 was $82.7 million based on the quoted share price at that date, plus adjustments for amounts receivable from SouthGobi which eliminated on consolidation prior to divestment.

Following completion of the sale to NSI, Turquoise Hill continues to own 56.1 million SouthGobi common shares, representing approximately 23.3% of the issued and outstanding SouthGobi shares. The fair value of this investment at April 23, 2015, based on the quoted share price at that date, was $38.3 million.

On May 1, 2015, Turquoise Hill announced that the share purchase agreement with NUR, which provided for the sale to NUR of 56.1 million shares in the capital of SouthGobi, had expired on April 30, 2015 without the transaction contemplated thereunder having been completed. The transaction was unable to be completed as required by the terms of the share purchase agreement.

Following completion of the sale to NSI, and expiry of the share purchase agreement with NUR, the Company's exposures in relation to its investment in SouthGobi include, but are not wholly limited to: factors having an impact on fair value, and ability to complete divestment of its remaining interest in the future; and possible recognition of a proportionate share of losses and liabilities of SouthGobi. Please refer to Section 12 – RISKS AND UNCERTAINTIES – on page 17 of this MD&A.

C. OTHER EXPLORATION

Desk top studies, data compilation and detailed satellite imagery interpretation are in progress for an orbit area approximately surrounding Oyu Tolgoi. 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.

D. CORPORATE ACTIVITIES

Class action lawsuits

On December 16, 2014, United States District Court Judge Lorna G. Schofield dismissed the consolidated putative securities class action lawsuit that had been filed in the Southern District of New York against the Company and certain of its officers and directors in December 2013. The lawsuit sought to recover damages that it claimed were attributable to alleged misstatements about the Company's financial performance arising from revisions to its recognition of revenue on SouthGobi's coal sales, as disclosed on November 8, 2013. The plaintiffs did not appeal Judge Schofield's dismissal by February 9, 2015 the appeal deadline.

E. CORPORATE ADMINISTRATIVE EXPENSES AND OTHER

General and administrative costs. Corporate administrative costs in Q1'15 were $3.5 million, a decrease of 2.9 million from Q1'14 ($6.4 million), mainly due to lower employee and consulting costs as the Company continued to focus on core operations.

Other income (expense). In February 2015, Turquoise Hill disposed 22.9 million shares of Ivanhoe Mines Ltd resulting in a loss of $8.1 million.

4. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, Turquoise Hill held consolidated cash and cash equivalents of $954.2 million, consolidated working capital (inclusive of cash and cash equivalents) of $1.3 billion and an accumulated deficit of $4.7 billion.

Cash flow

Operating activities. A total of $105.3 million of cash was generated from operating activities in Q1'15, reflecting sales for the quarter, and in particular a high proportion of by-product revenues at Oyu Tolgoi, and continued drawdown of concentrate inventories, with sales volumes exceeding production during the period.

Investing activities. Cash used in investing activities totalled $9.4 million in Q1'15. Property, plant and equipment purchases of $24.3 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 Ivanhoe Mines Ltd.

Financing activities. There was no significant financing activity during Q1'15.

Discontinued operations. Cash within assets held for sale is not included in the consolidated cash balance; cash used by or generated from activities of discontinued operations is disclosed separately in the consolidated statements of cash flows. The aggregate cash flows generated by discontinued operations in Q1'15 were $3.4 million (Q1'14: cash used of $11.1 million) and related mainly to private placement of mandatory convertible units by SouthGobi on March 3, 2015.

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.

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. 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. Commitments from some of these institutions have expired and will require renewal in the event that project financing is approved. Timing of any lender commitment extension requests will be determined when definitive progress or resolution has been made on the shareholder matters, however this is not guaranteed.

Project financing is subject to the unanimous approval of the Oyu Tolgoi Board of Directors, which includes representatives from the Government of Mongolia. The Company remains committed to project financing for underground development and is engaging with the Government of Mongolia.

In July 2013, Turquoise Hill announced that funding and all work on the underground development of Oyu Tolgoi would be delayed until matters with the Government of Mongolia, including project financing, could be resolved and a new timetable had been agreed. Turquoise Hill is of the view that further underground development is expected to recommence once successful resolution has been reached on the shareholder matters, agreement of a comprehensive funding plan including project financing, approval of the Feasibility Study, and obtaining all necessary permits.

Financial instruments

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

(Stated in $000's of dollars)	**March 31, 2015**	December 31, 2014
Financial Assets		
Cash and cash equivalents	**$ 954,220**	$ 862,755
Available-for-sale:		
Long-term investments	**12,481**	34,325
Cost method:		
Long-term investments	**115**	115
Loans and receivables:		
Trade and other receivables	**14,192**	14,519
Due from related parties	**4,445**	7,864
Financial Liabilities		
Trade and other payables	**138,934**	185,852
Payable to related parties	**42,818**	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, the United Kingdom and Canada.

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 May 11, 2015, the Company had a total of:

- 2,012,309,019 common shares outstanding;
- 3,049,013 incentive stock options outstanding, with a weighted average exercise price of C$12.94 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;
- Series D Warrants exercisable to purchase 74,247,460 common shares of the Company at any time until May 22, 2015 at a price of $8.20 per common share; and
- Anti-Dilution Series D Warrants exercisable to purchase 74,247,460 common shares of the Company at any time until May 22, 2015 at a price of $4.31 per common 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 traded within a narrow range for most of March before a big jump to break $2.75 per pound on March 20, 2015. Prices have been sustained at multi-week highs during the final few trading days of the month reflecting a weaker US dollar, sustained US low interest rates and global mine supply disruptions.

Global inventory continued to increase to approximately 580,000 tonnes by the end of March, with the London Metal Exchange (LME) up 45,000 tonnes to 340,000 tonnes and the Shanghai Futures Exchange (SHFE) up 34,000 tonnes to 240,000 tonnes month-over-month, reflecting a slow recovery in demand during Q1'15. Bonded warehouse stocks are estimated to have increased by another 40,000 tonnes resulting from unfavourable LME/SHFE arbitrage and a credit squeeze for copper financing.

Demand picked up slowly in Q1'15 but is expected to speed up in April 2015 following the introduction of a new policy for the Chinese property market relaxing the equity ratio requirement for second home mortgage and shortening holding period for property resale tax exemption.

Spot treatment charges were $105/10.5 reflecting limited spot purchases and more concentrate cargoes booked on long-term contracts by Chinese smelters.

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, while a significant portion of its expenses are incurred in local currencies. Foreign exchange fluctuations can have a significant effect on Turquoise Hill's operating margins, unless such fluctuations are offset by related changes to commodity prices.

7. OFF-BALANCE SHEET ARRANGEMENTS

During the three months ended March 31, 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 March 31, 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 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, other than to the extent elaborated upon below.

Recoverable amount of property, plant and equipment

Under U.S. GAAP, an impairment is considered to exist if total estimate future cash flows, or probability-weighted cash flows on an undiscounted basis, are less than the carrying value of the assets. Under IFRS, a formal estimate of recoverable amount is required when a reporting entity has identified, in accordance with IAS 36, *Impairment of Assets*, whether there is any indication that an asset may be impaired. A formal estimate of recoverable amount will not necessarily result in an impairment charge in the financial statements, and the method of measuring the amount of impairment charges and reversal of impairment under IFRS and U.S. GAAP are both based on discounted estimated future cash flows associated with proven and probable reserves. However the requirement in IFRS to consider indicators of impairment rather than undiscounted future cash flows could result in an impairment charge (or reversal of impairment in subsequent years) in the Company's income statement, which would not otherwise have arisen in financial statements for the same period if prepared under U.S. GAAP.

Asset retirement obligations

In addition to dependency on statutory, contractual and legal obligations associated with the retirement of property, plant and equipment, the estimate of obligations for site restoration and decommissioning under IFRS also requires the recognition of liabilities arising from constructive obligations made by the Company. Such obligations may arise from established patterns or practice by Turquoise Hill or its affiliates (including other member companies of the Rio Tinto Group), published policies or statements of intent, or other commitments, whether contractual or informal. As a result of future review of its constructive obligations with respect to asset retirement, there could be adjustments to the Company's accounting provision for site restoration and decommissioning which would affect future financial results.

Deferred stripping

Under U.S. 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.

Stripping of waste materials takes place throughout the production phase of a surface mine or pit. Identification of components within a mine and of life of component strip ratios is dependent on the mine's design. Changes to that design may introduce new components and/or change the life of component strip ratios. Changes in other technical or economic parameters that impact on ore reserves may also have an impact on the life of component strip ratios even if they do not affect the mine's design. Changes to the life of component strip ratio are accounted for prospectively.

Classification and recoverable amount of long-term inventory

Inventory, including stockpiles of ore, are valued at the lower of weighted average cost and net realizable value (NRV). If ore stockpiles are not expected to be processed within the 12 months after the statement of financial position date, they are included within non-current assets and net realizable value is calculated on a discounted cash flow over the planned use of such ore. Under U.S. GAAP, the calculation of the NRV of the long-term ore stockpile is not discounted. The IFRS method of estimating net realizable value on a discounted basis may therefore result in provisions for write-down of non-current ore inventory (or reversal of such a provision) being recognized, which might not otherwise have arisen under U.S. GAAP. Estimating net realizable value on a discounted basis requires management judgment in the selection of, among other inputs, discount rate, price assumptions and estimates of future processing costs and the planned usage profile.

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 are 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 three months ended March 31, 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.

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

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

Reconciliation of equity	December 31, 2014	March 31, 2014	January 1, 2014
Equity under U.S. GAAP	**$ 7,576,725**	**$ 7,702,643**	**$ 4,578,086**
IFRS adjustments to equity:			
Non-current inventories	(110,330)	(109,533)	(103,892)
Deferred stripping costs (Oyu Tolgoi)	42,395	10,915	9,442
Deferred stripping costs (SouthGobi)	-	99,498	96,063
Available for sale equity investments	873	9,844	14,331
Loans receivable	4,509	9,907	13,024
Decommissioning obligations	(1,703)	(1,855)	(1,614)
Income taxes	-	2,818	4,547
Rights offering	-	-	928,280
Consolidation and classification of SouthGobi	55,986	-	-
Other	10	(2)	735
Total IFRS adjustments to equity	**$ (8,260)**	**$ 21,592**	**$ 960,916**
Total equity under IFRS	**$ 7,568,465**	**$ 7,724,235**	**$ 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)	Year ended December 31, 2014	Three months ended March 31, 2014
Comprehensive loss under U.S. GAAP	**$ (208,884)**	**$ (120,298)**
IFRS adjustments to income (loss):		
Non-current inventories	(6,439)	(5,641)
Deferred stripping costs	37,234	4,908
Decommissioning obligations	953	(242)
Available for sale equity investments	-	-
Loans receivable	-	(122)
Income taxes	(10,087)	(7,268)
Rights offering	34,034	34,034
Consolidation and classification of SouthGobi	(99,758)	-
Other	2,397	35
IFRS adjustments to comprehensive income (loss)		
Investments in securities available for sale	(13,458)	(4,487)
Loans receivable	(8,514)	(2,995)
Income taxes	5,539	5,539
Total IFRS adjustments to comprehensive loss	**$ (58,099)**	**$ 23,761**
Comprehensive loss under IFRS	**$ (266,983)**	**$ (96,537)**

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 the three months ended March 31, 2015 as compared to its financial statements previously.

- 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.

Under IFRS (please refer to Section 11 – INTERNATIONAL FINANCIAL REPORTING STANDARDS – on page 15 on this MD&A), the Company recorded SouthGobi as a consolidated subsidiary entity at December 31, 2014 and March 31, 2015 and subsequently up until divestment of 48.7 million shares to NSI completed on April 23, 2015. Following divestment to NSI, the Company will no longer consolidate its interest in SouthGobi. Crystallization of the risks described below and in the 2014 MD&A and AIF could nevertheless result in the Company recognizing a proportionate share of additional liabilities and losses with respect to its remaining ownership of SouthGobi.

If SouthGobi fails to generate sufficient operating cash flows, secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through March 31, 2016, SouthGobi will not have adequate liquidity to fund its operations and meet its obligations (including its debt payment obligations); it may therefore not be able to continue as a going concern and may be forced to seek relief under applicable legislation (or an involuntary petition for bankruptcy relief or similar creditor action may be filed or taken against it). Similarly, if appeals by or litigation against SouthGobi are not concluded in its favour, SouthGobi's ability to continue as a going concern would likely be impaired and additional liabilities could arise. Therefore, SouthGobi has sought, and continues to actively seek, additional sources of financing to continue operating and meet its objectives.

Following an increase in the quoted share price of SouthGobi during the three month period ended March 31, 2015 the Company has recorded its investment in SouthGobi at a carrying value of $172.7 million ($82.7 million after non-controlling interests), and a corresponding $73.6 million ($35.2 million after non-controlling interests) reversal of previously recognized impairment charges. The carrying value is 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 is based upon a quoted share price of C$0.90. As the quoted price per share on the date at which the Company completed the divestment to NSI described above is below the quoted share price on March 31, 2015, the Company expects to record a loss in its income statement for the three months ended June 30, 2015, which will partially offset the reversal of impairment recorded during the three months ended March 31, 2015. The Company may also be required in future to record further income statement adjustments to the carrying value of its remaining holding in SouthGobi as the result of changes in the quoted share price.

13. RELATED-PARTY TRANSACTIONS

Transactions with Rio Tinto

As at March 31, 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 $000's of dollars)	**March 31 2015**	December 31, 2014	January 1, 2014
Cash and cash equivalents (i)	**$ 808,682**	$ 711,468	$ -
Due from related parties	**4,445**	7,864	5,070
Payable to related parties:			
Management services payment (ii)	**(7,191)**	(7,729)	(100,569)
Cost recoveries (iii)	**(35,627)**	(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)
	770,309	665,548	(2,385,414)

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

(Stated in $000's of dollars)	Three months ended March 31, **2015**	2014
Interest income on demand deposits (i)	**$ 246**	$ -
Costs recoveries - Turquoise Hill	**1,100**	577
Financing costs:		
Commitment fees	**-**	(224)
Interest expense (vi)	**-**	(4,903)
Management services payment (ii)	**(7,191)**	(6,365)
Costs recoveries - Rio Tinto (iii)	**(8,653)**	(16,306)
	$ (14,498)	$ (27,221)

(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 March 31, 2015 included short term deposits, made between December 2014 and March 2015 with wholly owned subsidiaries of Rio Tinto totalling $808.7 million. The deposits earned interest at an average market rate equivalent and were required to be repaid, in whole or in part, to the Company on demand.

(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 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 mine achieved the 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%.

(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.

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 is relevant to understanding 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 cost

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.

	Oyu Tolgoi C1 Costs	
	March 31, 2015	**December 31, 2014**
C1 costs (US$'000)	**(Three months)**	**(Full year)**
Production and delivery	173,944	849,790
Change in inventory	(36,827)	(253,040)
Other operating expenses	93,543	375,850
Less:		
- Impairment / write-down of inventory	(16,381)	(33,926)
- Depreciation	(2,542)	(7,972)
Management services payment to Turquoise Hill	7,191	27,745
Cash operating costs	218,928	958,447
Cash operating costs: $/lb of copper produced	**2.96**	**2.93**
Adjustments to cash operating costs[1.]	23,760	83,221
Less: Gold and silver revenues	(235,920)	(668,706)
C1 costs (US$'000)	**6,768**	**372,962**
C1 costs: $/lb of copper produced	**0.09**	**1.14**
All-in sustaining costs (US$'000)		
Corporate administration	3,502	22,588
Asset retirement expense	1,943	9,458
Royalty expenses	21,880	91,512
Non current stockpile and stores write-down	16,381	33,926
Other expenses	588	14,706
Sustaining cash capital including deferred stripping	20,283	93,489
All-in sustaining costs (US$000)	**71,345**	**638,641**
All-in sustaining costs: $/lb of copper produced	**0.96**	**1.95**

[1.] 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 three months ended March 31, 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; the evolution of 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 ability and timing to complete project financing and/or secure other financing on acceptable terms, and the evolution of discussions with the Government of Mongolia on a range of matters including the implementation of the Investment Agreement, project development costs, operating budgets, the payment of taxes and taxation matters, management fees and Oyu Tolgoi LLC internal governance. 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 decision announced by the Company to delay 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 and to satisfy all conditions precedent to the availability of Oyu Tolgoi Project Financing; the approval of the underground feasibility study by Oyu Tolgoi LLC's shareholders, the impact of changes in, 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 would 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 until matters with the Government of Mongolia can 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 20 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 Corporation's mining projects may render mining of ore reserves uneconomic and affect the Corporation'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 Corporation'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 this MD&A.

Readers are further cautioned that the list of factors enumerated in the "Risk Factors" section of this MD&A 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.