UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

[ ] **Registration Statement pursuant to Section 12 of the Securities Exchange Act of 1934**
or
[✓] **Annual Report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2013 Commission File Number: **001-32403**

TURQUOISE HILL RESOURCES LTD.
(Exact name of Registrant as specified in its charter)

Yukon, Canada	**1000**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Suite 354 – 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4, (604) 688-5755
(Address and telephone number of registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue
New York, New York
10011
(212) 894-8700
(Name, address and telephone number of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares without par value	**New York Stock Exchange** **Nasdaq**
(Title of Class)	*(Exchanges)*

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[✓] Annual Information Form [✓] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

1,006,116,602 Common Shares outstanding as of December 31, 2013

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [✓] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [✓] No [ ]

The Annual Report on Form 40-F shall be incorporated by reference into, or as an exhibit to, as applicable, the Registrant's Registration Statements on Form S-8 (File Nos. 333-160783, 333-143550, 333-135595, 333-128205 and 333-113048) under the Securities Act of 1933, as amended.

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For the Annual Information Form ("AIF") of Turquoise Hill Resources Ltd. (the "Corporation") for the year ended December 31, 2013, see Exhibit 99.1 of this Annual Report on Form 40-F. The AIF included as Exhibit 99.1 is incorporated by reference into this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Corporation's Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012, including the report of the independent auditor with respect thereto, see Exhibit 99.2 of this Annual Report on Form 40-F. The Audited Consolidated Financial Statements included as Exhibit 99.2 are incorporated by reference into this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Corporation's Management's Discussion and Analysis for the year ended December 31, 2013 (the "MD&A"), see Exhibit 99.3 of this Annual Report on Form 40-F. The MD&A included as Exhibit 99.3 is incorporated by reference into this Annual Report on Form 40-F.

FORWARD-LOOKING STATEMENTS

Certain statements made herein, including statements relating to matters that are not historical facts and statements of the Corporation'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 United States 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; 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 Corporation 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 Corporation 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 issues including the implementation of the Investment Agreement (as defined in the section entitled "Definitions" in the AIF), project development costs, operating budgets, management fees and governance and the existence or filing of legal proceedings against the

Corporation and its officers and directors. 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 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 (as defined in the section entitled "Definitions" in the AIF) and defective title to mineral claims or property. Although the Corporation 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 Corporation's management in light of its 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 Corporation 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 Corporation to delay the funding and development of the Oyu Tolgoi underground mine pending resolution of outstanding issues 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 (as defined in the section entitled "Definitions" in the AIF); 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 those projected in the 2013 Oyu Tolgoi Technical Report (as defined in the section entitled "Definitions" in the AIF)); 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 Annual Report on Form 40-F 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 Annual Report on Form 40-F 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. In addition, see "Cautionary Note to United States Investors". 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 Corporation's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are included in the "Risk Factors" section of the AIF.

Readers are cautioned that the list of factors enumerated in the "Risk Factors" section of the AIF that may affect future results is not exhaustive. When relying on the Corporation's forward-looking information and statements to make decisions with respect to the Corporation, 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 Annual Report on Form 40-F are made as of the date of this document and the Corporation 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 Annual Report on Form 40-F are expressly qualified by this cautionary statement.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

The documents filed as part of this Annual Report on Form 40-F have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all reserve and resource estimates included in this Annual Report on Form 40-F have been prepared in accordance with Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 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 Annual Report on Form 40-F 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. 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 Corporation 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.

ADDITIONAL DISCLOSURE

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Corporation under applicable securities legislation is gathered and reported to senior management, including the Corporation's principal executive officer and principal financial officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the Corporation's fiscal year ended December 31, 2013, an evaluation of the effectiveness of the Corporation's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the Corporation's management with the participation of the principal executive officer and principal financial officer. Based upon that evaluation, the Corporation's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the Corporation's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to the Corporation's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

The Corporation's management, including the principal executive officer and principal financial officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only a reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part on certain assumptions about the likelihood of certain events, and there can be no assurance that any design can achieve its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Report on Internal Control over Financial Reporting

The required disclosure is included in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2013, contained in Exhibit 99.3 of this Annual Report on Form 40-F and incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

Other than the changes described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Management's Report On Internal Control Over Financial Reporting", contained in Exhibit 99.3 to this Annual Report on Form 40-F and incorporated by reference herein, there were no changes in the Corporation's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP ("PwC") has issued an unqualified opinion on the Corporation's internal control over financial reporting which accompanies the Corporation's Audited Consolidated Financial Statements for the year ended December 31, 2013 included as Exhibit 99.2 of this Annual Report on Form 40-F.

NOTICES PURSUANT TO REGULATION BTR

None.

AUDIT COMMITTEE

The Corporation's board of directors (the "Board") has a separately-designated standing Audit Committee as defined by Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the Corporation's annual financial statements. As of the date of this annual report, the members of the Audit Committee are Ms. Jill Gardiner and Messrs. Peter Gillin and Russel Robertson. Ms. Gardiner has been Chair of the Audit Committee since May 2012.

Each of the directors serving on the Audit Committee has also been determined by the Board to be independent within the criteria established by the SEC, the New York Stock Exchange (the "NYSE") and the NASDAQ Stock Market ("Nasdaq") for audit committee membership.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that each of Messrs. Gillin and Robertson is an "audit committee financial expert" (as defined in paragraph 8(b) of General Instruction B to Form 40-F). In addition, each of Messrs. Gillin and Robertson is independent, as that term is defined by the SEC and the NYSE and Nasdaq listing standards. Mr. Robertson holds a Chartered Accountant designation and has worked as an accounting professional for over 35 years. Mr. Gillin holds a Chartered Financial Analyst Designation and worked as a professional investment banker for over 30 years.

CODE OF BUSINESS CONDUCT AND ETHICS

The Corporation has adopted a written "code of ethics" (defined in paragraph 9(b) of General Instruction B to Form 40-F), entitled "The way we work" (the "Code of Ethics"), which applies to all of the Corporation's employees, executive officers and directors, including the Corporation's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code of Ethics includes, among other things, written standards for the Corporation's principal executive officer, principal financial officer and principal accounting officer that are required by the SEC for a code of ethics applicable to such officers. To review or obtain a copy of the Code of Ethics, see "Citizenship – The way we work and Ethics Point" posted on the Corporation's website, www.turquoisehill.com. The Code of Ethics is also available in print to any shareholder who requests it. Requests for copies of the Code of Ethics should be made by contacting: Turquoise Hill Resources Ltd., Suite 354 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4.

Since the adoption of the Code of Ethics, there have not been any amendments to the Code of Ethics or waivers, including implicit waivers, from any provision of the Code of Ethics.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

PwC has been the Corporation's independent auditor since April 2, 2012. Fees billed by PwC during fiscal 2013 were approximately Cdn$1,845,000.

The aggregate fees billed by PwC in fiscal 2013 and fiscal 2012 are detailed below (rounded).

(Cdn$)	2013	2012
Audit Fees (a)	$1,447,000	$1,458,000
Audit Related Fees (b)	$395,000	$377,000
Tax Fees	$0	$0
All Other Fees (c)	$3,000	$0
Total	$1,845,000	$1,835,000

(a) Fees for audit services billed or expected to be billed relating to fiscal 2013 and 2012 consisted of:

- audit of the Corporation's annual statutory financial statements; and
- audit of its subsidiaries, SouthGobi's and Inova's annual statutory financial statements.

In addition, in 2013 and 2012 fees were paid for services provided in connection with review pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, applicable Canadian securities laws and the required attestations relating to the effectiveness of the Corporation's internal control on financial reporting.

(b) Fees for audit-related services provided during fiscal 2013 and 2012 consisted of:

- translation services;
- financial accounting and reporting consultations;

- reviews of the Corporation's and its subsidiaries' interim financial statements; and
- comfort letters, consents, and other services related to SEC, Canadian and other securities regulatory authorities' matters.

(c) Fees for other services provided during fiscal 2013 related to a subscription fee in connection with an online database for reporting requirements.

Pre-Approval Policies and Procedures

All services to be performed by the Corporation's independent auditor must be approved in advance by the Audit Committee.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditor's independence. The Audit Committee's Charter requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor.

Pre-approval from the Audit Committee can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay preapproved fees. Additional pre-approval is required for any increase in scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Corporation's external auditor relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee.

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 2013, the Corporation 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 Corporation.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The required information is provided under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations", contained in Exhibit 99.3 to this Annual Report on Form 40-F and incorporated by reference herein.

CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices Compared to NYSE and Nasdaq Listing Standards

The Corporation has reviewed its corporate governance practices against the requirements of the NYSE and Nasdaq, and determined that, except for the composition of the Corporation's Nominating and Corporate Governance Committee (the "NCG Committee") as discussed below, its corporate governance practices do not differ in any significant way from those followed by U.S. companies under the NYSE and Nasdaq listing standards. This includes the composition of the Board because in excess of one-half of the Corporation's directors (six of eleven directors) have been determined by the

Board to be independent for purposes of the NYSE and Nasdaq corporate governance rules. The Board has determined the following six directors to be independent under the NYSE and Nasdaq corporate governance rules: Jill Gardiner, Peter Gillin, Isabelle Hudon, David Klingner, Charles Lenegan and Russel Robertson.

The composition of the NCG Committee, however, includes one director that is not independent, which differs from the NYSE and Nasdaq corporate governance standards that require a listed company to maintain a nominating/corporate governance committee composed entirely of independent directors. The NCG Committee is composed of four voting members, a majority of whom are independent directors. Canadian securities legislation does not require a listed company to maintain a certain level of independence within the nominating/corporate governance committee. As a foreign private issuer, the Corporation is permitted under NYSE and Nasdaq listing standards to follow Canadian corporate governance practices on certain matters, including the composition of the nominating/corporate governance committee.

Presiding Director at Meetings of Independent Directors

The Board holds regular quarterly meetings. Between the quarterly meetings, the Board meets as required, generally by means of telephone conferencing facilities. As part of the quarterly meetings, the Corporation's "independent directors" (as that term is defined in the rules of the NYSE) also have the opportunity to meet separate from management. If required, between regularly scheduled board meetings, a meeting of independent directors is held by teleconference to update the directors on corporate developments since the last Board meeting. Management also communicates informally with members of the Board on a regular basis, and solicits the advice of Board members on matters falling within their special knowledge or experience. David Klingner, the Corporation's Chairman, serves as the presiding director at such meetings of independent directors.

Communication with Independent Directors

Shareholders may send communications to the Corporation's independent directors by writing to the Chairman, c/o Turquoise Hill Resources Ltd., Suite 354 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4. Communications will be referred to the Chairman for appropriate action. The status of all outstanding concerns addressed to the Chairman will be reported to the Board as appropriate.

Corporate Governance Guidelines

According to Rule 303A.09 of the NYSE Listed Company Manual and Rule 5610 of the Nasdaq Marketplace Rules, a listed company must adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The Corporation has adopted the required guidelines and has posted them on its website at www.turquoisehill.com. The required guidelines are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Turquoise Hill Resources Ltd., Suite 354 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4.

Board Committee Mandates

The Mandates of the Corporation's Audit Committee, Compensation and Benefits Committee, Nominating and Corporate Governance Committee and Health, Safety and Environment Committee are each available for viewing on the Corporation's website at www.turquoisehill.com, and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Turquoise Hill Resources Ltd., Suite 354 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Corporation undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Corporation has previously filed an Appointment of Agent for Service of Process on Form F-X with respect to the class of securities in relation to which the obligation to file this Form 40-F arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the SEC by an amendment to the Form F-X referencing the file number of the Corporation.

DISCLOSURE PURSUANT TO SECTION 13(r) OF THE EXCHANGE ACT

Pursuant to the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act, the Corporation is required to disclose certain activities of the Corporation and any of the Corporation's affiliates (as defined in Rule 12b-2 of the Exchange Act) related to the Islamic Republic of Iran. On December 31, 2013, Rio Tinto International Holdings Limited (together with its affiliates, "Rio Tinto") beneficially owned approximately 50.8% of our Common Shares and therefore is considered the Corporation's affiliate as defined in Rule 12b-2 of the Exchange Act. As a result, we are including in this Annual Report on Form 40-F the information relating to Rio Tinto set forth below, which is contained in the Annual Report on Form 20-F for the year ended December 31, 2013 filed by Rio Tinto plc and Rio Tinto Limited with the SEC on March 14, 2014.

"Rio Tinto acquired its interest in Namibia-based Rössing Uranium Limited (Rössing) in 1970. The Iranian Foreign Investments Company (IFIC) acquired its original minority shareholding in Rössing in 1975. IFIC's interest predates the establishment of the Islamic Republic of Iran and the U.S. economic sanctions targeting Iran's nuclear, energy and ballistic missile programs. IFIC acquired and continues to own a minority shareholding in Rössing in accordance with Namibian law.

Rössing is neither a business partnership nor joint venture between Rio Tinto and IFIC. Rössing is a Namibian limited liability company with a large number of shareholders, including Rio Tinto with 68.7 per cent, IFIC with 15.3 per cent, the Industrial Development Corporation of South Africa with 10 per cent, local individual shareholders with a combined interest of 3 per cent and the Government of the Republic of Namibia with 3 per cent but with an additional 51 per cent vote at a general meeting of Rössing on matters of national interest.

As a shareholder in Rössing, Rio Tinto has no power or authority to divest IFIC's holding in Rössing. However, Rössing and the Namibian Government have taken several recent steps to limit IFIC's future involvement in Rössing.

On 1 October 2010, Namibia reported to the United Nations, pursuant to Article 31 of the United Nations Security Council Resolution 1929 (UN SCR 1929), that it had reached an agreement with the Islamic Republic of Iran that IFIC will not participate in any future investments nor will it acquire any further shares in Rössing. It was also agreed that the Government of Iran will not acquire interests in any commercial activity in Namibia involving uranium mining, production, or use of nuclear materials and technology, as required under UN SCR1929, until such time as the United Nations Security Council determines that the objectives of the Resolution have been met.

The Rössing board also took steps in 2012 to terminate IFIC's involvement in the governance of Rössing. As a shareholder in Rössing, IFIC was entitled under Namibian law to attend general meetings of Rössing. IFIC was previously represented on the board of Rössing by two directors. While this level of board representation did not provide IFIC with the ability to influence the conduct of Rössing's business on its own, the Rössing board nonetheless determined that, in light of international economic sanctions, it would be in the best interest of Rössing to terminate IFIC's involvement in board activity. Therefore, on 4 June 2012, at the annual general meeting of Rössing, the shareholders of the company, including Rio Tinto, voted not to re-elect the two IFIC board members. This ended IFIC's participation in Rössing board activities. IFIC accordingly is not represented on the Rössing board, nor does it have the right to attend board meetings or receive any board information.

Dividends

While IFIC is entitled to its pro rata share of any dividend that the majority of the board may declare for all shareholders in Rössing, IFIC has not received such monies since early 2008. Simply by maintaining its own shareholding in Rössing, Rio Tinto is not engaging in any activity intended or designed to confer any direct or indirect financial support for IFIC. Further, the Rössing board determined no dividends will be paid for the year 2013.

Uranium off-take and technology

Rössing is the world's third largest uranium mine. It sells approximately 40 percent of its uranium to U.S. power companies and most of the remainder to Canada and other key U.S. trading partners in Europe and Asia. As a minority shareholder, IFIC has no uranium product off-take rights. Neither IFIC nor other Government of Iran entities have any supply contracts in place with Rössing and receive no uranium from Rössing. IFIC also does not have access to any technology through its investment in Rössing or rights to such technology.

While Rio Tinto does not view itself as actively transacting or entering into business dealings with an instrumentality of the Government of Iran, this information has been provided to ensure transparency regarding the passive, minority shareholding in Rössing currently held by the IFIC. Rio Tinto has disclosed the IFIC shareholding matter to the United States Government and has periodically updated the U.S. Department of State as to the same."

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Corporation certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Dated: March 26, 2014

TURQUOISE HILL RESOURCES LTD.

By: */s/ Dustin S. Isaacs*

Name: Dustin S. Isaacs

Title: General Counsel and Corporate Secretary

EXHIBIT INDEX

Exhibit Number	Document
99.1	Annual Information Form for the year ended December 31, 2013.
99.2	Audited Consolidated Financial Statements of Turquoise Hill Resources Ltd., including the notes thereto, as of and for the years ended December 31, 2013 and 2012, together with the report thereon of the Independent Auditor.
99.3	Management's Discussion and Analysis of Financial Condition and Results of Operations.
99.4	Consent of PricewaterhouseCoopers LLP, Independent Auditor.
99.5	Consent of Bernard Peters.
99.6	Consent of Sharron Sylvester.
99.7	Consent of OreWin Pty Ltd.
99.8	Consent of Kendall Cole-Rae.
99.9	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
99.10	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
99.11	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
99.12	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	Interactive Data File.

Exhibit 99.1

TURQUOISE HILL RESOURCES LTD.

Annual Information Form

For the year ended
December 31, 2013

Dated March 26, 2014

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INTERPRETATION INFORMATION

Forward-Looking Information and Forward-Looking Statements

Certain statements made herein, including statements relating to matters that are not historical facts and statements of the Corporation'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 United States *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; 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 Corporation 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 Corporation 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 issues including the implementation of the Investment Agreement, project development costs, operating budgets, management fees and governance and the existence or filing of legal proceedings against the Corporation and its officers and directors. 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 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 Corporation 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 Corporation's management in light of its 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 Corporation 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 Corporation to delay the funding and development of the Oyu Tolgoi underground mine pending resolution of outstanding issues 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 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 those projected in the 2013 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 Annual Information Form (“AIF”) 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 AIF 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. In addition, see “Cautionary Note to United States Investors”. 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 Corporation'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 AIF.

Readers are cautioned that the list of factors enumerated in the "Risk Factors" section of this AIF that may affect future results is not exhaustive. When relying on the Corporation's forward-looking information and statements to make decisions with respect to the Corporation, 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 AIF are made as of the date of this document and the Corporation 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 AIF are expressly qualified by this cautionary statement.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This AIF 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 AIF have been prepared in accordance with Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 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 AIF 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. 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 Corporation 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.

CURRENCY AND EXCHANGE RATES

In this AIF, all dollar amounts are quoted in U.S. dollars unless otherwise indicated. References to "$" and "US$" are to U.S. dollars, references to "Cdn$" are to Canadian dollars and references to "A$" are to Australian dollars.

The Bank of Canada noon exchange rates for the conversion of one U.S. dollar using Canadian dollars were as follows during the indicated periods:

(Stated in Canadian dollars)

	Year Ended December 31,		
	2013	**2012**	**2011**
End of period	1.0636	0.9949	1.0170
High for the period	1.0697	1.0418	1.0604
Low for the period	0.9839	0.9710	0.9449
Average for the period	1.0299	0.9996	0.9891

The Bank of Canada noon exchange rate on March 25, 2014 for the conversion of U.S. dollars into Canadian dollars was US$1.00 equals Cdn$1.1176 (one Canadian dollar on that date equalled US$0.8948).

DEFINITIONS

In this AIF, unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings assigned to them below. Certain other scientific and technical terms and abbreviations used in this AIF are defined under the section headed "Technical Terms and Abbreviations".

"2010 Rights Offering"	means the Corporation's rights offering completed in February 2011.
"2012 MoA"	means the memorandum of agreement dated April 17, 2012 among the Corporation, RTIH and RTSEA, as amended by an amending agreement dated May 22, 2012, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA".
"2012 Rights Offering"	means the Corporation's rights offering completed in July 2012.
"2012 Standby Commitment"	means the agreement by RTIH, subject to certain terms, conditions and limitations set out in the 2012 MoA, to purchase any Common Shares underlying unexercised rights in connection with the 2012 Rights Offering.
"2013 MoA"	means the memorandum of agreement dated August 23, 2013 among the Corporation, RTIH and RTSEA, as amended by an amending agreement dated November 14, 2013, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA".
"2013 Rights Offering"	means the Corporation's rights offering completed in January 2014.
"2013 Oyu Tolgoi Technical Report"	means the NI 43-101 compliant technical report titled "Oyu Tolgoi Technical Report", prepared by a group of independent engineering companies dated March 25, 2013.
"2013 Standby Commitment"	means the agreement by RTIH, subject to certain terms, conditions and limitations set out in the 2013 MoA, to purchase any Common Shares underlying unexercised rights in connection with the 2013 Rights Offering.
"Anti-Dilution Warrants"	means share purchase warrants exercisable to acquire Common Shares issued to RTIH pursuant to RTIH's exercise of its pre-emptive rights under the Private Placement Agreement.
"Anti-Dilution Series D Warrants"	means anti-dilution Series D Warrants issuable to RTIH pursuant to the 2012 MoA.
"ASX"	means the Australian Stock Exchange.
"Biluut Field"	means the area delineated and identified as the Biluut coal field in the Soumber Deposit.
"Board of Directors"	means the board of directors of the Corporation, as constituted from time to time.
"Bridge Facility"	means the Corporation's $1.5 billion bridge facility.
"Canadian Securities Authorities"	means the securities commissions or similar securities regulatory authorities in the various provinces and territories of Canada.

"Common Shares"	means common shares in the capital of the Corporation.
"Contract Assignment Arrangement Agreement"	means the contract assignment arrangement agreement dated August 13, 2008 among the Corporation, Oyu Tolgoi LLC and Rio Tinto Alcan.
"Credit Agreement"	means the credit agreement dated October 24, 2007, as amended, between the Corporation, as borrower, and RTIH, as lender.
"Entrée Gold"	means Entrée Gold Inc.
"Entrée Earn-in Agreement"	means the equity participation and earn-in agreement dated October 15, 2004, as amended on November 9, 2004, between Entrée Gold and Turquoise Hill.
"Entrée Joint Venture"	means the joint venture between Oyu Tolgoi LLC and Entrée Gold contemplated by the Entrée Earn-in Agreement in respect of a portion of the Hugo North Extension in which (i) Oyu Tolgoi LLC holds an 80% interest and Entrée Gold holds a 20% interest in minerals below 560m, and (ii) Oyu Tolgoi LLC holds a 70% interest and Entrée Gold holds a 30% interest in minerals above 560m.
"Erdenes"	means either Erdenes MGL LLC or Erdenes OT LLC, as the context requires, each a company owned by the Government of Mongolia.
"ESIA"	means Environmental and Social Impact Assessment.
"First Tranche Investment"	means the 37,089,883 Common Shares issued to RTIH on October 27, 2006 under the Private Placement Agreement.
"Heruga"	means the Heruga mineral deposit of the Oyu Tolgoi Mine.
"HoA"	means the heads of agreement dated December 8, 2010 between Turquoise Hill and RTIH, as amended, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – HoA".
"Hugo Dummett Deposits"	means collectively, the Hugo North, the Hugo South and Hugo North Extension mineral deposits of the Oyu Tolgoi Mine.
"Hugo North"	means the Hugo North mineral deposit of the Oyu Tolgoi Mine.
"Hugo North Extension"	means the Hugo North Extension deposit of the Oyu Tolgoi Mine, representing the extension of the Hugo Dummett Deposits into the area that is the subject of the Entrée Joint Venture.
"Hugo South"	means the Hugo South mineral deposit of the Oyu Tolgoi Mine.
"IDP05"	means a report on the development of the Oyu Tolgoi Mine prepared by a group of independent engineering companies in October 2005.
"IDP10"	means a report on the development of the Oyu Tolgoi Mine and an update to IDP05 prepared by a group of independent engineering companies in May 2010.
"IDOP"	means a report titled "Integrated Development Operations Plan" prepared by Oyu Tolgoi LLC personnel in March 2011 concerning the development of the Oyu Tolgoi Mine.

"IDOP Technical Report"	means the NI 43-101 compliant technical report based on IDOP titled "IDOP Technical Report", prepared by a group of independent engineering companies dated March 29, 2012.
"Inova"	means Inova Resources Limited (formerly Ivanhoe Australia Limited).
"Interim Funding Facility"	means the Corporation's $1.8 billion non-revolving interim funding facility with RTSEA entered into on December 8, 2010.
"Investment Agreement"	means the investment agreement dated October 6, 2009 among the Government of Mongolia, Oyu Tolgoi LLC, the Corporation and RTIH in respect of the Oyu Tolgoi Mine, providing legal, administrative and tax stability during its term and extension, if any, and guaranteeing that the legal, administrative and tax framework is in force in Mongolia.
"IPO"	means an initial public offering by an issuer of its securities.
"Jargalant Field"	means the area delineated and identified as the Jargalant coal field in the Soumber Deposit.
"Kyzyl Gold Project"	means the Corporation's 50% owned gold project in northeastern Kazakhstan which encompasses the Bakyrchik and Bolshevik gold deposits.
"LIBOR"	means the London Interbank Offered Rate, the rate charged by one bank to another for lending money.
"MD&A"	means the Corporation's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2013.
"MEL"	means a Mongolian mineral exploration licence.
"MNET"	means Mongolia's Ministry of Nature, Environment and Tourism.
"MRAM"	means the Mineral Resources Authority of Mongolia.
"NASDAQ"	means the NASDAQ Stock Market.
"New Bridge Facility"	means the Corporation's secured $600 million bridge funding facility with RTSEA.
"New Bridge Funding Agreement"	means the $600 million bridge funding agreement dated August 23, 2013 among the Corporation, RTIH and RTSEA in respect of the New Bridge Facility, as amended by an amending agreement dated November 14, 2013.
"NYSE"	means the New York Stock Exchange.
"NSR"	means net smelter returns.
"Operating Committee"	means the contractually created governance body formed pursuant to the HoA through which decisions have agreed to be made concerning the exercise of the Corporation's indirect voting rights in Oyu Tolgoi LLC, as more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – HoA – Governance Arrangements".

"OT Shareholder Holdcos"	means THR Oyu Tolgoi (BVI) Ltd. (formerly Ivanhoe Oyu Tolgoi (BVI) Ltd.) and Oyu Tolgoi Netherlands B.V., the two indirect, wholly-owned subsidiaries through which the Corporation holds its interest in Oyu Tolgoi LLC.
"Oyu Tolgoi LLC"	means Oyu Tolgoi LLC, formerly Ivanhoe Mines Mongolia Inc. LLC.
"Ovoot Tolgoi"	means the location known as Ovoot Tolgoi (formerly Nariin Sukhait) in southern Mongolia.
"Ovoot Tolgoi Coal Project"	means SouthGobi's coal mine at Ovoot Tolgoi, which includes the Sunset Field (including the Underground) and the Sunrise Field.
"Ovoot Tolgoi Complex"	means SouthGobi's coal exploration, development and production projects at Ovoot Tolgoi, including the Ovoot Tolgoi Mine and the Underground.
"Ovoot Tolgoi Mine"	means SouthGobi's operating pit coal mine at Ovoot Tolgoi comprising coal resources to a depth of 300m below surface.
"Oyu Tolgoi Mine"	means the Corporation's copper and gold mine located at Oyu Tolgoi in Mongolia.
"Oyu Tolgoi Project Financing"	means project financing for the development of the Oyu Tolgoi Mine.
"Power Purchase Agreement"	means the power purchase agreement dated November 3, 2012 among Oyu Tolgoi LLC, Inner Mongolia Power Corporation and the National Electricity Transmission Grid Corporation, providing for the supply of power to the Oyu Tolgoi Mine from Inner Mongolia.
"Preferred Shares"	means preferred shares in the capital of the Corporation.
"Private Placement Agreement"	means the private placement agreement dated October 18, 2006 between the Corporation and RTIH, as amended.
"Private Placement Warrants"	means the Series A Warrants, the Series B Warrants, the Series C Warrants, the Anti-Dilution Warrants, or any of them, as the context requires.
"Put Agreement"	means the put agreement dated August 13, 2008 among the Corporation, Oyu Tolgoi LLC and Rio Tinto Alcan, as amended.
"Put Option Placement Shares"	means 15,000,000 Common Shares purchased by RTIH on March 19, 2010 at a price of Cdn$16.31 per Common Share.
"Rio Tinto Alcan"	means Rio Tinto Alcan Pte. Ltd., a corporation incorporated under the laws of Singapore and a member of the Rio Tinto Group.
"Rio Tinto Group"	means, collectively, Rio Tinto plc and its affiliates.
"RTIH"	means Rio Tinto International Holdings Limited, a Corporation incorporated under the laws of England and Wales and a member of the Rio Tinto Group.
"RTSEA"	means Rio Tinto South East Asia Limited, an affiliate of RTIH.
"Second Tranche Investment"	means the 46,304,473 Common Shares issued to RTIH on October 27, 2009 under the Private Placement Agreement.

"Series A Warrants"	means series A purchase warrants of the Corporation issued to RTIH on October 27, 2006 in connection with the Private Placement Agreement, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – Private Placement Agreement".
"Series B Warrants"	means the series B purchase warrants of the Corporation issued to RTIH on October 27, 2006 in connection with the Private Placement Agreement, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – Private Placement Agreement".
"Series C Warrants"	means series C purchase warrants of the Corporation issued to RTIH on October 29, 2007 in connection with the Credit Agreement, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – Credit Agreement".
"Series D Warrants"	means series D share purchase warrants of the Corporation issued to RTIH on May 22, 2012 in connection with the 2012 Rights Offering in accordance with the 2012 MoA, the terms of which are more particularly described under the heading "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA".
"Shareholder Rights Plan"	means the Amended and Restated Shareholder Rights Plan dated April 21, 2010 between the Corporation and CIBC Mellon Trust Company (now CST Trust Company).
"Shareholders' Agreement"	means the amended and restated shareholders' agreement dated June 8, 2011 among Oyu Tolgoi LLC, THR Oyu Tolgoi Ltd. (formerly Ivanhoe Oyu Tolgoi (BVI) Ltd.), Oyu Tolgoi Netherlands B.V. and Erdenes MGL LLC.
"Short Term Bridge Funding Agreement"	means the $225 million short term bridge funding agreement dated June 28, 2013 between the Corporation and RTSEA, as amended.
"Soumber Deposit"	means SouthGobi's coal exploration project located approximately 20km east of the Sunrise Pit.
"Southern Oyu Deposits"	means collectively, the South Oyu, Southwest Oyu, Central Oyu and Wedge mineral deposits of the Oyu Tolgoi Mine.
"SouthGobi"	means SouthGobi Resources Ltd.
"Standstill Cap"	means the hard cap limitation in the HoA whereby RTIH could not, during the specified period, subject to certain exceptions, acquire any Common Shares or securities convertible into or exercisable for Common Shares if such acquisition would result in RTIH owning more than 49.0% of the then issued and outstanding Common Shares assuming the full exercise of the Private Placement Warrants.
"Sunrise Field"	means the area of a coal deposit delineated and identified as the Sunrise Field in the Ovoot Tolgoi Coal Project, formerly referred to as the South-East Field.

“Sunrise Pit”	means the area of the coal deposit delineated and identified as the Sunrise Pit in the Ovoot Tolgoi Complex.
“Sunset Field”	means the area of a coal deposit delineated and identified as the Sunset Field in the Ovoot Tolgoi Coal Project, formerly referred to as the West Field.
“T-Bill Purchase Agreement”	means the treasury bill purchase agreement dated October 6, 2009 between Oyu Tolgoi LLC and the Government of Mongolia, which was subsequently assigned to the Corporation by Oyu Tolgoi LLC on November 27, 2012.
“Technical Committee”	means a committee established under the terms of the Private Placement Agreement through which RTIH and the Corporation manage the Oyu Tolgoi Mine, as more particularly described under the heading “General Development of the Business – Agreements with the Rio Tinto Group – Private Placement Agreement”.
“Turquoise Hill” or the **“Corporation”**	means Turquoise Hill Resources Ltd. and, where the context so requires, includes its subsidiaries.
“Turquoise Hill Group”	means, collectively, Turquoise Hill and its subsidiaries or a group of subsidiaries, as the context requires.
“TSX”	means the Toronto Stock Exchange.
“Underground”	means the part of the Ovoot Tolgoi Coal Project comprising the underground coal resources of the Sunset Field.
“YBCA”	means the *Business Corporations Act* (Yukon).
“Zag Suuj Deposit”	means SouthGobi’s coal deposit located 150km east of the Ovoot Tolgoi Coal Project and approximately 80km north of the Mongolia-China border.

Conversion Factors

For ease of reference, the following conversion factors are provided:

Imperial Measure =	Metric Unit	Metric Unit =	Imperial Measure
2.47 acres	1 ha	0.4047 ha	1 acre
3.28 feet	1 m	0.3048 m	1 foot
0.62 miles	1 km	1.609 km	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
2.205 pounds	1 kilogram	0.454 kilograms	1 pound
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy)/ton

Glossary of Technical Terms and Abbreviations

Certain scientific and technical terms and abbreviations used in this AIF are defined in the glossary of technical terms and abbreviations attached as Schedule B to this AIF.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the *Company Act* (British Columbia) on January 25, 1994 under the name 463212 B.C. Ltd. In February 1994, the Corporation changed its name to Indochina Goldfields Ltd. In March 1994, the Corporation increased its authorized capital from 10,000 Common Shares to 100,000,000 Common Shares and created 100,000,000 Preferred Shares. In February 1995, the Corporation was continued under the YBCA. In July 1997, the Corporation increased its authorized capital to an unlimited number of Common Shares and an unlimited number of Preferred Shares. In June 1999, the Corporation changed its name to "Ivanhoe Mines Ltd.". In August 2012, the Corporation changed its name to "Turquoise Hill Resources Ltd.".

The Corporation's head office is located at 354 – 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4. The Corporation's registered office is located at 300 – 204 Black Street, Whitehorse, Yukon, Canada, Y1A 2M9.

Inter-corporate Relationships

The following sets forth, as of the date of this AIF, the name, jurisdiction of incorporation and the voting equity ownership interest of the Corporation in each of the material subsidiaries through which the Corporation ultimately owns its assets and operates its business. These subsidiaries are grouped according to the particular projects or assets of the Corporation to which they relate and are presented in descending order according to the chain of voting equity ownership. Accordingly, the first such subsidiary presented in each group is owned directly by the Corporation and the voting equity ownership interest of the Corporation in that subsidiary is shown in the right hand column opposite its name and jurisdiction of incorporation. The voting equity ownership interest shown in respect of each other subsidiary is, except as otherwise indicated, that of the subsidiary listed immediately above it. In the case of the Oyu Tolgoi Mine, the Corporation's only material property as of the date of this AIF, the Corporation's voting equity ownership interest therein by way of its 66% ownership in Oyu Tolgoi LLC is divided between two parallel groups of subsidiaries.

Oyu Tolgoi Mine Group One Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
THR Delaware Holdings, LLC (formerly Ivanhoe Mines Delaware Holdings, LLC)	Delaware	100%
THR Aruba Holdings LLC A.V.V. (formerly Ivanhoe Mines Aruba Holdings LLC A.V.V.)	Aruba	100%
THR Oyu Tolgoi Ltd. (formerly Ivanhoe Oyu Tolgoi (BVI) Ltd.)	British Virgin Islands	100%
Oyu Tolgoi LLC	Mongolia	0.21%

Oyu Tolgoi Mine Group Two Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
THR Mines (BC) Ltd. (formerly Ivanhoe OT Mines Ltd.)	British Columbia	100%
Turquoise Hill Netherlands Coöperatief U.A.	Netherlands	100%(1)
Oyu Tolgoi Netherlands B.V.	Netherlands	100%
Oyu Tolgoi LLC	Mongolia	65.79%

Ovoot Tolgoi Coal Project Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation	Voting Equity Ownership Interest
SouthGobi Resources Ltd.	British Columbia	55.95%
SGQ Coal Investment Pte. Ltd.	Singapore	100%(2)
SouthGobi Sands LLC	Mongolia	100%(2)

(1) Ownership divided between the Corporation, as to 80%, and THR Mines (BC) Ltd., as to 20%.
(2) Each of these companies is a wholly-owned subsidiary of SouthGobi.

Additional direct and indirect subsidiaries of the Corporation (i) holding, individually, 10% or less, and in the aggregate, 20% or less of the Corporation's consolidated assets, and (ii) generating, individually, 10% or less and, in the aggregate, 20% or less of the Corporation's consolidated sales and operating revenues, in each case, as at and for the year ended December 31, 2013, have been omitted.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Turquoise Hill is an international mining company focused on copper, gold and coal mines in Mongolia. The Corporation's principal and only material mineral resource property is the Oyu Tolgoi Mine, located in Mongolia. The Corporation also has one publicly traded subsidiary through which it holds interests in coal resource properties in Mongolia, being SouthGobi, the shares of which are listed on the TSX and the Hong Kong Stock Exchange and which owns the Ovoot Tolgoi Coal Project located in Mongolia. The Corporation's main focus is the operation and development of the Oyu Tolgoi Mine and Turquoise Hill will continue to consider the divestment of non-core assets.

Three Year History

2011

In February 2011, Turquoise Hill completed the 2010 Rights Offering by issuing a total of 84,867,671 Common Shares, for aggregate gross proceeds of $1.18 billion. Total participation of Turquoise Hill's shareholders under the 2010 Rights Offering was equal to approximately 99% and each of RTIH and Robert Friedland exercised all of their respective rights. As a result of its participation in the 2010 Rights Offering and the purchase of the RMF Purchased Shares and the Citi Purchased Shares (each as defined herein), the Rio Tinto Group's equity ownership of the Corporation increased from 38.7% to 42.1% of the then issued and outstanding Common Shares.

In February 2011, Turquoise Hill and BHP Billiton Ltd. ("BHP") announced that their joint venture (the "Turquoise Hill-BHP Joint Venture") had discovered a zone of shallow copper-molybdenum-gold mineralization approximately 10km north of the Oyu Tolgoi Mine. The discovery, known as Ulaan Khud North, extends the known strike length of the Oyu Tolgoi Mine by an additional 3km to the north, to more than 23km. The Government of Mongolia issued a three year pre-mining agreement (a "Pre-Mining Agreement") for the Turquoise Hill-BHP Joint Venture. The Turquoise Hill-BHP Joint Venture was a project distinct from that of the Oyu Tolgoi Mine and was concluded in 2012. For more information on the Turquoise Hill-BHP Joint Venture, see "Description of the Business – Other Projects – Mongolia".

In June 2011, Oyu Tolgoi LLC made a $100 million tax prepayment to the Government of Mongolia, which completed a total pre-payment package of $250 million that was agreed to in connection with the Investment Agreement. For more information on the Investment Agreement, see "General Development of the Business – Agreements with the Government of Mongolia".

In June 2011, Turquoise Hill and RTIH agreed with the Government of Mongolia to certain limited amendments to the original Shareholders' Agreement which was signed in conjunction with the Investment Agreement in October 2009. As a result of the amendment and restatement of the Shareholders' Agreement, the interest rate to be applied to the repayment of the Government of Mongolia's share of the initial capital costs associated with the development of the Oyu Tolgoi Mine incurred after January 31, 2011 was reduced to LIBOR plus 6.5% from the previous rate of 9.9% plus adjustments for the U.S. Consumer Price Index.

In June 2011, RTIH exercised all of its remaining Series B Warrants and the Series C Warrants and thereby acquired an additional 55,122,253 Common Shares at a price of $8.51 per Common Share for each Series B Warrant exercised and $9.43 per Common Share for each Series C Warrant exercised. Turquoise Hill received gross proceeds from such exercise of approximately $501.6 million (which included $2.5 million for the exercise of 827,706 Anti-Dilution Warrants) and, as a result of such exercises, the Rio Tinto Group's equity ownership of Turquoise Hill increased from 42.1% to 46.5%.

In August 2011, Turquoise Hill received $103 million as payment for a promissory note from an independent third party trust (the "Monywa Trust") established to hold and sell the Corporation's business interests and assets in Myanmar, which included a copper mine and related deposits located at Monywa, Myanmar (the "Monywa Project"). The promissory note related to the 2007 transfer of the ownership of Turquoise Hill's 50% interest in the Monywa Project to the Monywa Trust pursuant to which the Monywa Trust issued an unsecured, non-interest bearing promissory note to a Turquoise Hill subsidiary.

In August 2011, RTIH exercised the Subscription Right (as defined below) and acquired 27,896,570 Common Shares at a price of Cdn$18.98 per Common Share. Turquoise Hill received total proceeds from such exercise of approximately Cdn$529.6 million and the Rio Tinto Group's equity ownership of Turquoise Hill increased from 46.5% to 48.5%. For more information on the Subscription Right, see "General Development of the Business – Agreements with the Rio Tinto Group – HoA".

In September 2011, the Government of Mongolia approached Turquoise Hill and RTIH in an attempt to accelerate the Government's right to increase its current 34% interest in the Oyu Tolgoi Mine to 50%. In response, Turquoise Hill and RTIH advised the Government that they were not willing to renegotiate the terms of the Investment Agreement. Following discussions between all three parties, it was agreed that there would not be a renegotiation of the Investment Agreement, and that the agreement in place would continue unamended. For more information on the Investment Agreement, see “General Development of the Business – Agreements with the Government of Mongolia – Status of the Investment Agreement”.

In December 2011, Turquoise Hill made its first draw on the Interim Funding Facility. For more information on the Interim Funding Facility, see “General Development of the Business – Agreements with the Rio Tinto Group – Interim Funding Facility”.

In December 2011, an independent arbitrator upheld RTIH’s claim that the Shareholder Rights Plan violated certain rights granted to RTIH under the Private Placement Agreement (the “Arbitration Ruling”). The arbitrator ruled that upon expiry of the Standstill Cap, RTIH would have the ability to purchase additional Common Shares beyond its then current holding of 49% without being diluted by the Shareholder Rights Plan, thus enabling RTIH to seek opportunities to increase its holding of Turquoise Hill to a majority position. The arbitration also dismissed the Corporation’s counterclaim that alleged that RTIH acted in breach of certain obligations under the Private Placement Agreement. For more information on the results of the arbitration, see “General Development of the Business – Agreements with the Rio Tinto Group – RTIH Arbitration and Termination of Shareholder Rights Plan”.

2012

In January 2012, Turquoise Hill approved the termination of the Shareholder Rights Plan, subject to the approval of shareholders at the Corporation’s 2012 annual general meeting (the “2012 AGM”). Pending the results of the shareholder vote at the 2012 AGM, the Board of Directors suspended the effective activation of the Shareholder Rights Plan. Subsequent to the decision to suspend and terminate the Shareholder Rights Plan and to ensure that the Shareholders Rights Plan was not inadvertently triggered prior to the 2012 AGM, Turquoise Hill entered into an agreement with RTIH to amend the Private Placement Agreement to enable RTIH to acquire additional Common Shares on a basis that would be exempt from the Shareholder Rights Plan. Under this amended agreement, RTIH agreed to vote its Common Shares in favour of terminating the Shareholder Rights Plan.

In January 2012, upon the expiry of the restrictions imposed on RTIH pursuant to the Standstill Cap, RTIH purchased 15.1 million Common Shares, representing 2% of Turquoise Hill’s then outstanding Common Shares, from two sellers pursuant to a privately negotiated share purchase transaction. The Common Shares were purchased for an aggregate of Cdn$302 million at a price per Common Share of Cdn$20.00. After the completion of this transaction, RTIH owned 377,397,658 Common Shares representing approximately 51% of the then issued and outstanding Common Shares.

In April 2012, Turquoise Hill announced that Aluminum Corporation of China (“Chalco”) intended to make a proportional take-over bid for up to 60% of the common shares of SouthGobi (the “Chalco Bid”) and that Turquoise Hill agreed to tender all of its common shares in SouthGobi to such bid.

In April 2012, Turquoise Hill and RTIH entered into the 2012 MoA, in order to provide a comprehensive financing plan for the continued development of the Oyu Tolgoi Mine and to establish certain management and governance changes. In addition and as part of the 2012 MoA, Turquoise Hill announced that it would proceed with the 2012 Rights Offering and that RTIH would support the 2012 Rights Offering by providing the 2012 Standby Commitment to ensure that maximum proceeds of $1.8

billion were achieved from the 2012 Rights Offering. For more information on the 2012 MoA and the 2012 Rights Offering, see "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA".

Commencing with the execution of the 2012 MoA and throughout May 2012, the Board of Directors experienced numerous changes. Initially, Robert Friedland, Edward Flood, Markus Faber, David Korbin, Livia Mahler, Tracy Stevenson and Dan Westbrook resigned as directors of the Corporation. Concurrent with such resignations, David Huberman resigned as Chair of the Board of Directors and the Board of Directors appointed Michael Gordon as his replacement, on an interim basis. In early May 2012, Michael Gordon, David Huberman and Robert Holland resigned from the Board of Directors and Jill Gardiner, Peter Gillin, Isabelle Hudon and David Klingner were appointed to the Board of Directors joining Peter Meredith, Andrew Harding, Dan Larsen and Kay Priestly. Shortly following these appointments, Livia Mahler was reappointed to the Board of Directors and David Klingner was appointed as Chair of the Board of Directors.

In May 2012, Turquoise Hill announced that Kay Priestly and Chris Bateman were appointed to the roles of Chief Executive Officer and Chief Financial Officer of the Corporation, respectively.

In May 2012, Turquoise Hill and RTIH amended the 2012 MoA to address certain regulatory concerns and more closely align the terms of the 2012 Rights Offering with market conditions.

In June 2012, at the 2012 AGM, Warren Goodman and Russel Robertson were appointed to the Board of Directors, and shareholders resolved to change the Corporation's name from "Ivanhoe Mines Ltd." to "Turquoise Hill Resources Ltd." and to terminate the Shareholders Rights Plan.

In July 2012, Turquoise Hill successfully completed the 2012 Rights Offering and raised gross proceeds of approximately $1.8 billion. For more information on the 2012 Rights Offering, see "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA".

In August 2012, Charles Lenegan and Jeffery Tygesen were appointed to the Board of Directors.

In September 2012, Turquoise Hill and Chalco agreed to terminate the Chalco Bid due to the minimal prospect of obtaining the necessary regulatory approvals within an acceptable timeframe.

In November 2012, Oyu Tolgoi LLC, Inner Mongolia Power Corporation and the National Electricity Transmission Grid Company executed the Power Purchase Agreement to supply power to the Oyu Tolgoi Mine.

In December 2012, Inova completed its accelerated non-renounceable entitlement offer ("Entitlement Offer") (similar to a Canadian rights offering) raising total gross proceeds of approximately A$76 million. Under the Entitlement Offer, eligible shareholders were invited to participate pro-rata to their existing holdings by subscribing for three (3) new Ivanhoe Australia shares for every ten (10) existing Ivanhoe Australia shares held, at a price of A$0.48 per share.

In December 2012, Turquoise Hill began the commissioning process of the concentrator at the Oyu Tolgoi Mine.

2013

In January 2013, the Oyu Tolgoi Mine processed its first ore through the concentrator, and shortly thereafter, the first copper-gold concentrate from the Oyu Tolgoi Mine was produced.

In February 2013, the Corporation signed a binding agreement with Sumeru Gold BV for the sale of the Corporation's 50% interest in Altynalmas Gold Ltd., which holds 100% ownership of the Kyzyl Gold Project. An additional agreement regarding the sale was entered into in August 2013. As described below, the transaction was successfully completed in November 2013.

In February 2013, the Corporation announced the acceptance of Andrew Harding's resignation from the Board of Directors and the appointment of Jean-Sébastien Jacques to the Board of Directors.

In May 2013, the Corporation announced that Livia Mahler and Peter Meredith, both nominees of Robert Friedland, would not stand for re-election to the Board of Directors. Under the terms of the 2012 MoA, Mr. Friedland had the right to nominate two directors to the Board of Directors for as long as he continued to own at least 10% of the outstanding Common Shares. Following private sale transactions completed in late April 2013, Mr. Friedland's holdings in Turquoise Hill shares fell below the 10% threshold. Dan Larsen, a RTIH nominee, also did not stand for re-election. RTIH nominated Virginia Flood in Mr. Larsen's place and she was elected to the Board of Directors at the annual shareholders' meeting.

In June 2013, the Corporation announced that it had entered into the Short Term Bridge Funding Agreement with RTIH. For more information on the Short Term Bridge Funding Agreement, see "General Development of the Business – Agreements with the Rio Tinto Group – Short Term Bridge Facility".

In June 2013, the Corporation announced that commissioning of the Oyu Tolgoi concentrator continued to progress and that more than 40,000t of concentrate had been produced. The Corporation also announced that all necessary permits had been received and that the mine was ready to commence concentrate shipments.

In July 2013, the Corporation announced that the Oyu Tolgoi Mine commenced shipping copper concentrate. The initial sale of approximately 5,800t of concentrate was announced as being sent to customers in China. A convoy carrying approximately 600t of concentrate departed from the mine on July 9, 2013 with the remainder of the shipment taking place over the following two weeks.

In August 2013, the Corporation announced that, in light of changes in the gold market, it entered into an additional agreement with Sumeru Gold BV in connection with the sale of the Corporation's 50% interest in Altynalmas Gold Ltd. (as mentioned above). The supplemental agreement reflected a conditionally reduced cash consideration of $235 million, instead of the original cash consideration of $300 million. The Corporation received the $235 million advance payment on August 7, 2013. The transaction successfully closed on November 29, 2013.

In August 2013, the Corporation announced that it had signed a binding term sheet (the "Binding Term Sheet") with RTIH for a new funding package that was designed to meet the Corporation's cash needs through the end of 2013, including the New Bridge Facility. For more information on the Binding Term Sheet and the New Bridge Facility, see "General Development of the Business – Agreements with the Rio Tinto Group – Binding Term Sheet and New Financing Package" and "General Development of the Business – Agreements with the Rio Tinto Group – New Bridge Facility", respectively.

In August 2013, the Corporation announced that it had entered into a pre-bid acceptance deed with Shanxi Donghui Coal Coking & Chemical Group Co., Ltd. in respect of approximately 14.9% of the issued and outstanding ordinary shares in Inova. The Corporation advised that it would tender all of its Inova shares. The transaction was successfully concluded in November 2013, resulting in the Corporation having completed the divestment of the entirety of its 56.1% interest in Inova to Shanxi Donghui Coal Coking & Chemical Group Co., Ltd.

In September 2013, the Corporation announced the acceptance of Jean-Sebastian Jacques' resignation from the Board of Directors. Rowena Albones was appointed to the Board of Directors in October 2013.

In September 2013, the Corporation announced that the Oyu Tolgoi concentrator was running at full capacity or approximately 100,000t of ore being processed per day. By September 18, 2013, the mine had produced 160,000t of concentrate and had shipped approximately 38,000t to the bonded warehouse in China. The Corporation further announced that Oyu Tolgoi LLC's customers were engaged with Chinese customs officials to receive the necessary approvals to enable them to collect purchase concentrate from the warehouse. In October 2013, it was announced that Oyu Tolgoi LLC's customers received the necessary approvals allowing them to collect the purchased concentrate from the warehouse. As revenue is recognized by Oyu Tolgoi LLC when a customer collects concentrate, the Corporation announced that Oyu Tolgoi LLC would begin recording revenue.

In November 2013 the Corporation announced that it would restate its consolidated financial results for 2010, 2011, 2012 and affected quarters, including 2013, following a decision by SouthGobi that it intended to restate its financial results. For more information, see "General Development of the Business – Restatement of 2012 Financial Statements".

In November 2013, Turquoise Hill commenced a rights offering to raise approximately US$2.4 billion in gross proceeds. For more information on the 2013 Rights Offering, see "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA". The Corporation also announced that it had agreed with RTIH to extend the maturity dates of the Interim Funding Facility and the New Bridge Facility to the earlier of the second business day following the closing date of the 2013 Rights Offering and January 15, 2014.

On December 13 and 18, 2013 two putative securities class action lawsuits were filed in the United States District Court for the Southern District of New York against the Corporation and certain of its officers and directors. The lawsuits seek to recover damages resulting from alleged misstatements about the Corporation's financial performance and business prospects arising from revisions to its recognition of revenue on SouthGobi's coal sales, as disclosed on November 8, 2013. The Corporation believes the complaints are without merit and will vigorously defend against the lawsuits.

Throughout 2013, a number of substantive issues were raised by the Government of Mongolia relating to the implementation of the Investment Agreement, the Shareholders' Agreement, Oyu Tolgoi Project Financing, permitting and approvals. As a result of certain of these issues, development of the underground mine was suspended on August 13, 2013. In December 2013, the Corporation announced that all parties were committed to resolving the shareholder issues and advancing the necessary steps to restart the underground mine, including resolution of the shareholder issues, completion of the feasibility study, Oyu Tolgoi Project Financing, permitting and approvals. The feasibility study remains on track for completion in the first half of 2014.

2014 to date

In January 2014, Turquoise Hill completed the 2013 Rights Offering by issuing a total of 1,006,116,602 Common Shares, for aggregate gross proceeds of approximately $2.4 billion. Approximately 99.3% of the Common Shares were issued in the basic subscription of the 2013 Rights Offering with the balance having been issued in the additional subscription. RTIH exercised all of its rights under the basic subscription and did not participate in the additional subscription of the 2013 Rights Offering, which was available to all shareholders who fully participated in the basic subscription. Because the 2013 Rights Offering was over-subscribed, RTIH was not required to purchase any shares under the 2013 Standby Commitment. As a result of the 2013 Rights Offering, RTIH's stake in Turquoise Hill remained unchanged at 50.8% of the outstanding Common Shares. The net proceeds from the 2013 Rights Offering were primarily used to repay all outstanding amounts under the Interim Funding Facility and the New Bridge Facility and expenses associated therewith and with the 2013 Rights Offering.

In February 2014, the Corporation announced that Turquoise Hill, RTIH and the Government of Mongolia are all committed to further construction of the underground and development of Oyu Tolgoi subject to resolution of shareholder issues, agreement of a comprehensive funding plan including project finance, completion and approval of the feasibility study by all shareholders and the Mongolian Minerals Council and receipt of permits required for development.

In March 2014, the Corporation announced that Turquoise Hill, RTIH and the Government of Mongolia continue to work together with the aim of resolving outstanding shareholder issues and finalizing project finance for further development of the underground mine at Oyu Tolgoi. Progress is being made and some matters have been resolved. All parties remain committed to further development of Oyu Tolgoi. While discussions remain constructive, it may not be possible to resolve the shareholder issues until the underground feasibility study has been completed, reviewed and approved by all parties and all necessary permits have been received. The feasibility study is expected to be completed in the first half of 2014. If agreement on outstanding shareholder issues is deferred until after the completion and approval of the feasibility study, the project finance will not be able to be closed prior to the current expiry of the lender commitments on March 31, 2014. In this event, the shareholders will consider requesting an extension of the commitments from the project finance lenders and finalization of the Oyu Tolgoi Project Financing may be deferred to the second half of 2014.

Agreements with the Rio Tinto Group

In 2006, the Corporation identified RTIH as a strategic investor to support development of the Oyu Tolgoi Mine. The parties have entered into a series of agreements since 2006 pursuant to which RTIH has provided equity and debt financing to fund ongoing development of the Oyu Tolgoi Mine and operations of the Corporation. Since 2006, RTIH has acquired a 50.8% majority interest in Turquoise Hill, had become, up until the repayment of the Interim Funding Facility and the New Bridge Facility, Turquoise Hill's largest creditor, and is responsible for the day-to-day management of the development process of the Oyu Tolgoi Mine.

Private Placement Agreement

In October 2006, Turquoise Hill and RTIH entered into the Private Placement Agreement and the First Tranche Investment was completed, pursuant to which Turquoise Hill issued 37,089,883 Common Shares to RTIH at a price of $8.18 per Common Share, for an aggregate subscription price of approximately $303.4 million. The First Tranche Investment represented, upon issuance, 9.95% of the then issued and outstanding Common Shares.

In October 2009, the Second Tranche Investment was completed, pursuant to which Turquoise Hill issued a further 46,304,473 Common Shares to RTIH at a price of $8.38 per Common Share, for an aggregate subscription price of approximately $388 million. The combined First Tranche Investment and Second Tranche Investment represented, upon issuance, 19.7% of the then issued and outstanding Common Shares.

In conjunction with the First Tranche Investment, the Corporation issued to RTIH the Series A Warrants and the Series B Warrants. The Series A Warrants entitled RTIH to purchase up to 46,026,522 Common Shares at prices per Common Share ranging from $8.38 to $8.54 depending on when they were exercised and the Series B Warrants entitled RTIH to purchase up to 46,026,522 Common Shares at prices per Common Share ranging from $8.38 to $9.02 depending on when they were exercised. On June 29, 2010, RTIH exercised all Series A Warrants, at an exercise price of $8.54 per Common Share, and was issued a total of 46,026,522 Common Shares. On December 15, 2010, under the terms of the HoA, RTIH exercised 33,783,784 Series B Warrants for 33,783,784 Common Shares, at a price per Common Share of $8.88. On June 21, 2011, RTIH exercised the remaining 14,070,182 Series B Warrants for 14,070,182 Common Shares, at a price per Common Share of $8.51.[1]

RTIH was granted pre-emptive rights entitling RTIH to participate, subject to certain specific exceptions, in future issuances of Common Shares on a basis sufficient to maintain its percentage shareholding interest in the Corporation on economic terms equivalent to those upon which any such Common Shares are issued to third parties.

RTIH was also granted a right of first offer, permitting RTIH to provide any equity financing, until October 24, 2012, that the Corporation otherwise proposed to obtain. This right of first offer has now expired.

RTIH and the Corporation also agreed to establish the Technical Committee to manage all aspects of the engineering, construction, development and operation of the Oyu Tolgoi Mine, whereby all material activities and operations in respect of the Oyu Tolgoi Mine must first be approved by the Technical Committee prior to implementation.

The Private Placement Agreement also contained provisions relating to Turquoise Hill's use of funds from Common Shares issued to RTIH under the Private Placement Agreement, standstill and Common Share acquisition limits, right of first refusal in respect of any proposed disposition of the Corporation's interest in the Oyu Tolgoi Mine, and Board of Director nomination entitlements. These provisions were subsequently amended by the HoA. See "General Development of the Business – Agreements with the Rio Tinto Group – HoA".

Credit Agreement

In October 2007, the Corporation and RTIH entered into the Credit Agreement pursuant to which RTIH agreed to make the credit facility (the "Credit Facility") available to the Corporation. The aggregate principal amount advanced to the Corporation under the Credit Facility was $350 million.

On September 13, 2010, the Credit Facility was, by its terms, automatically converted into Common Shares. The $350 million principal amount plus approximately $50.8 million in accrued and unpaid interest was converted into 40,083,206 Common Shares at a conversion price of $10.00 per Common Share. As a result of this conversion, the Rio Tinto Group's equity ownership of the Corporation increased from 29.6% to 34.9% of the then issued and outstanding Common Shares.

[1] The number of remaining Series B Warrants was adjusted to reflect the dilutive effect of the 2010 Rights Offering.

As an inducement to provide the Credit Facility, Turquoise Hill issued to RTIH the Series C Warrants. On June 21, 2011, in addition to its exercise of the remaining Series B Warrants, RTIH exercised all 40,224,365 Series C Warrants for 40,224,365 Common Shares, at a price per Common Share of $9.43, the result of which, when taken together with the exercise of the remaining Series B Warrants, increased RTIH's ownership of the then issued and outstanding Common Shares from approximately 42.1% to 46.5%.

Contract Assignment Arrangement Agreement and Put Agreement

In August 2008, the Corporation, Oyu Tolgoi LLC and Rio Tinto Alcan entered into the Contract Assignment Arrangement Agreement which provided for Rio Tinto Alcan to purchase from Oyu Tolgoi LLC certain Oyu Tolgoi Mine equipment already acquired by Oyu Tolgoi LLC, and to take an assignment of certain contracts with third party suppliers for additional Oyu Tolgoi Mine equipment on long lead time orders, pending the successful completion of negotiations with the Government of Mongolia relating to the Investment Agreement. As consideration for the purchase of the equipment and the assignment of the contracts, Rio Tinto Alcan paid to Oyu Tolgoi LLC an aggregate purchase price of approximately $121.5 million.

In conjunction with the Contract Assignment Arrangement Agreement, the Corporation, Oyu Tolgoi LLC and Rio Tinto Alcan also entered into a Put Agreement whereby Rio Tinto Alcan had the ability to require Oyu Tolgoi LLC to re-purchase the equipment once the Investment Agreement became effective. RTIH exercised its option under the Put Agreement in March 2010 and concurrently subscribed for, by way of private placement, the Put Option Placement Shares. Approximately Cdn$198.2 million of the proceeds from the issuance of the Put Option Placement Shares was allocated and set-off against the purchase from Rio Tinto Alcan of the Oyu Tolgoi Mine equipment covered by the option under the Put Agreement. The balance of the proceeds from the issuance of the Put Option Placement Shares, equal to approximately Cdn$46.4 million, was paid to Turquoise Hill in cash.

HoA

On December 8, 2010, Turquoise Hill and RTIH entered into the HoA, whereby Turquoise Hill and RTIH agreed to, among other things, RTIH's support and full participation in the 2010 Rights Offering, the financing and management of the Oyu Tolgoi Mine, replacing or amending certain contractual obligations under the Private Placement Agreement and a good faith obligation on the part of RTIH to support Turquoise Hill in its efforts to raise Oyu Tolgoi Project Financing for the Oyu Tolgoi Mine as well as other matters, as described in further detail below. The following is a summary only and is qualified in its entirety by reference to the HoA, a copy of which has been filed with the Canadian Securities Authorities on SEDAR at *www.sedar.com*.

Exercise of Private Placement Warrants

Under the terms of the HoA, RTIH was required to exercise 33,783,784 Series B Warrants, resulting in the issuance of 33,783,784 Common Shares, at an exercise price of $8.88 per Common Share for cash proceeds to Turquoise Hill of approximately $300 million. Turquoise Hill further agreed to amend the terms of the remaining Private Placement Warrants to adjust the number of Common Shares issuable to adjust for the dilutive effect of the 2010 Rights Offering. RTIH has since exercised all of its remaining Private Placement Warrants. As a result of the exercise of the 33,783,784 Series B Warrants (and 720,203 Anti-Dilution Warrants), the Rio Tinto Group's equity ownership of Turquoise Hill increased at the time from 34.9% to 38.7% of the then issued and outstanding Common Shares.

2010 Rights Offering

RTIH agreed to (i) publicly support the 2010 Rights Offering, and (ii) exercise all rights issued to it pursuant to the 2010 Rights Offering to purchase Common Shares. The parties to the HoA also agreed (i) on the subscription price per Common Share under the 2010 Rights Offering, (ii) to remove the Minimum Subscription Condition, and (iii) to increase the maximum permitted size of the 2010 Rights Offering to $1.2 billion. As a result of the exercise of its rights under the 2010 Rights Offering and the purchase of the RMF Purchased Shares and the Citi Purchased Shares (each as defined below), the Rio Tinto Group's equity ownership of Turquoise Hill increased at the time from 38.7% to 42.1% of the then issued and outstanding Common Shares.

Common Share Purchases from Robert Friedland and Citibank N.A.

Concurrent with the execution of the HoA, RTIH entered into separate agreements to purchase, prior to the record date of the 2010 Rights Offering, 10,000,000 Common Shares from Robert Friedland (the "RMF Purchased Shares") and, upon the completion of the 2010 Rights Offering, a further 10,000,000 Common Shares (11,500,000 after applying a gross-up to take into account the 2010 Rights Offering) from Citibank N.A. (the "Citi Purchased Shares"). The purchase price paid by RTIH for the RMF Purchased Shares was $25.34 per RMF Purchased Share. The purchase price paid by RTIH for the first 10,000,000 Citi Purchased Shares was $25.34 per Citi Purchased Share, with the remaining balance of 1,500,000 Citi Purchased Shares purchased at $13.88 per Citi Purchased Share, which was equal to the subscription price per Common Share under the 2010 Rights Offering.

Subscription Right

RTIH received a subscription right (the "Subscription Right"), exercisable from time to time to purchase Common Shares from Turquoise Hill's treasury at the volume weighted average price of a Common Share on the TSX during the five trading days immediately prior to the applicable date of exercise. RTIH's entitlement to exercise the Subscription Right was subject to certain limitations, including the Standstill Cap, and allowed RTIH to purchase up to 49% of the outstanding Common Shares minus 3,700,000 Common Shares. RTIH exercised the Subscription Right in August 2011 to acquire 27,896,570 Common Shares at a price of Cdn$18.98 per Common Share and in January 2012 to acquire 439,216 Common Shares at a price of Cdn$19.66 per Common Share for total aggregate proceeds to the Corporation of approximately Cdn$544.3 million. As a result, the Rio Tinto Group's equity ownership of the Corporation increased at the time from 46.5% to 49% of the then issued and outstanding Common Shares.

Standstill Cap

The share purchase limitations applicable to RTIH under the Private Placement Agreement were replaced by the Standstill Cap. The restrictions imposed on RTIH pursuant to the Standstill Cap expired on January 18, 2012. Subsequent to the expiry of the Standstill Cap, RTIH purchased 15.1 million Common Shares from third parties, and thereby increased the Rio Tinto Group's equity ownership of the Corporation from 49% to approximately 51% of the then issued and outstanding Common Shares.

Use of Proceeds

The Corporation agreed to use all of the proceeds from the 2010 Rights Offering and from the sale of any Common Shares to RTIH pursuant to the exercise of the Private Placement Warrants, the Subscription Right or otherwise, other than $180 million, for expenditures in respect of the Oyu Tolgoi Mine. The Corporation further agreed not to use the proceeds from the sale of any of its assets that are unrelated to the Oyu Tolgoi Mine ("Non-Oyu Tolgoi Assets") to acquire any new assets or to fund any existing projects other than the development of the Oyu Tolgoi Mine and the Kyzyl Gold Project.

The above use of proceeds covenants in the HoA were amended in the 2012 MoA to replace the Kyzyl Gold Project with the repayment of the Interim Funding Facility as an acceptable and permitted use of such proceeds. They were further amended in the 2013 MoA to include proceeds from the proposed sale of the Corporation's 50% interest in Altynalmas Gold Ltd. as part of the proceeds subject to the same restrictions as the proceeds from the sale of any Non-Oyu Tolgoi Assets.

Funding Requests

If and when Turquoise Hill required further funds for the development of the Oyu Tolgoi Mine, it was obligated to notify RTIH. After receiving any such notice, RTIH was required to exercise a sufficient number of the remaining Private Placement Warrants, if any, to generate proceeds sufficient to fund expenditures as set out in each such notice. Once all the Private Placement Warrants were exercised, further funding from RTIH required for the development of the Oyu Tolgoi Mine was done by way of drawdown under the Interim Funding Facility.

Under the 2012 MoA, the Bridge Facility, the proceeds of the 2012 Rights Offering, Oyu Tolgoi Project Financing and the provision of completion support by RTIH formed the principal components of the financing plan for the development of the Oyu Tolgoi Mine, in addition to the Interim Funding Facility. For further information on the Bridge Facility, see "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA – Bridge Facility".

Under the 2013 MoA, the sources of funding for the development of the Oyu Tolgoi Mine under the HoA were amended to include only the Interim Funding Facility, the Short Term Bridge Facility and the New Bridge Facility. For further information on the Short Term Bridge Facility and the New Bridge Facility, see "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA – Short Term Bridge Facility" and "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA – New Bridge Facility", respectively.

Oyu Tolgoi Project Financing

RTIH and the Corporation agreed to act together diligently and in good faith to negotiate Oyu Tolgoi Project Financing acceptable to both RTIH and the Corporation, acting reasonably, in an amount of $3.6 billion, unless otherwise agreed by the parties, with the original goal of having Oyu Tolgoi Project Financing in place before June 30, 2011.

Under the 2012 MoA, the amount to be borrowed for Oyu Tolgoi Project Financing was amended to a range between $3 billion and $4 billion, the target date for Oyu Tolgoi Project Financing was extended to December 31, 2012 and RTIH assumed leadership of the Oyu Tolgoi Project Financing negotiations.

Under the 2013 MoA, the target date for Oyu Tolgoi Project Financing was extended to November 14, 2013.

Turquoise Hill and RTIH further agreed under the HoA that, until such time as Oyu Tolgoi Project Financing is secured, RTIH would provide Turquoise Hill with the Interim Funding Facility to fund on-going development of the Oyu Tolgoi Mine subject to compliance with the terms of the Interim Funding Facility. For more information on the Interim Funding Facility, see "General Development of the Business – Agreements with the Rio Tinto Group – Interim Funding Facility".

Governance Arrangements

Turquoise Hill and RTIH agreed to cause (i) three nominees (the "Nominees") from each of Turquoise Hill and RTIH to be appointed as the directors of Oyu Tolgoi LLC reserved for the OT Shareholder Holdcos under the Shareholders' Agreement, and (ii) the OT Shareholder Holdcos to exercise all of their rights under the Shareholders' Agreement in accordance with instructions given by the Operating Committee, which is comprised of two nominees from each of Turquoise Hill and RTIH, with a RTIH nominee serving as chairman. Turquoise Hill and RTIH are to instruct their respective nominees to vote at Oyu Tolgoi LLC board meetings as a block in accordance with the instructions received from the Operating Committee. All decisions of the Operating Committee, other than decisions in respect of certain defined special matters, require a majority vote of the members with a casting vote of the chairman (being a RTIH nominee) in the case of a tie. Decisions in respect of certain "special matters" require a unanimous vote of the members of the Operating Committee.

Oyu Tolgoi Mine Management and Exploration

RTIH was granted the right to appoint an affiliate (the "Rio Tinto Manager") to manage the Oyu Tolgoi Mine under the terms of a management agreement (the "Oyu Tolgoi Governance Agreement"); however, Oyu Tolgoi LLC has the right to terminate the Oyu Tolgoi Governance Agreement in certain circumstances, including, if the Rio Tinto Manager is unable to pay its debts as they become due, causing the Rio Tinto Manager to be unable to perform its obligations under the Oyu Tolgoi Governance Agreement, if the Rio Tinto Group disposes of a sufficient number of Common Shares such that it ceases to hold a direct and/or indirect beneficial ownership interest in Oyu Tolgoi LLC of more than 10%, or if the Rio Tinto Manager ceases to be a wholly-owned subsidiary member of the Rio Tinto Group and the situation is not remedied within 60 days after being required in writing to do so.

The Rio Tinto Manager delegated, by way of sub-contract, management of exploration within the areas covered by the Oyu Tolgoi Mine licences, but outside of the "Core Area" of the Oyu Tolgoi Mine, to a designated subsidiary of Turquoise Hill (on a non-exclusive basis). Turquoise Hill was responsible for preparing exploration programs and budgets for such exploration, but RTIH had the right to approve any exploration expenditures in excess of $30 million per year. Turquoise Hill's responsibilities in respect of exploration outside the "Core Area" were subsequently transferred to and assumed by the Rio Tinto Manger under the 2012 MoA. See "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA – Oyu Tolgoi Exploration Activities" for more details.

Other Oyu Tolgoi Mine Matters

Pursuant to the 2013 MoA, Turquoise Hill agreed not to sell, transfer or otherwise dispose of or encumber any interest in the Oyu Tolgoi Mine without RTIH's consent until the earlier of (i) the date on which the initial drawdown under the Oyu Tolgoi Project Financing is completed and the proceeds thereof are used to fund the payment in full of the Initial PF Drawdown Requirements (as defined in the 2013 MoA) and (ii) December 31, 2015.

Interim Funding Facility

All amounts outstanding under the Interim Funding Facility were repaid on January 14, 2014 from the net proceeds of the 2013 Rights Offering.

2012 MoA

The Corporation, RTIH and RTSEA entered into the 2012 MoA on April 17, 2012 and amended certain of its terms on May 22, 2012. The 2012 MoA contemplates a comprehensive financing plan comprising a number of transactions in respect of the financing of the Oyu Tolgoi Mine, the management of the Corporation, certain amendments to the HoA, and other matters. The financing commitments made by RTIH pursuant to the terms of the 2012 MoA were provided to address the uncertainty that previously existed with respect to the financing of the Oyu Tolgoi Mine and provide the Corporation with more secure access to a source of funding, which was intended to allow for a higher degree of funding certainty for the Oyu Tolgoi Mine until commercial production is achieved. The following is a summary only and is qualified in its entirety by reference to the 2012 MoA, as amended, a copy of which has been filed with the Canadian Securities Authorities on SEDAR at *www.sedar.com*.

2012 Rights Offering

The Corporation and RTIH agreed to the key terms of the 2012 Rights Offering. These terms included (i) the issuance of rights sufficient to generate gross proceeds of up to US$1.8 billion; (ii) the price payable for each Common Share upon exercise of a right; (iii) the agreement by RTIH to exercise its basic subscription privilege in full and to provide the 2012 Standby Commitment, subject to certain terms, conditions and limitations set out in the 2012 MoA; (iv) the payment of a fee by the Corporation to RTIH as consideration for RTIH providing the 2012 Standby Commitment; and (v) the offering of an additional subscription privilege to holders of rights that have exercised their basic subscription privilege in full.

The 2012 Rights Offering closed on July 27, 2012 and the Corporation issued an aggregate total of 259,558,050 Common Shares in satisfaction of the rights exercised. As the 2012 Rights Offering was fully subscribed,[2] RTIH was not required to purchase any additional Common Shares under the 2012 Standby Commitment.

Oyu Tolgoi Project Financing and Completion Support Agreement

In accordance with the terms of the HoA, RTIH and the Corporation agreed to continue to act together diligently and in good faith to negotiate Oyu Tolgoi Project Financing. The estimate for the total amount of financing was revised to a range of between US$3 billion and US$4 billion, with the final terms of such financing subject to the acceptance of each of the Corporation, RTIH, and the board of Oyu Tolgoi LLC, each acting reasonably.

Provided that Oyu Tolgoi Project Financing is made available on terms reasonably satisfactory to RTIH and RTIH is reasonably satisfied at the Oyu Tolgoi Project Financing closing date that the Oyu Tolgoi Mine (including a power plant) is fully financed (including a reasonable provision for contingencies), a RTIH affiliate (the “Rio Tinto Supporter”) will enter into a completion support agreement with the Corporation (the “Completion Support Agreement”), pursuant to which the Rio Tinto Supporter will agree to provide a completion support guarantee to the lenders of Oyu Tolgoi Project Financing. As consideration for entering into the Completion Support Agreement, the Corporation will be responsible to pay to the Rio Tinto Supporter an annual fee of 2.5% payable

[2] 99.2% of the 2012 Rights Offering rights were exercised in the first instance pursuant to a basic subscription privilege with the remainder taken up via an additional subscription privilege.

annually, in advance, on the amount of debt that is projected as the aggregate average of the debt that will be outstanding under the Oyu Tolgoi Project Financing at each calendar month end during the subject 12 month period.

Bridge Facility

RTIH agreed to cause one of its affiliates to provide the Corporation with the Bridge Facility to fund ongoing development of the Oyu Tolgoi Mine. A front end fee of US$15 million was paid on May 24, 2012 by the Corporation to the affiliate of RTIH providing the Bridge Facility. The Bridge Facility was to be drawn down to fund ongoing Oyu Tolgoi Mine expenditures if, and to the extent that, funds from the Interim Funding Facility, Oyu Tolgoi Project Financing or other sources were not available in a timely manner. The Bridge Facility expired undrawn on May 23, 2013.

Board of Directors

Upon execution of the 2012 MoA, it was agreed that the Board of Directors would be reduced from 14 to 13 directors and that a majority of the directors would be independent until January 18, 2014. This independence requirement has now expired. The quorum required for the transaction of business at a meeting of the Board of Directors was fixed as a majority of the number of directors elected or appointed and in office immediately before the applicable meeting. The 2012 MoA also specified that Mr. Friedland had the right, conditional upon him continuing to own at least 10% of the Common Shares, to select two Turquoise Hill directors (of which at least one must be independent) from the incumbent Turquoise Hill directors (other than himself and each acceptable to RTIH) and that RTIH would exercise its voting power to vote in favour of the election of such directors from time to time until the earlier of January 18, 2014, and the date Turquoise Hill ceases to be a reporting issuer.

In addition, the 2012 MoA provided for the abolishment of the Corporation's Office of the Chairman and the repeal of the Corporation's policy that required directors to hold Common Shares.[3]

Concurrent with the execution of the 2012 MoA, Robert Friedland, Edward Flood, Dr. Markus Faber, David Korbin, Livia Mahler, Tracy Stevenson and Dan Westbrook resigned as directors of the Corporation, and David Huberman resigned as Chair of the Board of Directors. As part of these resignations, each resigning director entered into mutual release agreements with RTIH and the Corporation. From the execution of the 2012 MoA until the period following the 2013 AGM, there were additional changes to the individuals comprising the Board of Directors. For more information on these changes, see "General Development of the Business – Three Year History – 2012" and "General Development of the Business – Three Year History – 2013".

On May 1, 2013, the Corporation announced that as a result of Mr. Friedland falling below the 10% ownership threshold, his right to nominate two directors had expired and that his director nominees had agreed to resign from the Board. As a result, the Corporation and RTIH agreed that the Board would consist of 11 directors. See "General Development of the Business – Three Year History – 2013".

Senior Management

Upon execution of the 2012 MoA, Robert Friedland (Chief Executive Officer), Tony Giardini (Chief Financial Officer), John Macken (President) Sam Riggall (Executive Vice President, Business Development and Strategic Planning) and Peter Meredith (Deputy Chairman) (each, an "Incumbent

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[3] The repeal of the Common Share ownership requirement for directors is consistent with RTIH's corporate policy that prohibits directors who are employees of RTIH (seconded or otherwise) from receiving options to purchase Common Shares.

Senior Officer") resigned from their respective offices with the Corporation and from all offices (including directorships) with each of the Corporation's subsidiaries, other than Mr. Meredith who remained a director (and Chairman) of SouthGobi until his resignation in September 2012. As a result of Messrs. Friedland and Giardini's resignations, Kay Priestly and Catherine Barone were appointed as Interim Chief Executive Officer and Interim Chief Financial Officer, respectively. On May 1, 2012, Kay Priestly's interim designation was removed as she was appointed Chief Executive Officer of the Corporation, and Chris Bateman was appointed Chief Financial Officer.

Each of the Incumbent Senior Officers entered into mutual release agreements with RTIH and the Corporation (other than Mr. Friedland, with whom RTIH and the Corporation exchanged mutual releases from liability pursuant to the terms of a separation agreement).

Oyu Tolgoi Exploration Activities

The OT Exploration Agreement (as defined in the HoA) was terminated and all rights and responsibilities for conducting exploration activities in respect of the Oyu Tolgoi Mine are now held by the Rio Tinto Manager, in its role as manager of the Oyu Tolgoi Mine.

Series D Warrants

The Corporation issued to RTIH share purchase warrants (the "Series D Warrants") exercisable to purchase an additional 55 million Common Shares at any time until May 22, 2015. Following the 2012 Rights Offering, the number of Common Shares underlying the Series D Warrants and the exercise price per Series D Warrant were adjusted to 74,247,460 and $10.37, respectively, to adjust for the dilutive impact of the 2012 Rights Offering and to preserve the original economic value of the Series D Warrants. Following the 2013 Rights Offering, the exercise price per Series D Warrant was further adjusted to $8.20 in accordance with certain price adjustment provisions contained in the certificate evidencing the Series D Warrants to adjust for the dilutive impact of the 2013 Rights Offering and to preserve the original economic value of the Series D Warrants.

Anti-Dilution Series D Warrants

In addition to the Series D Warrants, the Corporation agreed pursuant to the terms and conditions of the 2012 MoA to grant RTIH the Anti-Dilution Series D Warrants if, at any time prior to the expiry of the Series D Warrants on May 22, 2015, the Corporation issues Common Shares in connection with a future rights offering. The Anti-Dilution Series D Warrants, upon issuance, would represent the same percentage of the outstanding Common Shares that RTIH and its affiliates would have beneficially owned if all of the then outstanding Series D Warrants and any previously issued Anti-Dilution Series D Warrants beneficially owned by RTIH or its affiliates had been fully exercised immediately before the record date of such future rights offering.

In connection with the 2013 Rights Offering, the Corporation issued to RTIH Anti-Dilution Series D Warrants exercisable to purchase an additional 74,247,460 Common Shares at any time until May 22, 2015 at an exercise price of $4.31 per Common Share (subject to certain price adjustment provisions contained in the certificate evidencing the Anti-Dilution Series D Warrants).

Anti-Dilution Subscription Right

For the subscription price of Cdn$1,000, RTIH was granted, pursuant to the 2012 MoA, the right (the "Anti-Dilution Subscription Right") to subscribe from time to time for Common Shares in respect of any dilution to the Rio Tinto Group's equity ownership position in the Corporation as a result of the issuance of Common Shares pursuant to certain exercises of incentive stock options (i) that were exercised prior to the date of the 2012 MoA, or (ii) that remain outstanding and are exercised after the date of the 2012 MoA, subject to a maximum subscription limit of 30,051,345 Common Shares (being the product of an adjustment to reflect the dilutive effect of the 2013 Rights Offering in accordance with the terms of the certificate evidencing the Anti-Dilution Subscription Right). The Anti-Dilution Subscription Right will remain exercisable until the 20th business day following the expiration or exercise of the last incentive stock option that was outstanding on May 24, 2012, as such options may be adjusted in accordance with their terms. The subscription price per Common Share under the Anti-Dilution Subscription Right will be the volume weighted average price of a Common Share on the TSX during the five (5) trading days immediately before the applicable date of exercise.

In connection with the 2013 Rights Offering, the Corporation affected an equitable adjustment to the number of outstanding stock options and granted an additional 1,047,998 options to the holders of all outstanding stock options to adjust for the dilutive effect of the 2013 Rights Offering and, correspondingly, the Corporation increased the number of Common Shares underlying the Anti-Dilution Subscription Right by 4,402,223 such that the Anti-Dilution Subscription Right is presently exercisable for an aggregate of 30,051,345 Common Shares. As of the date of this AIF, RTIH had not subscribed for any Common Shares underlying the Anti-Dilution Subscription Right.

Short Term Bridge Facility

On June 28, 2013, the Corporation entered into an agreement with RTSEA (as amended, the "Short Term Bridge Funding Agreement") for a non-revolving bridge facility for up to US$225 million (the "Short Term Bridge Facility"). Advances made under the Short Term Bridge Facility were used by Turquoise Hill to fund operations and the underground development of the Oyu Tolgoi mine. On August 2, 2013, Turquoise Hill received a $235 million advance payment from Sumeru Gold BV in connection with Turquoise Hill's sale of its 50% interest in Altynalmas Gold Ltd., which was used to repay in full amounts then outstanding under the Short Term Bridge Facility.

In the event the Short Term Bridge Facility was not repaid in full at the maturity date (initially August 12, 2013, and subsequently extended to August 28, 2013 by the Binding Term Sheet described below) or in case of an event of default under the terms of the Short Term Bridge Facility, RTSEA could convert any outstanding amounts into Common Shares at a price per share equal to 85% of the then prevailing five-day volume weighted average trading price of the shares on the New York Stock Exchange. The conversion option was irrevocably waived by RTSEA pursuant to the terms of the Binding Term Sheet.

RTIH's obligation to advance funding under the Short Term Bridge Facility was subject to a number of conditions and compliance by the Corporation with a series of covenants. For more details regarding such conditions and covenants, reference is made to the Short Term Bridge Funding Agreement, a copy of which has been filed with the Canadian Securities Authorities on SEDAR at *www.sedar.com*.

Upon the finalization and effectiveness of the remaining definitive agreements (including certain security agreements as mentioned below under "Binding Term Sheet and New Financing Package") for the New Bridge Facility, the Short Term Bridge Funding Agreement was terminated.

Binding Term Sheet and New Financing Package

On August 7, 2013, the Corporation entered into the Binding Term Sheet setting out the material terms and conditions on which RTIH and RTSEA agreed to provide a new financing package designed to address the Corporation's then anticipated medium term funding needs in connection with the Oyu Tolgoi Mine (the "New Financing Package").

On August 23, 2013, the Corporation, RTIH and RTSEA entered into definitive agreements and documents giving effect to the Binding Term Sheet, including, among others, the 2013 MoA and the New Bridge Funding Agreement, each as described in further detail below. Certain other definitive agreements (including certain security agreements) were entered into on September 5, 2013.

New Bridge Facility

As part of the New Financing Package, RTSEA agreed to provide the Corporation with the New Bridge Facility for the purpose of initially refinancing all amounts then outstanding under the Short Term Bridge Funding Agreement and thereafter for the purpose of funding expenditures to be incurred in connection with the Oyu Tolgoi Mine, if and to the extent that funds from the Oyu Tolgoi Project Financing or from other sources would not be available in a timely manner. It was contemplated that such expenditures would include the costs of the continued ramp-up and completion of the open pit phase of the Oyu Tolgoi Mine, and other assets, expenses and payments related to the Oyu Tolgoi Mine. RTSEA and the Corporation entered into the New Bridge Funding Agreement for the purpose of providing the New Bridge Facility. The New Bridge Facility bore interest at the rate of LIBOR plus 5% per annum on drawn amounts and required payment to RTSEA of a commitment fee of 2% *per annum* on undrawn amounts.

On November 14, 2013, RTIH, RTSEA and the Corporation entered into an amending agreement that amended the 2013 MoA and the New Bridge Funding Agreement, pursuant to which they agreed to extend the latest closing date for the 2013 Rights Offering to January 13, 2014 and, correspondingly, to extend the maturity dates of the Interim Funding Facility and the New Bridge Facility to the earlier of the second business day following the closing date of the 2013 Rights Offering and January 15, 2014. For more information, see "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA – 2013 Rights Offering".

All amounts outstanding under the New Bridge Facility were repaid on January 14, 2014 from the net proceeds of the 2013 Rights Offering concurrently with all amounts outstanding under the Interim Funding Facility.

The Corporation was required to prepay all amounts outstanding under the New Bridge Facility with the entire amount of (i) the net proceeds of the 2013 Rights Offering and any other placement or other issuance of Common Shares, and (ii) the net after-tax proceeds of any sale or other disposition of mineral resource interests and assets held, directly or indirectly, by the Corporation, other than the Oyu Tolgoi Mine, provided that if the entire amount of such net proceeds exceeded the obligations of the Corporation to RTSEA then outstanding under the New Bridge Facility, the Corporation would only be required to apply such amount of such net proceeds as was sufficient to pay all of the then outstanding amounts under the New Bridge Facility and the remaining amount of such net proceeds would be applied, to the extent required, to prepay the Interim Funding Facility. The Corporation was also required to make prepayments of its outstanding obligations under the New Bridge Facility in certain other circumstances.

2013 MoA

Under the terms of the 2013 MoA, the Corporation, RTSEA and RTIH agreed that if, by an agreed upon "Launch Deadline", Oyu Tolgoi Project Financing was either (i) not in place and available for drawdown or (ii) in place and available for drawdown but for any reason Oyu Tolgoi LLC, as borrower thereunder, was restricted from drawing down an amount sufficient, or from distributing the proceeds of such drawdown, to repay all amounts then outstanding under the Interim Funding Facility and the New Bridge Facility, to reimburse the Corporation and its affiliates for all fees paid in connection with the Oyu Tolgoi Project Financing prior to the date of such initial drawdown, and to pay all amounts payable by the Corporation and its affiliates on account of Mongolian withholding tax upon the repayment by Oyu Tolgoi LLC of certain shareholder debt which may be required under the terms of the Oyu Tolgoi Project Financing to be repaid, then the Corporation would be obligated to conduct a rights offering by way of prospectus. It was also agreed that such rights offering was to raise sufficient funds in order to permit the Corporation, in the case of (i) above, to repay all amounts outstanding under the Interim Funding Facility and the New Bridge Facility by their respective maturity dates, or in the case of (ii) above, to fund the amount by which the aforementioned uses of the proceeds of such initial drawdown exceed the amount of Oyu Tolgoi Project Financing funds which can, at such time, be drawn down for such purposes by Oyu Tolgoi LLC.

Under the 2013 MoA, the Corporation, RTSEA and RTIH agreed to the key terms and conditions upon which the Corporation would undertake the 2013 Rights Offering, and to certain continuing covenants which are substantially similar in scope and content and are consistent with other pre-existing contractual arrangements and that they would continue to act together diligently and in good faith to negotiate the Oyu Tolgoi Project Financing; a copy of the 2013 MoA has been filed with the Canadian Securities Authorities on SEDAR at *www.sedar.com*.

Amendment to the 2013 MoA

On November 14, 2013, RTIH, RTSEA and the Corporation entered into an amending agreement that amended the 2013 MoA and the New Bridge Funding Agreement, pursuant to which they agreed to extend the latest closing date for the 2013 Rights Offering to January 13, 2014 and, correspondingly, to extend the maturity dates of the Interim Funding Facility and the New Bridge Facility to the earlier of the second business day following the closing date of the 2013 Rights Offering and January 15, 2014.

2013 Rights Offering

The Corporation and RTIH agreed to the key terms of the 2013 Rights Offering in the 2013 MoA. These terms included: (i) the issuance of rights sufficient to generate gross proceeds, which, after the payment therefrom of the fee in consideration for the 2013 Standby Commitment and any other fees, costs or expenses incurred by Turquoise Hill in connection with the 2013 Rights Offering, the amount required to fund the payment or repayment on the closing date of the 2013 Rights Offering of all amounts then outstanding under the Interim Funding Facility and the New Bridge Facility, plus such additional amount agreed to between the Corporation and RTIH, each acting reasonably; (ii) the price payable for each Common Share upon exercise of a right; (iii) the agreement by RTIH to exercise its basic subscription privilege in full and to provide the 2013 Standby Commitment, subject to certain terms, conditions and limitations set out in the 2013 MoA; (iv) the payment of a fee by the Corporation to RTIH as consideration for RTIH providing the 2013 Standby Commitment; and (v) the offering of an additional subscription privilege to holders of rights that have exercised their basic subscription privilege in full.

The 2013 Rights Offering expired on January 7, 2014 and closed on January 13, 2014, resulting in the Corporation issuing an aggregate of 1,006,116,602 Common Shares in satisfaction of the rights exercised. As the 2013 Rights Offering was fully subscribed,[4] RTIH was not required to purchase any additional Common Shares under the 2013 Standby Commitment. For certain other effects of the 2013 Rights Offering, see "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA – Series D Warrants", "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA – Anti-Dilution Series D Warrants" and "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA – Anti-Dilution Subscription Right".

Agreements with the Government of Mongolia

Investment Agreement

The parties to the Investment Agreement are the Corporation, its 66% owned subsidiary Oyu Tolgoi LLC, RTIH, and the Government of Mongolia. The Investment Agreement provides for, among other things, a framework for maintaining a stable tax and operational environment for the Oyu Tolgoi Mine, protection of the parties' investment in the Oyu Tolgoi Mine, the term of the parties' investment in the Oyu Tolgoi Mine, the right to realize the benefits of such investment, the undertaking of mining activities with minimum damage to the environment and human health, the rehabilitation of the environment, the social and economic development of the Southern Gobi region and the creation of new jobs in Mongolia.

Effective Date

The Investment Agreement became effective as of March 31, 2010 (the "Effective Date"), following the satisfaction of all conditions precedent to its effectiveness. These conditions included the completion of a number of corporate transactions intended to establish an efficient foundation for the operation of the Oyu Tolgoi Mine and the respective interests of the parties, such as the restructuring of Oyu Tolgoi LLC and the conversion of certain exploration licences to mining licences.

Term

The Investment Agreement has an initial term of 30 years from the Effective Date (the "Initial Term"). Oyu Tolgoi LLC has the right, exercisable by notice given not less than 12 months prior to the expiry of the Initial Term and subject to the fulfillment of certain conditions, to extend the Initial Term of the Investment Agreement for an additional term of 20 years (the "Renewal Term").

In order to exercise its right to obtain the Renewal Term, Oyu Tolgoi LLC must have performed the following obligations during the Initial Term:

- demonstrated that the Oyu Tolgoi Mine has been operated to industry best practice in terms of national and community benefits, environment and health and safety practices;
- made capital expenditures in respect of the Oyu Tolgoi Mine of at least $9 billion;
- complied in all material respects with its obligations to pay taxes under the laws of Mongolia, as stabilized under the terms of the Investment Agreement;

[4] Approximately 99.3% of the 2013 Rights Offering rights were exercised in the first instance pursuant to a basic subscription privilege with the remainder taken up via an additional subscription privilege.

- commenced commercial production at the Oyu Tolgoi Mine within five years of the "Financing Completion Date", being the earlier of (i) the date on which Oyu Tolgoi LLC has obtained access to Oyu Tolgoi Project Financing sufficient to fully construct the Oyu Tolgoi Mine in accordance with the feasibility study submitted to the Government of Mongolia or (ii) two years after the Effective Date. In March 2012, Oyu Tolgoi LLC notified the Government of Mongolia that the Financing Completion Date occurred on March 31, 2012, given Oyu Tolgoi Project Financing had not been obtained as of that date;

- if, as part of the development of the Oyu Tolgoi Mine, Oyu Tolgoi LLC has constructed, or is constructing, a copper smelter, Oyu Tolgoi LLC must have constructed or be constructing such smelter in Mongolia;

- if the development and operation of the Oyu Tolgoi Mine has caused any unanticipated and irreversible ecological damage to natural resources in Mongolia, Oyu Tolgoi LLC must have paid compensation based on the value of any such permanently damaged natural resources in accordance with the applicable laws of Mongolia; and

- within four years after having commenced commercial production at the Oyu Tolgoi Mine, which occurred in September 2013, secured the total power requirements for the Oyu Tolgoi Mine from sources within the territory of Mongolia.

Investment Protection

The Investment Agreement confirms Oyu Tolgoi LLC's rights to market, sell and export mineral products from the Oyu Tolgoi Mine at international market prices and to freely expend and repatriate its sale proceeds in Mongolian togrogs and foreign currencies. It also conveys legal protection on capital, property and assets of OTC LLC and its affiliates, and the requirement that any expropriation action must be in accordance with due process of law on a non-discriminatory basis and with the condition of full compensation by the Government of Mongolia to the affected party.

Taxes, Royalties and Fees

Throughout the Initial Term and the Renewal Term, if any, all taxes payable by Oyu Tolgoi LLC will remain stabilized. The annual corporate income tax rate will be stabilized at 10% on all sums earned up to three billion togrogs (approximately $2.1 million). All taxable income earned in excess of three billion togrogs will be taxed at the rate of 25%. In addition to corporate income tax, the following taxes have been stabilized: customs duties; value-added tax; excise tax (except on gasoline and diesel fuel purchases); royalties (at 5% of the sales value of all mineral products mined from the Oyu Tolgoi Mine); mineral exploration and mining licence payments (at $15 per ha); and immovable property tax and/or real estate tax.

The previously existing windfall profits tax was eliminated with effect as of January 1, 2011. Taxation on dividends and other forms of income have also been stabilized at zero percent. Non-stabilized taxes shall apply to Oyu Tolgoi LLC on a non-discriminatory basis.

Project Financing

Under the Shareholders' Agreement (discussed further below), the shareholders of Oyu Tolgoi LLC have agreed to use their commercially reasonable endeavours to use project financing as a priority funding mechanism (if beneficial and appropriate from an overall project perspective) and to assist Oyu Tolgoi LLC to obtain Oyu Tolgoi Project Financing as soon as practicable.

Commercial Production

Commencement of commercial production is defined as being the first day of the month following the month in which regular shipments to customers first occurs after achievement of 70% of planned concentrator throughput based on design capacity at that stage of construction for the Oyu Tolgoi Mine, for a continuous period of 30 days. Commencement of commercial production at the Oyu Tolgoi Mine was achieved September 2013.

Infrastructure

All roads, pipelines and other transportation infrastructure funded or constructed by Oyu Tolgoi LLC or its affiliates in connection with implementation of the Oyu Tolgoi Mine are required to be constructed to a standard necessary to meet the specific requirements of the Oyu Tolgoi Mine only. Oyu Tolgoi LLC may provide the public, the Government of Mongolia and third parties with access to certain infrastructure and/or services, provided such access does not interfere with the operation of the Oyu Tolgoi Mine. In addition, Oyu Tolgoi LLC may recover costs by way of payments or collection of tolls from those persons or entities using such infrastructure and/or services.

Oyu Tolgoi LLC is permitted to construct a road between the Oyu Tolgoi Mine site and the Gashuun Sukhait border crossing with China. Oyu Tolgoi LLC may deduct the road construction expenses from its annual taxable income. The Government of Mongolia is responsible for the maintenance of the road and the collection of road use fees from any third party users. Oyu Tolgoi LLC and its contractors/sub-contractors are exempt from any such road user fees.

Oyu Tolgoi LLC has the right to access, and to use, self-discovered water resources for any purpose connected with the Oyu Tolgoi Mine during the life of the Oyu Tolgoi Mine, including construction, commission, operation and rehabilitation of the Oyu Tolgoi Mine. Oyu Tolgoi LLC is required to pay fees for its water use but such fees must be no less favourable than those payable from time to time by other domestic and international users, must take into account the quantity and quality of the water removed and consumed, and are treated as a deductible expense from Oyu Tolgoi LLC's taxable income.

Smelter

Oyu Tolgoi LLC shall, within three years after commencing commercial production from the Oyu Tolgoi Mine, if requested by the Government of Mongolia, prepare a research report on the economic viability of constructing and operating a copper smelter in Mongolia to process the mineral concentrate derived from the Oyu Tolgoi Mine. Oyu Tolgoi LLC will in priority supply copper concentrate to any third party operated smelter in Mongolia that the Government has a whole or partial ownership interest in on agreed commercial terms based on international standards and prices, provided that the smelter meets the required technical specifications and any smelter owned or operated by Oyu Tolgoi LLC in Mongolia will have first priority of supply. If Oyu Tolgoi LLC owns and operates a smelter in Mongolia, Oyu Tolgoi LLC has agreed to offer all gold bullion produced at such smelter to the Mongol Bank, subject to reasonable commercial terms and prevailing international prices.

Power Supply

During the construction period of the Oyu Tolgoi Mine and until the four year anniversary after the Oyu Tolgoi Mine attains commercial production, Oyu Tolgoi LLC has the right to import electric power from sources outside Mongolia, including China. Within four years after having commenced commercial production, Oyu Tolgoi LLC is required to secure all of its power requirements for the Oyu Tolgoi Mine from a domestic Mongolian source.

In November 2012, Oyu Tolgoi LLC and Inner Mongolia Power International Cooperation Co., Ltd. and the National Electricity Transmission Grid Company entered into the Power Purchase Agreement for the supply of power to the Oyu Tolgoi Mine from electric power facilities in China.

Local Communities

Oyu Tolgoi LLC will conduct, implement, and update, from time to time, socio-economic impact assessments, socio-economic risk analyses, multi-year community plans, community relations management systems, policies, procedures and guidelines, and mine closure plans, all of which shall be produced with community participation and input and be consistent with international best practices. Oyu Tolgoi LLC will also conduct community development and education programs.

Oyu Tolgoi LLC will prioritize the training, recruiting and employment of citizens from local communities for the Oyu Tolgoi Mine, giving specific preference to the citizens of Umnugovi Aimag. Once the Oyu Tolgoi Mine attains commercial production, 90% of the Oyu Tolgoi Mine workforce must be Mongolian nationals. Oyu Tolgoi LLC must use its best endeavours to ensure that 50% of its engineers are Mongolian nationals within five years after achieving commercial production, and increasing to 70% after ten years of achieving commercial production. Oyu Tolgoi LLC must use its best efforts to ensure that not less than 60% of its contractors' employees are Mongolian nationals for construction work and 75% of its contractors' employees are Mongolian nationals for mining and mining related work.

Environment

The Investment Agreement also includes environmental protection provisions, in accordance with which Oyu Tolgoi LLC will implement an environmental protection plan and provide to the Government of Mongolia an independent report on progress every three years. In 2012, the Corporation completed the ESIA and shortly thereafter such plan was submitted to the Government of Mongolia.

Disputes

Any dispute that is not resolved through negotiation will be resolved by binding arbitration in accordance with the procedures under the Arbitration Rules of the United Nations Commission on International Trade Law in force at the time of the dispute.

Shareholders' Agreement

Concurrent with the execution of the Investment Agreement, Oyu Tolgoi LLC and the OT Shareholder Holdcos entered into the Shareholders' Agreement with Erdenes. Erdenes MGL LLC transferred its shares in Oyu Tolgoi LLC and its rights and obligations under the Shareholders' Agreement to its subsidiary, Erdenes OT LLC. The Shareholders' Agreement contemplates the basis upon which the Government of Mongolia, through Erdenes, acquired an initial 34% equity interest in the Oyu Tolgoi Mine through a shareholding in Oyu Tolgoi LLC and provides for the respective rights and obligations of the parties as shareholders of Oyu Tolgoi LLC.

On June 8, 2011, the parties to the Shareholders' Agreement amended the interest payable terms under such agreement. Specifically, the interest rate to be applied to Existing Shareholder Loans, Shareholder Debt and Government Debt (each as defined and discussed further below) on and from January 31, 2011 was reduced to LIBOR plus 6.5%, down from the previous rate of 9.9%, adjusted for the U.S. Consumer Price Index. The interest rate adjustment was made taking into consideration the global interest rates that prevailed in 2009 following the global economic crisis.

Ownership of Oyu Tolgoi LLC

Under the terms of the Shareholders' Agreement, within 21 business days after the Effective Date, Oyu Tolgoi LLC issued to Erdenes that number of common shares of Oyu Tolgoi LLC ("OT Shares") that, upon issuance, represented 34% of the then issued and outstanding OT Shares. If Oyu Tolgoi LLC exercises its right under the Investment Agreement to obtain the Renewal Term, Erdenes shall have the option to acquire additional OT Shares on terms to be agreed upon between Erdenes and the OT Shareholder Holdcos, to increase its shareholding in Oyu Tolgoi LLC to 50%. Erdenes' shareholding of Oyu Tolgoi LLC may not be diluted by the issuance of new OT Shares without its consent.

Management of Oyu Tolgoi Mine

Oyu Tolgoi LLC's board of directors must appoint a management team for the Oyu Tolgoi Mine as nominated by the OT Shareholder Holdcos to provide management services to Oyu Tolgoi LLC. The management team engaged by Oyu Tolgoi LLC is responsible for providing management services to Oyu Tolgoi LLC for the Oyu Tolgoi Mine and is required to report to Oyu Tolgoi LLC's board of directors on a quarterly basis.

For more information on the management of the Oyu Tolgoi Mine, see "General Development of the Business – Agreements with the Rio Tinto Group – HoA – Governance Arrangements".

Management Services Payment

A management services payment is payable to the Corporation engaged as the management team in the amount of 3% of the Oyu Tolgoi Mine's operating and capital costs incurred prior to the commencement of commercial production and 6% thereafter. The management team can direct Oyu Tolgoi LLC to pay part or all of this management services payment to the Corporation, RTIH or their respective affiliates. This management services payment is shared, as to 50%, by the Corporation and its affiliates and, as to 50%, by RTIH and its affiliates as agreed separately by the Corporation and RTIH.

Election of Directors

Appointment of directors as between the OT Shareholder Holdcos and Erdenes is divided *pro rata* based on their respective shareholdings. The OT Shareholder Holdcos have the right to nominate six directors and Erdenes has the right to nominate three directors. Under the HoA, the Corporation and RTIH have agreed that the six directors nominated by the OT Shareholder Holdcos will be comprised of three nominees from each of the Corporation and RTIH. See "General Development of the Business – Agreements with the Rio Tinto Group – HoA – Governance Arrangements".

Existing Shareholder Loans and Cash Calls

All funds advanced to Oyu Tolgoi LLC prior to the Effective Date by the Corporation, RTIH or any of their respective affiliates in relation to the Oyu Tolgoi Mine (the quantum of which has been agreed to by Oyu Tolgoi LLC and the Government of Mongolia), including interest thereon (collectively, the "Existing Shareholder Loans"), are repayable prior to any dividends or distributions being made to the shareholders of Oyu Tolgoi LLC, as further discussed below.

Oyu Tolgoi LLC may request that the shareholders of Oyu Tolgoi LLC contribute funds ("Called Sums") in proportion to their respective share ownership interests in Oyu Tolgoi LLC to meet the projected cash requirements of Oyu Tolgoi LLC under the Oyu Tolgoi Mine programs and budgets approved by Oyu Tolgoi LLC's board of directors.

During the period commencing on the date Erdenes acquired its 34% interest in Oyu Tolgoi LLC and ending three years after the commencement of commercial production from the Oyu Tolgoi Mine (the "Funding Period"), the OT Shareholder Holdcos have agreed to fund all contributions of Called Sums, including those otherwise payable by Erdenes, unless Erdenes elects to contribute to any Called Sum. The OT Shareholder Holdcos will determine what method or methods of finance will apply in respect of those contributions, including by way of a combination of shareholder debt and/or common shares.

Where the OT Shareholder Holdcos cover Erdenes' contribution to a Called Sum and funding is by way of common equity, shares are also issued to Erdenes to maintain its 34% shareholding. Such contributions on Erdenes' behalf ("Government Debt") are subject to interest as set out below. All dividends payable to Erdenes must be paid by Oyu Tolgoi LLC to the OT Shareholder Holdcos (or nominated Turquoise Hill Group or Rio Tinto Group companies) in repayment of the principal and interest outstanding on Government Debt, but otherwise the OT Shareholder Holdcos have no recourse to Erdenes. In addition, Erdenes may elect to repay outstanding Government Debt at any time.

After the Funding Period, Erdenes has the option of contributing to any required funding, but is not obligated to do so. Regardless of whether or not Erdenes contributes funding, its shareholding in Oyu Tolgoi LLC cannot be diluted. If Erdenes elects not to fund its proportionate share, the OT Shareholder Holdcos have the right to meet the full funding requirement in a similar manner as to the initial funding (but are not obligated to do so).

Each of the Government Debt, the Existing Shareholder Loans and shareholder debt provided after the Effective Date ("Shareholder Debt") accrues interest at a rate of LIBOR plus 6.5% on and from January 31, 2011, down from the previous rate of 9.9%, adjusted for the US Consumer Price Index, which applied prior to that date.

Payment of Dividends

All principal and interest outstanding on Shareholder Debt, Government Debt and the Existing Shareholder Loans must be paid in full to the Corporation prior to the payment of any dividends to the shareholders of Oyu Tolgoi LLC. Subject to the foregoing, if Oyu Tolgoi LLC has profits available for distribution in respect of any completed financial year, Oyu Tolgoi LLC's board of directors will declare that all of those profits must be distributed by way of cash dividends within three months after the end of that financial year, subject to the retention of reasonable and proper reserves for Oyu Tolgoi LLC's future cash requirements (including potential expansions, working capital, and the maintenance of funds for capital costs and other actual or contingent liabilities).

Transfer of Shares of Oyu Tolgoi LLC to Third Parties

No shareholder of Oyu Tolgoi LLC may dispose of or transfer any of its shares to a third party without first offering such shares to the other shareholders of Oyu Tolgoi LLC on equivalent commercial terms as those offered by the relevant third party.

T-Bill Purchase Agreement and Prepayment Agreement

Concurrent with the execution of the Investment Agreement, Oyu Tolgoi LLC also entered into the T-Bill Purchase Agreement with the Government of Mongolia pursuant to which Oyu Tolgoi LLC agreed to purchase from the Government, in instalments, three discounted treasury bills (the "T-Bills") with an aggregate face value of $287.5 million for an aggregate purchase price of $250 million.

Originally, the T-Bills were to be purchased in three separate instalments, with each purchase triggered by the attainment of a defined milestone. The initial T-Bill ("First T-Bill"), with a face value of $115 million, was purchased in October 2009 for $100 million.

Rather than purchase the second and third T-Bills, the Government of Mongolia proposed, and Oyu Tolgoi LLC agreed, that the purchase price otherwise payable for the second T-Bill ($50 million) and third T-Bill ($100 million) could be made as prepaid tax instalments. The Government of Mongolia and Oyu Tolgoi LLC entered into a Prepayment Agreement in June 2011 pursuant to which Oyu Tolgoi LLC made these two tax prepayments in April 2011 and June 2012, respectively. The prepayments accrue interest at an after tax rate of 1.59% and may be applied by Oyu Tolgoi LLC to offset any of its tax liabilities that have accrued on and after January 1, 2012. To the extent not fully offset, the outstanding amount of the prepayments (including interest) will become immediately repayable to Oyu Tolgoi LLC on the fifth anniversary of the date of payment, subject to accelerated maturity on a material breach of the Investment Agreement or upon termination of the Investment Agreement.

In November 2012, Oyu Tolgoi LLC agreed to assign its rights and obligations under the T-Bill Purchase Agreement and the First T-Bill to the Corporation in consideration for the Corporation restricting a non- interest bearing loan between the Corporation and Oyu Tolgoi LLC in the outstanding amount of the First T-Bill.

The principal amount of the First T-Bill ($115 million) will become immediately repayable to the Corporation in October 2014, on the fifth anniversary of its issuance, subject to accelerated maturity on a material breach of the Investment Agreement by the Government of Mongolia or upon termination of the Investment Agreement. If the First T-Bill is not repaid by the due date, the Corporation may elect, at its discretion, to put the First T-Bill back to Oyu Tolgoi LLC and reassign the T-Bill Purchase Agreement to Oyu Tolgoi LLC in which case Oyu Tolgoi LLC will pay the then outstanding balance of the First T-Bill (including accrued interest) to the Corporation.

Status of the Investment Agreement

In September 2011, the Government of Mongolia first approached Turquoise Hill and RTIH in an attempt to renegotiate certain terms of the Investment Agreement that would have accelerated the Government's right to increase its current 34% interest in the Oyu Tolgoi Mine to 50%. In response, Turquoise Hill and RTIH advised the Government of Mongolia that they were not willing to renegotiate the terms of the Investment Agreement. Following discussions between all three parties, it was agreed by all parties that there would not be a renegotiation of the Investment Agreement, and that the agreement in place would continue unamended.

In October 2012, the Government of Mongolia once again requested that the Investment Agreement be renegotiated. In its 2013 budget, the Government of Mongolia included revenue from the application of a progressive royalty scheme to Oyu Tolgoi. However, the Investment Agreement provides a stabilized royalty rate of 5% of the sales value of all mineral products mined from the Oyu Tolgoi Mine over the life of the agreement and specifies that new laws made after its signing will not apply to Oyu Tolgoi. Any change to Oyu Tolgoi's royalty rate would require the agreement of all parties to the Investment Agreement.

Restatement of 2012 Financial Statements

On November 14, 2013, the Corporation filed restated consolidated financial statements for the year ended December 31, 2012 as well as restated management's discussion and analysis for such year, including comparative periods presented therein, to correct errors identified subsequent to the original issuance of the financial statements and management's discussion and analysis for those periods, as more fully described below.

Correction of Errors related to SouthGobi Revenue Recognition

The Corporation determined that certain revenue transactions of SouthGobi were previously recognized in the Corporation's consolidated financial statements prior to meeting relevant revenue recognition criteria. The restatement was due to a change in the determination of when revenue should have been recognized from its sales of coal previously recognized in the quarter ended December 31, 2010, the full year ended December 31, 2011 and the six months ended June 30, 2012. The affected transactions related to sales contracts which specified the location of title transfer as the customer's stockpile, which is located in a yard within the Ovoot Tolgoi Mine's mining licence area. During the affected periods, revenue for such sales was recognized upon delivery of coal to the customer's stockpile. The restated consolidated financial statements reflect a correction in the point of revenue recognition from the delivery of coal to the customer's stockpile to loading the coal onto the customer's trucks at the time of collection.

Correction of Error related to Income Taxes on Inter-company Interest

During 2012, the Corporation identified and recorded $21.5 million of accrued withholding taxes on inter-company interest that arose in the years ended December 31, 2011 and 2010 but were not identified and recorded in those periods. In conjunction with the restatement described above, the Corporation made adjustments to reflect the withholding taxes in the proper periods.

Reclassification of Inova (formerly known as Ivanhoe Australia Limited) as Discontinued Operations

Pursuant to rules of the SEC, the Corporation reclassified the assets and liabilities of Inova as held for sale and the operations of Inova as discontinued operations in all periods presented upon the refiling and reissuance of its annual consolidated financial statements, following the classification of Inova as discontinued operations in the Corporation's unaudited consolidated financial statements as at and for the three- and nine-month periods ended September 30, 2013.

The Corporation's restated consolidated financial statements have not been updated for events after the issuance of the previously issued financial statements, except as discussed above.

Additional information regarding the purpose and consequences of the restatement are set forth in the Corporation's restated consolidated financial statements for the year ended December 31, 2012 as well as restated management's discussion and analysis for such year, copies of which have been filed with the Canadian Securities Authorities on SEDAR at *www.sedar.com.*

RISK FACTORS

The Corporation is subject to a number of risks due to the nature of the industry in which it operates, the present state of development of its business and the foreign jurisdictions in which it carries on business. The following is a summary description of the material risks and uncertainties to which the Corporation is subject. Some of the following statements are forward-looking and actual results may differ materially from the results anticipated in these forward-looking statements. Please refer to the section titled “Interpretation Information – Forward-Looking Information and Forward-Looking Statements” in this AIF. If any of such risks or risks not currently known to the Corporation actually occurs or materializes, the Corporation’s business, financial condition or results of operations could be adversely affected, even materially adversely affected.

Risks Related to the Business

The Corporation may be limited in its ability to enforce the Investment Agreement against Mongolia, a sovereign government.

The Investment Agreement imposes numerous obligations and commitments upon the Government of Mongolia that provide clarity and certainty in respect of the development and operation of the Oyu Tolgoi Mine. The Investment Agreement also includes a dispute resolution clause that requires the parties to resolve disputes through international commercial arbitration procedures. Nevertheless, if and to the extent that the Government of Mongolia does not observe the terms and conditions of the Investment Agreement, there may be limitations on the Corporation’s ability to enforce the terms of the Investment Agreement against the Government of Mongolia, which is a sovereign nation, regardless of the outcome of an arbitration proceeding. If the terms of the Investment Agreement cannot be enforced effectively, the Corporation could be deprived of substantial rights and benefits arising from its investment in the Oyu Tolgoi Mine with little or no recourse against the Government of Mongolia for fair and reasonable compensation. Irrespective of the ultimate outcome of any potential dispute, any requirement to engage in discussions or proceedings with the Government of Mongolia, whether or not formal, would result in significant delays, expense and diversion of management’s attention. Such an outcome would have a material adverse impact on the Corporation and its share price.

The Government of Mongolia holds a significant stake in the Oyu Tolgoi Mine.

Although the Shareholders’ Agreement contemplates that the Corporation will maintain a controlling interest in the Oyu Tolgoi Mine, the Government of Mongolia also holds a significant stake in Oyu Tolgoi LLC which holds the Oyu Tolgoi Mine property. In addition, a portion of the Oyu Tolgoi Mine property is held subject to an agreement with Entrée Gold, a Canadian exploration stage resource company in which the Corporation directly holds a 9.4% interest and RTIH directly holds an 11.3% interest. Therefore, the Corporation will be subject to risks to which shareholders are typically exposed. Such risks include the potential for disputes respecting development, operation and financing matters (including Oyu Tolgoi LLC board and Mongolian governmental approvals in respect of the Oyu Tolgoi Project Financing) resulting from multiple levels of corporate and/or governmental approvals and differing sophistication in relevant business and technical matters, inequality of bargaining power and incompatible strategic and economic objectives (both in the short term and the longer term) among the shareholders.

The Corporation's ability to carry on business in Mongolia is subject to legal and political risk.

Although the Corporation expects that the Investment Agreement will continue to bring significant stability and clarity to the legal, political and operating environment in which the Corporation will develop and operate the Oyu Tolgoi Mine, the Corporation is still subject to potential legal and political risks in Mongolia.

There can be no absolute assurance that the Corporation's assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries' political and economic policies in relation to Mongolia will not have adverse economic effects on the development of the Corporation's mining projects, including its ability to access power, transport and sell its products and access construction labour, supplies and materials.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of the Corporation's original investment or to compensate for the loss of the current value of the Mongolian projects. Insofar as the Government of Mongolia is a sovereign entity against which the terms of the Investment Agreement may take considerable time to enforce (if enforceable at all), this risk applies to the Oyu Tolgoi Mine despite the provisions of the Investment Agreement respecting nationalization and expropriation. Similarly, other projects in Mongolia in which the Corporation holds a direct or indirect interest that are not covered by the Investment Agreement, such as the Ovoot Tolgoi Mine, may be affected in varying degrees by, among other things, government regulations with respect to restrictions on production, price controls, export controls, income and other taxes, environmental legislation, mine safety and annual fees to maintain mineral licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing conventions and customs. Although legal title risks in respect of the Oyu Tolgoi Mine are believed to be significantly mitigated by the terms of the Investment Agreement, there may still be ambiguities, inconsistencies and anomalies in the other agreements, licences and title documents through which the Corporation holds its direct or indirect interests in other mineral resource properties in Mongolia, or the underlying legislation upon which those interests are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Corporation's rights and obligations. Mongolian institutions and bureaucracies responsible for administrating laws may lack the experience necessary to apply such laws in a modern business context. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. These laws or their enforcement by national, regional or local authorities can adversely affect, among other things, water access rights, operating costs resulting from unanticipated increases in tariff rates and overall assessment of risk. Accordingly, while the Corporation believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

There can be no assurance that the Corporation will be capable of raising the additional funding that it needs to continue development of the Oyu Tolgoi Mine. In particular, but without limiting the scope of the foregoing statement, there can be no assurance that Oyu Tolgoi Project Financing will be available or that the corporate, governmental and other approvals required for its implementation will be obtained.

Development of the open pit mine at the Oyu Tolgoi Mine has been completed and shipments of concentrate to customers has commenced. However, further development of the Oyu Tolgoi Mine depends upon the Corporation's ability to obtain a reliable source of funding. Volatility in capital markets and commodity prices and other macroeconomic factors may adversely affect the Corporation's ability to secure project financing. Even if macroeconomic factors are conducive to securing project financing, there can be no assurance that final agreement with the project lenders will be reached on terms reasonably satisfactory to the Corporation and RTIH or that the Corporation or RTIH will continue to pursue project financing for the Oyu Tolgoi Mine. In addition, the Corporation operates in a region of the world that is prone to economic and political upheaval and instability, which may make it more difficult to obtain sufficient debt financing from project lenders.

Key issues relating to the Oyu Tolgoi Mine remain unresolved, including the sharing of economic value from the project, clarification of initial development and construction costs, access to water, and the timing, completion and Oyu Tolgoi LLC shareholder approval of the feasibility study for the expansion of operations. Some uncertainty remains regarding the approvals process and timing required to resolve the complex outstanding issues to enable completion of the proposed project financing package. As a result, there can be no assurance that these matters will be resolved in a manner that is satisfactory to the Corporation or RTIH and that Oyu Tolgoi Project Financing will be available within a reasonable time frame to permit development of the underground mine within current cost estimates, on schedule or at all. Further, there can be no assurance that the corporate, governmental and other approvals required to implement Oyu Tolgoi Project Financing will be obtained or that, even if all such required approvals are obtained, Oyu Tolgoi Project Financing will be available on the currently proposed terms or at all.

To the extent the Corporation and RTIH determine to proceed with development of the underground mine without having secured adequate project debt financing, the Corporation could seek to issue Common Shares or instruments convertible into equity, including through future rights offerings, which issuances could result in dilution to the holders of Common Shares and have a material adverse effect upon the market price of Common Shares. Under the terms of the Continuing Covenants forming part of the 2013 MoA, the Corporation is prohibited from creating, incurring or permitting to remain outstanding any indebtedness, other than certain permitted indebtedness, and from amending its constating documents to create and issue Preferred Shares. As a result of these restrictions, in seeking to raise additional capital, the Corporation may not incur indebtedness for borrowed money or issue debt securities, other securities convertible into debt securities or Preferred Shares while the Continuing Covenants are in force and effect unless it obtains a waiver or consent from RTIH permitting the incurrence of such indebtedness or the issuance of such securities.

Recent and future amendments to Mongolian laws could adversely affect the Corporation's mining rights in the Oyu Tolgoi Mine or its other projects, or make it more difficult or expensive to develop such projects and carry out mining in Mongolia.

The Government of Mongolia has put in place a framework and environment for foreign direct investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to Mongolia's minerals laws in 2006 and the enactment of a windfall profits tax that same year (that has since been repealed) as well as by the recent passage of legislation to control foreign direct investment in strategic sectors of the Mongolian economy, including mining. There can be no assurance that the present or future Parliament will refrain from enacting legislation that undermines the Investment Agreement or that the present or a future government will refrain from adopting government policies or seeking to renegotiate the terms of the Investment Agreement (which was threatened in both 2011 and 2012) in ways that are adverse to the Corporation's interests or that impair the Corporation's ability to develop and operate the Oyu Tolgoi Mine or other projects on the basis presently contemplated, which may have a material adverse impact on the Corporation and its share price.

The Investment Agreement includes a number of future covenants that may be outside of the control of the Corporation to perform.

The Investment Agreement commits the Corporation to perform many obligations in respect of the development and operation of the Oyu Tolgoi Mine. While performance of many of these obligations is within the effective control of the Corporation, the scope of certain obligations may be open to interpretation. Further, the performance of other obligations may require co-operation from third parties or may be dependent upon circumstances that are not necessarily within the control of the Corporation. For example:

- Mongolian nationals must represent at least 90% of the Oyu Tolgoi Mine workforce now that commercial production has been attained, and 50% of the Oyu Tolgoi Mine's engineers must be Mongolian nationals within five years, increasing to 70% after ten years. Achieving or maintaining these targets is contingent upon the availability of a sufficient number of qualified personnel, which is not wholly within the Corporation's control. Currently, approximately 92% of Oyu Tolgoi LLC's employees are Mongolian nationals.

- Oyu Tolgoi LLC is obligated to utilize only Mongolian power sources within four years of commencing commercial production. Such sources of power may not be available or may be available upon commercial terms that are less advantageous than those available from other potential power suppliers.

- Although Oyu Tolgoi LLC has reached commercial production, there is a risk that unforeseen mining or processing difficulties may be encountered that could prevent Oyu Tolgoi LLC from maintaining the required commercial production levels.

- Oyu Tolgoi LLC is obligated to use Mongolian services, transportation and freight facilities on a priority basis to the extent such services and materials are available on a competitive time, cost, quantity and quality basis. Such services and facilities may not be available to the extent required or may be available upon commercial terms that are less advantageous than those available from other sources.

- Oyu Tolgoi LLC has community development commitments and social responsibility obligations. There is a risk that Oyu Tolgoi LLC will be unable to meet the expectations or demands of relevant community stakeholders to the extent contemplated to allow Oyu Tolgoi LLC to meet its commitments under the Investment Agreement.

- The extension of the term of the Investment Agreement from 30 years to 50 years and then to 70 years is subject to a number of conditions, including the Corporation having demonstrated that the Oyu Tolgoi Mine has been operated in accordance with industry best practices in terms of national and community benefits, environment and health and safety practices. The inherently subjective nature of these criteria creates the risk that the Corporation and the Government of Mongolia may disagree as to whether the conditions for extending the term of the Investment Agreement have been met.

Despite the Corporation's best efforts, such provisions are not necessarily within its control and non-fulfilment of any such provision may result in a default under the Investment Agreement. Such a default could result in termination of the Investment Agreement or damages accruing, which may have a material adverse impact on the Corporation and its share price.

RTIH, as the holder of a majority of the Common Shares and as manager of the Oyu Tolgoi Mine, has the ability to exert a significant degree of control over the Corporation, Oyu Tolgoi LLC and the Oyu Tolgoi Mine.

RTIH, together with its affiliates, owns a majority of the outstanding Common Shares and can exercise its voting power to elect all of the members of the Board of Directors, subject to the agreed limitations in the HoA and the 2012 MoA. RTIH can also exercise its majority voting power to unilaterally pass any ordinary resolution submitted to a vote of the Corporation's shareholders, except for resolutions in respect of which RTIH is an interested party and for which disinterested shareholder approval is required. In addition, under the HoA, RTIH was appointed as manager of the Oyu Tolgoi Mine which provides RTIH with responsibility for the management of the Oyu Tolgoi Mine. Pursuant to the 2012 MoA, the Corporation's current Chief Executive Officer and Chief Financial Officer were nominated by RTIH. Such persons, together with the rest of the Corporation's senior management team, are employed by affiliates of RTIH and are seconded to the Corporation.

RTIH is also able to exert a significant degree of control over the management, development and operation of the Oyu Tolgoi Mine through a series of governance mechanisms established under the Private Placement Agreement and the HoA. These include the Technical Committee established under the Private Placement Agreement and the Operating Committee established under the HoA, through which RTIH is able to control decisions respecting the business of Oyu Tolgoi LLC subject to a veto of the Corporation in respect of certain special matters.

The interests of RTIH and the interests of the Corporation's other shareholders are not necessarily aligned in all respects and there can be no assurance that RTIH will exercise its rights as the Corporation's majority shareholder and its other contractual rights under the Private Placement Agreement, the HoA, the 2012 MoA and the 2013 MoA in a manner that is consistent with the best interests of either the Corporation or the Corporation's other shareholders.

The actual cost of developing the Oyu Tolgoi Mine may differ materially from the Corporation's estimates and involve unexpected problems or delays.

The Corporation's estimates regarding the cost of development and operation of the Oyu Tolgoi Mine are estimates only and are based on many assumptions and analyses made by the Corporation'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 estimates and the assumptions upon which they are based are subject to a variety of risks and uncertainties and other factors that could cause actual expenditures to differ materially from those estimated. If these estimates prove incorrect, the total capital expenditures required to complete development of the Oyu Tolgoi Mine underground mine may increase, which may have a material adverse impact on the Corporation, its results of operations, financial condition and share price.

There are also a number of uncertainties inherent in the development and construction of any new or existing mine, including the Oyu Tolgoi Mine. These uncertainties include the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, process water, power and transportation, including costs of transport for the supply chain for the Oyu Tolgoi Mine, which requires routing approaches which have not been fully tested; the annual usage fees payable to the local province for sand, aggregate and water; the availability and cost of appropriate smelting and refining arrangements; and the need to obtain necessary environmental and other government permits, such permits being on reasonable terms, and the timing of those permits. 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, which may cause delays in the commencement or expansion of mineral production. In particular, funding and development of the Oyu Tolgoi Mine underground mine has been delayed until matters with the Government of Mongolia can be resolved and a new timetable agreed. Any of these delays could impact disclosed project economics. Accordingly, there is no assurance that the current or future development, construction or expansion activities will be successfully completed within cost estimates, on schedule or at all and, if completed, there is no assurance that such activities will result in profitable mining operations.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact the Corporation's business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, access to water, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact the Corporation's decision as to whether to continue to operate in a particular jurisdiction or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition, which may have a material adverse impact on the Corporation and its share price.

The Corporation is exposed to risks of changing political stability and government regulation in the countries in which it operates.

The Corporation holds mineral interests in countries which may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and by the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business. The Corporation's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income and other taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. Although the issues with Chinese customs relating to the collection of shipments of concentrate have been resolved, future disputes or issues with customs officials affecting the shipment of the Corporation's products and the ability of its customers to collect such products may arise and could have an adverse effect on the Corporation's ability to collect and/or recognize revenue. The Corporation's operations may also be affected to varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

In certain areas where the Corporation is active, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The laws of certain of the countries in which the Corporation operates also have the potential to be applied in an inconsistent manner due to the substantial administrative discretion granted to the responsible government official. As such, even the Corporation's best efforts to comply with the laws and regulations may not result in effective compliance in the determination of government bureaucrats, which may have a material adverse impact on the Corporation and its share price.

The disclosed resource and reserve estimates for the Corporation's projects are estimates only and are subject to change based on a variety of factors, some of which are beyond the Corporation's control. The Corporation's actual production, revenues and capital expenditures may differ materially from these estimates.

The disclosed estimates of reserves and resources in this AIF, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques, and 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. 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 uneconomical 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.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the Corporation's reserves and resources. Should such reductions occur, material write-downs of the Corporation's investments in mining properties or the discontinuation of development or production might be required, and there could be cancellations of or material delays in the development of new projects, increased net losses and reduced cash flow. The estimates of mineral reserves and resources attributable to a specific property are based on internationally accepted engineering and evaluation principles. The estimated amount of contained metals in Proven mineral reserves and Probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

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

There are numerous uncertainties inherent in estimating quantities of mineral reserves and resources. The estimates referenced in this AIF are based on various 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. Many of the projections and estimates are based on subjective views and assumptions. 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, which may have a material adverse impact on the Corporation and its share price.

A number of the uncertainties relate to the costs and availability of smelting 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 such 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.

Mining projects are sensitive to the volatility of metal prices.

The long-term viability of the Oyu Tolgoi Mine depends in large part on the world market prices of copper, gold and silver. The market prices for these metals are volatile and are affected by numerous factors beyond the Corporation's control. These factors include international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, increased production due to improved mining and production methods and economic events, including the performance of Asia's economies. Ongoing worldwide economic uncertainty could lead to prolonged recessions in many markets which may, in turn, result in reduced demand for commodities, including base and precious metals.

The aggregate effect of these factors on metal prices is impossible to predict. Should prevailing metal prices be depressed or below variable production costs of the Corporation's current and planned mining operations for an extended period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of the Corporation's mining, development and exploration activities. The Corporation would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of the Corporation's reserves and resources. These factors could have an adverse impact on the Corporation's future cash flows, earnings, results of operations, stated reserves and financial condition, which may have a material adverse impact on the Corporation and its share price.

The following table sets forth for the periods indicated: (i) the London Metals Exchange's high, low and average settlement prices for copper in U.S. dollars per pound; (ii) the high, low and average London afternoon fixing prices for gold in U.S. dollars per ounce; and (iii) the high, low and average London afternoon fixing prices for silver in U.S. dollars per ounce.

Year	Copper			Gold			Silver		
	High	Low	Average	High	Low	Average	High	Low	Average
2009	$3.33	$1.38	$2.34	$1,213	$ 810	$ 972	$19.18	$10.51	$14.67
2010	$4.42	$2.76	$3.42	$1,421	$1,058	$1,225	$30.70	$15.14	$20.19
2011	$4.62	$3.05	$4.00	$1,895	$1,319	$1,572	$48.70	$26.16	$35.12
2012	$3.93	$3.29	$3.61	$1,792	$1,540	$1,669	$37.23	$26.67	$31.15
2013	$3.77	$3.04	$3.34	$1,694	$1,192	$1,411	$32.23	$18.61	$23.79

Under Mongolia's Resolution No. 175, the Government of Mongolia may seek contribution or reimbursement from Oyu Tolgoi LLC for compensation it provides to third parties adversely affected by Resolution No. 175.

In June 2011, the Government of Mongolia passed Resolution No. 175, the purpose of which is to authorize the designation of certain defined land areas for "special needs" in proximity to the Oyu Tolgoi Mine. These special needs areas are to be used for infrastructure facilities for the development of the Oyu Tolgoi Mine, if required. Most of the land areas designated for special needs are subject to existing mineral exploration and mining licences issued by the Government of Mongolia to third parties and, in certain cases, a mineral resource has been declared and registered with the applicable governmental authorities in respect of such licences. It is not entirely clear at this time what areas of land covered by Resolution No. 175 may be required for the purposes of infrastructure for the Oyu Tolgoi Mine and, if required, what level of impact that may have, if any, on third parties holding mineral exploration and mining licences over such areas. Oyu Tolgoi LLC has entered into certain consensual arrangements with some of the affected third parties and is seeking to complete consensual arrangements with all affected third parties. If Oyu Tolgoi LLC cannot enter into consensual arrangements with an affected third party and such third party's rights to use and access the subject land area are ultimately adversely affected by the application of Resolution No. 175, compensation to such third parties will be payable under Mongolian legislation as indicated by Resolution No. 175.

It has not been formally confirmed by the Government of Mongolia that any consensual arrangements Oyu Tolgoi LLC enters into with affected third parties will make the application of Resolution No. 175 to those affected third parties unnecessary or of no adverse effect. It is not clear at this time whether the Government of Mongolia will alone assume the obligation to pay such compensation to third parties, or whether it will require Oyu Tolgoi LLC to pay all or a portion of such compensation.

The Corporation is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations, either through current or future operations or a pre-existing condition, could materially adversely affect the Corporation.

All phases of the Corporation's operations are subject to environmental regulations in the various jurisdictions in which it operates and has operated. For example, the Oyu Tolgoi Mine is subject to a requirement to meet environmental protection obligations. The Corporation must complete an Environmental Protection Plan for approval by the Government of Mongolia and complete a report prepared by an independent expert on environmental compliance every three years.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties in which the Corporation holds interests which are presently unknown to the Corporation and which have been caused by previous or existing third party owners or operators of the properties. Government approvals and permits are also often required in connection with various aspects of the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be delayed or prevented from proceeding with planned exploration or development of its mineral properties, which may have a material adverse impact on the Corporation and its share price.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties, which may have a material adverse impact on the Corporation and its share price.

Previous mining operations may have caused environmental damage at current and former mining projects of the Corporation, and if the Corporation cannot prove that such damage was caused by such prior operators, its indemnities and exemptions from liability may not be effective.

The Corporation has received exemptions from liability from relevant governmental authorities for environmental damage caused by previous mining operations at current and former mining projects, including at the Kyzyl Gold Project in Kazakhstan and the Cloncurry Tenements in Australia. There is a risk, however, that, if an environmental accident occurred at those sites, it may be difficult or impossible to assess the extent to which environmental damage was caused by the Corporation's activities or the activities of other operators. In that event, the liability exemptions could be ineffective and possibly worthless, which may have a material adverse impact on the Corporation and its share price.

The Corporation's ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions imposed by law, foreign currency exchange regulations and financing arrangements.

The Corporation conducts its operations through subsidiaries. Its ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, including any tax obligations, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate. The ability of the Corporation's subsidiaries to pay dividends or to make other distributions to the Corporation is also subject to their having sufficient funds to do so. The Corporation notes that its cash and cash equivalents at December 31, 2013 includes SouthGobi's balance of US$21.8 million, which amount is not available for the Corporation's use. If its subsidiaries are unable to pay dividends or to make other distributions, the Corporation's growth may be inhibited unless it is able to obtain additional equity or debt financing on acceptable terms. In the event of a subsidiary's liquidation, the Corporation may lose all or a portion of its investment in that subsidiary. The Corporation expects to be able to rely on the terms of the Investment Agreement to pay dividends out of Mongolia, subject to certain restrictions contained in the Investment Agreement, but will be unable to do so in respect of projects that are not covered by the terms of the Investment Agreement, which may have a material adverse impact on the Corporation and its share price.

The Government of Mongolia T-Bill may remain illiquid beyond the stated maturity date.

On October 20, 2009, as an adjunct to the Investment Agreement, Oyu Tolgoi LLC purchased a T-bill from the Government of Mongolia, with a face-value of US$115 million, for US$100 million. The T-Bill was assigned to the Corporation by Oyu Tolgoi LLC in November 2012. The T-Bill will mature on October 20, 2014. For more information on the T-Bill see "General Development of the Business – Agreements with the Government of Mongolia – T-Bill Purchase Agreement and Prepayment Agreement". Mongolia continues to maintain a relatively high level of debt and, as such, its debt securities carry a higher level of risk than similar securities issued by countries with lower debt and more developed economies. There is no assurance that the Corporation will be able to readily convert the T-Bill into cash upon the stated maturity date, and the inability to do so could have a material adverse impact on the Corporation's cash position, which may have a material adverse impact on the Corporation and its share price.

The Corporation is subject to anti-corruption legislation.

The Corporation is subject to the United States' *Foreign Corrupt Practices Act* and other similar legislation, such as, but not necessarily limited to, Canada's *Corruption of Foreign Public Officials Act* (collectively, "Anti-Corruption Legislation"), which prohibits the Corporation or any officer, director, employee or agent of the Corporation or any shareholder of the Corporation acting on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. The Corporation's international activities create the risk of unauthorized payments or offers of payments by its employees, consultants or agents, even though they may not always be subject to its control. The Corporation strictly prohibits these practices by its employees and agents. However, the Corporation's existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants or agents may engage in conduct for which the Corporation might be held responsible. Any failure by the Corporation to adopt appropriate compliance procedures and ensure that its employees and agents comply with the Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on its ability to conduct its business, which may have a material adverse impact on the Corporation and its share price.

SouthGobi is subject to continuing governmental, regulatory and internal investigations, the outcome of which is unclear at this time but could have a material adverse effect on SouthGobi and the Corporation.

The investigations referred to in “Description of the Business – SouthGobi Resources Ltd. – Governmental, Regulatory and Internal Investigations” could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against SouthGobi, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on SouthGobi and the Corporation.

There can be no assurance that the interests held by the Corporation in its exploration, development and mining properties are free from defects or that material contractual arrangements between the Corporation and entities owned or controlled by foreign governments will not be unilaterally altered or revoked.

The Corporation has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing, but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of the Corporation. There can also be no assurance that the Corporation’s rights will not be challenged or impugned by third parties. The Corporation has also applied for rights to explore, develop and mine various properties, but there is no certainty that such rights, or any additional rights applied for, will be granted on terms satisfactory to the Corporation or at all, which may have a material adverse impact on the Corporation and its share price.

The Corporation is currently engaged in an SEC comment letter process relating to revenue recognition accounting treatment regarding certain sales of coal by its majority-owned subsidiary, SouthGobi, which process could result in a requirement to file future supplements to or further restatements of the Corporation’s financial disclosure.

The Corporation has received comment letters from the staff (the “Staff”) of the SEC relating to the Annual Report on Form 40-F for the year ended December 31, 2012 filed with the SEC on March 25, 2013. The Staff’s comments addressed accounting and disclosure matters primarily related to revenue recognition accounting under U.S. GAAP in respect of certain sales of coal by the Corporation’s majority-owned subsidiary, SouthGobi. The Corporation has concluded that the restatement of its consolidated financial statements as described under “General Development of the Business – Restatement of 2012 Financial Statements” appropriately addresses the timing of revenue recognition for these transactions. However, as of the date of this AIF, the Staff’s comments remain unresolved, and until these comments are resolved, the Corporation cannot predict whether the Staff will require it to supplement its disclosures or further restate or make other changes to its historical consolidated financial statements, including with respect to the financial information contained in the Corporation’s previously filed annual and quarterly reports. If the Corporation is required to supplement its disclosures or further restate its previously reported financial statements in any way, it could have a material adverse effect on the Corporation’s results of operations and on the value or trading price of its Common Shares.

The Corporation does not expect to pay dividends for the foreseeable future.

The Corporation has not paid any dividends on its Common Shares to date and it does not intend to declare or pay dividends for the foreseeable future, as it anticipates that it will reinvest future earnings, if any, in the development and growth of the Oyu Tolgoi Mine and its business generally. Therefore, investors will not receive any funds unless they sell their Common Shares, and investors may be unable to sell their Common Shares on favourable terms or at all. The Corporation cannot give any assurance of a positive return on investment or that investors will not lose the entire amount of their investment in Common Shares. Prospective investors seeking or needing dividend income or liquidity should not purchase Common Shares.

There is no assurance that the Corporation will be capable of consistently producing positive cash flows.

While commercial production from the open pit at the Oyu Tolgoi Mine has commenced and concentrate has been shipped to customers in China, which is expected to generate working capital in 2014, there is no assurance that the Corporation will be capable of producing positive cash flow on a consistent basis or for a sustained period of time or arranging a sufficient amount of capital, whether through project debt financing or otherwise, to fund the development of the underground mine, which may have a material adverse impact on the value of the Oyu Tolgoi Mine and, consequently, on the Corporation and its share price.

There is no guarantee that any exploration or development activity will result in additional commercial production.

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that additional commercial quantities of ore will be discovered on any of the Corporation’s exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Corporation.

The Corporation cannot insure against all of the risks associated with mining.

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including rock bursts, slides, fires, earthquakes or other adverse environmental occurrences; industrial accidents; labour disputes; political and social instability; technical difficulties due to unusual or unexpected geological formations; failures of pit walls, shafts, head frames, underground workings; and flooding and periodic interruptions due to inclement or hazardous weather conditions.

These risks can result in, among other things, damage to, and destruction of, mineral properties or production facilities; personal injury (and even loss of life); environmental damage; delays in mining; monetary losses; and legal liability.

It is not always possible to obtain insurance (or to fully insure) against all such risks and the Corporation may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered or covered at all, by insurance, could have a material adverse effect on the Corporation's financial condition, results of operations and cash flows and could lead to a decline in the value of the securities of the Corporation. The Corporation does not maintain insurance against political or environmental risks, which may have a material adverse impact on the Corporation and its share price.

The loss of, or a substantial decline in sales to, a top customer could have a material adverse effect on the Corporation's revenues and profitability.

A reduction or delay in orders from leading customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect upon the Corporation's results of operations. Customers that accounted for significant revenue in fiscal 2013 may not generate similar levels of or any revenue in 2014 or in any future period. The failure to obtain new significant customers or additional orders from existing customers may materially affect the Corporation's operating results. The Corporation anticipates that its dependence on a limited number of customers in any given fiscal year will continue for the foreseeable future. There is a risk that existing customers will elect not to do business with the Corporation in the future or will experience financial or other difficulties.

The Corporation faces risks associated with enforcement of its contractual rights.

The Corporation has customer contracts with certain Chinese companies. Enforcement of existing and future laws and contracts in China is subject to uncertainty, and the implementation and interpretation of them may be inconsistent. The promulgation of new laws and changes to existing laws may adversely affect foreign companies with operations in China or contracts with Chinese counterparties, such as the Corporation's. These uncertainties could limit the legal protections available to the Corporation. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. The Corporation's inability to enforce its contractual rights could have a material adverse effect on its business and profitability.

The Corporation's prospects depend on its ability to attract and retain key personnel.

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. The Corporation believes that it has been successful in recruiting the necessary personnel to meet its corporate objectives but, to the extent the Corporation's business activity grows and it commences development of the Oyu Tolgoi Mine's underground mine, it will require additional key financial, operational, mining and management personnel, as well as additional staff on the operations side. The Corporation is also dependent on the Rio Tinto Group for the secondment of skilled labour at the Oyu Tolgoi Mine, particularly in the construction and early development phases. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, including qualified secondees from the Rio Tinto Group, there can be no assurance of such success.

In addition, pursuant to the terms of the Investment Agreement, the Corporation is obligated to hire a specific number of Mongolian nationals as the Oyu Tolgoi Mine continues in commercial production. Among other obligations, the Corporation must use its best endeavours to ensure that within five years of the Oyu Tolgoi Mine attaining commercial production, at least 50%, and within 10 years of the Oyu Tolgoi Mine attaining commercial production, at least 70% of the engineers employed at the Oyu Tolgoi Mine are Mongolian nationals (and failure to meet these levels will result in financial penalties).

Certain directors of the Corporation are directors or officers of, or have shareholdings in, other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with the Corporation.

Certain of the directors of the Corporation are directors, officers or employees of, or have shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in another resource Corporation, such directors and officers may have conflicts of interest, such as where such other companies may also compete with the Corporation for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director who has such a conflict is required to disclose the conflict to a meeting of the directors of the Corporation and will generally abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the YBCA, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time.

Capital markets are volatile, and capital may not at all times be available on terms acceptable to the Corporation or at all.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely impact the Corporation and its share price. In addition, in the past, following periods of volatility in the market price of a particular company’s securities, securities class action litigation has often been brought against that company. The Corporation cannot assure you that similar litigation will not occur in the future with respect to it. Such litigation could result in substantial costs and a diversion of management’s attention and resources, which could have a material adverse effect upon the Corporation’s business, operating results, and financial condition.

If the Corporation is required to access credit markets to carry out its development objectives, the state of domestic and international credit markets and other financial systems could affect the Corporation's access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Corporation to obtain, or increase its cost of obtaining, capital and financing for its operations. Such capital may not be available on terms acceptable to the Corporation or at all, which may have a material adverse impact on the Corporation and its share price.

The Corporation may be a passive foreign investment corporation (PFIC), which could have adverse U.S. federal income tax consequences to United States Holders of Common Shares.

Based on the scope of its past, current and projected operations, the Corporation believes that it may have been a PFIC for the 2013 tax year and that it may remain a PFIC (or become one if it was not) in the future. However, the determination of the Corporation's PFIC status for any year is very fact-specific, and is dependent on continued active operations either by SouthGobi or through other projects, the value of the Corporation's resources and reserves, legal and political risks, and other factors beyond the Corporation's control. Accordingly, there can be no assurance in this regard. If the Corporation is classified as a PFIC, United States Holders of Common Shares could be subject to adverse U.S. federal income tax consequences, including increased tax liabilities and possible additional reporting requirements, which may have a material adverse impact on the Corporation and its share price. For the purposes hereof, "United States Holder" means any beneficial owner of a Common Share that is (i) an individual citizen or resident alien of the United States as determined for United States federal income tax purposes; (ii) a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or any of its political subdivisions; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; and (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

The Corporation may from time to time hold substantial funds in cash and cash equivalents and there is a risk that financial market turmoil or other extraordinary events could prevent the Corporation from obtaining timely access to such funds or result in the loss of such funds.

The Corporation may from time to time hold substantial funds in cash and cash equivalents, including treasury bills, money market funds and bank deposits. Management has adopted a conservative investment philosophy with respect to such funds, as the Corporation may require that these funds be used on short notice to support its business objectives. Nevertheless, there is a risk that an extraordinary event in financial markets generally or with respect to an obligor under an investment individually will occur that prevents the Corporation from accessing its cash and cash equivalent investments. Such an event could, in the case of delayed liquidity, have a negative impact on implementation of time sensitive business objectives that require access to such funds or such an event could, in extreme circumstances, result in the loss of some or all of such funds.

The Corporation's business could be materially and adversely affected by current, and potential future litigation proceedings.

The Corporation has recently received notice of two putative class action complaints filed in the U.S., which it must now defend against. See "General Development of the Business – Three Year History – 2013". Additionally, the Corporation could be subject to other legal claims or proceedings related to securities or other matters in the future. The Corporation may be required to defend against any future claims that are asserted against it, or may deem it necessary or advisable to initiate a legal proceeding to protect its rights. The expense and distraction of the current legal proceedings in the putative class actions or any future claim or proceeding, whether or not resolved in the Corporation's favour, could materially and adversely affect its business, operating results, and financial condition. Further, if a claim or proceeding were resolved against the Corporation or if it were to settle any such dispute, including the claims relating to the two putative class action complaints, the Corporation may be required to pay damages and costs or refrain from certain activities, any of which could have a material adverse impact on the Corporation's business, operating results, and financial condition.

DESCRIPTION OF THE BUSINESS

Overview

The Oyu Tolgoi Mine has been identified as a mineral project on a property that is material to Turquoise Hill. The Ovoot Tolgoi Coal Project in Mongolia is not presently regarded as material to Turquoise Hill.

Qualified Persons

Disclosure of a scientific or technical nature in this AIF in respect of the Oyu Tolgoi mine was prepared under the supervision of Kendall Cole-Rae, B.Sc (Geology), an employee of RTIH, a registered member of the Society for Mining, Metallurgy and Exploration (SME #4138633), and a "qualified person" as that term is defined in NI 43-101.

The 2013 Oyu Tolgoi Technical Report is the current Technical Report for the Oyu Tolgoi Mine and related projects. Disclosure of a scientific or technical nature in this AIF in respect of the 2013 Oyu Tolgoi Technical Report was prepared by the following qualified persons: Bernard Peters, B. Eng. (Mining), FAusIMM of OreWin Pty Ltd. ("OreWin"), formerly of AMC Consultants Pty Ltd. ("AMC"), who was responsible for the overall preparation of the report and the mineral reserves estimate of the report, as well as the preparation of the geotechnical sections and the sections related to and including processing, and Sharron Sylvester, B.Sc Geology, MAIG (RPGeo), of OreWin, also formerly of AMC, who was responsible for preparation of the mineral resources estimate of the report, both of whom are "qualified persons" for the purposes of NI 43-101.

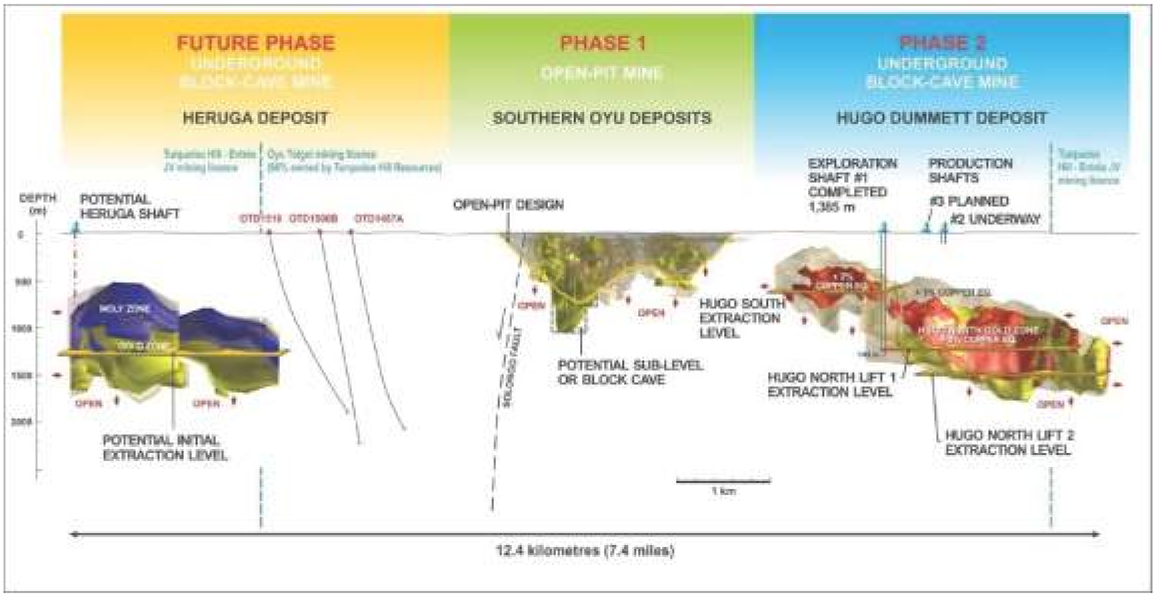
Oyu Tolgoi Mine

The information in this section is based on the 2013 Oyu Tolgoi Technical Report, in accordance with the requirements of NI 43-101. The following is a summary only and all references to the 2013 Oyu Tolgoi Technical Report are qualified in their entirety with reference to the 2013 Oyu Tolgoi Technical Report, a copy of which was filed with the Canadian Securities Authorities on March 25, 2013 and is available on SEDAR at *www.sedar.com*.

Summary of Project Development

The Oyu Tolgoi Mine is located in the Southern Gobi region of Mongolia and is being developed by Oyu Tolgoi LLC. The Oyu Tolgoi Mine consists of a series of deposits containing copper, gold, silver and molybdenum. The deposits lie in a structural mineralized corridor that is over 26km long. The deposits stretch over 12km, from Hugo North in the north through the adjacent Hugo South, down to the Southern Oyu Deposits and extending to the Heruga deposit in the south as shown in the illustration below.

Oyu Tolgoi Long Section



The collective deposits contain a currently identified resource of 45.8 billion pounds of contained copper and 24.8 million ounces of contained gold in the Measured and Indicated mineral resource categories and 54.4 billion pounds of contained copper and 36.9 million ounces of contained gold in the Inferred mineral resource category. The reasonable prospects analysis, undertaken in 2013, has identified a reduction in cut-off grade which is the predominant factor for the change in resource relative to reporting in previous years. The Oyu Tolgoi Trend (as defined below) is still open to the north and south and the deposits have not been closed off at depth.

Oyu Tolgoi LLC is 66% owned by the Corporation and 34% owned by Erdenes. The Rio Tinto Group owns approximately 50.8% of the Corporation and Erdenes is owned by the Government of Mongolia. RTIH is also the appointed manager of the Oyu Tolgoi Mine.

RTIH, as the manager of the Oyu Tolgoi Mine, uses its resources to continuously evaluate options for development plans and presents recommendations for investment and operational programs to the Oyu Tolgoi LLC board of directors as required. Approval of near-term investment plans and decisions on the long-term development plans for the Oyu Tolgoi Mine are a joint decision by all stakeholders.

Over time, there is expected to be multiple investment decisions made for the Oyu Tolgoi Mine and the Corporation is committed to fully evaluating each development option as and when it is required and ensuring that the commitments it makes represent the optimum use of capital to develop the Oyu Tolgoi Mine.

The initial investment decision was made in 2010 to construct the Southern Oyu open pit mine, a 100ktpd concentrator, and supporting infrastructure. These facilities achieved full commercial production in the third quarter of 2013.

The Oyu Tolgoi mine is initially being developed as an open-pit operation. A copper concentrator plant, with related facilities and necessary infrastructure to support an initial throughput of 100,000t of ore per day, has been constructed to process ore mined from the Southern Oyu open pit. Mining of ore commenced in May 2012, with the first concentrate produced, as part of the commissioning activities, in January 2013. By the end of the first quarter of 2013, construction of the Oyu Tolgoi open-pit mine and concentrator complex was complete, mine infrastructure was substantially complete and production had commenced.

During the first half of 2013 commissioning of the concentrator progressed and concentrate production ramped up. By the third quarter of 2013, the concentrator had consistently achieved throughput rates above 95% of capacity and by the end of 2013 was operating at just above design capacity. Throughput rate is a function of ore hardness, throughput rates for different ore types are defined in the 2013 Oyu Tolgoi Technical Report.

On September 1, 2013, Oyu Tolgoi achieved the Commencement of Production as defined in the Investment Agreement.

In conjunction with the surface activities, a 95ktpd underground block-cave mine is also being developed at Hugo North. Development of the underground block-cave mine was suspended on August 13, 2013.

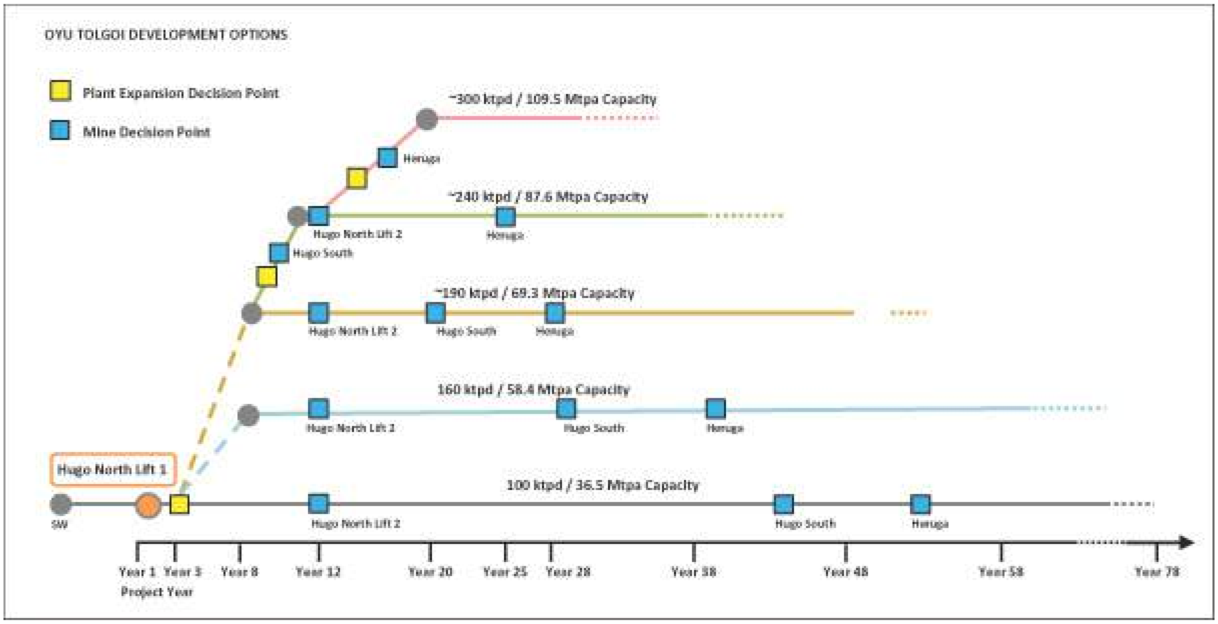
Part of the initial investment decision included an ongoing investment into the development of the Hugo North underground mine. Lift 1 of the Hugo North block-cave is the most significant value driver for the Oyu Tolgoi Mine and studies for its further development are approaching an updated feasibility stage. The current investment decision for Oyu Tolgoi LLC is the continued development of the Hugo North underground mine in parallel with initial open pit operations as outlined in the underground feasibility study.

To support the continued underground development program, Oyu Tolgoi LLC in conjunction with RTIH and the Corporation, has been advancing Oyu Tolgoi Project Financing with a group of international banks. The Oyu Tolgoi Project Financing base case is the 100ktpd capacity of the initial concentrator fed by the Southern Oyu open pit mine initially which is gradually displaced by the more valuable Hugo North underground ore.

The Corporation believes that committing its focus on operations at 100ktpd and developing Hugo North Lift 1: (i) provides the best return to stakeholders with installed assets, (ii) is the most prudent use of scarce capital resources, and (iii) preserves all options for future expansion and development of the resources of the Oyu Tolgoi Mine. In addition, the Oyu Tolgoi Project Financing package that has been proposed for Oyu Tolgoi LLC includes the flexibility to expand the operation in the future. Further development of the underground mine has been delayed until certain outstanding matters with the Government of Mongolia can be resolved.

A further investment decision is expected to be required, in respect of whether to remain with the 100ktpd base case or expand the concentrator further to accommodate full production from both the Hugo Dummett underground mine and Southern Oyu open pit. Oyu Tolgoi LLC intends to continue studies aimed at evaluating all options available for resource development to ensure that the development plans are optimal for all stakeholders. The figure below shows a potential decision tree for any future expansion and development decisions.

Oyu Tolgoi Mine Development Options



The underground feasibility study has now advanced to a value engineering phase under the guidance of RTIH and will extend to incorporating RTIH's strategic production planning. This next stage is intended to look at all possible development scenarios for the mine and not simply a single expansion scenario as has been the focus of past work. The Corporation will have the benefit of incorporating actual performance of the operating mine into the study before the next investment decision is made. As a result of this pending work and the incorporation of actual performance data, the capital and operating costs estimates are expected to change.

The project scope for the 2013 Oyu Tolgoi Technical Report and evaluation of mineral reserves matches that of the proposed Oyu Tolgoi Project Financing, a 100ktpd concentrator fed by the Hugo Dummett underground mine and the Southern Oyu open pit. A summary of the production and financial results for the reserve case presented in the 2013 Oyu Tolgoi Technical Report (the "2013 Reserve Case") are shown in the table below.

2013 Oyu Tolgoi Technical Report Reserve Case Summary Production and Financial Results

Description	Units	2013 Reserve Case
Inventory		Mineral Reserve
Total Processed	t (Billions)	1.5
NSR	$/t	47.17
Cu Grade	%	0.89
Au Grade	g/t	0.34
Ag Grade	g/t	2.03
Copper Recoverable	lb (Billions)	26.5
Gold Recoverable	oz (Millions)	12.9
Silver Recoverable	oz (Millions)	83.0
Mine Life (of current reserve only)	years	43
Phase 1 Capital (99% complete)	US$ (Billions)	6.4
Phase 2 Capital	US$ (Billions)	5.1
NPV (8%) After Tax	US$ (Billions)	9.9
IRR After Tax	%	42.6
Payback Period	years	7.4

Notes:

1. Metal prices used for calculating the Southern Oyu open pit NSR and the Hugo North underground NSR are as follows: copper at $2.81/lb; gold at $970/oz; and silver at $15.50/oz, all based on long-term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
2. The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
3. For the open pit processing and general administration, the following operating costs have been used to determine cut-off grades: Southwest at $8.37/t, Central Chalcocite, Central Covellite, and Central Chalcopyrite at $7.25/t.
4. For the underground block-cave, all mineral resources within the shell have been converted to mineral reserves. This includes low grade Indicated mineral resources and Inferred mineral resources, which have been assigned a zero grade and are treated as dilution.
5. Only Measured mineral resources were used to report Proven mineral reserves and only Indicated mineral resources were used to report Probable mineral reserves.
6. EJV is the Entrée Joint Venture. The Shivee Tolgoi Licence and the Javkhlant Licence are held by Entrée Gold. The Shivee Tolgoi Licence and the Javkhlant Licence are planned to be operated by Oyu Tolgoi LLC. Oyu Tolgoi LLC will receive 80% of cash flows after capital and operating costs for material originating below 560m, and 70% above this depth.
7. The base case financial analysis has been prepared using the following current long-term metal price estimates: copper at $2.87/lb; gold at $1,350/oz; and silver at $23.50/oz. Metal prices are assumed to fall from current prices to the long-term average over five years.
8. The mineral reserves reported above are not additive to the mineral resources.
9. Measurements are in metric units and currency in U.S. dollars unless otherwise stated.

Project Description and Location

The Oyu Tolgoi Mine is approximately 550km south of Ulaanbaatar, Mongolia's capital city, and 80km 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 extends over 26km, from the Javkhlant discovery in the south to the Ulaan Khud discovery in the north. 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 and the Hugo Dummett Deposits.

The Oyu Tolgoi Mine is operated through Turquoise Hill's 66% owned subsidiary, Oyu Tolgoi LLC. Oyu Tolgoi LLC, in turn, holds its rights to the Oyu Tolgoi Mine through mining licence 6709A (the "OT Licence"), comprising approximately 8,496 hectares of property. The Government of Mongolia granted the OT Licence to Oyu Tolgoi LLC in 2003 along with mining licences for three properties identified as mining licences 6708A, 6710A and 6711A. Mining licence 6711A (Ulaan Uul) was relinquished in 2008 due to its distance from the OT Licence (20km) and lack of mineralization. The OT Licence includes the right to explore, develop mining infrastructure and facilities and conduct mining operations on the Oyu Tolgoi Mine. When originally granted, the OT Licence had a term of 60 years, with an option to extend the licence for an additional term of up to 40 years. In 2006, the Mongolian parliament passed new mining legislation that changed the term of mining licences to 30 years with two 20 year extensions. It is unclear if this law will be applied retroactively to current licences; although, under the Investment Agreement, Oyu Tolgoi LLC and the Government of Mongolia agreed that the Investment Agreement would have an initial term of 30 years and be renewable for a 20 year term.

Oyu Tolgoi LLC holds an interest in approximately 20,000 hectares of MEL 15226A (the "Shivee Tolgoi Licence") and approximately 20,000 hectares of MEL 15225A (the "Javkhlant Licence") owned by Entrée Gold. Oyu Tolgoi LLC holds its rights to the property through the Entrée Joint Venture, pursuant to which Oyu Tolgoi LLC has an 80% interest in minerals below 560m and a 70% interest in minerals above that point. Conditions to fulfill the Entrée Earn-in Agreement were reached in May 2008 when Turquoise Hill spent more than $35 million on the properties. Entrée Joint Venture expenditure commitments are in 80-20% proportion, with Entrée Gold having the option of amortizing its commitment against future income. The Shivee Tolgoi Licence and the Javkhlant Licence were converted to MELs in October 2009. The Shivee Tolgoi Licence is adjacent to the north boundary of the OT Licence, and Hugo North crosses the property boundary onto the Shivee Tolgoi Licence. The Javkhlant Licence is adjacent to the south boundary of the OT Licence and hosts the Heruga deposit which crosses the property boundary onto the OT Licence.

Oyu Tolgoi LLC must pay a yearly per hectare fee to the Government of Mongolia in order to maintain the OT Licence in good standing. The property underlying the OT Licence was surveyed by an independent consultant in 2002 and by a qualified Mongolian land surveyor in 2004 to establish the legal boundaries of the OT Licence concession.

Pursuant to applicable Mongolian minerals law, the Government of Mongolia assesses a royalty of 5% on the sale value of all minerals mined in the country. Turquoise Hill holds a 2% NSR over the property covered by the OT Licence (which does not cover the Entrée Joint Venture lands) that was purchased from BHP Minerals International Exploration Inc. ("BHP Exploration") in 2003.

Oyu Tolgoi LLC has and continues to study the permitting and approval requirements for the development of the Oyu Tolgoi Mine and maintains a permit and licencing register. Oyu Tolgoi LLC personnel work with the Mongolian authorities and have developed descriptions of the permitting processes and procedures for the Oyu Tolgoi Mine permitting in Mongolia. Under the terms of the Investment Agreement, a working group consisting of Oyu Tolgoi LLC and government representatives has been formed to assist in the permitting process. Key permits have already been obtained and with a small number of permits still in process. Oyu Tolgoi LLC has advised that it expects that all necessary permits will be obtained in a suitable time frame for the Oyu Tolgoi Mine's underground project development schedule.

Environmental and Social Impact Assessment

Oyu Tolgoi LLC has completed a comprehensive ESIA for the Oyu Tolgoi Mine, which represents the culmination of nearly ten years of independent work and research carried out by both international and Mongolian experts. The ESIA identifies and assesses the potential environmental and social impacts of the Oyu Tolgoi Mine, including cumulative impacts, focusing on key areas such as biodiversity, water resources, cultural heritage, and resettlement.

The ESIA also sets out measures through all project phases in an effort to avoid, minimize, mitigate, and manage potential adverse impacts to acceptable levels established by Mongolian regulatory requirements and good international industry practice, as defined by the voluntary set of standards for determining, assessing, and managing social and environmental risk in project finance set forth under the Equator Principles, and the standards and policies of the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD"), and other financing institutions.

Corporate commitment to sound environmental and social planning for the project is based on RTIH's Global Code of Business Conduct titled *The Way We Work*,[5] that defines the way RTIH manages the economic, social, and environmental challenges of its global operations.

Oyu Tolgoi LLC has implemented a Health Safety and Environmental management system ("HSE MS"), which has been audited and externally accredited to the requirements of ISO 14001 and OSHAS 18001. The HSE Management System consists of detailed management plans and procedures that have been developed and implemented to control the environmental and social management aspects of all Oyu Tolgoi activities.

The ESIA builds upon an extensive body of studies and reports, including the numerous Detailed Environmental Impact Assessments ("DEIAs") that have been prepared for project design and development purposes, and the requirement for Mongolian approvals under the following Mongolian laws:

- The Environmental Protection Law (1995); and
- The Law on Environmental Impact Assessment (1998, as amended in 2001); and
- The Minerals Law (2006).

These initial studies, reports and DEIAs have been prepared and updated since 2002 by a range of certified Mongolian DEIA consultants, with oversight being provided by Sustainability East Asia and with input from RPS Aquaterra on water issues.

[5] A copy of *The Way We Work* is available at http://www.riotinto.com/shareholders/12351_corporate_policies.asp.

The DEIAs provided baseline information for both social and environmental issues. These DEIAs have generally been structured under a core categorization of Mining and Processing, Transport and Infrastructure Corridor, Gunii Hooloi Water Supply, Coal Fired Power Plant and Airport but also including a number of specific DEIA's that were required to address arising/updated facilities and requirements not covered under the broadly categorized DEIA's (e.g. for Fuel Depot, Chemicals, Undai River Diversion, etc.).

All DEIAs have been prepared and approved in accordance with Mongolian standards and, while they have been developed to meet international standards, they were not specifically intended to comprehensively address overarching IFC policies, such as the IFC Policy on Social and Environmental Sustainability, or the EBRD Environmental and Social Policy.

In preparing the ESIA, baseline information, environmental and social assessment and monitoring and mitigation requirements from the original DEIAs were updated with recent monitoring and survey data and specific additional studies, social and environmental assessment and resulting management plans in accordance with IFC and EBRD performance standards/requirements. In addition, a social analysis was completed through the commissioning of a Socio-Economic Baseline Study and the preparation of a Social Impact Assessment ("SIA") for the Oyu Tolgoi Mine.

The updated ESIA, completed in 2012, combines the DEIAs, the SIA, and other studies and activities that have been prepared and undertaken by and for Oyu Tolgoi LLC.

A summary of the previous DEIAs prepared for the Oyu Tolgoi Mine is shown below:

Core Baseline and DEIA Studies for the Oyu Tolgoi Mine

DEIA Study Title	Description	Date	Status
Environmental Baseline Study for the Oyu Tolgoi Mine	This study covers geography, geological, hydrology, hydrogeology, soil, climate, air quality, flora and fauna, the socio-economic status and infrastructure of the Oyu Tolgoi Mine site and its surrounding areas.	2002	No approval required.
Environmental Baseline Study for Town Planning	This study covers geography, geological, hydrology, hydrogeology, soil, climate, air quality, flora and fauna, the socio-economic status and infrastructure of potential development and interconnecting infrastructure areas for Khanbogd town developments.	2012	No approval required.
Oyu Tolgoi Mine EIA Volume I: Transport and Infrastructure Corridor from Oyu Tolgoi to Gashuun Sukhait	DEIA of the road and power line proposal from Gashuun Sukhait to the Oyu Tolgoi Mine. Provides approval for access through the South Gobi Strictly Protected Area ("SGSPA"). A number of amendments have been undertaken to address changing alignments.	2004, 2006, 2010, 2012	Approved Approved Approved Approved
Oyu Tolgoi Mine EIA Volume II: Water Supply from the Gunii Hooloi Aquifer	DEIA's for the proposed aquifer and water supply system for the provision of a sustainable water supply to the Oyu Tolgoi Mine. A number of amendments have been completed to capture developments in the groundwater resource assessment and water supply pipe line design.	2004, 2009, 2010, 2012	Approved Approved Approved Approved

DEIA Study Title	Description	Date	Status
Oyu Tolgoi Mine Volume III: Oyu Tolgoi Mining and Processing Facilities	DEIA of the open pits, underground, and concentrator, tailings, and all facilities and support infrastructure located within the Oyu Tolgoi Mine Licence Area. The assessment was largely based on IDP05, but reflected the general permitting layout of May 2006. The maximum production rate was assumed to be 85,000tpd.	2006, 2012	Approved Approved
Oyu Tolgoi Mine Volume IV: Coal Fired Power Plant	EIA documentation drafted for Oyu Tolgoi mine site based coal fired power plant. An amendment has been undertaken to reflect updates in design for 3 x 150MW power plant.	2006, 2011	Not submitted Approved
Oyu Tolgoi Mine Volume V: Airport	The first DEIA covers the construction of a temporary gravel airstrip north of Oyu Tolgoi. The second DEIA covers the permanent airport construction and operation.	2007, 2011	Approved Approved

Specific Additional DEIA Studies for the Oyu Tolgoi Mine

Project EIA Component	Description	Date	Status
Fuel Station Facility	DEIA for the fuel facility built in 2004 within the Licence Area. Amendment completed for extension of the fuel depot in 2010.	2005, 2010	Approved Approved
Shaft #1	DEIA for Shaft 1, including headframe facilities, waste rock, and water disposal.	2005	Approved
Shaft #2	DEIA for Shaft 2, including headframe facilities, waste rock, and water disposal.	2006	Approved
Diesel Power Station	DEIA for the diesel power station located within the mine licence area.	2007	Approved
Waste Water Treatment Plant	Supplementary DEIA for the construction camp waste water treatment plant expansion to 4,000 person equivalent capacity	2007	Approved
Quarry Batch Plant and Quarry	DEIA of hard rock quarry, concrete batching plant, and crusher located at the northern boundary of the Licence Area	2007	Approved
20 MW Diesel Power Plant	The assessment included the initial development of six 2 MW diesel power stations followed by a stage two addition of four 2 MW diesel generators to the diesel power stations.	2007	Approved
Chemicals	Covers the importation, storage, use and disposal of chemicals. Amendments have been undertaken to update chemicals being used in construction, commissioning and operation.	2008, 2011, 2012	Approved Approved Approved

Project EIA Component	Description	Date	Status
Javkhlant-Entrée Lease Area	DEIA for future project facilities, infrastructure and Heruga underground mine located within the southern Javkhlant-Entrée lease area.	2009	Approved
Shivee Tolgoi-Entrée Lease Area	DEIA for project facilities, infrastructure and portion of the Hugo Dummett underground mine located within the northern Shivee Tolgoi-Entrée lease area.	2009	Approved
Main Fuel Storage Facility	DEIA for the main fuel storage facility located within the Oyu Tolgoi mine lease area.	2011	Approved
Undai River Diversion Detailed Environmental Impact Assessment	DEIA for the diversion of the Undai River	2011	Approved
Oyu Tolgoi to Khanbogd Power Line	Covers the development of a 35kV power line connecting Oyu Tolgoi to Khanbogd. DEIA has been developed, however approval was obtained based on DEIA screening submission.	2012	Approved (based on screening submission)

Scope of the Environmental and Social Impact Assessment

The IFC and the EBRD have similar, but different, definitions for the scope of an EIA. Both institutions frame EIAs in terms of a project's "area of influence". Guidance provided by both the IFC and the EBRD was utilized in defining the scope of the overall ESIA. Key elements of the scope of the ESIA are set out below.

Project Elements Directly Addressed in the ESIA

For the purposes of the ESIA, the "project" constitutes the direct activities that are to be financed and/or over which the project can exert control and influence through its project design, impact management, and mitigation measures. This includes:

- all Oyu Tolgoi Mine facilities within the OT Licence area and the surrounding 10km buffer zone, including, but not limited to, the following features: open pit mining facilities, underground mining facilities, accommodation camps, construction-related activities and facilities, power generation facilities, crusher, concentrator, tailings storage facility, water and waste management facilities, vehicle and equipment maintenance and repair facilities, and administration buildings and catering facilities;

- airport facilities, including a temporary and permanent airport and associated local access roads to the Oyu Tolgoi Mine site;

- contractor accommodation camps adjacent to Khanbogd;

- potential dedicated off-site worker accommodation planned for Khanbogd;

- Gunii Hooloi water abstraction borefield and the water pipeline supplying the mine, as well as maintenance roads, pumping stations, construction camps, storage lagoons, and other support infrastructure;

- infrastructure improvements (and associated resource use) by the Oyu Tolgoi Mine between the mine site and the Chinese border, including the 220 kV power transmission line, the access road that will be used for concentrate export, construction camps, local water boreholes, and borrow pits; and

- dedicated border crossing at Gashuun Sukhait for the exclusive use of the Oyu Tolgoi Mine.

A number of infrastructure components of the Oyu Tolgoi Mine considered within the ESIA constructed by Oyu Tolgoi LLC but may be transferred at some point in the future to public or third party operation and/or ownership. Transfer of these infrastructure components to public operation and ownership will limit the degree of control that Oyu Tolgoi LLC can exert over their management and operation. These infrastructure components may be owned and operated by the Government of Mongolia and may be used by members of the public and/or other commercial operations, and include:

- the power line from Oyu Tolgoi to Khanbogd, which was handed over to the Government of Mongolia upon completion of the construction phase;

- the permanent airport, which is expected to be handed over to the Government of Mongolia at some point in the future;

- the road from the Oyu Tolgoi Mine to the Chinese border at Gashuun Sukhait, which follows the alignment for the designated national road and is expected to be handed over to the Government of Mongolia at some point in the future;

- the dedicated border crossing facility at Gashuun Sukhait, which will be operated by the Mongolian authorities;

- the 220 kV electricity transmission line from the Chinese border to the Oyu Tolgoi Mine, which may become owned by the Government of Mongolia; and

- future project elements not directly addressed in the ESIA.

In addition to the project elements identified above, certain other activities and facilities are expected to be developed over time, either as part of or in support of the Oyu Tolgoi Mine that do not constitute part of the Oyu Tolgoi Mine for the purposes of the ESIA. These include:

- expansion of the Oyu Tolgoi Mine to support an increase in ore throughput from 100,000t per day up to 160,000tpd; and

- long-term project power supply. Under the terms of the Investment Agreement, Oyu Tolgoi LLC will source electricity from within Mongolia within four years of the commencement of project operations, which occurred in September 2013. Oyu Tolgoi LLC may develop a coal-fired power plant within the area comprising the OT Licence to provide the required power from Mongolian sources. This development will be subject to an additional ESIA, supplemental to the current ESIA.

While the impacts of these future Oyu Tolgoi Mine elements (and their mitigation and management) are not directly addressed in the ESIA, they are considered in the cumulative impact assessment of the ESIA.

Government and Community Relations

A number of substantive issues have been raised by the Government of Mongolia relating to implementation of the Investment Agreement, the Shareholders' Agreement and Oyu Tolgoi Project Financing.

Turquoise Hill and RTIH continue to have productive discussions with the Government of Mongolia on a range of issues related to the implementation of the Investment Agreement, including project development and costs, operating budget, Oyu Tolgoi Project Financing, management fees and governance. Further development of the underground mine has been delayed until certain outstanding matters with the Government of Mongolia can be resolved. Development of the underground mine was suspended on August 13, 2013.

In October 2012, the Corporation, RTIH and Oyu Tolgoi LLC, rejected a request from the Government of Mongolia to renegotiate the Investment Agreement. The rejection followed the receipt of a letter from the Minister of Mining requesting the parties renegotiate the Investment Agreement that was signed in October 2009 and became fully effective in March 2010. See "General Development of the Business – Agreements with the Government of Mongolia – Status of the Investment Agreement" for more information regarding the status of the Investment Agreement.

The Investment Agreement provides a stabilized royalty rate of 5% on the sales value of all mineral products mined from the Oyu Tolgoi Mine over the life of the agreement and specifies that new laws made after its signing will not apply to the Oyu Tolgoi Mine. Any change to the royalty rate applicable to the Oyu Tolgoi Mine requires the agreement of all parties to the Investment Agreement.

Resolution No. 175

In June 2011, the Government of Mongolia passed Resolution No. 175, the purpose of which is to authorize the designation of certain defined land areas for "special needs" in proximity to the Oyu Tolgoi Mine. These special needs areas are to be used for infrastructure facilities for the development of the Oyu Tolgoi Mine, if required. Most of the land areas designated for special needs are subject to existing mineral exploration and mining licences issued by the Government of Mongolia to third parties and, in certain cases, a mineral resource has been declared and registered with the applicable governmental authorities in respect of such licences. It is not entirely clear at this time what areas of land covered by Resolution No. 175 may be required for the purposes of infrastructure for the Oyu Tolgoi Mine and, if required, what level of impact that may have, if any, on third parties holding mineral exploration and mining licences over such areas. Oyu Tolgoi LLC has entered into certain consensual arrangements with some of the affected third parties and is seeking to complete consensual arrangements with all affected third parties. If Oyu Tolgoi LLC cannot enter into consensual arrangements with an affected third party and such third party's rights to use and access the subject land area are ultimately adversely affected by the application of Resolution No. 175, compensation to such third parties will be payable under Mongolian legislation as indicated by Resolution No. 175.

It has not been formally confirmed by the Government of Mongolia that any consensual arrangements Oyu Tolgoi LLC enters into with affected third parties will make the application of Resolution No. 175 to those affected third parties unnecessary or of no adverse effect. It is not clear at this time whether the Government of Mongolia will alone assume the obligation to pay such compensation to third parties, or whether it will require Oyu Tolgoi LLC to pay all or a portion of such compensation.

Accessibility, Climate, Local Resources and Physiography

The Oyu Tolgoi Mine is located in the South Gobi region of Mongolia, approximately 550km south of the capital city, Ulaanbaatar. The most prominent nearby community is Dalanzadgad, with a population of approximately 25,000, which is located approximately 220km northwest of the Oyu

Tolgoi Mine. Facilities at Dalanzadgad include a regional hospital, tertiary technical colleges, domestic airport and a six megawatt capacity coal-fired power station. The closest community to the Oyu Tolgoi Mine is Khanbogd, the centre of the Khanbogd Soum. Khanbogd has a population of approximately 4,700 and is located 35km to the east of the Oyu Tolgoi Mine.

Road access to the Oyu Tolgoi Mine follows a well-defined track directly south from Ulaanbaatar requiring approximately 12 hours travel time in a four wheel drive vehicle. Mongolian rail service and a large electric power line lie 350km east of the Oyu Tolgoi Mine at the main rail line between Ulaanbaatar and China. The China-Mongolia border is located approximately 80km south of the Oyu Tolgoi Mine. Oyu Tolgoi LLC is constructing a road from the Oyu Tolgoi Mine to the border. Oyu Tolgoi LLC constructed a 220kV transmission line connecting to the Chinese (Inner Mongolian) grid. This line has the capacity to supply all of the Oyu Tolgoi Mine's power needs. The Chinese Government has a highway to the Mongolian border, which is a direct link between the border south of the Oyu Tolgoi Mine to the trans-China railway system. Oyu Tolgoi LLC has constructed a concrete airstrip and the Oyu Tolgoi Mine is serviced by flights to and from Ulaanbaatar.

The South Gobi region has a continental, semi-desert climate with cool springs and autumns, hot summers, and cold winters. The average annual precipitation is approximately 80mm, 90% of which falls in the form of rain with the remainder as snow. Temperatures range from an extreme maximum of about 36° Celsius to an extreme minimum below -31° Celsius. The area occasionally receives very high winds accompanied by sand storms that often severely reduce visibility for several hours at a time. Oyu Tolgoi LLC conducts exploration and mining operations year-round.

The property comprising the Oyu Tolgoi Mine ranges in elevation from 1,140m to 1,215m above sea level. The local region is covered by sparse semi-desert vegetation and is used by nomadic herders who tend camels, goats and sheep. The topography largely consists of gravel-covered plains, with low hills along the northern and western borders. Scattered, small rock outcrops and colluvial talus are widespread within the northern, western and southern parts of the property. The topography is amenable to the construction of infrastructure for mining operations. Seismicity studies related to the property have been conducted and Oyu Tolgoi LLC has determined that the seismicity of the area comprising the Oyu Tolgoi Mine is generally low.

Applicable Mongolian laws relating to mining and land use govern Oyu Tolgoi LLC's surface rights on the Oyu Tolgoi Mine, while the Oyu Tolgoi Mine's use and treatment of water is governed by applicable water and mining laws. These laws permit licence holders to use the land and water in connection with exploration and mining operations, subject to the discretionary authority of Mongolian national, provincial and regional governmental authorities.

History

Exploration of the area indicates that the land comprising the Oyu Tolgoi Mine was subject to small scale mining activity in ancient times. However, modern mineral exploration did not begin in earnest in the area until 1996, when the Magma Copper Company Ltd. began a reconnaissance program which examined more than 60 copper occurrences in various parts of Mongolia. In 1996, after BHP Exploration acquired Magma Copper Company Ltd., BHP Exploration continued the reconnaissance program in western and southern Mongolia.

BHP Exploration first visited the area of what is now the Oyu Tolgoi Mine in September 1996 as part of its regional reconnaissance program of the South Gobi region. Central Oyu was discovered, followed by a two year exploration program of drilling, mapping and geophysics. In 1999, following a review of past results, additional drilling and continued exploration on the property was planned but never carried out. BHP Exploration then offered the properties for joint venture.

Turquoise Hill originally acquired its interest in the Oyu Tolgoi Mine from BHP Exploration in May 2000 pursuant to an earn-in agreement (the "BHP Earn-in Agreement"). Shortly thereafter, Turquoise Hill carried out a RC drilling program to delineate a chalcocite blanket intersected by one of BHP Exploration's diamond drill holes. This program consisted of 109 RC holes totalling 8,828m. In 2001, Turquoise Hill continued the RC drilling program to expand the chalcocite blanket and locate additional supergene resources. Turquoise Hill also completed three diamond drill holes to test deep hypogene copper and gold potential. One of these holes, OTRCD 150, intersected 508m of chalcopyrite-rich mineralization grading 0.81% copper and 1.17g/t gold, while another hole, OTD159, intersected a 49m thick chalcocite blanket grading 1.17% copper and 0.21g/t gold and 252m of hypogene covellite mineralization grading 0.61% copper and 0.11g/t gold.

The diamond drill holes were sufficiently encouraging for Turquoise Hill to conduct a major follow-up drill program that resulted in the discovery of the Southwest Oyu deposit. In late 2002, drilling in the far northern section of the property, in hole OTD 270, intersected 638m of bornite-chalcopyrite rich mineralization grading 1.61% copper and 0.07g/t gold starting at a depth of 222m. This marked the discovery of the Hugo Dummett Deposits.

Turquoise Hill completed the earn-in requirements under the BHP Earn-in Agreement by the first quarter of 2002. After certain back-in rights held by BHP Exploration expired, BHP Exploration transferred title to the relevant mineral exploration licences to Turquoise Hill in the summer of 2002. Pursuant to the BHP Earn-in Agreement, BHP Exploration retained a 2% NSR on production from the Oyu Tolgoi Mine. Turquoise Hill acquired this 2% NSR from BHP Exploration in November 2003 in consideration for the payment to BHP Exploration of $37 million.

In February 2004, a scoping study was prepared for development of the Oyu Tolgoi Mine. The scoping study considered mine development options ranging from a 20 year mine life to a 40 year mine life, with all deposits except Hugo North being mined by open pit and Hugo North being mined by block-caving.

In 2005, a preliminary assessment report, IDP05, was completed. IDP05 was summarized in a Technical Report dated October 1, 2005, which was filed with Canadian Securities Authorities and is available for review at *www.sedar.com*. This technical report assessed development alternatives available to Turquoise Hill and charted an implementation path for developing the Oyu Tolgoi Mine. In January 2006, Turquoise Hill reported an open pit mineral reserve on the Southern Oyu Deposits.

In March 2007, the Hugo North resource estimates were updated and a new technical report for the Oyu Tolgoi Mine was completed and filed. In March 2008, resources for the Heruga deposit were first estimated and a new technical report was completed and filed for the Oyu Tolgoi Mine. The Heruga deposit resource estimates were again updated in March 2009, when it was concluded that the resources extended on to the OT Licence. In June 2010, an updated assessment report, IDP10, was issued containing updated resources for the Oyu Tolgoi Mine and reserves on both the Southern Oyu open pit deposits and the Hugo North underground deposit.

IDOP was completed in March 2011 and prepared by Oyu Tolgoi LLC personnel as a complete study of all aspects of the Oyu Tolgoi Mine. IDOP updated the development path for the initial phases of the Oyu Tolgoi group of deposits (Southern Oyu Deposits and Hugo North underground Lift 1).

In March 2012, the Corporation filed the IDOP Technical Report, which analyzed a reserve case only and was based on the technical, production and cost information contained in IDOP.

In March 2013, the Corporation filed the 2013 Oyu Tolgoi Technical Report in order to provide updates on overall project status, Southern Oyu mineral resources estimates and the mineral reserves presented in the IDOP Technical Report. The disclosure in the 2013 Oyu Tolgoi Technical Report meets the requirements of NI 43-101, although some parts of the Oyu Tolgoi Mine are further advanced and are at a feasibility level, Turquoise Hill believes that the disclosure in the 2013 Oyu Tolgoi Technical Report meets the requirements of U.S. SEC Industry Guide 7 for reporting mineral reserves. The 2013 Oyu Tolgoi Technical Report is an update to the reserve case presented in the IDOP Technical Report and is based strictly on Proven mineral reserves and Probable mineral reserves. A new feasibility study will be complete by mid-2014 and subsequently disclosed as a new technical report.

Geology and Mineralization

The Oyu Tolgoi Mine lies near the boundary of the South Mongolian and the South Gobi tectonic units, in the Kazakh Mongol Belt. The Oyu Tolgoi Mine area falls within the Gurvansayhan Terrane, which consists of highly deformed accretionary complexes and oceanic island arc assemblages. The area is dominated by a broad corridor of major strike-slip faults, contractional fault and fold belts and fault-controlled Mesozoic sedimentary basins.

The Oyu Tolgoi Mine area lies within an east to west trending belt of volcanic and sedimentary rocks of continental margin and island arc affinities. The two major stratigraphic sequences recognized in the project area are a sequence of tuffs, basaltic rocks and sedimentary strata of probable island arc affinity, assigned to the Upper Devonian Alagbayan Formation and an overlying succession containing conglomerates, fossiliferous marine siltstones, sandstones, water lain tuffs and basaltic to andesitic flows and volcaniclastic rocks, assigned to the Carboniferous Sainshandhudag Formation. There is also a thin covering of stratified clays and clay rich gravels of Cretaceous age overlying the two main sequences, infilling paleochannels and small fault-controlled basins.

The Devonian Alagbayan Formation sequence includes four major lithological divisions. The lowest division consists of laminated siltstone and sandstone overlain by an approximately 800m thick augite basalt unit. Overlying this is a sequence of volcaniclastic conglomerate/breccias and lapilli tuffs of dacitic composition up to 200m thick. These rocks are commonly strongly altered and host much of the contained mineralization found on the property; the top of the alteration commonly extends up into the conglomerate/lapilli tuff unit. The third division is a carbonaceous siltstone and sandstone unit, with thickness up to 200m.

A major Devonian low-angle thrust, termed the contact fault; is hosted within the top of the carbonaceous siltstone unit. This separates the lower three divisions with the fourth upper division of the Alagbayan Formation - a sequence of basaltic flows and volcaniclastic rocks interstratified with thinly bedded siltstone and massive sandstone averaging up to 600m thick. This unit is commonly overturned and has been transported by thrusting from another location.

The Early Carboniferous Sainshandhudag Formation unconformably overlies the Alagbayan Formation sequence, and consists of a lower tuffaceous sequence, a middle clastic package and an uppermost volcanic sequence. The lowest sequence consists mainly of andesitic lapilli tuff and measures up to 200m in thickness. The intermediate sequence typically shows a progression from a lower conglomerate-sandstone-siltstone dominant unit to an overlying siltstone-water lain tuff unit, with total thickness up to 200m. The uppermost sequence consists of a thick layer of andesitic to basaltic flows and volcaniclastic rocks comprising several subunits, with thickness up to 800m.

Intrusive rocks are common within the project area, and range in age from Devonian to Mesozoic. A broad range of dykes and sills intrude the host rocks, of particular significance are Devonian aged quartz monzodiorite intrusions ("QMD") that are genetically linked to the porphyry style mineralization. Mineralized QMD intrusions are irregular dyke-like bodies. Much larger weakly to unmineralized QMD underlies much of the mineralization and crops out to the west. Biotite granodiorite dykes and sills intrude the axis of the mineralized trend. In the area of the Hugo Dummett Deposits, these dykes and sills feed upward into a keel shaped intrusive interpreted to be the bottom of a dacite dome.

There is a complex network of faults, folds and shear zones that cross-cut the project area. The contact fault is hosted within the carbonaceous siltstone unit of the Alagbayan Formation and is of district scale. Other significant faults include the Mesozoic-aged West Bat Fault and the East Bat Fault, which respectively bound the west and east side of the zone of mineralization constituting the Hugo Dummett Deposits. The Solongo Fault which is also major, cuts off the southern end of the outcropping Southwest Oyu and South Oyu deposits. To the south of this fault mineralization is deeply buried, with the Heruga deposit some 4km to the south under about 800m of Devonian rocks.

Heruga Deposit

The Heruga deposit is at present the southernmost deposit discovered on the Oyu Tolgoi Trend. It is preserved below the contact fault. Some 600m to 1,000m of Devonian Alagbayan Formation overlie the contact fault. Below the contact fault, the porphyry system is intact, with the top of the porphyry related alteration zone commencing 100m to 200m below the fault, usually within conglomerates and tuffs of the lower Alagbayan Formation. Almost all of the deposit is hosted in the underlying augite basalt with some lesser QMD intrusions. The upper part of the deposit comprises a pyritic copper-molybdenum rich zone approximately 200m to 300m thick overlying and partly overlapping with a copper and gold rich zone; this lower zone is similar to that at Southwest Oyu. The alteration at Heruga is typical of gold rich porphyry style deposits, with the upper copper-molybdenum rich zone equated to the molybdenum rich external annuli that commonly partly overlap the copper-gold cores to gold rich porphyry deposits. In the gold zone biotite and magnetite are the main alteration minerals, chalcopyrite and minor bornite accompany the gold, and pyrite contents are low in the gold zone.

Mineralized veins have a much lower density at the Heruga deposit than in the more northerly Southern Oyu Deposits and Hugo Dummett deposits. Some quartz veins show a weak preferred orientation, but in general most occur as stockworks with no visible preferred orientation.

Higher grade copper and gold intersections show a strong spatial association with contacts of the mineralized quartz monzodiorite porphyry intrusion in the southern part of the deposit, occurring both within the outer portion of the intrusion and in adjacent enclosing basaltic country rock.

Southern Oyu Deposits

The Southern Oyu Deposits consist of a series of deposits known as Southwest Oyu, South Oyu, Central Oyu and Wedge. These deposits form contiguous zones of mineralization representing multiple mineralizing centres, each with distinct styles of mineralization, alteration and host lithology. The boundaries of the individual deposits coincide with major fault zones.

The geology and mineralization of the Southwest Oyu deposit is characterized by a gold rich porphyry system, with a high-grade core about 250m in diameter and extending over 700m vertically (the Southwest Gold Zone). Over 80% of this deposit is hosted by porphyritic augite basalt of the Alagbayan Formation, with the remainder hosted by QMD intrusions. The high-grade core is enclosed by a large, low-grade ore shell approximately 600m by 2,000m in area.

Mineralization at Southwest Oyu consists mainly of finely disseminated pyrite-chalcopyrite with minor bornite and massive chalcopyrite veins cross-cutting and impregnating earlier deformed quartz vein stockworks and the basalt and QMD host rocks. The mineralization is related to a late stage sericite and sericite-biotite-albite overprint, which affects the QMD intrusions and basaltic wall rocks. The high-grade core is centred on a 10m to 30m wide, vein-rich QMD dyke and extends for over 100m into the adjacent porphyritic augite basalt. Gold to copper ratios (g/t Au to %Cu) vary between 0.5 to 1 and 1 to 1 in the outer margin of the deposits, increasing to approximately 2 to 1 in the high-grade gold core, with the highest ratios consisting of up to 3 to 1 in the deeper parts of the deposit. Outside the Southwest Gold Zone, the augite basalts contain anomalous gold contents, with the gold to copper ratios increasing southward.

South Oyu is a copper porphyry deposit developed mainly in the Alagbayan Formation strata consisting of basalt and dacite tuff units. This deposit is cut by numerous barren dykes, including one major rhyolite dyke that that is up to tens of metres wide and cuts east to west through the middle of the deposit. Unlike Southwest Oyu, the South Oyu system is not gold rich. Copper mineralization at South Oyu is associated with stockworks of thin quartz and sulphide veins, and consists of finely disseminated pyrite-chalcopyrite and bornite.

The Central Oyu deposit is hosted in a quartz monzodiorite dyke swarm that contains a series of isolated irregular bodies of altered basalt and dacite tuff up to 200m thick extending several hundred metres down dip to the limit of drilling. Mineralization consists of high-sulphidation style copper mineralization with pyrite, covellite, chalcocite, and minor enargite in intensely sericite altered rock; this is telescoped down into a deeper and peripheral body of chalcopyrite and gold porphyry mineralization and is overlain by a shallow chalcocite enrichment blanket developed 20m to 80m below a surficial leached cap. The centre of the system is strongly quartz veined.

The Wedge deposit is wedged between South Oyu and Southwest Oyu and is a downfaulted block of the top of the alteration system, which, like other deposits at the Oyu Tolgoi Mine, is developed in the top of the augite basalt unit of the Alagbayan Formation and the overlying dacitic tuff. Mineralization is largely high sulfidation style with chalcopyrite, chalcocite and enargite but grades down into chalcopyrite in basalt and QMD rocks. There is little gold mineralization.

Hugo Dummett Deposits

The Hugo Dummett Deposits consist of Hugo South, Hugo North and the Hugo North Extension. These deposits represent a continuous zone of mineralization that is elongated in a north-north-easterly direction over a strike length of at least 3km. While mineralization of the Hugo Dummett Deposits is virtually continuous, Oyu Tolgoi LLC has divided the mineralized zone into two deposits (Hugo South and a combined Hugo North and Hugo North Extension) for the purposes of resource estimation, development and mine planning. Hugo South and Hugo North are separated by a 110° striking sub-vertical fault that displaces Hugo North vertically down a modest distance from Hugo South. The Hugo North Extension represents the extension of Hugo North into the Shivee Tolgoi Licence.

The Hugo Dummett Deposits occur in a northerly striking, moderately to steeply east dipping monocline that is bounded and intruded by several faults, including a near vertical fault that controls the western edge of the deposit known as the West Bat Fault and a near vertical fault that controls the eastern edge of the deposit known as the East Bat Fault. The host rocks to the deposit are basalt and overlying dacite tuffs and breccias of the Alagbayan Formation intruded by QMDs which are the source and host most of the mineralization. Overlying the dacite tuffs are sedimentary and volcanic rocks of the upper Alagbayan Formation and Sainshandhudag Formation with a total intersected thickness of up to 600m thick in places. The width of the mineralized zone on the Hugo Dummett Deposits varies along strike from 200m to more than 500m. Mineralization dips generally to the east from as low as 40° to up to 80°, but is generally above 60° and increases to sub-vertical at the northern end of Hugo North.

Hugo South has a higher copper to gold ratio than Hugo North, averaging 1 to 10 gold to copper in most of the deposit. Hugo South mineralization is closer to the surface than Hugo North, with the lowest portion of the deposit approximately 700m below surface compared to 1,500m below the surface for Hugo North. Mineralization is centred on a high-grade zone typically grading in excess of 2% copper, which usually corresponds with intensely quartz stockwork veined narrow QMD intrusions extending out into the enclosing basalt and dacite tuff. The sulphide mineralization consists of chalcopyrite, bornite, chalcocite and pyrite. The sulphides have zonation, with bornite, chalcocite and tennantite comprising the highest grades, often in excess of 2.5% copper, then grading outwards to chalcopyrite at between 1% copper to 2% copper and then pyrite-chalcopyrite and other minerals grading at less than 1% copper. The gold rich QMD does not occur in Hugo South, with the result that the gold grades are typically less than 0.1g/t. Weakly mineralized QMD forms the base of the deposit.

Hugo North contains the same high-grade copper zone as Hugo South, consisting of a zone of intense stockwork to sheeted quartz veins centred on QMD intrusions and extending into the adjacent Alagbayan Formation basalt. Unlike Hugo South, the Hugo North quartz veining also hosts significant gold mineralization. The copper mineralization in the high-grade zone is also greater, at up to 3% copper to 5% copper, moderate to high grade copper and gold values are also in nearby QMD intrusions below and to the west of the intense vein zone. In other respects, Hugo North and Hugo South have similar mineralogy and zonation patterns. Bornite is dominant in the highest grade part of the deposit, at 3% copper to 5% copper and is zoned outward to chalcopyrite at approximately 2% copper, grading upward to less than 1% copper in pyrite-chalcopyrite in the altered dacitic tuff sequence at the top of the deposit.

All of the deposits display alteration zones, including K-silicate, advanced argillic, muscovite/sericite and intermediate argillic styles. The copper in the deposits also correlates with elevated abundances of silver, selenium and tellurium. Small amounts of zinc, arsenic, lead and mercury also occur with or near the high-grade zone.

On the Hugo North Extension, mineralization is similar to that characterizing the northern part of Hugo North. The Hugo North Extension is more structurally complex, manifested in a more variable strike and steeper dip to the mineralized zone with a higher prevalence of faults, and structurally-induced discontinuities in the high-grade zone. These features are the result of post-mineral deformation. Both the mineralized zone and lithologic contacts in the enclosing and overlying rocks display an abrupt right hand stepover of around 200m, starting at the border of the deposit with the main Hugo North deposit. Drilling in this zone during 2006 confirmed that this stepover is a flexure/fold with a short, east-west striking limb, rather than a fault offset. North of the flexure, grade continuity is more difficult to predict, and the western margin of the deposit consists of a zone of complex faulting. These faults typically result in a sliver of weakly to moderately mineralized QMD lying between the sub-vertical high-grade deposit core, and non-mineralized Devonian and Carboniferous rocks to the west of the fault system.

Exploration

Oyu Tolgoi LLC's exploration at the Oyu Tolgoi Mine has consisted mainly of remote sensing and geophysical methods, including satellite image interpretation, detailed ground magnetics, Bouguer gravity and gradient array IP, as well as extensive drilling and geological mapping. These activities have enabled Oyu Tolgoi LLC to construct detailed geophysical and geological maps of the entire property, as well as the nearby mining licences owned by Oyu Tolgoi LLC. Outcropping prospects, including Southwest, South and Central Oyu, have been mapped at 1:1,000 scale and the Heruga deposit area has also been mapped at 1:1,000 scale. The entire remaining exploration block has been mapped at a 1:10,000 scale. In 2004, extensive surface trenching by excavators and shallow overburden RC drilling was conducted to provide bedrock geology over the extensive areas devoid of outcrop. As a result, the geology is well defined over the entire 10km by 8km concession block.

Gradient array IP has been conducted on north to south, and subsequently east to west lines at 200m line spacing, with electrode spacing up to 11km. A further IP survey covered the deposit areas with a more detailed program using multiple electrode spacing, repeated in 2009 using proprietary IP technology, with the high powered Zeus IP transmitter. Oyu Tolgoi LLC conducted magnetometer surveys on the property, with the northern half using east to west oriented lines on 50m intervals with 25m spaced readings and Southern Oyu Deposits using a north to south orientation for 5m intervals on 25m spaced lines and the area south to the Heruga deposit using east-west 25m spaced lines.

A gravity survey was conducted, controlled by GPS, with readings on deposit areas taken on 50m centres and on the extremities at 100m centres. The Bouger map was reduced to residual gravity for contouring. An airborne Falcon gravity survey was flown over Oyu Tolgoi by BHP in late 2005, with 400m spaced east-west flight lines and 80m elevation. Telluric electromagnetic surveying was conducted over the eastern half of the concession to identify smaller drainage basins that could have channelled copper rich waters during the Cretaceous period.

In late 2004, Oyu Tolgoi LLC began to extend its exploration program to the outlying Oyu Tolgoi Mine concessions, including the mining licences 6708A, 6710A and 6711A and exploration licence 3677X that adjoins and extends the southern limits of the mining concessions. A number of chargeability anomalies with similarities to the Oyu Tolgoi Mine anomaly were discovered on the other concessions and Oyu Tolgoi LLC has conducted diamond drilling with no positive results to date. Mining licence 6711A has since been relinquished and exploration licence 3677X expired in 2010.

Oyu Tolgoi LLC initiated exploration work on the Shivee Tolgoi Licence in November 2004 following the signing of the Entrée Earn-in Agreement. Prior to that time, Entrée Gold had undertaken geochemical remote sensing, geophysics testing, such as ground magnetics, Bouger gravity and pole-dipole geophysical surveying, and geological mapping. Starting at the northern boundary of the OT Licence, an IP survey was run on 100m spaced lines oriented east-west to trace the northern projection of Hugo North. This initial IP survey used gradient array with 11,000m AB electrode spacing and covered an area extending 5.6km north of the boundary and 10km in width. Subsequent IP surveys covering smaller areas within the larger area were carried out with gradient arrays. The IP surveys resulted in the delineation of a significant chargeability feature being traced for approximately 4km north along strike of Hugo North. Additional IP chargeability targets were also revealed 2.5km to 3km west of the Hugo North trend and are referred to as the Eagle anomalies.

In 2005 and 2006, Oyu Tolgoi LLC conducted IP surveying on 100m spaced, east-west lines across the Javkhlant Licence. This resulted in the discovery of three significant chargeability IP anomalies subsequently named the Sparrow South (since renamed the Heruga deposit), Castle Rock and SW Magnetic anomalies.

In 2007, 2008 and 2009, further detailed IP surveying was conducted over the Heruga deposit and the area between the Heruga and Southwest Oyu deposits where previous IP surveys detected a weak anomaly. Detailed ground magnetometer surveys were also conducted over Heruga, extensions to the south of Heruga, the area between the Heruga and Southwest Oyu deposits and over the Hugo North Extension area and northwards. This resulted in a far better understanding of the surface geology of the Oyu Tolgoi Trend south of Southwest Oyu and a better understanding of IP anomalies. OTD1487 was drilled in 2008 to target an IP anomaly half way between the Heruga and Southwest Oyu deposits. It intersected 350m of high grade gold-copper mineralization below about 1,978m downhole. Drilling was completed in this area, now referred to as Heruga North, in early 2013. During 2009 and 2010, Oyu Tolgoi LLC completed a deep IP survey using proprietary IP technology, over the full strike length of the mineralized trend on the Oyu Tolgoi LLC and Entrée Joint Venture properties. This resulted in improved resolution of deep drill targets.

During 2011, previous gravity, IP and resistivity data was inverted and integrated with surface geology and downhole data to define further drill targets. A detailed ground magnetometer survey was also completed over the Javkhlant licence area.

In the fourth quarter of 2011, over 1,000 stations were collected in a magneto-telluric (MT) survey on 400m spacing through the mineralised corridor. Targets were ranked based on favourable geology and coincidence with other geophysical responses.

During 2012, exploration drilling continued on the Oyu Tolgoi Mine and 28,431m of surface exploration diamond drilling and 1,752m of condemnation drilling were completed. The surface exploration drilling included 13,228m of drilling on the OT Licence, 9,058m of drilling on the Javkhlant Licence, 5,776m on the Shivee Tolgoi Licence and 367m of drilling on Oyu Tolgoi LLC's Manakht mining licence. The condemnation drilling was on Oyu Tolgoi LLC's Manakht licence.

In April 2012, management of the exploration program transferred from Turquoise Hill to Oyu Tolgoi LLC. Following this change, the strategy of the exploration program was restated by Oyu Tolgoi LLC and Turquoise Hill to be: the development of a pipeline of projects within the contract area, to seek a transformational discovery (long-life, low cost, high grade copper resources), especially in those areas where it may impact on the current development of the ore bodies underlying the Oyu Tolgoi Mine. This included further delineation of resource potential at Heruga North. The Heruga North geology model update was delayed and when completed a new resource estimate will potentially incorporate a Heruga North resource.

Drilling and expenditures were significantly reduced in 2013 compared to previous years, with the emphasis shifted from drilling to data compilation, 3D modelling and interpretation to generate the next series of prioritized exploration targets. Utilizing these exploration targets, some preliminary drilling was undertaken into deep and shallow targets on Hugo West. The encouraging Hugo West drilling results highlight the prospectivity of Oyu Tolgoi. The Hugo West targets are located to the west of Hugo South, in close proximity to existing and proposed mine infrastructure, and is thought to represent an extension of the copper mineralization associated with Hugo North and Hugo South. However, the target appears structurally separated from the two adjacent deposits and is defined by different host stratigraphy and structural controls.

Exploration drilling results confirmed a potential Hugo West deposit in the Oyu Tolgoi Trend. The first deep drill hole returned an intersection of 502 metres at 0.54% copper and 0.32g/t gold. Twelve shallow holes were drilled into the Hugo West shallow target in the fourth quarter of 2013. Initial logging and assays indicate that the Hugo West shallow target is potentially a low-grade open pitable exploration target that requires additional drilling to delineate the target. The Hugo West shallow target currently appears to be hosted predominantly in quartz monzodiorite and ignimbrite.

In total, 81 diamond drill holes were completed in 2013 for a total of 31,777m; one hole on the Javkhlant Licence and 80 holes on the Oyu Tolgoi Licence. The holes on the Oyu Tolgoi Licence were geotechnical holes in the Open Pit and for infrastructure foundation investigations, infill drilling into the initiation zone at Hugo North and exploration holes at Hugo West. The one hole on the Javkhlant Licence was completion of the last eastern bornite corridor hole testing a conceptual exploration target east of Heruga.

Current Exploration Activities

The focus of exploration remains data review and interpretation, in particular looking for targets that may displace scheduled resources in the short to medium term. The exploration team at Oyu Tolgoi is working with geoscientists from Turquoise Hill and the Rio Tinto Group to identify further targets at OT trend and to develop the potential of Hugo West. There is a modest drilling program planned for 2014 for the Hugo West shallow exploration target.

Drilling

Diamond drill holes are the most significant source of geological and grade data for the Oyu Tolgoi Mine. From the start of Oyu Tolgoi LLC's diamond core drill program in 2001 to the end of 2013, Oyu Tolgoi LLC has drilled approximately 1,116,315m in approximately 2,604 drill holes, of which 1,808 were diamond drill holes for a total of 1,022,862m. Oyu Tolgoi LLC currently has one drill rig involved in exploration on the property.

Oyu Tolgoi LLC has relied on wireline methods for all drilling, utilizing HQ and NQ size core and some PQ size core for metallurgical testing. At Hugo North, virtually all holes are initiated in PQ size core to a depth of at least 450m to 550m. The rest of the drill hole is then continued using HQ or NQ sized core. On two occasions PQ coring was extended to depth of 1,450m, allowing Oyu Tolgoi LLC to collect large diameter core from the deep Hugo North deposit. Upon completion of all holes, the collar and anchor rods on drill holes are removed and a PVC pipe is inserted in the hole. Each hole collar is marked by a cement block inscribed with the hole number. The holes are not grouted or back filled with cement so as to allow re-entry of individual holes for surveying checks or to permit Oyu Tolgoi LLC to drill new daughter holes. Since 2010, surface drill holes at Hugo North have been grouted from end of hole to above planned underground infrastructure levels, generally the lowermost 200m of each hole, to mitigate hazards associated with developing into open holes. All underground holes are fully grouted.

Drill hole collars are located respective to a property grid by either global positioning system or theodolite and electronic distance measuring instruments. Holes are drilled at an inclination of between 45° and 90°, with the majority between 60° and 70°. The drill contractors take down-hole surveys every 30 to 60m. There presence of magnetite will affect the deviation of the compass readings in the survey instruments, therefore gyro surveys which are not affected by magnetism in the rock are used in these circumstances.

Oyu Tolgoi LLC uses standard logging and sampling conventions to capture information from the drill core. The core is logged by directly entering the data into an acQuire database. The core is photographed prior to being sampled, and the digital photographs are linked to the drill logs enabling the geologist to quickly access specific photographs for any given metre. Drill core is then stacked on pallets in an organized "core farm". Core recovery in the mineralized units has usually been between 95% and 100%.

Sampling, Analyses and Security

Oyu Tolgoi LLC's sampling procedure comprises collection of core samples taken on continuous 2m intervals down each drill hole, excluding dykes that extend more than 10m along the core length. The two metre sample intervals are measured, marked on the core, and the end of each sample is marked with the sample number on the core box. Sample numbers are pre-determined and allow for the insertion of QA/QC samples. The core is marked with a continuous linear cutting line before being split to prevent a sampling bias. Splitting is done with a rock saw constantly flushed with fresh water. The core is cut in half, samples of one half of NQ and HQ core or one quarter of PQ core are taken from the same side of the cutting line, samples are placed in cloth bags, and sent to an on-site preparation facility operated by SGS Mongolia LLC. The unsampled half of the core remains in the core box and is stored at the on-site core storage area.

Core samples are assembled into groups of 38 and then seven quality control samples are randomly inserted to make up batches of 45. The quality control samples comprise one duplicate split core sample and two uncrushed field blanks, which are inserted prior to sample preparation, a coarse preparation duplicate, a pulp preparation duplicate, which is inserted during sample preparation, and two certified reference material samples, which are inserted after sample preparation.

Split core samples are crushed to 90% passing 6mm in a coarse jaw crusher, then to 90% passing 3.35mm in a fine jaw crusher; approximately 1 kg of finely crushed material is split off with a rotary sample divider; and the 1 kg split pulverized to 90% passing minus 75 µ (200 mesh). Two 150g sub-samples are split off by taking multiple scoops from the pulverized 70 µ (200 mesh) pulp, which are then placed in sealed tin-tie kraft envelopes. All equipment is cleaned between each sample, using barren rock, followed by blasts of compressed air. Sizing tests are conducted on crushed and pulverized samples at the rate of one of each type per batch of 45 samples.

The kraft envelopes of prepared pulp samples are packed in shipping boxes, sealed with tamper-proof numbered tags, and shipped under the custody of Oyu Tolgoi LLC to the SGS Mineral Services and ALS Limited laboratories in Ulaanbaatar. SGS Mineral Services analyses are completed in Ulaanbaatar, Mongolia, whereas ALS Limited ships the samples by air freight to Vancouver, Canada for analysis.

SGS-UB conducts gold analyses using a 30g fire assay fusion to obtain a lead button that is cupelled to obtain a bead, digested with aqua regia, and followed by an AAS finish. ALS Limited completes a four acid geochemical digestion followed by a 47 element suite with an ICP-AES/MS finish; over-range copper (>1%) and sulphur (>4%) assays are completed with a peroxide fusion and an ICP-AES finish. Upon receipt of assay results, values for certified reference material samples and field blanks are tabulated and compared to those from an established round robin program. Assay results that deviate from the round robin program results beyond pre-set tolerance limits are rejected and subject to re-assay. Oyu Tolgoi LLC also performs check assays on a regular basis at the rate of 1:20 using SGS Mineral Services and ALS Limited.

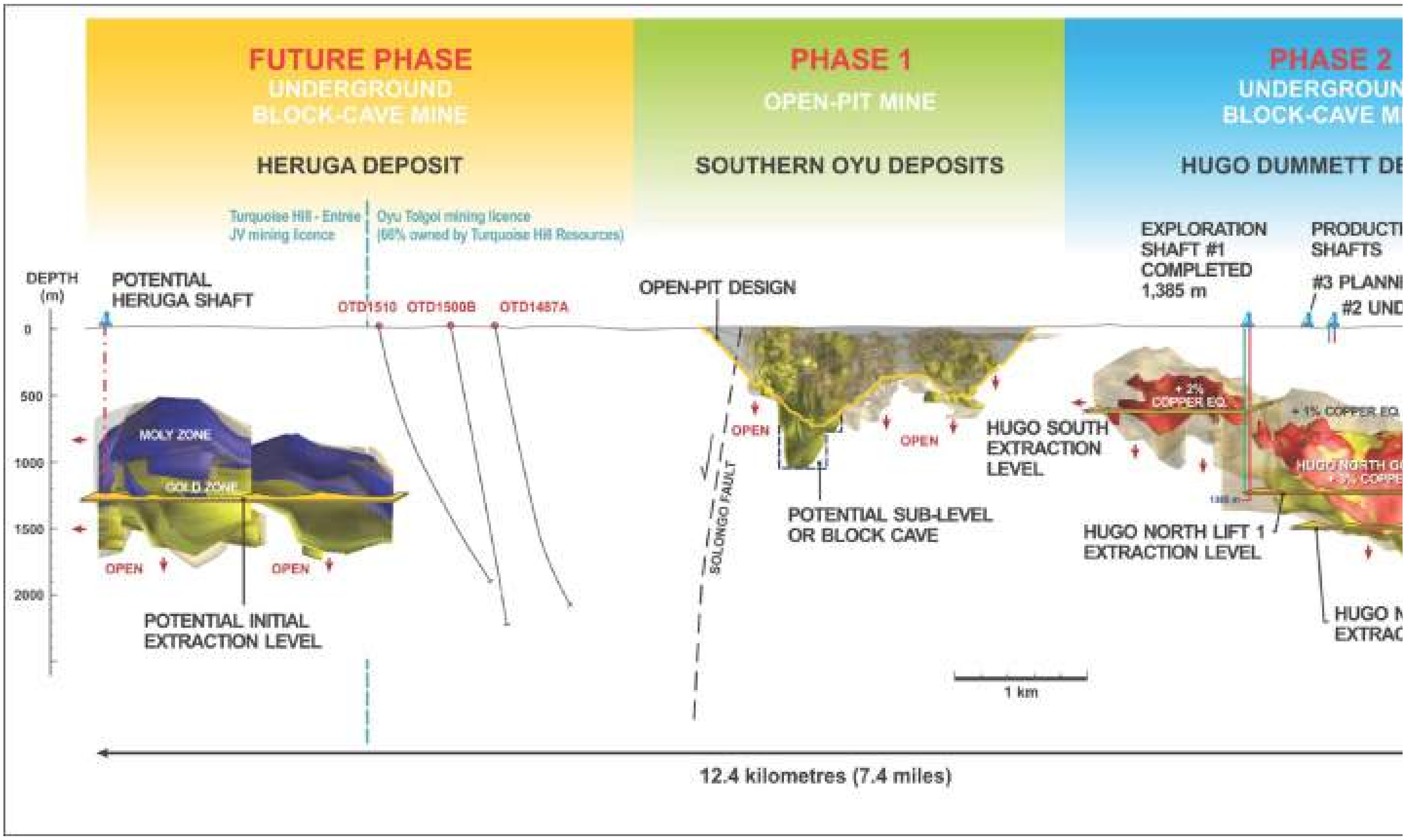
Mineral Resources and Mineral Reserves

The estimates of mineral resources and reserves at the Oyu Tolgoi Mine identified below are contained in the 2013 Oyu Tolgoi Technical Report and were classified using logic consistent with the CIM Standards. The current estimate of mineral resources for the Oyu Tolgoi Mine was independently reviewed by Sharron Sylvester of OreWin, who is a “qualified person” for the purposes of NI 43-101. The current estimate of mineral reserves for the Oyu Tolgoi Mine was prepared by Bernard Peters of OreWin, who is a “qualified person” for the purposes of NI 43-101.

Mineral Resources

The total mineral resources for the Oyu Tolgoi Mine are shown in the table on page 79. This table also includes mineralization on the Shivee Tolgoi Licence and the Javkhlant Licence, which are shown separately. A profile of the deposits comprising the Oyu Tolgoi Mine is shown below.

Idealized Profile of Southern Oyu, Hugo Dummett, and the Heruga Deposit (Section Looking West)



The base case copper equivalent (or CuEq) cut-off grade assumptions for each deposit were determined using cut-off grades applicable to mining operations exploiting similar deposits. The copper equivalent cut-off grade applied for the underground was 0.37% and the copper equivalent cut-off grade applied to the open pit was 0.22%.

CuEq Formula – Hugo Deposits and Southern Oyu

Based on a copper price of $0.80 per pound and a gold price of $350 per ounce, the 2003 copper equivalent formula is:

CuEq% = Cu% + (Au g/t) * (11.25 / 17.64)

Where:
17.64 = (Cu $/lb) / (lb/t) = 0.80 / 2,204.62
11.25 = (Au $/oz) / (g/oz) = 350 / 31.10348
Not adjusted for metallurgical recovery

CuEq Formula – Heruga Deposit

In preparing the Heruga mineral resource estimate, the decision was taken to use a copper price of $1.35 per pound and a gold price of $650 per ounce, and to incorporate molybdenum into the copper equivalent calculation at a price of $10 per pound.

The resultant Heruga formula was:

CuEq% = Cu% + ((Au g/t * 18.98) + (Mo g/t * 0.01586)) / 29.76

Where:
18.98 = (Au $/g) * Au Recovery Factor% = 20.90 * 90.822% (rounded to 91%)
0.01586 = (Mo $/g) * Mo Recovery Factor% = 0.0220462 * 71.94% (rounded to 72%)
29.76 = Cu $/%

Molybdenum is used only in the copper equivalent formula at Heruga. Silver is not used in the copper equivalent formulae for any of the deposits. The contained gold and copper estimates in the following table have not been adjusted for metallurgical recoveries.

Oyu Tolgoi Mineral Resource Summary, as of March 19, 2013

Classification	Deposit	Tonnage (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	CuEq (%)	Contained Metal Cu (Mlb)	Contained Metal Au (Moz)	Contained Metal Ag (Moz)	Contained Metal Mo (Mlb)	Contained Metal CuEq (Mlb)
Southern Oyu Deposits – Open Pit (0.22% CuEq Cut-Off)												
Measured		445	0.52	0.41	0.96	50.8	0.78	5,140	5.84	13.8	49.8	7,690
Indicated		652	0.39	0.23	0.90	54.2	0.54	5,650	4.80	18.9	77.8	7,750
Measured + Indicated		1,096	0.45	0.30	0.93	52.8	0.64	10,780	10.6	32.6	127.6	15,440
Inferred		218	0.27	0.15	0.77	46.7	0.37	1,290	1.08	5.38	22.5	1,760
Southern Oyu Deposits – Underground (0.37% CuEq Cut-Off)												
Measured		22	0.41	0.64	0.98	47.3	0.82	200	0.45	0.69	2.27	390
Indicated		150	0.36	0.50	0.92	40.2	0.68	1,190	2.40	4.45	13.3	2,240
Measured + Indicated		172	0.37	0.52	0.93	41.1	0.70	1,390	2.85	5.14	15.6	2,640
Inferred		237	0.38	0.29	0.87	38.5	0.57	1,990	2.24	6.62	20.1	2,970
Hugo Dummett Deposits (0.37% CuEq Cut-Off)												
Indicated	Oyu Tolgoi LLC	775	1.69	0.36	3.71	42.5	1.92	28,890	8.98	92.4	72.6	32,820
	EJV	132	1.65	0.55	4.09	35.7	2.00	4,800	2.32	17.4	10.4	5,810
	All Hugo North	907	1.69	0.39	3.77	41.5	1.93	33,690	11.3	109.8	83.0	38,630
Inferred	Oyu Tolgoi LLC	1,015	0.81	0.25	2.34	41.9	0.97	18,080	8.28	76.4	93.8	21,700
	EJV	134	0.93	0.25	2.44	23.6	1.09	2,760	1.08	10.5	6.99	3,230
	All Hugo North	1,150	0.82	0.25	2.35	39.8	0.98	20,840	9.36	87.0	100.8	24,930
Inferred	Hugo South	820	0.78	0.07	1.79	66.8	0.82	14,090	1.82	47.1	120.7	14,890
Inferred	North & South	1,969	0.80	0.18	2.12	51.0	0.92	34,930	11.2	134.1	221.5	39,820
Heruga Deposit (0.37% CuEq Cut-Off)												
Inferred Heruga Javkhlant EJV		1,824	0.38	0.36	1.35	110.4	0.67	15,190	21.2	79.4	443.8	26,850
Inferred Heruga TRQ		120	0.40	0.29	1.54	108.3	0.64	1,060	1.12	5.97	28.8	1,700
Inferred (All Heruga)		1,944	0.38	0.36	1.37	110.2	0.67	16,250	22.4	85.3	472.5	28,550
Oyu Tolgoi Mine Grand Total												
Measured		466	0.52	0.42	0.96	50.6	0.79	5,340	6.29	14.5	52.1	8,090
Indicated		1,709	1.08	0.34	2.42	46.2	1.29	40,530	18.5	133.1	174.1	48,620
Measured + Indicated		2,175	0.96	0.35	2.11	47.2	1.18	45,870	24.8	147.6	226.2	56,710
Inferred		4,369	0.57	0.26	1.65	76.5	0.76	54,460	36.9	231.4	736.5	73,100

Notes:

- The 0.37% copper equivalent cut-off is equivalent to the underground mineral reserve estimate cut-off determined by Oyu Tolgoi LLC.
- Mineral reserves are not additive to the mineral resources.
- Copper equivalent has been calculated using assumed metal prices ($1.35/lb for copper and $650/oz for gold and $10/lb for molybdenum).
- CuEq% = Cu% + ((Au g/t*18.98) + (Mo g/t*.01586))/29.76.
- Molybdenum grades outside of the Heruga deposit are assumed to be zero for copper equivalent calculations.
- The copper equivalent formula also includes different levels of metallurgical recovery for the metals. Gold was assumed to have 91% of copper recovery, molybdenum 72% of copper recovery.
- Mineral resources are not mineral reserves until they have demonstrated economic viability based on a feasibility study or pre-feasibility study. Although the resource classifications of Measured, Indicated and Inferred are mineral resource classification confidence categories defined by the CIM that are recognized and required to be disclosed by NI 43-101, the SEC does not recognize them. Disclosure of the terms in the table above is permitted under NI 43-101; however, the SEC permits mineralization that does not constitute “reserves” by SEC standards to be reported only as tonnage and grade. See “Cautionary Note to United States Investors”.
- EJV is the Entrée Joint Venture. The Shivee Tolgoi Licence and the Javkhlant Licence are held by Entrée Gold. The Shivee Tolgoi Licence and the Javkhlant Licence are planned to be operated by Oyu Tolgoi LLC. Oyu Tolgoi LLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.
- Differences in totals due to rounding.

Mineral Reserves

The mineral reserve estimate for the Oyu Tolgoi Mine has been estimated using the Southern Oyu and Hugo North mineral resource estimate. The Hugo North mineral reserve estimate contains ore that is on the OT Licence and the Shivee Tolgoi Licence. The Shivee Tolgoi Licence is subject to the Entrée Joint Venture.

The total mineral reserves estimated for the Oyu Tolgoi Mine (inclusive of the mineral reserves subject to the Entrée Joint Venture) for the open pit and underground components of the Oyu Tolgoi Mine are shown in the table below. The mineral reserve estimate reported in the 2013 Oyu Tolgoi Technical Report is based on mine planning work prepared by Oyu Tolgoi LLC. This work was reviewed extensively by OreWin and has been used as the basis for reporting the mineral reserve estimate in the 2013 Oyu Tolgoi Technical Report.

The mine design work on the Southern Oyu deposit was prepared by Oyu Tolgoi LLC and was used as the basis for the current mineral reserve estimate for the Southern Oyu deposit. The mine design work on Hugo North Lift 1 was prepared by Oyu Tolgoi LLC and was used as the basis for the current mineral reserve estimate for the Hugo North underground. This work was reviewed by Oyu Tolgoi LLC and accepted as the basis for the underground mine planning in the 2013 Oyu Tolgoi Technical Report. OreWin has agreed with the conclusions of this work and has used the results.

Mineral reserves were last reported in the IDOP Technical Report. A comparison of the mineral reserves estimates reported in the IDOP Technical Report and the 2013 Oyu Tolgoi Technical Report is shown in the reconciliation table immediately following the mineral reserve estimate reporting table. Although the total tonnes of the mineral reserve estimates reported in the two technical reports are very similar, there is a 10.3% increase in tonnes of ore, a 4.4% increase in recovered copper, a 4.3% increase in recovered gold and a 0.4% increase in recovered silver in the 2013 Oyu Tolgoi Technical Report as compared to the IDOP Technical Report. Almost all of such differences are attributable to the Southern Oyu open pit designs which have been expanded relative to the pit designs used in the IDOP Technical Report.

Southern Oyu Open Pit Mineral Reserve

In order to estimate the mineral reserves, OreWin relied on the study work prepared by Oyu Tolgoi LLC. Pit designs were prepared using industry standard mining software, assumed metal prices as described above and smelter terms as set forth in the 2013 Oyu Tolgoi Technical Report. The estimate was prepared on a simplified project analysis on a pre-tax basis. Key outstanding variables noted by OreWin include: marketing matters, water supply and management, underground ventilation development and power supply. The report only considers mineral resources in the Measured and Indicated categories, and engineering that has been carried out to a feasibility level or better to estimate the open pit mineral reserve.

Hugo North Underground Mineral Reserve

Mine planning work by Oyu Tolgoi LLC has continued since the previous mineral reserve estimate was reported in the IDOP Technical Report. The underground mineral reserve estimate, as reported in the 2013 Oyu Tolgoi Technical Report, has increased by 53Mt.

The Hugo North underground deposit will be mined by block-caving; a safe, highly productive, cost-effective method. The deposit is comparable in dimension and tonnage to other deposits currently operating by block-cave mining elsewhere in the world. The mine planning work has been prepared using industry standard mining software, assumed metal prices as described above and smelter terms as set forth in the 2013 Oyu Tolgoi Technical Report. The Hugo North mineral reserve estimate only considers mineral resources in the Indicated category because there are no Measured mineral resources in Hugo North. The engineering has been carried out to a pre-feasibility level or better to estimate the underground mineral reserve. To ensure that Inferred mineral resources do not become included in the mineral reserve estimate, copper and gold grades on Inferred mineral resources within the block-cave shell were set to zero and such material was assumed to be dilution. The block-cave shell was defined by a $15 per tonne NSR. Further mine planning will examine lower shut-offs. The Hugo North mineral reserve is on both the OT Licence and the Shivee Tolgoi Licence.

Total Oyu Tolgoi Mine Mineral Reserves, as of March 25, 2013

Deposit	Ore (Mt)	NSR ($/t)	Cu (%)	Au (g/t)	Ag (g/t)	Recovered Metal		
						Copper (Mlb)	Gold (koz)	Silver (koz)
Southern Oyu Deposits								
Proven	433	31.09	0.53	0.42	1.37	4,175	4,388	14,860
Probable	616	21.46	0.40	0.24	1.13	4,462	3,378	17,264
Mineral Reserve (Proven + Probable)	1,048	25.44	0.46	0.31	1.23	8,637	7,766	32,124
Hugo Dummett Deposits								
Probable (Hugo North – Oyu Tolgoi LLC)	460	93.45	1.80	0.37	3.74	16,759	4,602	47,647
Probable (Hugo North – EJV Shivee Tolgoi)	31	95.21	1.73	0.62	3.74	1,090	521	3,229
Mineral Reserve (Probable) (All Hugo North)	491	93.57	1.80	0.39	3.74	17,849	5,123	50,877
Oyu Tolgoi Mine Mineral Reserve								
Proven	433	31.09	0.53	0.42	1.37	4,175	4,388	14,860
Probable	1,107	53.46	1.02	0.30	2.29	22,311	8,501	68,141
Mineral Reserve (Proven + Probable)	1,539	47.17	0.89	0.34	2.03	26,486	12,889	83,001

Notes:

1. Metal prices used for calculating the Southern Oyu open pit NSR and the Hugo North underground NSR are as follows: copper at $2.81/lb; gold at $970/oz; and silver at $15.50/oz, all based on long-term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
2. The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
3. For the open pit processing and general administration, the following operating costs have been used to determine cut-off grades: Southwest at $8.37/t, Central Chalcocite, Central Covellite, and Central Chalcopyrite at $7.25/t.
4. For the underground block-cave, all mineral resources within the shell have been converted to mineral reserves. This includes low grade Indicated mineral resources and Inferred mineral resources, which has been assigned a zero grade and treated as dilution.
5. Only Measured mineral resources were used to report Proven mineral reserves and only Indicated mineral resources were used to report Probable mineral reserves.
6. EJV is the Entrée Joint Venture. The Shivee Tolgoi Licence and the Javkhlant Licence are held by Entrée Gold. The Shivee Tolgoi Licence and the Javkhlant Licence are planned to be operated by Oyu Tolgoi LLC. Oyu Tolgoi LLC will receive 80% of cash flows after capital and operating costs for material originating below 560m, and 70% above this depth.
7. The base case financial analysis has been prepared using the following current long-term metal price estimates: copper at $2.87/lb; gold at $1,350/oz; and silver at $23.50/oz. Metal prices are assumed to fall from current prices to the long-term average over five years.
8. The mineral reserves reported above are not additive to the mineral resources.

Mineral Reserve Reconciliation IDOP Technical Report and 2013 Oyu Tolgoi Technical Report

Case	Mineral Reserve	Ore (Mt)	NSR ($/t)	Cu (%)	Au (g/t)	Ag (g/t)	Recovered Metal		
							Copper (Mlb)	Gold (koz)	Silver (koz)
2013 Oyu Tolgoi Technical Report	Proven	433	31.09	0.53	0.42	1.37	4,175	4,388	14,860
	Probable	1,107	53.46	1.02	0.30	2.29	22,311	8,501	68,141
	Mineral Reserve	1,539	47.17	0.89	0.34	2.03	26,486	12,889	83,001
IDOP	Proven	125	36.42	0.58	0.91	1.49	1,374	2,892	10,018
	Probable	1,270	37.46	0.98	0.30	2.16	23,995	9,465	72,635
	Mineral Reserve	1,395	37.37	0.94	0.35	2.10	25,369	12,357	82,654
Difference	Proven	308	–5.32	–0.05	–0.49	–0.12	2,801	1,496	4,842
	Probable	–164	15.99	0.04	0.01	0.13	–1,685	–964	–4,494
	Mineral Reserve	144	9.80	–0.06	–0.01	–0.07	1,117	532	348
% Difference	Proven	246.9%	–14.6%	–8.3%	–54.2%	–8.2%	204.0%	51.7%	48.3%
	Probable	–12.9%	42.7%	4.5%	2.9%	6.0%	–7.0%	–10.2%	–6.2%
	Mineral Reserve	10.3%	26.2%	–6.1%	–4.2%	–3.2%	4.4%	4.3%	0.4%

Notes:

1. The mineral reserves reported in the IDOP Technical Report have an effective date of March 29, 2012.
2. The mineral reserves reported in the 2013 Oyu Tolgoi Technical Report have an effective date of March 25, 2013.
3. Metal prices used for calculating the Southern Oyu open pit NSR and the Hugo North underground NSR are as follows: copper at $2.81/lb; gold at $970/oz; and silver at $15.50/oz, all based on long-term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
4. The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
5. For the open pit processing and general administration, the following operating costs have been used to determine cut-off grades: Southwest at $8.37/t, Central Chalcocite, Central Covellite, and Central Chalcopyrite at $7.25/t.
6. For the underground block-cave, all mineral resources within the shell have been converted to mineral reserves. This includes low grade Indicated mineral resources and Inferred mineral resources, which has been assigned a zero grade and treated as dilution.
7. Only Measured mineral resources were used to report Proven mineral reserves and only Indicated mineral resources were used to report Probable mineral reserves.
8. EJV is the Entrée Joint Venture. The Shivee Tolgoi Licence and the Javkhlant Licence are held by Entrée Gold. The Shivee Tolgoi Licence and the Javkhlant Licence are planned to be operated by Oyu Tolgoi LLC. Oyu Tolgoi LLC will receive 80% of cash flows after capital and operating costs for material originating below 560m, and 70% above this depth.
9. The base case financial analysis has been prepared using the following current long-term metal price estimates: copper at $2.87/lb; gold at $1,350/oz; and silver at $23.50/oz. Metal prices are assumed to fall from current prices to the long-term average over five years.
   The mineral reserves reported above are not additive to the mineral resources.

Human Resources and Training Strategy

The Oyu Tolgoi LLC human resources and training strategy supports a corporate vision of ensuring that all Oyu Tolgoi staff and contractors meet and exceed international best practice standards. Oyu Tolgoi LLC is working in partnership with relevant Mongolian government agencies and non-government organizations (“NGOs”) to ensure that a suitably qualified workforce is available to meet the requirements of the Oyu Tolgoi Mine.

In addition to Oyu Tolgoi LLC’s human resources and training strategy, a Labour Management Plan has been developed that further defines project standards, plans and procedures, roles and responsibilities, and monitoring and reporting.

As part of its mandate to help grow the Mongolian economy and improve livelihoods, Oyu Tolgoi LLC has established values and commitments to target its employee engagement efforts. Specific commitments to human resources for the Oyu Tolgoi Mine, as required and/or outlined in the Investment Agreement, the Labour Management Plan, and the Stakeholder Engagement Plan, as applicable, are as follows:

- Oyu Tolgoi LLC will use its best endeavours to ensure that not less than 60% of the total Oyu Tolgoi Mine workforce consists of Mongolian nationals during the construction period and any expansion periods;

- Oyu Tolgoi LLC is committed that not less than 90% of the total Oyu Tolgoi Mine workforce consists of Mongolian nationals from the commencement of production;

- in direct mining operations, Oyu Tolgoi LLC will use its best endeavours to ensure that not less than 75% of mining contractors are Mongolian nationals;

- within five years of the commencement of production, Oyu Tolgoi LLC will use its best endeavours to ensure that not less than 50% of its employed engineers are Mongolian nationals and, within ten years of the commencement of production, that not less than 70% of its employed engineers are Mongolian nationals;

- Oyu Tolgoi LLC will establish and maintain health and safety policies, systems, and procedures at the Project to ensure a safe workplace that complies with all applicable laws and regulations concerning labour, safety, and health;

- all citizens of Mongolia employed by Oyu Tolgoi LLC under a contract will be covered by social insurance as required by Mongolian law;

- Oyu Tolgoi LLC will comply with requirements under applicable Mongolian labour law and all staff will be covered by a comprehensive human resources policy that is in compliance with the Labour Law of Mongolia; and

- Oyu Tolgoi LLC will prioritize employment of local residents from the soums within a “Project Area of Influence”, which comprises the Khanbogd, Manlai, Bayan Ovoo, and Dalanzadgad areas, as well as from other areas in the South Gobi region.

Oyu Tolgoi LLC’s policies and procedures for human resources and training meet all applicable Mongolian labour and social security laws and regulations, including those contained within the Labour Law of Mongolia. International conventions and standards, including applicable International Labour Organization conventions, the IFC Performance Standards, and the EBRD, guide the human resources and training strategy and activities.

Designed to build a positive, focused culture based on hiring the right people with the right capability to deliver the project plans, several RTIH policies and guidance documents also guide the department’s policies and practices (i.e. Human Rights Policy, Human Rights Guidance, Employment Policy, and *The Way We Work* – RTIH’s Global Code of Business Conduct).

Occupational Health, Hygiene and Safety

Oyu Tolgoi LLC’s environmental management system, HSE MS, has been implemented and has been audited as compliant against AS/NZS ISO 14001:2004 Environmental Management System and

OHSAS 18001:2007 Occupational Health and Safety management system. The HSE MS was developed to provide management with clear direction on health, safety and environment management, a means to ensure compliance, and a basis for driving improvements. The HSE MS applies to all persons working for or on behalf of Oyu Tolgoi LLC, including contractors, suppliers, the general public, special interest groups, and government representatives, and covers the health, safety, and environmental management of all Oyu Tolgoi LLC's activities, assets, products, and services.

The HSE MS has been developed and is regularly reviewed in consultation with key stakeholders. The HSE MS is intended to reflect a best practice approach to health, safety, and environment with the underlying principle that all people are accountable for health and safety.

The HSE MS is seen as an enabler for the entire health, safety and environment management system. It provides high-level principles that are intended to be implemented through the application of all parts of the HSE MS. The policy is endorsed by the Chief Executive Officer of Oyu Tolgoi LLC to ensure that appropriate priority is placed on implementation and compliance.

Mining Operations

The Oyu Tolgoi Mine has a design capacity of approximately 100ktpd of ore and comprised three key components:

- an open pit mine;
- a concentrator; and
- infrastructure to support the construction and the operations.

The Oyu Tolgoi mine initially is being developed as an open-pit operation. A copper concentrator plant, with related facilities and necessary infrastructure to support an initial throughput of 100,000t of ore per day, has been constructed to process ore mined from the Southern Oyu open pit. Mining of ore commenced in May 2012, with the first concentrate produced, as part of the commissioning activities, in January 2013. By the end of the first quarter of 2013, construction of the Oyu Tolgoi open-pit mine and concentrator complex was complete, mine infrastructure was substantially complete and production had commenced.

During the first half of 2013 commissioning of the concentrator progressed and concentrate production ramped up. By the third quarter of 2013, the concentrator had consistently achieved throughput rates above 95% of capacity and by the end of 2013 was operating at just above design capacity. Throughput rate is a function of ore hardness, throughput rates for different ore types are defined in the 2013 Oyu Tolgoi Technical Report.

On September 1, 2013, Oyu Tolgoi achieved the Commencement of Production as defined in the Investment Agreement.

In conjunction with the surface activities, a 95,000tpd underground block-cave mine also is being developed at Hugo North. Development of the underground block-cave mine was suspended on August 13, 2013.

In August 2013, development of the underground mine was delayed until matters with the Government of Mongolia can be resolved. Upon successful resolution, development of the underground mine is expected to recommence.

Part of the initial investment decision included an ongoing investment into the development of the Hugo North underground mine. Lift 1 of Hugo North is the most significant value driver for the Oyu Tolgoi Mine and plans for its further development are approaching an updated feasibility stage. The current investment decision for Oyu Tolgoi LLC is the continued development of the underground mine in parallel with initial open pit operations as outlined in the underground feasibility study.

To support the continued underground development program, Oyu Tolgoi LLC in conjunction with RTIH and the Corporation, has been advancing Oyu Tolgoi Project Financing with a group of international banks. The Oyu Tolgoi Project Financing base case is the 100ktpd capacity of the initial concentrator fed by the Southern Oyu open pit mine initially which is gradually displaced by the more valuable Hugo North underground ore.

SouthGobi Resources Ltd.

Overview

As of December 31, 2013, Turquoise Hill held a 56% interest in SouthGobi, which is an integrated coal mining, development and exploration company. SouthGobi's common shares trade on the TSX under the symbol "SGQ" and the Hong Kong Stock Exchange under the stock code symbol "1878".

SouthGobi owns the Ovoot Tolgoi Coal Project and three development projects, the Soumber Deposit, the Zag Suuj Deposit and the Underground. The Ovoot Tolgoi Complex comprises the Ovoot Tolgoi Coal Project together with the Underground.

Ovoot Tolgoi Complex

The Ovoot Tolgoi Coal Project, strategically located approximately 40km from the China-Mongolia border, is SouthGobi's flagship asset. SouthGobi commenced mining at the Ovoot Tolgoi Coal Project in April 2008 and commenced coal sales in 2008. Saleable products from the Ovoot Tolgoi Mine primarily include the SouthGobi Standard and SouthGobi Premium semi-soft coking coal products. Some higher-ash product is sold as a thermal coal product as and when the market allows. These raw semi-soft products together with raw higher-ash coals are suitable for washing and blending in order to create a coal capable of being sold as 1/3 coking coal in the Chinese market. The Corporation intends to continue to develop markets for both its Premium and Standard semi-soft coking coal brands and to pursue long-term supply offtake with end users in China to complement its existing customer base and to gain the best value of the Corporation's coal in the Chinese market. The Corporation resumed operations at the Ovoot Tolgoi Mine on March 22, 2013 after having been fully curtailed since the end of the second quarter of 2012.

To enhance the value of its products, SouthGobi commenced construction of a dry coal handling facility ("DCHF") in June 2010. In February 2012, the dry coal handling facility was commissioned; however, the upgrade of the dry coal handling facility to include dry air separators and blending capabilities was delayed to preserve SouthGobi's financial resources. On November 14, 2013, SouthGobi announced that it was conducting a review of the DCHF project and its contribution to SouthGobi's product strategy, and that an impairment loss on the DCHF may be required depending on the outcome of the review. An extensive review was commenced in the fourth quarter of 2013, following which SouthGobi concluded that it does not plan to either complete or use the DCHF at the Ovoot Tolgoi Mine in the foreseeable future. For more information concerning SouthGobi's review of the DCHF, refer to the Corporation's MD&A.SouthGobi continues to focus on preserving its financial resources and has assessed that it currently has adequate equipment and capacity to efficiently meet its commercial objectives and execute its product strategy without the use of the DCHF. SouthGobi continues to plan to further enhance product value through wet washing. As coal markets improve and production from the Ovoot Tolgoi Mine increases in line with its anticipated increase of annual capacity to 9 million t run-of-mine production, SouthGobi will seek to leverage its existing assets and continue developing beneficiation capabilities to maximize value from its product.

Further, in 2011, SouthGobi entered into an agreement with Ejinaqi Jinda Coal Industry Co. Ltd ("Ejin Jinda"), a subsidiary of China Mongolia Coal Co. Ltd to toll-wash coals from the Ovoot Tolgoi mine. The agreement has a duration of five years from commencement of the contract and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input coal. The facility is located approximately 10km inside China from the China-Mongolia border (i.e. approximately 50km from the Ovoot Tolgoi Coal Project). To date, commercial operations at the wet washing facility have not commenced. SouthGobi's objective continues to be the implementation of an effective and profitable wet washing solution, and SouthGobi is cooperating with Ejin Jinda in reviewing the utilization of the wet washing facility.

In July 2009, Chinese and Mongolian authorities agreed to create designated coal transportation corridors at the China-Mongolia border. In 2012, in an attempt to expedite the opening of the coal transportation corridors, SouthGobi, together with Mongolyn Alt Corporation, continued working on improving access to the China-Mongolia border. In May 2012, the expanded border crossing infrastructure, consisting of eight new border gates exclusively for coal transportation, opened at the Shivee Khuren-Ceke border crossing on the China-Mongolia border.

In March 2013, SouthGobi filed an updated prefeasibility study for the Ovoot Tolgoi Coal Project, as well as an updated independent NI 43-101 compliant resource estimate for the Ovoot Tolgoi Complex.

Soumber

The Soumber Deposit comprises the Central Soumber, East Soumber, Biluut, South Biluut Field and the Jargalant Field. The Soumber Deposit is located approximately 20km east of the Ovoot Tolgoi Coal Project, which will allow the operations to share existing infrastructure in the event a mine is developed.

In June 2011, SouthGobi successfully registered the resource associated with the Soumber Deposit (at that time comprising the Central Soumber, East Soumber and Biluut Field) with MRAM. Further, in July 2011, SouthGobi received a mining licence pertaining to the Soumber Deposit.

Resources associated with the South Biluut Field and the Jargalant Field have been through the resource registration process and the MELs pertaining to resources outside the mining licence are subject to valid pre-mining applications. Subsequent to the receipt of the pre-mining applications, the Corporation intends to proceed through to the mining licence application process.

In March 2013, SouthGobi filed an updated independent NI 43-101 compliant resource estimate for the Soumber Deposit.

Zag Suuj

The Zag Suuj Deposit is located approximately 150km east of the Ovoot Tolgoi Coal Project and approximately 80km north of the Mongolia-China border. The resource associated with the Zag Suuj

Deposit has been through the resource registration process and the MELs pertaining to it are subject to valid pre-mining applications.

In March 2013, SouthGobi filed an updated independent NI 43-101 compliant resource estimate for the Zag Suuj Deposit.

Governmental, Regulatory and Internal Investigations

SouthGobi is subject to investigations by Mongolia's Independent Authority Against Corruption (the "IAAC") and the Mongolian State Investigation Office (the "SIA") regarding allegations against SouthGobi and some of its former employees. The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's money laundering and 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.

A report issued by the experts appointed by the SIA on June 30, 2013 and again in January 2014 has recommended that the accusations of money laundering as alleged against SouthGobi's three former employees be withdrawn. However, to date, SouthGobi has not received notice or legal document confirming such withdrawal as recommended by the experts appointed by the SIA.

A third investigation ordered by the SIA and conducted by the National Forensic Center ("NFC") into alleged violations of Mongolian taxation law was concluded at the end of January 2014. SouthGobi has received notice that the report with conclusions of the investigations by the NFC have been provided to the Prosecutor General of Mongolia. The Prosecutor General may undertake criminal actions against the three former employees for alleged violations of taxation laws and SouthGobi may be held liable as "civil defendant" as a result of these alleged criminal actions. These actions could result in the investigation case being imminently transferred to a Court of Justice under the relevant Mongolian law. The likelihood or consequences of such an outcome or any civil action taken against SouthGobi are uncertain and unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on SouthGobi and the Corporation.

SouthGobi disputes and will vigorously defend itself against any civil or criminal actions. At this point, the three former employees remain designated as "accused" in connection with the allegations of tax evasion, and continue to be subject to a travel ban. SouthGobi remains designated as a "civil defendant" in connection with the tax evasion allegations, and may potentially be held financially liable for the alleged criminal misconduct of its former employees under Mongolian Law.

The SIA also continues to enforce administrative restrictions, which were initially imposed by the IAAC investigation, on certain of SouthGobi's Mongolian assets, including local bank accounts, in connection with its continuing investigation of these allegations. While the orders restrict the use of in-country funds pending the outcome of the investigation, they are not expected to have a material impact on SouthGobi's activities in the short term, although they could create potential difficulties for SouthGobi in the medium to long term. SouthGobi will continue to take all appropriate steps to protect its ability to conduct its business activities in the ordinary course.

Internal Investigations

Through SouthGobi's Audit Committee (comprised solely of independent directors) (the "SouthGobi Audit Committee"), SouthGobi has conducted an internal investigation into possible breaches of law, internal corporate policies and codes of conduct arising from the allegations which have been raised. The SouthGobi Audit Committee has had the assistance of independent legal counsel in connection with its investigation.

The Chair of the SouthGobi Audit Committee has also participated in a tripartite committee, comprised of the Audit Committee Chairs of SouthGobi and the Corporation and a representative of the Rio Tinto Group, which focused on the investigation of a number of those allegations, including possible violations of anti-corruption laws. Independent legal counsel and forensic accountants assisted this committee with its investigation. The tripartite committee substantially completed the investigative phase of its activities during the third quarter of 2013. SouthGobi continues to cooperate with the IAAC, SIA and with Canadian and United States government and regulatory authorities that are monitoring the Mongolian investigations. It is possible that these authorities may subsequently conduct their own review or investigation or seek further information from SouthGobi. Pending further reviews or questions from any of such government or regulatory authorities, the tripartite committee has been stood down and investigations have been paused.

The investigations referred to above could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against SouthGobi, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on SouthGobi and the Corporation. See "Risk Factors – SouthGobi is subject to continuing governmental, regulatory and internal investigations, the outcome of which is unclear at this time but could have a material adverse effect on SouthGobi and the Corporation".

SouthGobi, through its Board of Directors and new management, has taken a number of steps to address issues noted during the investigations and to focus ongoing compliance by employees with all applicable laws, internal corporate policies and codes of conduct, and with SouthGobi's disclosure controls and procedures and internal controls over financial reporting.

Class Action Lawsuit

On or about January 6, 2014, Siskinds LLP, a Canadian law firm, filed a proposed class action lawsuit in Canada against SouthGobi, certain former and current directors and officers of SouthGobi and SouthGobi's former auditor, Deloitte LLP, relating to the decision by SouthGobi's board of directors in November 2013 to restate SouthGobi's 2011 and 2012 financial statements.

The plaintiff seeks leave to bring a claim under applicable Canadian securities legislation and seeks certification of a class action with respect to a class of persons who purchased shares of SouthGobi between March 30, 2011 and November 7, 2013, alleging that the financial reporting of SouthGobi during that period contained misrepresentations giving rise to liability at common law and under applicable Canadian securities legislation. The proposed class action also seeks general damages against all defendants. Assuming that leave is granted, the action is certified as a class proceeding, and there is a finding of liability, the actual quantum of damages will depend upon the evidence which is adduced in the court proceedings.

SouthGobi disputes and will vigorously defend itself against these claims through independent Canadian litigation counsel retained by SouthGobi and the other defendants for this purpose.

Outlook

SouthGobi anticipates that coal prices in China will remain under pressure in 2014, which will continue to impact SouthGobi's margins and liquidity. SouthGobi continues to strive for further cost reductions and where possible delay expenditures. However, based on its forecasts for the year ended December 31, 2014, SouthGobi is unlikely to have sufficient capital resources and does not expect to generate sufficient cash flows from mining operations in order to satisfy its ongoing obligations and future contractual commitments, including cash interest payments due on the convertible debenture issued by SouthGobi to Land Breeze II S.à.r.l., a wholly-owned subsidiary of China Investment Corporation, on November 19, 2009. SouthGobi is focused on securing additional sources of financing and continues to minimize uncommitted capital expenditures while preserving SouthGobi's growth options.

Other Projects

Mongolia

Turquoise Hill, through its 100% subsidiaries, Asia Gold Mongolia LLC, Heruga Exploration LLC, Oyut Ulaan LLC and SGLS LLC, operates an exploration program in Mongolia on licences that are not part of the Oyu Tolgoi Mine. The exploration program in 2013 continued at a more modest rate than in previous years. Licences cover a total of approximately 38,000 ha in six separate licences. Of these licences, approximately 20,000 ha are covered by the Ulaan Khud licence which was previously explored in a joint venture with BHP. The Turquoise Hill-BHP Joint Venture was formed in 2005 and concluded in 2012.

In 2011, Turquoise Hill announced a new zone of shallow copper-molybdenum-gold mineralization approximately 10km north of the Oyu Tolgoi Mine. This discovery, known as Ulaan Khud North, extended the known strike length of the Oyu Tolgoi Trend by an additional 3km to the north, to a total of more than 23km. In order to convert the Pre-Mining Agreement for the Ulaan Khud licence (received from the Government of Mongolia in March 2011) further field exploration work and infill drilling was completed in December 2012. A total of 6422.2m have been drilled in 21 holes, including re-drilling of 2 previous holes and 2 geotechnical holes to define a very small resource under the Mongolian code for classification of mineral reserves and resources. A study compliant with the Mongolian requirements was submitted and an application made for a mining licence. The deposit is very small and will not impact on the Oyu Tolgoi development plans as outlined in the 2013 Oyu Tolgoi Technical Report. The issuance of the licence may be delayed pursuant to Resolution No. 175.

An application for the grant of a mining licence on the SGLS lease was declined pursuant to Resolution No. 175. The lease contains a limestone deposit Dalan Shar Uul. The Ulaan Khud licence also partially overlaps with an area being set aside for infrastructure related to the Oyu Tolgoi Mine. The ultimate impact of this on the exploration licences is still not clear. For more information on Resolution No. 175, see "Description of the Business – Oyu Tolgoi Mine - Government and Community Relations" in this AIF.

Other Exploration

During the fourth quarter of 2013, the Corporation had exploration groups in Indonesia and Mongolia focused on porphyry-related copper-gold and epithermal gold-silver deposits. Exploration involved detailed data reviews, field traverses, rock sampling and drilling.

Other Information

Equity Investments

Turquoise Hill holds equity investments in a number of publicly traded, non-subsidiary mineral exploration and development companies. The following table outlines the equity investments held by the Turquoise Hill Group and, in respect of each such equity investment involving securities that are listed on a stock exchange, their quoted market value as at December 31, 2013:

Company	Number of Shares	Value
Entrée Gold Inc. (TSX)	13,799,333	Cdn$4,277,793
Intec Limited (ASX)	4,117,484	A$41,175
Asia Now Resources Corp. (TSX-V)	969,036	Cdn$9,690
Kangaroo Resources Limited (ASX)(1)	20,853,358	A$177,645
Ivanhoe Mines Ltd. (formerly Ivanplats Limited) (TSX)	37,161,645	Cdn$69,492,276
Aspire Mining Limited (ASX)(2)	123,498,316	A$7,409,899

Notes:

(1) Turquoise Hill's interest in Kangaroo Resources Limited is indirect, as Turquoise Hill's subsidiary, SouthGobi, owns the 20,853,358 shares of Kangaroo Resources Limited.

(2) Turquoise Hill's interest in Aspire Mining Limited is indirect, as Turquoise Hill's subsidiary, SouthGobi, owns the 123,498,316 common shares of Aspire Mining Limited.

Employees

As at December 31, 2013, Turquoise Hill, SouthGobi and Oyu Tolgoi LLC collectively had a total of 3,360 employees, comprised of 89 Turquoise Hill employees, 441 SouthGobi employees and 2,830 Oyu Tolgoi LLC employees, in each case working at various locations set out below.

Turquoise Hill	
Vancouver	22
Indonesia	25
Singapore	23
Mongolia	18
Shanghai	1

SouthGobi	
Vancouver	2
Hong Kong	8
Mongolia	431

Oyu Tolgoi LLC	
Oyu Tolgoi	2,813
Beijing	17

DIVIDENDS

Turquoise Hill has not declared or paid any dividends on its outstanding Common Shares since its incorporation and does not anticipate that it will do so in the foreseeable future. The declaration of dividends on the Common Shares is, subject to certain statutory restrictions described below, within the discretion of the Board of Directors based on their assessment of, among other factors, Turquoise Hill's earnings or lack thereof, its capital and operating expenditure requirements and its overall financial condition. Under the YBCA, the discretion of the Board of Directors to declare or pay a dividend on the Common Shares is restricted if reasonable grounds exist to conclude that Turquoise Hill is, or after payment of the dividend would be, unable to pay its liabilities as they become due or that the realizable value of its assets would, as a result of the dividend, be less than the aggregate sum of its liabilities and the stated capital of the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Turquoise Hill consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares. As of the date hereof, there are 2,012,238,957 Common Shares and no Preferred Shares issued and outstanding. Rights and restrictions in respect of the Common Shares and the Preferred Shares are set out in Turquoise Hill's articles of continuance, Turquoise Hill's by-laws and in the YBCA and its regulations.

Common Shares

The holders of Common Shares are entitled to one vote per Common Share at all meetings of shareholders except meetings at which only holders of another specified class or series of shares of Turquoise Hill are entitled to vote separately as a class or series. Subject to the prior rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive dividends as and when declared by the directors, and to receive a *pro rata* share of the remaining property and assets of Turquoise Hill in the event of liquidation, dissolution or winding up of Turquoise Hill. The Common Shares have no pre-emptive, redemption, purchase or conversion rights. Neither the YBCA nor the constating documents of Turquoise Hill impose restrictions on the transfer of Common Shares on the register of Turquoise Hill, provided that Turquoise Hill receives the certificate representing the Common Shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board of Directors from time to time. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or to assessment by Turquoise Hill. The YBCA provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

Preferred Shares

The Preferred Shares are issuable in one or more series, each consisting of such number of Preferred Shares as may be fixed by Turquoise Hill's directors. Turquoise Hill's directors may from time to time, by resolution passed before the issue of any Preferred Shares of any particular series, alter the constating documents of Turquoise Hill to determine the designation of the Preferred Shares of that series and to fix the number of Preferred Shares therein and alter the constating documents to create, define and attach special rights and restrictions to the shares of that series, including, without limitation, the following: (i) the nature, rate or amount of dividends and the dates, places and currencies of payment thereof; (ii) the consideration for, and the terms and conditions of, any purchase of the Preferred Shares for cancellation or redemption; (iii) conversion or exchange rights; (iv) the terms and conditions of any share purchase plan or sinking fund; and (v) voting rights and restrictions.

Under the terms of the Continuing Covenants forming part of the 2013 MoA, the Corporation is prohibited from amending its constating documents to create and issue Preferred Shares.

Registered holders of both the Preferred Shares and Common Shares are entitled, at their option, to a certificate representing their shares of Turquoise Hill.

MARKET FOR SECURITIES

The Common Shares of Turquoise Hill are traded in Canada on the TSX, and in the U.S. on the NYSE and the NASDAQ. The closing price of Turquoise Hill's Common Shares on the TSX on March 25, 2014 was Cdn$3.82. The closing price listed on the NYSE on March 25, 2014 was $3.42, and the closing price listed on the NASDAQ on March 25, 2014 was $3.42.

The following indicates the monthly range of high and low closing prices of a Common Share and the total monthly volumes traded on the TSX, the NYSE and the NASDAQ during the period beginning on January 1, 2013 and ending on December 31, 2013:

	NYSE/NASDAQ(1)			TSX(2)		
	High US$	Low US$	Volume	High C$	Low C$	Volume
2013						
January	9.51	7.78	45,370,068	9.39	7.68	29,768,947
February	7.79	6.36	37,819,406	7.80	6.58	32,600,231
March	7.09	6.31	34,493,252	7.30	6.42	31,559,001
April	7.03	5.08	61,029,601	7.13	5.23	47,499,075
May	7.68	6.67	43,186,418	7.75	6.92	32,399,232
June	6.68	5.42	42,153,181	6.93	5.65	37,313,622
July	5.96	3.93	75,664,056	6.27	7.03	37,085,693
August	5.33	4.36	103,028,813	5.59	4.55	50,569,559
September	5.49	4.42	40,579,295	5.66	4.55	45,279,059
October	4.95	4.01	67,186,319	5.13	4.16	47,810,310
November	4.88	4.06	78,158,989	5.11	4.24	45,687,793
December	4.38	3.17	110,080,583	4.65	3.37	102,039,229

(1) Information is presented on a consolidated basis for all of the U.S. as reported by Bloomberg under "TRQ US".

(2) Information is presented on a consolidated basis for all of Canada as reported by Bloomberg under "TRQ CN".

DIRECTORS AND OFFICERS

Name and Occupation

The name, province or state, and country of residence and position with Turquoise Hill of each director and executive officer of Turquoise Hill, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years is as follows:

Name and Municipality of Residence	Position with Turquoise Hill	Principal Occupation During Past Five Years
ROWENA ALBONES Brisbane, Australia	Director (Director since October 2013)	Chief Financial Officer, Rio Tinto – Copper (2012 to present); Group Advisor Financial Planning & Analysis – Controllers, Rio Tinto (2009 to 2012).
VIRGINIA FLOOD Ottawa, Ontario, Canada	Director (Director since May 2013)	Vice President Canada, Rio Tinto (May 2012 to present); Canadian Government - Director General Policy, Minerals and Metals at Natural Resources Canada (September 2009 to May 2012); Canadian Government – National Director (June 2005 to September 2009).
JILL GARDINER Vancouver, British Columbia, Canada	Director (Director since May 2012)	Director and Consultant (March 2009 to present); Managing Director and Regional Head (British Columbia), RBC Capital Markets (May 2003 to March 2009).
R. PETER GILLIN Toronto, Ontario, Canada	Director (Director since May 2012)	Director (December 2008 to present); Chief Restructuring Officer, Tahera Diamond Corporation (September 2008 to December 2008).
WARREN GOODMAN Montreal, Québec, Canada	Director (Director since June 2012)	General Counsel, Corporate - Europe and Business Development, Rio Tinto (April 2010 to present); General Counsel, Business Development, Rio Tinto (June 2008 to present).
ISABELLE HUDON Montreal, Québec, Canada	Director (Director since May 2012)	President, Sun Life Financial Quebec (August 2010 to present); President, Marketel (November 2008 to August 2010).
DR. DAVID KLINGNER Melbourne, Australia	Director and Chairman (Director since May 2012)	Chair/Director (2004 to present).
CHARLES LENEGAN Perth, Australia	Director (Director since August 2012)	Director (June 2009 to present); Vice President Business Development, Middle East and Africa, Rio Tinto Alcan (January 2008 to June 2009).

Name and Municipality of Residence	Position with Turquoise Hill	Principal Occupation During Past Five Years
KAY PRIESTLY Park City, Utah, USA	Director and Chief Executive Officer (Director since February 2011 and CEO since May 2012)	Chief Executive Officer, Turquoise Hill (May 1, 2012 to present); Chair, SouthGobi Resources Ltd. (September 2012 to present); Interim Chief Executive Officer, Turquoise Hill (April 17, 2012 to May 1, 2012); Chief Financial Officer, Rio Tinto - Copper (November 2008 to May 2012).
RUSSEL ROBERTSON Toronto, Ontario, Canada	Director (Director since June 2012)	Executive Vice-President, Business Integration, BMO Financial Group and Vice-Chair, BMO Financial Corp. (March 2011 to present); Chief Financial Officer, BMO Financial Group (March 2008 to March 2011).
JEFFERY TYGESEN Sandy, Utah, USA	Director (Director since August 2012)	Vice-President, Copper Development, Rio Tinto - Copper (April 2011 to present); Mining Executive, Rio Tinto Copper (December 2009 to March 2011); Regional General Manager, Rio Tinto - Technology & Innovation (April 2007 to November 2009).
CHRISTOPHER BATEMAN Park City, Utah, USA	Chief Financial Officer	Chief Financial Officer, Turquoise Hill (May 2012 to present); Chief Financial & Business Development Officer, Rio Tinto's diamonds and minerals product group (March 2010 to May 2012); Chief Financial Officer, Rio Tinto - Iron & Titanium (June 2009 to March 2010); Chief Financial Officer, Energy Resources of Australia Ltd. (June 2006 to June 2009).
STEWART BECKMAN Brisbane, Australia	Senior Vice President, Operations and Technical	Senior Vice President, Operations and Technical, Turquoise Hill (May 2012 to present); Regional General Manager, Technology & Innovation Americas, Rio Tinto (April 2010 to May 2012); General Manager, Tom Price and Marandoo Mines, Rio Tinto - Western Australia (2007 to April 2010).
DUSTIN ISAACS Montreal, Québec, Canada	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary, Turquoise Hill (January 2013 to present); Legal Counsel, Rio Tinto (March 2011 to December 2012); Lawyer, Ogilvy Renault LLP (April 2003 to March 2011).

Each director's term of office expires at the next annual general meeting of Turquoise Hill.

Shareholdings of Directors and Executive Officers

As of the date hereof, the directors and executive officers, as a group, did not own, directly or indirectly, any Common Shares.

Committees of the Board

The committees of the Board of Directors consist of an Audit Committee, a Compensation and Benefits Committee, a Nominating and Corporate Governance Committee, a Health, Safety and Environment Committee, a special committee called the OT Committee and a special committee called the PF Committee. A Prospectus Disclosure Committee was also created by the Board of Directors in October 2013 as a special committee and was responsible for reviewing the disclosure contained in the prospectus filed in connection with the 2013 Rights Offering. The Prospectus Disclosure Committee consisted of Warren Goodman, Peter Gillin, Rowena Albones and Kay Priestly. The current members of the Audit Committee are Jill Gardiner (Chair), Peter Gillin and Russel Robertson. The current members of the Compensation and Benefits Committee are Peter Gillin (Chair), Russel Robertson and Jill Gardiner. The current members of the Nominating and Corporate Governance Committee are David Klingner (Chair), Jill Gardiner and Rowena Albones. The current members of the Health, Safety and Environment Committee are Jeffery Tygesen (Chair), Kay Priestly and David Klingner. The current members of the OT Committee are David Klingner (Chair), Jill Gardiner, Peter Gillen, Charles Lenegan and Kay Priestley. The current members of the PF Committee are Jill Gardiner, Rowena Albones, Kay Priestly and David Klingner.

Conflicts of Interest

Certain directors of Turquoise Hill and its subsidiaries are associated with other reporting issuers or other corporations. These relationships may give rise to conflicts of interest from time to time. For example, Rowena Albones, Virginia Flood, Warren Goodman and Jeffery Tygesen are also executive officers of the Rio Tinto Group, and Kay Priestly, Chris Bateman, Stewart Beckman and Dustin Isaacs are all seconded employees of the Rio Tinto Group, which is the Corporation's controlling shareholder. Mses. Albones, Flood and Priestly and Messrs. Goodman and Tygesen are nominated by RTIH to act as directors of the Corporation pursuant to RTIH's board representation rights under the Private Placement Agreement, the HoA and the 2012 MoA. In accordance with the YBCA, directors and officers of Turquoise Hill are required to disclose to Turquoise Hill the nature and extent of any interest that they have in a material contract or material transaction, whether made or proposed, with Turquoise Hill, if the director or officer is: (a) a party to the contract or transaction; (b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction.

In 2013, the Corporation implemented a revised Code of Business Conduct and Ethics (the "Ethics Policy") in order to model it closer to the Rio Tinto Group's global code of business conduct titled *The Way We Work*. The Ethics Policy is applicable to all employees, consultants, officers and directors regardless of their position in the organization, at all times and everywhere the Corporation does business. The Ethics Policy provides that the Corporation's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Corporation requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. The Corporation takes any violation of applicable anti-bribery laws very seriously and any employee who violates these laws will be subject to disciplinary measures up to and including termination of employment.

The Corporation believes that its Ethics Policy is responsive to any potential issues in which such policies are meant to address and clearly demonstrates the Corporation's full commitment to all of its stakeholders to act at all times as a responsible social and corporate citizen.

The Corporation has a confidential whistleblower program. Employees are encouraged to report any suspicion of unethical or illegal practices.

Audit Committee Information

Information concerning the Audit Committee of Turquoise Hill, as required by National Instrument 52-110 – *Audit Committees*, is provided in Schedule A to this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this AIF, no director or executive officer of the Corporation, or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares; nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, in any transaction within the Corporation's three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

Until October 31, 2013, the Corporation was a party to a shareholders' cost-sharing agreement with certain other public and private companies (the "Other Companies"), pursuant to which the Corporation and the Other Companies were equal shareholders in Global Mining Management (BVI) Corporation ("GMM") and, through GMM, share office space, furnishings and equipment and communications facilities (on a cost recovery basis) and the employment, on a part-time basis, of various administrative, office and management personnel in Vancouver, British Columbia. As at October 31, 2013, the Other Companies were SouthGobi, Ivanhoe Energy Inc., Ivanhoe Mines Ltd. (formerly Ivanplats Limited), Ivanhoe Capital Corporation, GoviEx Uranium Inc. and I-Pulse Inc. During the year ended December 31, 2013, the Turquoise Hill Group's share of these costs was approximately $0.8 million.

As of December 31, 2013, the Corporation held a 6.36% voting equity interest in Ivanhoe on a fully diluted basis. On November 11, 2011, Turquoise Hill acquired 15,000 convertible unsecured bonds of Ivanhoe Mines Ltd. (formerly Ivanplats Limited) at $1,000 per bond (the "Pre-IPO Bonds"). On October 23, 2012, concurrent with the completion of an IPO by Ivanhoe Mines Ltd. (the "Ivanhoe Mines IPO"), the principal amount of such Pre-IPO Bonds, together with all accrued interest thereon and an 11.11% bonus interest payment, was converted into 3,703,840 Class "A" common shares in the capital of Ivanhoe Mines Ltd. (the "Ivanhoe A Shares") in satisfaction of the indebtedness represented thereby. In addition to the Ivanhoe A Shares, the Corporation held 33,457,805 Class B shares in the capital of Ivanhoe. The Corporation converted all Class B shares it owned to Class A shares, subject to a lock-up agreement whereby the Class A shares are released in quarterly installments.

RTIH is the Corporation's largest shareholder, holding 50.8% of the issued and outstanding Common Shares. Within the Corporation's three most recently completed financial years, and within the current financial year, members of the Rio Tinto Group have been parties to a series of transactions that have materially affected, or could materially affect, the Corporation. See "General Development of the Business – Agreements with the Rio Tinto Group". During the year ended December 31, 2013, RTIH provided services to the Corporation for the Oyu Tolgoi Mine on a cost-recovery basis which amounted to $98.3 million (2012 – $113.3 million and 2011 – $110.2 million). In addition, various other transactions were entered into between the Corporation and RTIH in fiscal 2013, as further described under Item 15 of the Corporation's MD&A.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares in Canada is CST Trust Company at its principal offices in Vancouver and Toronto.

MATERIAL CONTRACTS

Material contracts under National Instrument 51-102 *Continuous Disclosure Obligations* are contracts, other than contracts entered into in the ordinary course of the Corporation's business, that are material to the Corporation. The following is a list of: (i) material contracts entered into since January 1, 2013; and (ii) material contracts entered into prior to January 1, 2013 but after January 1, 2002 that remain in effect:

1. Entrée Earn-in Agreement.[6] See "Description of the Business – Summary of Project Development – Project Description and Location".

2. Private Placement Agreement. See "General Development of the Business – Agreements with the Rio Tinto Group – Private Placement Agreement".

3. Investment Agreement. See "General Development of the Business – Agreements with the Government of Mongolia – Investment Agreement".

4. Shareholders' Agreement. See "General Development of the Business – Agreements with the Government of Mongolia – Shareholders' Agreement".

5. T-Bill Purchase Agreement. See "General Development of the Business – Agreements with the Government of Mongolia – T-Bill Purchase Agreement and Prepayment Agreement".

6. HoA. See "General Development of the Business – Agreements with the Rio Tinto Group – HoA".

7. 2012 MoA. See "General Development of the Business – Agreements with the Rio Tinto Group – 2012 MoA".

8. Power Purchase Agreement. See "General Development of the Business – Agreements with the Government of Mongolia – Power Supply".

9. Short Term Bridge Funding Agreement. See "General Development of the Business – Agreements with the Rio Tinto Group – Short Term Bridge Facility".

10. Binding Term Sheet. See "General Development of the Business – Agreements with the Rio Tinto Group – Binding Term Sheet and New Financing Package".

[6] Under the terms of the Investment Agreement, Turquoise Hill agreed to transfer its interest in the Entrée Joint Venture to Oyu Tolgoi LLC.

11. 2013 MoA. See "General Development of the Business – Agreements with the Rio Tinto Group – 2013 MoA".

12. New Bridge Funding Agreement. See "General Development of the Business – Agreements with the Rio Tinto Group – New Bridge Facility".

INTERESTS OF EXPERTS

Since April 2, 2012, PricewaterhouseCoopers LLP has been the auditor of Turquoise Hill and Deloitte LLP was the auditor of Turquoise Hill from January 1995 until April 2, 2012. PricewaterhouseCoopers LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.[7]

Turquoise Hill has relied on the work of the qualified persons listed in the section of this AIF titled "Description of the Business – Qualified Persons" in connection with the scientific and technical information presented in this AIF in respect of its material mineral property, the Oyu Tolgoi Mine, which is based upon the 2013 Oyu Tolgoi Technical Report, which report is available for review on SEDAR at *www.sedar.com*.

To the knowledge of Turquoise Hill, none of the qualified persons listed in the section of this AIF titled "Description of the Business – Qualified Persons" who prepared or contributed to the preparation of the 2013 Oyu Tolgoi Technical Report, nor any of companies listed therein that employ those individuals, hold Common Shares or securities exercisable to acquire Common Shares equal to or greater than 1% of the issued and outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Turquoise Hill securities and options to purchase Common Shares is contained in the management proxy circular for the annual general meeting of Turquoise Hill to be held on May 8, 2014, which will be filed on SEDAR at *www.sedar.com* concurrently with the filing of this AIF. Additional financial information is contained in Turquoise Hill's comparative financial statements and MD&A as at and for the years ended December 31, 2013 and 2012. Copies of the management proxy circular (when filed), financial statements and MD&A are available on SEDAR at *www.sedar.com*, and may also be obtained upon request from Turquoise Hill at 354 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4.

Additional information relating to Turquoise Hill may be found on SEDAR at *www.sedar.com*.

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[7] Deloitte LLP was independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia as at March 19, 2012, the date of its audit opinion for the 2011 financial year.

SCHEDULE A

AUDIT COMMITTEE INFORMATION

Composition of Audit Committee

Turquoise Hill's Audit Committee consists of Jill Gardiner, Peter Gillin, and Russel Robertson. Ms. Gardiner has been Chair of the Audit Committee since May 2012. The Board of Directors has determined that all members of the Audit Committee satisfy the independence, financial literacy, expertise and financial experience requirements under applicable securities laws, rules and regulations, stock exchange and any other regulatory requirements applicable to Turquoise Hill. In addition, in accordance with the *Sarbanes-Oxley Act*, the Board of Directors has determined that each of Peter Gillen and Russel Robertson is an audit committee financial expert.

Relevant Education and Experience

Jill Gardiner

Ms. Gardiner holds a Bachelor of Science degree and a Masters of Business Administration, both from Queens University. During her 20 plus years in the investment banking industry, she has held various roles pertaining to, and has developed considerable expertise in the areas of, corporate finance, mergers and acquisitions, and debt capital markets. She has also served on the following committees at RBC Capital Markets: Investment Banking, Promotions, Fairness Opinions, and the Council for the Advancement of Women. Ms. Gardiner is a member of the Institute of Corporate Directors.

Peter Gillin

Mr. Gillin holds an Honours Business Administration degree from the Richard Ivey School of Business, University of Western Ontario, and is a Chartered Financial Analyst. Mr. Gillin is a member of the Institute of Corporate Directors, the Chartered Financial Analysts Institute and the Toronto Society of Financial Analysts.

Russel Robertson

Since June, 2013, Mr. Robertson has served as Executive Vice President, and Head, Anti-Money Laundering at BMO Financial Group. He is also a director of Virtus Investment Partners Inc., an asset management company. From March 2011 to June 2013, Mr. Robertson served as Executive Vice-President, Business Integration at BMO Financial Group, and as Vice-Chair at BMO Financial Corp. (formerly Harris Financial Corp.). In this capacity, he had been responsible for overseeing the integration of BMO's recently purchased Marshall & Ilsley Bank with BMO's long-time subsidiary, Harris Bank. Prior to this role, Mr. Robertson was the Chief Financial Officer at BMO Financial Group between March 2008 and March 2011. Before joining BMO, he spent over 35 years as a Chartered Accountant. Mr. Robertson held various senior positions with two major accounting firms, including holding the positions of Vice-Chair, Deloitte & Touche LLP (Canada), and Canadian Managing Partner, Arthur Andersen LLP (Canada).

Mr. Robertson holds a Bachelor of Arts degree (Honours) from the Richard Ivey School of Business at the University of Western Ontario, is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants (Ontario). He is a member of the Institute of Corporate Directors.

Audit Fees

PricewaterhouseCoopers LLP have been the Corporation's auditor since April 2, 2012. Deloitte LLP was the Corporation's auditor from January 1995 to April 2012.

Fees billed by PricewaterhouseCoopers LLP during fiscal 2013 were approximately Cdn$1,845,000. The fees billed by the auditor in fiscal 2013 and fiscal 2012 are detailed below (rounded).

	PwC	**PwC**
(Canadian $)	2013	2012
Audit Fees (a)	$1,447,000	$1,458,000
Audit Related Fees (b)	$395,000	$377,000
Tax Fees	$0	$0
Other Fees (c)	$3,000	$0
Total	$1,845,000	$1,835,000

(a) Fees for audit services billed or expected to be billed relating to fiscal 2013 and 2012 consisted of:

- audit of the Corporation's annual statutory financial statements; and
- audit of its subsidiaries, SouthGobi's and Inova's annual statutory financial statements.

In addition, in 2013 and 2012 fees were paid for services provided in connection with review pursuant to section 404 of the *Sarbanes-Oxley Act* of 2002, applicable Canadian securities laws and the required attestations relating to the effectiveness of the Corporation's internal controls on financial reporting.

(b) Fees for audit-related services provided during fiscal 2013 and 2012 consisted of:

- translation services;
- financial accounting and reporting consultations;
- reviews of Turquoise Hill's and its subsidiaries' interim financial statements; and
- comfort letters, consents, and other services related to SEC, Canadian and other securities regulatory authorities' matters.

(c) Fees for other services provided during fiscal 2013 related to a subscription fee in connection with an online database for reporting requirements.

Pre-Approval Policies and Procedures

All services to be performed by the Corporation's independent auditor must be approved in advance by the Audit Committee.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditor's independence. The Audit Committee's Charter requires the pre-approval by the Audit Committee of all audit and non-audit services provided by the external auditor.

Pre-approval from the Audit Committee can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay preapproved fees. Additional pre-approval is required for any increase in scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Corporation's external auditor relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee.

SCHEDULE B

GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

AAS: atomic absorption spectroscopy.

Ag: silver. A metal element of economic interest.

albite: a triclinic mineral of the feldspar group. A member of the plagioclase and the alkali feldspar series. A common rock-forming mineral in granite, intermediate to felsic igneous rocks, low-temperature metamorphic rocks, and hydrothermal cavities and veins.

anomaly: a departure from the norm which may indicate the presence of mineralization in the underlying bedrock.

argillic: of or relating to clay or clay minerals.

assay: the chemical analysis of an ore, mineral or concentrate of metal to determine the amount of valuable species.

Au: gold. A metal element of economic interest.

augite: a monoclinic mineral of the pyroxene group. It appears dark-green to black with prismatic cleavage. It is a common rock-forming mineral in igneous and metamorphic rocks.

basalt: a dark-coloured mafic igneous rocks, commonly extrusive but locally intrusive (e.g., as dikes). It is composed chiefly of calcic plagioclase and clinopyroxene. Nepheline, olivine, orthopyroxene, or quartz may be present in the rocks.

biotite: a monoclinic mineral of the mica group. It is dark brown, dark green, black and is a common rock-forming mineral in crystalline rocks, either as an original crystal in igneous rocks or as a metamorphic product in gneisses and schists.

bornite: an isometric mineral which is metallic. It appears brownish bronze tarnishing to iridescent blue and purple. It is a valuable source of copper.

breccias: is a rock composed of broken fragments of minerals or rock cemented together by a fine-grained matrix, that can be either similar to or different from the composition of the fragments.

carbonaceous: means coaly, containing carbon or coal, esp. shale or other rock containing small particles of carbon distributed throughout the whole mass.

chalcocite: a form of copper mineral ore that generally contains a high copper content.

chalcopyrite: a form of copper mineral ore that generally contains a low copper content.

colluvial talus: a sloping mass of earth material that has accumulated at the base of a hill, through the action of gravity.

concentrate: a product containing valuable metal from which most of the waste material in the ore has been eliminated.

concentrator: a plant for recovery of valuable minerals from ore in the form of concentrate. The concentrate must then be treated in some other type of plant, such as a smelter, to effect recovery of the pure metal.

covellite: a supergene mineral found in copper deposits; a source of copper.

Cu: copper. A metal element of economic interest.

CuEq: a copper equivalent grade, calculated using assumed metal prices for copper, gold and, where applicable, molybdenum.

cut-off grade: the lowest grade of mineral resources considered economic; used in the calculation of reserves and resources in a given deposit.

dacite: a light gray volcanic rock containing a mixture of plagioclase and other crystalline minerals in glassy silica, similar in appearance to rhyolite.

dyke: a tabular igneous intrusion that cuts across the bedding or foliation of the country rock.

enargite: an orthorhombic mineral which appears metallic gray-black. It appears in vein and replacement copper deposits as small crystals or granular masses and is an important ore of copper and arsenic.

epithermal: a hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees C, occurring mainly as veins.

fault: a fracture in rock along which the adjacent rock surfaces are differentially displaced.

feasibility study: a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

fold: a curve or bend of a planar structure such as rock strata, bedding planes, foliation, or cleavage. A fold is a product of deformation, although its definition is descriptive and not genetic and may include primary structures.

g: SI unit symbol for gram (one one-thousandth of a kilogram).

gangue: valueless rock or mineral in ore.

granodiorite: a group of coarse-grained plutonic rocks intermediate in composition between quartz diorite and quartz monzonite, containing quartz, plagioclase (oligoclase or andesine), and potassium feldspar, with biotite, hornblende, or, more rarely, pyroxene, as the mafic components.

gravity survey: measurements of the gravitational field at a series of different locations over an area of interest. The objective in exploration work is to associate variations with differences in the distribution of densities and hence rock types.

g/t: grams per tonne.

ha: hectare.

HQ: diamond drilling equipment that produces a 63.5mm core diameter.

hypogene: primary mineralization formed by mineralizing solutions emanating up from a deep magnetic source.

Indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Inferred mineral resource: that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

intrusive: rock which while molten, penetrated into or between other rocks but solidified before reaching the surface.

IP: induced polarization.

km: SI unit symbol for kilometre.

Koz: thousand ounces.

ktpd: thousand tonnes per day.

kV: thousand volts.

lapilli: pyroclastics that may be either essential, accessory, or accidental in origin, of a size range that has been variously defined within the limits of 2 mm and 64 mm.

lb: pound (mass).

leach: to dissolve minerals or metals out of ore with chemicals.

lithologic: pertaining to the gross physical character of a rock or rock formation.

lithology: the general physical characteristics of rocks in a particular area.

m: SI unit symbol for metre.

m^3: cubic metres.

magnetite: an isometric mineral of the spinel group which is black in appearance. It forms with magnesioferrite and crystallizes in octahedral formations and is strongly ferromagnetic. A major mineral in banded iron formations and magmatic iron deposits and an ore of iron.

Measured mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parametres to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

mineral reserve: the economically mineable part of a Measured or Indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. An ore reserve includes diluting materials and allowances for losses that may occur when the material is mined.

mineral resource: is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

Mlb: million pounds.

mm: SI symbol for millimetre.

Mo: molybdenum. A metal element of economic interest.

monocline: a local steepening in an otherwise uniform gentle dip.

monzodiorite**:** a coarse-grained igneous rock consisting of essential plagioclase feldspar, orthoclase feldspar, hornblende, and biotite, with or without pyroxene.

Mt: million tonnes.

muscovite: a monoclinic mineral of the mica group. It is a common rock-forming mineral in silicic plutonic rocks, mica schists, gneisses, and commercially in pegmatites.

MW: megawatts.

NQ: diamond drilling equipment that produces a 47.5mm core diameter.

oz: ounce (mass).

paleochannel: a remnant of an inactive river or stream channel that has been either filled or buried by younger sediment.

porphyry: any igneous rock in which relatively large, conspicuous crystals (called phenocrysts) set in a fine-grained ground mass.

ppm: parts per million.

PQ: diamond drilling equipment that produces an 85mm core diameter.

preliminary assessment or **scoping study:** a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.

preliminary feasibility study and **pre-feasibility study:** a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.

pyrite: an isometric mineral. It is an accessory in igneous rocks, and in metamorphic rocks, in sedimentary rocks including coal seams and is a source of sulphur which may have included gold.

pyritic: pertaining to, resembling, or having the properties of pyrite.

pyroclastic: produced by explosive or aerial ejection of ash, fragments, and glassy material from a volcanic vent. Applied to the rocks and rock layers as well as to the textures so formed.

RC: reverse circulation method of drilling.

QA: quality assurance.

QC: quality control.

QMD or **quartz monzodiorite:** plutonic rock containing quartz, alkali feldspars, plagioclase feldspars and feldspathoid minerals.

qualified person: an individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project; and (c) is a member in good standing of a professional association as defined by NI 43-101.

quartz: a general term for a variety of cryptocrystalline varieties of silica.

rhyolite: a group of extrusive igneous rocks, typically porphyritic and commonly exhibiting flow texture, with phenocrysts of quartz and alkali feldspar in a glassy to cryptocrystalline groundmass and also refers to any rock in that group. Rhyolite grades into rhyodacite with decreasing alkali feldspar content and into trachyte with a decrease in quartz.

seismicity: measure of frequency and magnitudes of earthquakes in a given area.

selenium: a nonmetallic element and member of the sulphur family. It is widely distributed in small quantities, usually as selenides of heavy metals and obtained from electrolytic copper refining.

sericite: a white, fine-grained potassium mica occurring in small scales as an alteration product of various aluminosilicate minerals, having a silky luster, and found in various metamorphic rocks (esp. in schists and phyllites) or in the wall rocks, fault gouge, and vein fillings of many ore deposits. It is commonly muscovite or very close to muscovite in composition, but may also include paragonite and illite.

shear zones: volumes of rock deformed by shearing stress under brittle-ductile or ductile conditions, typically in subduction zones at depths down to 10-20 km.

stratigraphic sequence: a chronologic succession of sedimentary rocks from older below to younger above, essentially without interruption.

strike: the direction, or course or bearing, of a vein or rock formation measured on a level surface.

sulphidation: a reaction with sulphur to form sulphides.

sulphides: compounds of sulphur with other metallic elements.

supergene: ore minerals that have been formed by the effects (usually oxidization and secondary sulphide enrichment) of descending ground water.

t: metric tonne (1000 kg).

tailings: the gangue and other refuse material resulting from the washing, concentration, or treatment of ground ore.

tectonic units: three-dimensional rock bodies with distinct physical boundaries and unique structural characters including temporal evolution.

tellurium: a trigonal mineral. It appears in pyrite, sulphur, or in the fine dust of gold-telluride mines.

tennantite: an isometric mineral of the tetrahedrite group. It may contain zinc, silver, or cobalt replacing copper. Appears in veins and is an important source of copper.

tpd: tonnes per day.

tuff: consolidated pyroclastic rocks.

vein: a zone or belt of mineralized rock lying within boundaries clearly separating it from neighbouring rock. It includes all deposits of mineral matter found through a mineralized zone or belt coming from the same source, impressed with the same forms and appearing to have been created by the same processes.

Exhibit 99.2

Independent Auditor's Report and Consolidated Financial Statements of

TURQUOISE HILL RESOURCES LTD.

December 31, 2013 and 2012

Independent Auditor's Report

To the Shareholders of Turquoise Hill Resources Ltd.

We have completed integrated audits of Turquoise Hill Resources Ltd.'s (the Company) December 31, 2013 and 2012 consolidated financial statements and its internal control over financial reporting as at December 31, 2013. Our opinions, based on our audits are presented below.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Turquoise Hill Resources Ltd., which comprise the consolidated balance sheets as at December 31, 2013 and 2012 and the consolidated statements of operations, comprehensive loss, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Turquoise Hill Resources Ltd. as at December 31, 2013 and December 31, 2012 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on internal control over financial reporting

We have also audited Turquoise Hill Resources Ltd.'s internal control over financial reporting as at December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibility for internal control over financial reporting

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the Company's internal control over financial reporting.

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Turquoise Hill Resources Ltd. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia

March 26, 2014

TURQUOISE HILL RESOURCES LTD.
Consolidated Balance Sheets
(Stated in thousands of U.S. dollars)

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 78,112**	$ 1,115,262
Short-term investments	**-**	15,000
Accounts receivable (Note 4)	**4,853**	7,647
Due from related parties (Note 22)	**5,070**	1,533
Inventories (Note 5)	**851,414**	328,853
Prepaid expenses	**33,378**	59,898
Current assets held for sale (Note 3)	**-**	86,837
TOTAL CURRENT ASSETS	**972,827**	1,615,030
LONG-TERM INVESTMENTS (Note 6)	**79,730**	64,592
OTHER LONG-TERM INVESTMENTS (Note 7)	**254,253**	270,612
INVENTORIES (Note 5)	**130,342**	67,897
PROPERTY, PLANT AND EQUIPMENT (Note 8)	**7,075,636**	6,794,349
DEFERRED INCOME TAXES (Note 12)	**-**	48,510
OTHER ASSETS	**82,903**	31,406
NON-CURRENT ASSETS HELD FOR SALE (Note 3)	**-**	197,713
TOTAL ASSETS	**$ 8,595,691**	$ 9,090,109
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 9)	**$ 386,340**	$ 738,655
Payable to related parties (Note 22)	**247,692**	185,462
Deferred revenue	**107,796**	-
Interest payable on long-term debt (Note 10 and 11)	**15,831**	31,406
Interim and bridge funding facilities (Note 11)	**2,129,262**	1,799,004
Current liabilities held for sale (Note 3)	**-**	25,231
TOTAL CURRENT LIABILITIES	**2,886,921**	2,779,758
CONVERTIBLE CREDIT FACILITY (Note 10)	**97,096**	102,473
RIGHTS OFFERING DERIVATIVE LIABILITIES (Note 14 (d))	**928,280**	-
DEFERRED INCOME TAXES (Note 12)	**4,547**	-
ASSET RETIREMENT OBLIGATIONS (Note 13)	**100,761**	96,698
NON-CURRENT LIABILITIES HELD FOR SALE (Note 3)	**-**	30,214
TOTAL LIABILITIES	**4,017,605**	3,009,143
NATURE OF OPERATIONS AND LIQUIDITY (Note 1)		
COMMITMENTS AND CONTINGENCIES (Note 24)		
SUBSEQUENT EVENTS (Notes 1, 11 and 14 (d))		
EQUITY		
SHARE CAPITAL (Note 14)		
Authorized		
Unlimited number of preferred shares without par value		
Unlimited number of common shares without par value		
Issued and outstanding		
1,006,116,602 (2012 - 1,005,535,530) common shares	**9,150,621**	9,145,394
ADDITIONAL PAID-IN CAPITAL	**1,548,287**	1,520,745
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME (Note 15)	**2,519**	12,849
DEFICIT	**(5,736,763)**	(4,608,549)
TOTAL TURQUOISE HILL RESOURCES LTD. SHAREHOLDERS' EQUITY	**4,964,664**	6,070,439
NONCONTROLLING INTERESTS (Note 16)	**(386,578)**	10,527
TOTAL EQUITY	**4,578,086**	6,080,966
TOTAL LIABILITIES AND EQUITY	**$ 8,595,691**	$ 9,090,109

APPROVED BY THE BOARD:

/s/ J. Gardiner
J. Gardiner, Director

/s/ R. Robertson
R. Robertson, Director

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

TURQUOISE HILL RESOURCES LTD.
Consolidated Statements of Operations
(Stated in thousands of U.S. dollars, except for share and per share amounts)

	Year Ended December 31, **2013**	2012
REVENUE (Note 17)	**$ 110,156**	$ 78,062
COST OF SALES (Note 18)	**(178,203)**	(155,448)
EXPENSES		
Exploration and evaluation	**(27,492)**	(66,081)
Other operating expenses (Note 19)	**(233,247)**	(141,034)
General and administrative	**(61,288)**	(154,486)
Depreciation	**(2,854)**	(405)
Accretion of asset retirement obligations (Note 13)	**(6,130)**	(2,735)
Write-down of accounts receivable and other current assets	**(30,352)**	-
Write-down of carrying value of materials and supplies inventory	**(29,801)**	-
Write-down of carrying value of property, plant and equipment (Note 8)	**(73,564)**	(15,245)
TOTAL EXPENSES	**(642,931)**	(535,434)
OPERATING LOSS	**(532,775)**	(457,372)
OTHER INCOME (EXPENSES)		
Interest income	**14,815**	15,804
Interest expense	**(62,383)**	(11,943)
Financing costs (Note 14 (c))	**-**	(164,384)
Foreign exchange (losses) gains	**(5,611)**	6,648
Change in fair value of derivatives (Note 14 (d))	**87,722**	194,664
Change in fair value of embedded derivatives (Note 10)	**5,481**	39,512
Other income (expense) (Note 20)	**228,721**	(21,412)
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	**(264,030)**	(398,483)
Provision for income and other taxes (Note 12)	**(99,945)**	(12,899)
Share of loss of significantly influenced investees (Note 6)	**(3,082)**	(33,233)
NET LOSS FROM CONTINUING OPERATIONS	**(367,057)**	(444,615)
LOSS FROM DISCONTINUED OPERATIONS (Note 3)	**(80,603)**	(113,618)
NET LOSS	**(447,660)**	(558,233)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 16)	**335,624**	146,162
NET LOSS ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD.	**$ (112,036)**	$ (412,071)
NET LOSS ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD.		
CONTINUING OPERATIONS	**$ (68,753)**	$ (345,369)
DISCONTINUED OPERATIONS	**(43,283)**	(66,702)
	$ (112,036)	$ (412,071)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD.		
CONTINUING OPERATIONS	**$ (0.06)**	$ (0.31)
DISCONTINUED OPERATIONS	**(0.03)**	(0.06)
	$ (0.09)	$ (0.37)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000's) (Note 2 (p))	**1,297,660**	1,101,547

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

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

	Year Ended December 31,	
	2013	2012
NET LOSS	**$ (447,660)**	$ (558,233)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAXES		
Unrealized gains (losses) on available-for-sale equity securities, net of tax recovery of $5,539, $2,847 (Note 6 (b))	**17,433**	(14,874)
Unrealized (losses) gains on available-for-sale debt securities, net of tax of $nil, $nil (Note 7)	**(12,062)**	30,309
Currency translation adjustments, net of tax of $nil, $nil	**(26,045)**	4,490
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	**(20,674)**	19,925
TOTAL COMPREHENSIVE LOSS	**$ (468,334)**	$ (538,308)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Turquoise Hill Resources Ltd.	**$ (122,366)**	$ (396,922)
Noncontrolling interests	**(345,968)**	(141,386)
	$ (468,334)	$ (538,308)

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

TURQUOISE HILL RESOURCES LTD.
Consolidated Statements of Equity
(Stated in thousands of U.S. dollars, except for share amounts)

	Share Capital		Additional	Accumulated Other			
	Number of Common Shares	Amount	Paid-In Capital	Comprehensive (Loss) Income	Deficit	Noncontrolling Interests	Total
Balances, December 31, 2011	739,382,976	$6,819,367	$1,389,721	$ (2,300)	$(3,508,076)	$ 15,040	$ 4,713,752
Net loss	-	-	-	-	(412,071)	(146,162)	(558,233)
Other comprehensive income	-	-	-	15,149	-	4,776	19,925
Shares issued for:							
Exercise of stock options	5,823,443	71,887	(32,080)	-	-	-	39,807
Rights offering (Note 14 (e)), net of issue costs of $75,443	259,558,050	2,237,331	66	-	-	-	2,237,397
Exercise of subscription right	439,216	8,489	-	-	-	-	8,489
Bonus shares	291,625	7,760	(7,760)	-	-	-	-
Share purchase plan	40,220	560	-	-	-	-	560
Other increase in noncontrolling interests (Note 16)	-	-	(29,542)	-	-	136,873	107,331
Share purchase warrants (Note 14 (c))	-	-	164,385	-	-	-	164,385
Rights offering (Note 14 (e))	-	-	-	-	(688,402)	-	(688,402)
Dilution losses	-	-	(68,749)	-	-	-	(68,749)
Stock-based compensation (net of reclassifications of $290)	-	-	104,704	-	-	-	104,704
Balances, December 31, 2012	1,005,535,530	$9,145,394	$1,520,745	$ 12,849	$(4,608,549)	$ 10,527	$ 6,080,966
Net loss	-	-	-	-	(112,036)	(335,624)	(447,660)
Other comprehensive loss	-	-	-	(10,330)	-	(10,344)	(20,674)
Shares issued for:							
Exercise of stock options	534,628	4,635	(3,101)	-	-	-	1,534
Share purchase plan	32,694	228	-	-	-	-	228
Bonus shares	13,750	364	(364)	-	-	-	-
Other increase (decrease) in noncontrolling interests (Note 16)	-	-	13,475	-	-	(51,137)	(37,662)
Rights offering (Note 14 (d))	-	-	-	-	(1,016,178)	-	(1,016,178)
Dilution losses	-	-	(3,194)	-	-	-	(3,194)
Stock-based compensation (including reclassifications of $290)	-	-	20,726	-	-	-	20,726
Balances, December 31, 2013	1,006,116,602	$9,150,621	$1,548,287	$ (2,519)	$(5,736,763)	$ (386,578)	$ 4,578,086

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)

	Year Ended December 31,	
	2013	2012
OPERATING ACTIVITIES		
Cash used in operating activities (Note 21)	**$ (630,897)**	$ (507,305)
INVESTING ACTIVITIES		
Proceeds from sale of discontinued operations (Note 3)	**83,151**	13,000
Cash reduction on sale of Inova (Note 3)	**(23,341)**	-
Purchase of long-term investments	**(10,356)**	(41,763)
Proceeds from redemption of short-term investments	**15,000**	15,000
Proceeds from sale of long-term investments	**235,486**	1,500
Proceeds from redemption of other long-term investments	**12,193**	50,807
Expenditures on property, plant and equipment	**(1,075,251)**	(2,480,460)
Proceeds from sale of property, plant and equipment	**1,703**	-
Proceeds from other assets	**1,359**	(7,433)
Cash used in investing activities of continuing operations	**(760,056)**	(2,449,349)
Cash used in investing activities of discontinued operations (Note 3)	**(26,791)**	(75,096)
Cash used in investing activities	**(786,847)**	(2,524,445)
FINANCING ACTIVITIES		
Issue of share capital	**1,762**	1,792,514
Proceeds from interim and bridge funding facilities (Note 11)	**660,765**	1,398,349
Repayment of interim and bridge funding facilities (Note 11)	**(330,507)**	-
Repayment of credit facilities	**-**	(46,804)
Noncontrolling interests' reduction of investment in subsidiaries	**-**	(960)
Noncontrolling interests' investment in subsidiaries	**129**	910
Cash provided by financing activities of continuing operations	**332,149**	3,144,009
Cash provided by financing activities of discontinued operations (Note 3)	**4,474**	34,662
Cash provided by financing activities	**336,623**	3,178,671
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(3,651)**	17,909
NET CASH (OUTFLOW) INFLOW	**(1,084,772)**	164,830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,162,884**	998,054
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 78,112**	$ 1,162,884
LESS CASH AND CASH EQUIVALENTS CLASSIFIED IN CURRENT ASSETS HELD FOR SALE	**-**	(47,622)
CASH AND CASH EQUIVALENTS AS PRESENTED ON CONSOLIDATED BALANCE SHEETS	**$ 78,112**	$ 1,115,262
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash on hand and demand deposits	**$ 78,112**	$ 144,653
Short-term money market instruments	**-**	970,609
	$ 78,112	$ 1,115,262

Supplementary cash flow information (Note 21)

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

1. NATURE OF OPERATIONS AND LIQUIDITY

Turquoise Hill Resources Ltd. ("the Company"), together with its subsidiaries (collectively referred to as "Turquoise Hill"), is an international mining company focused on copper, gold and coal mines in the Asia Pacific region.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business operations. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

As at December 31, 2013, Turquoise Hill had consolidated cash and cash equivalents of $78.1 million, a consolidated working capital deficiency of $1.9 billion and an accumulated deficit of $5.7 billion. The consolidated working capital deficiency is largely a result of classifying the $2.1 billion aggregate amount due to majority shareholder Rio Tinto plc ("Rio Tinto") under the Interim Funding Facility (Note 11 (a)) and New Bridge Facility (Note 11 (b)) as a current liability.

In 2010, Rio Tinto provided the Company with a $1.8 billion Interim Funding Facility to assist in sustaining the development of the Oyu Tolgoi copper-gold mine. The Interim Funding Facility had an initial maturity date of December 31, 2013 and was subject to earlier mandatory repayment from the expected proceeds of the first drawdown under the planned Oyu Tolgoi project-financing package.

On August 7, 2013, the Company signed a binding term sheet with Rio Tinto for a new funding package, including a New Bridge Facility. Under the New Bridge Facility, Rio Tinto provided the Company with a secured $600 million bridge funding facility that had an original maturity date of December 31, 2013.

On August 23, 2013, as contemplated in the binding term sheet, the Company signed a Memorandum of Agreement with Rio Tinto (2013 MOA). The Company agreed that in the event that the Oyu Tolgoi project financing funds were not available to repay the New Bridge Facility and the Interim Funding Facility by their respective maturity dates, the Company was obligated to launch a rights offering, with a standby commitment from Rio Tinto, originally to close by the end of 2013, the proceeds of which would be used to repay both facilities.

On November 26, 2013, the Company filed a final prospectus outlining the details of a rights offering that was expected to raise approximately $2.4 billion in gross proceeds. To allow for completion of the rights offering, the Company and Rio Tinto agreed to amend the 2013 MOA and extend the latest date by which the rights offering must be completed to January 13, 2014 and, correspondingly, extended the maturity dates of the Interim Funding Facility and New Bridge Facility to the earlier of the second business day following the rights offering closing date and January 15, 2014.

1. NATURE OF OPERATIONS AND LIQUIDITY (Continued)

On January 13, 2014, the Company successfully closed the rights offering and confirmed gross proceeds of approximately $2.4 billion. The Company used the net proceeds from the rights offering of approximately $2.3 billion to repay the Interim Funding Facility ($1.8 billion) and the New Bridge Facility ($402.6 million).

On February 20, 2014, Oyu Tolgoi signed a $126 million non-revolving copper concentrate prepayment agreement with one of its customers whereby Oyu Tolgoi can request the customer to prepay up to 80% of the provisional value of copper concentrate produced but not yet delivered. Amounts prepaid by the customer are required to be used for Oyu Tolgoi's working capital and general corporate purposes, bear interest at a fixed margin over LIBOR and are repaid by delivering copper concentrate to the customer pursuant to a sales contract. The prepayment arrangement matures on August 30, 2014.

On February 24, 2014, Oyu Tolgoi signed an unsecured $200 million revolving credit facility with two banks. 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 is available until the earlier of February 24, 2015 and the first draw down of project financing.

The Company believes that based on its current cash position, the availability of the $126 million non-revolving prepayment arrangement and unsecured $200 million revolving credit facility, and cash generated from the operation of the Oyu Tolgoi mine, it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and those entities in which the Company has a controlling financial interest either through voting rights or means other than voting rights. For these entities, the Company records 100% of the revenues, expenses, cash flows, assets and liabilities in the consolidated financial statements. For entities that the Company controls but holds less than a 100% ownership interest, a noncontrolling interest is recorded in the consolidated statement of operations and balance sheet to reflect the noncontrolling interest's share of the net income (loss) and net assets of the entity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Principles of consolidation (continued)

The Company has assessed all entities, including those entities that hold economic interests in projects that are in the exploration or development stage, in which the Company holds an economic interest to determine if they are variable interest entities ("VIEs"). If they are determined to be VIEs, the Company assesses on an ongoing basis who the primary beneficiary is based on who has the power to direct matters that most significantly impact the VIE's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Matters that may have a significant impact on the VIE's economic performance include, but are not limited to, approval of budgets and programs, financing decisions, construction decisions and delegation of certain responsibilities to the operator of the project. For VIEs where the Company is the primary beneficiary, the Company consolidates the entity and records a noncontrolling interest, measured initially at its estimated fair value, for the interest held by other equity owners. For VIEs where the Company has shared power with unrelated parties over the aforementioned matters that most significantly impact the VIE's economic performance, the Company uses the equity method of accounting to report their results.

The following table illustrates the Company's policy used to account for its interests in significant entities where the Company holds less than a 100% economic interest. The Company consolidates all entities where it holds a 100% economic interest.

	Economic interest at December 31, 2013	Method
SouthGobi Resources Ltd. (i)	56.0%	Consolidation
Oyu Tolgoi LLC (ii)	66.0%	Consolidation

(i) The Company holds a 56.0% interest in SouthGobi Resources Ltd. ("SouthGobi"), which owns the Ovoot Tolgoi coal mine in southern Mongolia and is conducting ongoing exploration and development programs at several other Mongolian coal prospects.

(ii) Wholly-owned subsidiaries of the Company together hold a 66.0% interest in Oyu Tolgoi LLC ("Oyu Tolgoi"), a VIE whose principal asset is the Oyu Tolgoi copper-gold mine located in southern Mongolia.

The Company has determined that no individual party has both: (a) the unilateral power to direct the activities that most significantly impact Oyu Tolgoi's economic performance and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to Oyu Tolgoi. The Company consolidates its 66.0% interest in Oyu Tolgoi as it is a member of a related party group with such

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Principles of consolidation (continued)

attributes and is the entity within the group that is most closely associated with Oyu Tolgoi. The determination of which party within the related party group is most closely associated with Oyu Tolgoi requires judgment and is based on the existence of principal-agency relationships within the group, relationship and significance of the activities of the VIE to the parties within the group, exposure to the variability associated with the anticipated economic performance of the VIE and design of the VIE.

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. At December 31, 2013, the consolidated carrying amounts (100%) of Oyu Tolgoi's assets and liabilities were $7.9 billion and $0.6 billion, respectively. The maximum exposure to loss related to this VIE is $9.3 billion, calculated as the aggregate of the carrying amount of the Company's common share interest, shareholder loan interests and certain obligations of Oyu Tolgoi guaranteed by the Company.

(b) Measurement uncertainties

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, among other things, the recoverability of investments, the proven and probable ore reserves, the estimated recoverable tonnes of ore from each mine area, the estimated net realizable value of inventories, the provision for income taxes and the measurement and valuation of deferred income tax assets and deferred income tax liabilities, the expected economic lives of and the recoverability of property, plant and equipment, depreciation and depletion, estimated fair value of derivatives, estimated fair value of warrants, estimated fair values of financial assets and liabilities falling within levels 2 or 3 of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") guidance for fair value measurements, and the anticipated costs and timing of asset retirement obligations.

(c) Foreign currencies

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 the Company and 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currencies (continued)

date and non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are included in operations.

For foreign subsidiaries whose functional currency is the local currency, assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income (loss).

(d) Revenue recognition

Sales revenue comprises sales to third parties at invoiced amounts. Amounts billed to customers in respect of shipping and handling are classified as sales revenue where Turquoise Hill is responsible for carriage, insurance and freight. All shipping and handling costs incurred by Turquoise Hill are recognized as cost of sales.

Sales revenue is presented net of royalties.

Revenues from the sale of significant by-products, such as gold, are included in sales revenue. Sundry revenue incidental to the main revenue generating activities of the operations and which is a consequence of producing and selling the main products is treated as a credit to cost of sales.

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

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the price is fixed or determinable; and
- collectability is reasonably assured.

Delivery generally occurs when the product is loaded onto a truck, train or vessel.

Turquoise Hill recognizes deferred revenue in the event it receives payment from a customer before a sales transaction meets all of the criteria for revenue recognition. Revenue is then recognized when all of the criteria for revenue recognition have been met.

The majority of Turquoise Hill's products are sold to customers under contracts, which vary in tenure and pricing mechanisms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition (continued)

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 Turquoise Hill'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. 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 embedded derivative is marked-to-market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, for which there exists an active and freely traded commodity market, such as the London Metals Exchange, and the value of product sold by Turquoise Hill 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.

(e) Cash and cash equivalents

Cash and cash equivalents include short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding 90 days.

(f) Short-term investments

Short-term investments include money market instruments with terms to maturity, at the date of acquisition, exceeding 90 days and with remaining terms at December 31, 2013 of less than one year.

(g) Accounts receivable

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts, if deemed necessary. Turquoise Hill evaluates the collectability of receivable account balances to determine the allowance, if any. Turquoise Hill considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when Turquoise Hill determines that the balance is uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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, transportation costs and an applicable portion of operating overhead, including depreciation and depletion. Net realizable value is the expected average selling price of the concentrate inventory less applicable selling and transportation costs.

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, transportation costs, and an applicable portion of operating overhead, 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.

Mine stores and supplies are valued at the lower of the weighted average cost, less allowances for obsolescence, and replacement cost.

(i) Long-term investments

Long-term investments in companies in which Turquoise Hill has voting interests between 20% and 50%, or where Turquoise Hill has the ability to exercise significant influence, are accounted for using the equity method. Under this method, Turquoise Hill's share of the investees' earnings and losses is included in operations and its investments therein are adjusted by a like amount. Dividends received are credited to the investment accounts.

Long-term investments in equity securities that have readily determinable fair values and are not subject to significant influence are classified as either "available-for-sale" or "held-for-trading". Available-for-sale investments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income (loss), unless the declines in market value are judged to be other than temporary, in which case the losses are recognized in income for the period. Held-for-trading investments are measured at fair value with changes in those fair values recognized in income for the period.

The cost method is used to account for long-term investments in equity securities that are not accounted for using the equity method or classified as either "available-for-sale" or "held-for-trading".

(j) Exploration and evaluation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Exploration and evaluation (continued)

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 economically recoverable reserves, in which case subsequent exploration and evaluation costs and the 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.

(k) Property, plant and equipment

Property, plant and equipment are carried at cost (including preproduction costs, capitalized interest, other capitalized financing costs and all direct administrative support costs incurred during the construction period, net of cost recoveries and incidental revenues), less accumulated depletion and depreciation including write-downs. Following the construction period, interest, other financing costs and administrative costs are expensed as incurred.

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.

Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units-of-production method or the straight-line method (over one to twenty years).

Depletion of each mineral property interest is provided on the units-of-production basis, using estimated proven and probable reserves as the depletion basis.

Turquoise Hill reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment is considered to exist if total estimated future cash flows, or probability-weighted cash flows on an undiscounted basis, are less than the carrying value of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with proven and probable reserves and value beyond proven and probable reserves. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

(l) Stripping costs

Stripping costs incurred during the production phase of an open-pit mine are variable production costs that are included in the costs of inventory produced during the period that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Stripping costs (continued)

the stripping costs are incurred. The production phase of a mine commences when saleable minerals are produced from an ore body, regardless of the level of production. However, the production phase does not commence with the removal of de minimis saleable mineral material that occurs in conjunction with the removal of overburden or waste material for the purpose of obtaining access to an ore body.

(m) Asset retirement obligations

Turquoise Hill recognizes liabilities for statutory, contractual or legal 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 liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation and changes in estimate are added to or deducted from the asset.

(n) Stock-based compensation

The Company has an Employees' and Directors' Equity Incentive Plan, a Performance Share Unit ("PSU") Plan and a Director Deferred Share Unit ("DDSU") Plan which are disclosed in Note 14.

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

The PSU's and DDSU's are accounted for at fair value upon issuance and remeasured each reporting period, which is 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.

(o) Deferred income taxes

The provision for deferred income taxes is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Deferred income taxes (continued)

statement's carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those deferred income tax assets that management believes will, more likely than not, fail to be realized.

(p) Loss per share

The basic loss per share is computed by dividing the net 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 effects of potentially dilutive stock options and share purchase warrants were antidilutive in the years ended December 31, 2013 and 2012.

The potentially dilutive shares excluded from the loss per share calculation due to antidilution are as follows:

	December 31,	
	2013	2012
Options	**5,909,332**	16,176,212
Share purchase warrants	**74,247,460**	74,247,460
Total potentially dilutive shares	**80,156,792**	90,423,672

In January 2014, the Company completed a rights offering which was open to all shareholders on a dilution free, equal participation basis at a subscription price less than the fair value of a common share of the Company (Note 14 (d)). In accordance with the ASC guidance for earnings per share, basic and diluted loss per share for all periods presented have been adjusted retroactively for a bonus element contained in the rights offering. Specifically, the weighted average number of common shares outstanding used to compute basic and diluted loss per share for the years ended December 31, 2013 and 2012 have been multiplied by a factor of 1.29.

(q) Segmented reporting

The Company has four segments: Oyu Tolgoi with its copper-gold mine in southern Mongolia; SouthGobi with its coal operations and exploration activities in Mongolia; other exploration with its projects primarily in Mongolia and Indonesia; and the Company's corporate division.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation as at and for the year ended December 31, 2013. In particular, $15.2 million has been reclassified from cost of sales to write-down of carrying value of property, plant and equipment.

(s) Accounting changes

- In February 2013, ASC guidance was updated to improve the reporting of reclassifications out of accumulated other comprehensive income. The updated guidance requires either in a single note or parenthetically on the face of the financial statements: (i) the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and (ii) the income statement line items affected by the reclassification. The updated guidance was effective for the Company's fiscal year beginning January 1, 2013.

(t) Recent accounting pronouncements

- In March 2013, ASC guidance was issued to clarify foreign currency matters as they relate to the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign entity. The updated guidance is effective for the Company's fiscal year beginning January 1, 2014.

- In July 2013, ASC guidance was updated to clarify the presentation of unrecognized tax benefits when a net operating loss carryforward exists. The updated guidance provides that an unrecognized tax benefit should generally be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward or similar tax losses or tax credit carryforwards. The updated guidance becomes effective for the Company beginning January 1, 2015.

The Company has not assessed the impact, if any, of the standards that become effective January 1, 2014 or later.

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

3. DISCONTINUED OPERATIONS

(a) Inova Resources Limited

In August 2013, the Company's Board of Directors committed to a plan to sell its investment in Inova Resources Limited ("Inova") in conjunction with a proposed bid by the Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd. ("Shanxi") to acquire the majority of shares of Inova for Aud$0.22 cash per share (the "Takeover Offer"). In November 2013, Turquoise Hill completed the sale of all of its shares of Inova to Shanxi for $83.2 million (Aud$90.1 million) in cash.

The assets and liabilities of Inova are classified as held for sale in the consolidated balance sheet and the operations and cash flows of Inova are presented, for all periods, as discontinued operations in the consolidated statements of operations and the consolidated statements of cash flows, respectively.

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

	December 31,			
		2013		2012
Cash and cash equivalents	**$**	**-**	$	47,622
Accounts receivable		**-**		4,674
Due from related parties		**-**		139
Inventories		**-**		32,099
Prepaid expenses		**-**		2,303
Current assets held for sale	**$**	**-**	$	86,837
Long-term investments	**$**	**-**	$	2,280
Property, plant and equipment		**-**		169,401
Other assets		**-**		26,032
Non-current assets held for sale	**$**	**-**	$	197,713
Accounts payable and accrued liabilities	**$**	**-**	$	25,231
Current liabilities held for sale	**$**	**-**	$	25,231
Asset retirement obligations	**$**	**-**	$	30,214
Non-current liabilities held for sale	**$**	**-**	$	30,214

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

3. DISCONTINUED OPERATIONS (Continued)

Revenue and pretax loss reported in discontinued operations for all periods presented are as follows:

	Year Ended December 31,			
		2013		2012
Revenue	**$**	**130,871**	$	80,655
Gain on sale of discontinued operations	**$**	**5,340**	$	-
Loss before income taxes		**(85,943)**		(113,098)
	$	**(80,603)**	$	(113,098)

(b) Savage River

During 2012, Turquoise Hill received the fifth and final annual contingent payment of $13.0 million on the sale of the Savage River project.

4. ACCOUNTS RECEIVABLE

	December 31,			
		2013		2012
Trade receivables	**$**	**2,382**	$	1,438
Refundable taxes		**1,256**		2,851
Insurance proceeds		**300**		500
Accrued interest		**5**		112
Other		**910**		2,746
	$	**4,853**	$	7,647

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

5. INVENTORIES

	December 31, 2013	2012
Current		
Copper-gold concentrate	**$ 544,183**	$ -
Run-of-mine copper-gold stockpiles	**5,206**	-
Coal stockpiles	**7,244**	19,284
Materials and supplies	**294,781**	309,569
	$ 851,414	$ 328,853
Noncurrent		
Run-of-mine copper-gold stockpiles	**$ 130,342**	$ 67,897

6. LONG-TERM INVESTMENTS

	December 31, 2013	2012
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	**$ -**	$ -
RDCC LLC	**23,470**	13,166
Available-for-sale equity securities (b)	**48,831**	33,737
Held-for-trading equity securities (c)	**222**	1,455
Other equity securities, cost method (d)	**7,207**	16,234
	$ 79,730	$ 64,592

(a) The Company held a 50.0% interest in Altynalmas Gold Ltd. ("Altynalmas"), which owns the Kyzyl Gold Project that hosts the Bakyrchik and Bolshevik gold deposits in Kazakhstan.

	December 31, 2013	2012
Amount due from Altynalmas	**$ -**	$ 156,751
Share of equity method losses in excess of common share investment	**-**	(156,751)
Net investment in Altynalmas	**$ -**	**$ -**

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

6. LONG-TERM INVESTMENTS (Continued)

(a) (continued)

On August 6, 2013, total cash consideration of $235 million was advanced to the Company by Sumeru Gold BV for the sale of the Company's 50% interest in Altynalmas. Completion of the transaction was subject to customary closing conditions, including regulatory approvals from the Republic of Kazakhstan's competent authorities.

On November 29, 2013, the transaction was completed upon the satisfaction of all closing conditions and a gain on sale of $231.9 million, net of transactions costs, was recognized.

During 2013, Turquoise Hill recorded a $3.0 million (2012 - $33.1 million) share of loss on this investment.

(b) Available-for-sale equity securities

	December 31, 2013				December 31, 2012			
	Equity Interest	**Cost Basis**	**Unrealized Gain (Loss)**	**Fair Value**	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value
Ivanhoe Mines Ltd. (i)	**6.4%**	**$ 26,965**	**$ 11,622**	**$ 38,587**	7.0%	$ 17,938	$ 729	$ 18,667
Aspire Mining Limited (ii)	**18.8%**	**5,661**	**514**	**6,175**	19.9%	8,727	-	8,727
Entrée Gold Inc. (iii)	**9.4%**	**4,723**	**(696)**	**4,027**	10.7%	6,259	-	6,259
Other	**-**	**50**	**(8)**	**42**	-	96	(12)	84
		$ 37,399	**$ 11,432**	**$ 48,831**		$ 33,020	$ 717	$ 33,737

(i) At December 31, 2013, the Company held 11.7 million (December 31, 2012 – 3.7 million) freely tradeable Class A common shares of Ivanhoe Mines Ltd. ("Ivanhoe") (formerly Ivanplats Limited) and a further 10.7 million (December 31, 2012 – nil) Class A common shares that are subject to certain trading restrictions that expire by December 31, 2014 (Note 6 (d)(i)). The freely tradeable Class A common shares were valued based on their quoted market price. Whereas, a liquidity discount was applied to this quoted market price to value the Class A common shares that are subject to trading restrictions. The Company's aggregate equity interest in Ivanhoe is 6.4%, including common shares accounted for using the cost method (Note 6 (d)(i)).

(ii) During 2013, Turquoise Hill recorded an other-than-temporary impairment of $3.1 million (2012 - $19.2 million) against its investment in Aspire Mining Limited ("Aspire") based on an assessment of the fair value of Aspire.

(iii) During 2013, Turquoise Hill recorded an other-than-temporary impairment of $1.5 million (2012 - $13.7 million) against its investment in Entrée Gold Inc. ("Entrée") based on an assessment of the fair value of Entrée.

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

6. LONG-TERM INVESTMENTS (Continued)

(c) Held-for-trading equity securities

During 2013, Turquoise Hill sold 22.2 million shares of Kangaroo Resources Limited ("Kangaroo") for gross proceeds of $0.5 million and realized a loss of $0.1 million.

As at December 31, 2013, the market value of Turquoise Hill's 0.5% investment in Kangaroo was $0.2 million, resulting in an unrealized loss through the statement of operations of $0.7 million during the year ended December 31, 2013 (2012 - $4.5 million).

(d) Other equity securities, cost method

	December 31, 2013		December 31, 2012	
	Equity Interest	**Cost Basis**	Equity Interest	Cost Basis
Ivanhoe Mines Ltd. (i)	**6.4%**	**$ 7,092**	7.0%	$ 16,119
Other	**-**	**115**	-	115
		$ 7,207		$ 16,234

(i) In September 2012, Ivanhoe completed a reorganization whereby all 33.5 million Ivanhoe common shares held by the Company were reclassified to Class B common shares. The reclassification preserved the Company's existing shareholder rights, but imposed a restriction on transferability that inhibited liquidity until such time as the Class B common shares were converted to Class A common shares. The Company accelerated the conversion of the Class B common shares by signing a Lock-up Agreement with Ivanhoe in April 2013. Otherwise, the conversion would have occurred automatically 39 months after the completion of Ivanhoe's initial public offering, which was completed on October 23, 2012. Upon signing the Lock-up Agreement, the Class B common shares automatically converted to Class A common shares and became subject to certain restrictions on disposition. These trading restrictions are gradually lifted over a 33 month period commencing April 23, 2013.

As at December 31, 2013, 18.7 million Class A common shares had been transferred from cost method investments to available-for-sale equity securities (Note 6 (b)(i)). The transferred Class A common shares consists of 8.0 million Class A common shares with no trading restrictions and a further 10.7 million Class A common shares with trading restrictions that expire by December 31, 2014.

As at December 31, 2013, the Company held a further 14.7 million Class A common shares with trading restrictions exceeding one year, which are classified as a cost method investment because they do not have a readily determinable fair value. The Company's aggregate equity interest in Ivanhoe is 6.4%, including common shares classified as available-for-sale equity securities (Note 6 (b)(i)).

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

7. OTHER LONG-TERM INVESTMENTS

	December 31,			
		2013		2012
Prepayments (a)	**$**	**144,959**	$	153,941
Treasury Bill (a)		**109,294**		106,531
Long-Term Notes		**-**		10,140
	$	**254,253**	$	270,612

(a) Treasury Bill and Prepayments

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 is October 20, 2014.

Turquoise Hill 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. 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.

Turquoise Hill has designated the T-Bill and tax prepayments as available-for-sale investments because they were not purchased with the intent of selling them in the near term and Turquoise Hill's intention to hold them to maturity is uncertain. The fair values of the T-Bill and tax prepayments are estimated based on available public information regarding what market participants would consider for such investments. Changes in the fair value of available-for-sale investments are recognized in accumulated other comprehensive income.

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

7. OTHER LONG-TERM INVESTMENTS (Continued)

(a) Treasury Bill and Prepayments (continued)

Turquoise Hill has used a discounted cash flow approach to value the T-Bill and tax prepayments incorporating the following weighted average assumptions:

	T-Bill		Tax Prepayments	
	December 31,		December 31,	
	2013	2012	**2013**	2012
Purchased Amount	**$ 100,000,000**	$ 100,000,000	**$ 150,000,000**	$ 150,000,000
Discount Rate	**6.6%**	4.4%	**6.6%**	4.4%
Term	**0.8 years**	1.8 years	**1.4 years**	0.3 years

Based on the discounted cash flow models as at December 31, 2013, the fair values of the T-Bill and tax prepayments were estimated at $109.3 million and $145.0 million respectively. As a result of these valuations, Turquoise Hill recorded an unrealized loss of $0.3 million (2012 - $15.2 million unrealized gain) on the T-Bill and an unrealized loss of $11.7 million (2012 - $15.1 million unrealized gain) on the tax prepayments in accumulated other comprehensive income for the year ended December 31, 2013.

8. PROPERTY, PLANT AND EQUIPMENT

	December 31,					
	2013			2012		
	Cost	**Accumulated Depletion and Depreciation, Including Write-downs**	**Net Book Value**	Cost	Accumulated Depletion and Depreciation, Including Write-downs	Net Book Value
Mining plant and equipment						
Oyu Tolgoi, Mongolia (a) (b)	**$ 4,100,275**	**$ (261,862)**	**$ 3,838,413**	$ -	$ -	$ -
Ovoot Tolgoi, Mongolia (c)	**462,155**	**(183,002)**	**279,153**	460,938	(108,946)	351,992
	$ 4,562,430	**$ (444,864)**	**$ 4,117,566**	$ 460,938	$ (108,946)	$ 351,992
Mineral property interests						
Oyu Tolgoi, Mongolia (a)	**$ 952,171**	**$ (44,804)**	**$ 907,367**	$ 1,087,799	$ (15,729)	$ 1,072,070
Ovoot Tolgoi, Mongolia (c)	**34,984**	**(11,836)**	**23,148**	37,606	(2,215)	35,391
Other exploration projects	**1,252**	**(1,244)**	**8**	1,252	(1,244)	8
	$ 988,407	**$ (57,884)**	**$ 930,523**	$ 1,126,657	$ (19,188)	$ 1,107,469
Other capital assets						
Oyu Tolgoi, Mongolia (a)	**$ 30,423**	**$ (12,049)**	**$ 18,374**	$ 644,114	$ (78,354)	$ 565,760
Ovoot Tolgoi, Mongolia (c)	**3,214**	**(1,425)**	**1,789**	3,414	(1,231)	2,183
Other exploration projects	**4,656**	**(3,872)**	**784**	4,678	(3,911)	767
	$ 38,293	**$ (17,346)**	**$ 20,947**	$ 652,206	$ (83,496)	$ 568,710
Capital works in progress						
Oyu Tolgoi, Mongolia (a)	**$ 2,000,324**	**$ -**	**$ 2,000,324**	$ 4,710,266	$ -	$ 4,710,266
Ovoot Tolgoi, Mongolia (c)	**55,323**	**(49,047)**	**6,276**	55,912	-	55,912
	$ 2,055,647	**$ (49,047)**	**$ 2,006,600**	$ 4,766,178	$ -	$ 4,766,178
	$ 7,644,777	**$ (569,141)**	**$ 7,075,636**	$ 7,005,979	$ (211,630)	$ 6,794,349

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Turquoise Hill has a 66% interest in the Oyu Tolgoi copper-gold mine located in Mongolia. During the year ended December 31, 2013, additions to property, plant and equipment for the Oyu Tolgoi mine totalled $641.0 million (December 31, 2012 - $2.6 billion).

(b) On May 1, 2013, the Oyu Tolgoi mine's ore processing infrastructure, including the concentrator, was in the condition and location necessary for its intended use. Therefore, on this date, costs associated with establishing and commissioning this infrastructure ceased being capitalized.

(c) The Ovoot Tolgoi coal mine is located in Mongolia and began open pit operations in 2008.

During 2013, $72.6 million of impairment charges were recognized to reduce various items of property, plant and equipment to their estimated recoverable amounts. The impairments are reported by the SouthGobi segment and relate to the following items of property, plant and equipment:

- Dry coal handling facility ("DCHF") – Following an extensive review that commenced in the fourth quarter of 2013, Turquoise Hill concluded that it does not plan to either complete or use the DCHF at the Ovoot Tolgoi coal mine in the foreseeable future. This conclusion constituted an indicator of impairment and Turquoise Hill performed an impairment assessment of the DCHF. As a result of the impairment assessment, Turquoise Hill recorded a $66.3 million impairment charge to reduce the carrying value of the DCHF to its estimated fair value. A probability-weighted discounted cash flow model, with a discount rate of 10.4%, was used to estimate the fair value of the DCHF.

- Surplus capital spares – Turquoise Hill recorded an impairment of $6.3 million related to surplus capital spares not expected to be utilized with its existing mining fleet.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, **2013**	December 31, 2012
Accounts payable	**$ 382,461**	$ 262,215
Accrued construction costs	**2,386**	466,029
Payroll and other employee-related payables	**1,092**	2,230
Other	**401**	8,181
	$ 386,340	$ 738,655

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

10. CONVERTIBLE CREDIT FACILITY

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).

Pursuant to the convertible debentures' terms, SouthGobi had the right to call for the conversion of up to $250.0 million of the convertible debenture upon SouthGobi achieving a public float of 25.0% of its common shares under certain agreed circumstances. On March 29, 2010, SouthGobi exercised this right and completed the conversion of $250.0 million of the convertible debenture into 21.5 million shares at a conversion price of $11.64 (Cdn$11.88).

	December 31, 2013	December 31, 2012
Principal amount of convertible debenture	**$ 250,000**	$ 250,000
(Deduct) add:		
Bifurcation of embedded derivative liability	**(156,646)**	(156,646)
Accretion of discount	**347**	243
Carrying amount of debt host contract	**93,701**	93,597
Embedded derivative liability	**3,395**	8,876
Convertible credit facility	**97,096**	102,473
Accrued interest	**2,301**	6,301
Transaction costs allocated to deferred charges	**(2,794)**	(2,796)
Net carrying amount of convertible credit facility	**$ 96,603**	$ 105,978

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.

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

10. CONVERTIBLE CREDIT FACILITY (Continued)

As at December 31, 2013, the fair value of the embedded derivative liability associated with the remaining $250.0 million principal outstanding was determined to be $3.4 million (December 31, 2012 - $8.9 million). During 2013, Turquoise Hill recognized a gain of $5.5 million (2012 - $39.5 million) as a result of the change in the fair value of the embedded derivative liability.

During 2013, Turquoise Hill capitalized $nil (2012 - $9.6 million) of interest expense incurred on the convertible credit facility.

The embedded derivative liability was valued using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement in the inputs can be independent of each other. Some of the key inputs used by the Monte Carlo simulation include: floor and ceiling conversion prices, SouthGobi's share price, expected volatility of SouthGobi's share price, risk-free rate of return, spot Cdn$ exchange rates and forward Cdn$ exchange rate curves.

Assumptions used in the Monte Carlo valuation model are as follows:

	December 31,	
	2013	2012
Floor conversion price	**Cdn$8.88**	Cdn$8.88
Ceiling conversion price	**Cdn$11.88**	Cdn$11.88
Common share price	**Cdn$0.84**	Cdn$2.05
Expected volatility	**71%**	70%
Risk-free rate of return	**3.11%**	2.26%
Foreign exchange spot rate (U.S. Dollar equivalent to Cdn$1)	**0.94**	1.01
Forward foreign exchange rate curve (U.S. Dollar equivalent to Cdn$1)	**0.92 - 0.94**	0.96 - 1.01

11. INTERIM AND BRIDGE FUNDING FACILITIES

	December 31,	
	2013	2012
Interim Funding Facility (a)	**$ 1,789,787**	$ 1,799,004
Short-Term Bridge Facility and New Bridge Facility (b)	**339,475**	-
	$ 2,129,262	$ 1,799,004

11. INTERIM AND BRIDGE FUNDING FACILITIES (Continued)

(a) Interim Funding Facility

In December 2010, Rio Tinto provided the Company with an initial, non-revolving Interim Funding Facility of $1.8 billion to assist in sustaining the development of the Oyu Tolgoi copper-gold mine. The Interim Funding Facility was set to mature on December 31, 2013, subject to earlier mandatory prepayment of all amounts from the proceeds of the first drawdown under the planned Oyu Tolgoi project-financing package. On November 14, 2013, the Company and Rio Tinto agreed to amend the 2013 MOA to extend the maturity date of the Interim Funding Facility to the earlier of January 15, 2014 and the second business day following the 2014 rights offering closing date. All amounts owing under the Interim Funding Facility were repaid by January 14, 2014 with the proceeds from the 2014 rights offering.

Amounts advanced to the Company under the Interim Funding Facility bear interest at the weighted average rate of return earned by the Company on the aggregate Interim Funding Facility proceeds advanced to Oyu Tolgoi. During 2013, the Interim Funding Facility's effective annual interest rate equaled 90% of the sum of the three-month LIBOR and 6.5%. Any interest and fees incurred under the Interim Funding Facility are subject to a gross-up for applicable withholding taxes.

As at December 31, 2013, a total of approximately $1.8 billion (December 31, 2012 - $1.8 billion) had been drawn and $10.2 million (December 31, 2012 - $nil) had been repaid on the Interim Funding Facility.

During 2013, interest expense of $123.5 million (2012 - $101.1 million), including a gross-up for applicable withholding taxes, was incurred on the Interim Funding Facility, of which $87.3 million (2012 - $101.1 million) was capitalized as Oyu Tolgoi mine development costs. As at December 31, 2013, accrued interest of $11.4 million was outstanding on the Interim Funding Facility.

(b) Short-Term Bridge Facility and New Bridge Facility

On June 28, 2013, the Company entered into an agreement with majority shareholder Rio Tinto for a non-revolving bridge facility for up to $225 million (Short-Term Bridge Facility). Amounts drawn under the Short-Term Bridge Facility were fully repaid in September 2013.

Amounts advanced to the Company under the Short-Term Bridge Facility bore interest at LIBOR plus 5%. Interest and fees incurred under the Short-Term Bridge Facility were subject to a gross-up for applicable withholding taxes.

During 2013, a front end fee of $1.3 million, interest of $0.9 million and commitment fees of $0.6 million, each inclusive of a gross-up for applicable withholding taxes, were incurred on the Short-Term Bridge Facility, of which $2.4 million was capitalized as Oyu Tolgoi mine development costs.

11. INTERIM AND BRIDGE FUNDING FACILITIES (Continued)

(b) Short-Term Bridge Facility and New Bridge Facility (continued)

On August 7, 2013, the Company signed a binding term sheet with Rio Tinto for a new funding package, including a new bridge facility (“New Bridge Facility”). Under the New Bridge Facility, Rio Tinto provided the Company with a secured $600 million bridge funding facility that was set to mature on December 31, 2013. The New Bridge Facility was subject to a front end fee of $6.0 million, an interest rate of LIBOR plus 5.0% per annum on drawn amounts and a commitment fee of 2.0% per annum on undrawn amounts. Interest and fees incurred under the New Bridge Facility are subject to a gross-up for applicable withholding taxes. On November 14, 2013, the Company and Rio Tinto agreed to amend the 2013 MOA to extend the maturity date of the New Bridge Facility to the earlier of January 15, 2014 and the second business day following the 2014 rights offering closing date. All amounts owing under the New Bridge Facility were repaid by January 13, 2014 with the proceeds from the 2014 rights offering.

As at December 31, 2013, a total of approximately $435.0 million (December 31, 2012 - $nil) had been drawn and $95.5 million (December 31, 2012 - $nil) had been repaid on the New Bridge Facility.

During 2013, a front end fee of $6.7 million, interest of $5.7 million and commitment fees of $2.5 million, each inclusive of a gross-up for applicable withholding taxes, were incurred on the New Bridge Facility, of which $4.7 million was capitalized as Oyu Tolgoi mine development costs. As at December 31, 2013, accrued interest of $2.1 million was outstanding on the New Bridge Facility.

(c) Bridge Funding Facility

On April 17, 2012, the Company signed a Memorandum of Agreement with Rio Tinto (“2012 MOA”) that established Rio Tinto’s support for a series of funding measures, including an additional bridge funding facility of up to $1.5 billion towards continued construction of the Oyu Tolgoi mine. The bridge funding facility, which bore interest at LIBOR plus 5.0%, was not extended past its May 23, 2013 maturity date.

During 2012, the Company incurred a front end fee of $16.7 million. Additionally, a commitment fee of 1.75%, calculated on an annual basis on the daily average of the undrawn amount under the bridge funding facility, was payable on a semi-annual basis in arrears throughout the term of the bridge funding facility.

Any interest and fees incurred under the bridge funding facility were subject to a gross-up for applicable withholding taxes.

During 2013, commitment fees of $11.5 million (2012 - $18.0 million), including a gross-up for applicable withholding taxes, were incurred on the bridge funding facility, of which $11.3 million (2012 - $18.0 million) was capitalized as Oyu Tolgoi mine development costs.

No amounts were ever drawn on the bridge funding facility.

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

12. INCOME TAXES

As referred to in Note 2 (b), Turquoise Hill must make significant estimates in respect of its provision for income taxes and the composition of its deferred income tax assets and liabilities. Turquoise Hill'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, and those adjustments may be material to Turquoise Hill's financial position and results of operations.

Turquoise Hill's (provision) recovery of income and capital taxes for continuing operations consists of the following:

	Year Ended December 31,			
		2013		2012
Deferred income taxes	**$**	**(58,597)**	$	18,637
Withholding and other taxes		**(41,348)**		(31,536)
	$	**(99,945)**	$	(12,899)

Deferred income tax assets and liabilities for continuing operations at December 31, 2013 and 2012 arise from the following:

	December 31,			
		2013		2012
Deferred income tax assets				
Long-term investments	**$**	**27,311**	$	28,428
Property, plant and equipment		**257,729**		249,143
Loss carry-forwards and investment tax credits		**1,177,073**		1,034,778
Other		**19,134**		19,766
		1,481,247		1,332,115
Valuation allowance		**(1,465,553)**		(1,264,813)
Net deferred income tax assets		**15,694**		67,302
Deferred income tax liabilities				
Property, plant and equipment		**20,241**		18,792
		20,241		18,792
Deferred income tax (liabilities) assets, net	**$**	**(4,547)**	$	48,510

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

12. INCOME TAXES (Continued)

A reconciliation of the (provision) recovery of income and capital taxes for continuing operations is as follows:

	Year Ended December 31,			
		2013		2012
Recovery of income taxes based on the combined Canadian federal and provincial statutory tax rates of 25.75% in 2013 and 25.0% in 2012 applied to the net loss from continuing operations	**$**	**68,781**	$	107,930
(Deduct) add:				
Lower foreign tax rates		**(3,439)**		(728)
Tax benefit of losses not recognized		**(172,976)**		(99,955)
Withholdings and other taxes		**(41,348)**		(31,536)
Non-taxable portion of gains and losses		**60,313**		-
Foreign exchange and other		**(11,276)**		11,390
Provision for income and other taxes	**$**	**(99,945)**	$	(12,899)

At December 31, 2013, Turquoise Hill had the following unused tax losses from continuing operations:

		Local Currency		U.S. Dollar Equivalent (i)	Expiry Dates
Non-capital losses:					
Canada	U.S. Dollar	344,005	$	344,005	2032 to 2033
Mongolia	Mongolian Tugrik	2,013,504,238	$	1,250,624	2018 to 2021
Indonesia	Indonesian Rupiah	102,838,070	$	8,437	2014 to 2018
Hong Kong	Hong Kong Dollar	108,429	$	13,990	(a)
Capital losses:					
Canada	U.S. Dollar	104,015	$	104,015	(b)

(i) Translated using the year-end exchange rate.

(a) These losses are carried forward indefinitely.
(b) These losses are carried forward indefinitely, subject to change of control rules, for utilization against future net realized capital gains.

At December 31, 2013, Turquoise Hill has $762.6 million of unused investment tax credits in Mongolia. Unused investment tax credits earned in a particular taxation year may be credited against taxes payable in the subsequent three profitable tax years.

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

12. INCOME TAXES (Continued)

Turquoise Hill also has deductible temporary differences and unused tax losses in certain other foreign jurisdictions that are not disclosed above, as it is currently highly unlikely that these items will be utilized.

Turquoise Hill had no uncertain tax positions as of December 31, 2013 and 2012. Under current conditions and expectations, management does not foresee any significant changes in uncertain tax positions that would have a material impact on the Company's financial statements.

During 2013 and 2012, Turquoise Hill did not recognize any accrued interest or penalties related to uncertain tax positions within the statement of operations or balance sheet.

Turquoise Hill is subject to taxes in Canada, Mongolia and various foreign countries. The tax years of major tax jurisdictions which remain subject to examination as of December 31, 2013 are as follows:

Canada	2006 to 2013
Mongolia	2008 to 2013

13. ASSET RETIREMENT OBLIGATIONS

	Oyu Tolgoi	SouthGobi	Total
Balance, December 31, 2011	$ 14,933	$ 5,778	$ 20,711
Additions and changes in estimates	74,871	(1,619)	73,252
Accretion expense	2,218	517	2,735
Balance, December 31, 2012	$ 92,022	$ 4,676	$ 96,698
Additions and changes in estimates	554	(2,621)	(2,067)
Accretion expense	5,664	466	6,130
Balance, December 31, 2013	$ 98,240	$ 2,521	$ 100,761

14. SHARE CAPITAL

(a) Equity Incentive Plan

The Company has an Employees' and Directors' Equity Incentive Plan (the "Equity Incentive Plan"), which includes three components: (i) a Share Option Plan; (ii) a Share Bonus Plan; and (iii) a Share Purchase Plan.

(i) The Share Option Plan authorizes the Board of Directors of the Company to grant options to directors and employees of Turquoise Hill to acquire common shares of the Company at a price based on the weighted average trading price of the common shares for the five days preceding the date of the grant. Options vest over four years and have seven year contractual terms unless otherwise determined from time to time by the Board of Directors, on the recommendation of the Compensation and

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

14. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (continued)

Benefits Committee. The Share Option Plan also provides that these options may, upon approval of the Board of Directors, be converted into stock appreciation rights.

(ii) The Share Bonus Plan permits the Board of Directors of the Company to authorize the issuance, from time to time, of common shares of the Company to employees of the Company and its affiliates.

(iii) The Share Purchase Plan entitles each eligible employee of Turquoise Hill to contribute up to seven percent of each employee's annual basic salary in semi-monthly instalments. At the end of each calendar quarter, each employee participating in the Share Purchase Plan is issued common shares of the Company equal to 1.5 times the aggregate amount contributed by the participant, based on the weighted average trading price of the common shares during the preceding three months.

The Company is authorized to issue a maximum of 6.5% of the issued and outstanding Common Shares (December 31, 2013 - 65,397,579) pursuant to the Equity Incentive Plan. At December 31, 2013, an aggregate of 59,488,247 common shares were available for future grants of awards under the plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option award and stock price volatility. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behaviour. Expected volatility is based on the historical volatility of the Company's stock. These estimates involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that reported.

During 2013, the Company did not grant any new stock options. The weighted average grant-date fair value of stock options granted during 2012 was Cdn$1.01. The fair value of these options was determined using the Black-Scholes option pricing model, using the following weighted average assumptions:

	2013	2012
Risk-free interest rate	**n/a**	1.09%
Expected life	**n/a**	0.9 years
Expected volatility	**n/a**	39%
Expected dividends	**n/a**	$nil

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

14. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (continued)

A summary of stock option activity and information concerning outstanding and exercisable options at December 31, 2013 is as follows:

	Options Available for Grant	Options Outstanding	Weighted Average Exercise Price (Expressed in Canadian dollars)
Balances, December 31, 2011	24,610,831	23,449,062	$ 13.83
Increase in amount authorized	23,701,143	-	-
Options granted	(8,484,971)	8,484,971	13.34
Options exercised	-	(6,069,382)	7.15
Options cancelled	9,487,303	(9,487,303)	14.66
Options expired	201,136	(201,136)	14.50
Bonus shares	(291,625)	-	-
Shares issued under share purchase plan	(40,220)	-	-
Balances, December 31, 2012	49,183,597	16,176,212	$ 15.58
Increase in amount authorized	618,842	-	-
Options granted	-	-	-
Options exercised	-	(534,628)	2.96
Options cancelled	8,705,564	(8,705,564)	16.68
Options expired	1,026,688	(1,026,688)	9.07
Bonus shares	(13,750)	-	-
Shares issued under share purchase plan	(32,694)	-	-
Balances, December 31, 2013	59,488,247	5,909,332	$ 16.23

At December 31, 2013, the U.S. dollar equivalent of the weighted average exercise price was $15.28 (December 31, 2012 - $15.70).

The total intrinsic value of options exercised during the years ended December 31, 2013 and 2012 was $1.8 million and $24.1 million, respectively.

As at December 31, 2013, options vested and expected to vest totalled 5,909,332 (December 31, 2012 - 16,176,212) and had an aggregate intrinsic value of $0.1 million (December 31, 2012 - $4.7 million).

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

14. SHARE CAPITAL (Continued)

(a) Equity Incentive Plan (continued)

The following table summarizes information concerning outstanding and exercisable options at December 31, 2013:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per Share
(Expressed in Canadian dollars)			(Expressed in Canadian dollars)		(Expressed in Canadian dollars)
$2.82 to $7.03	452,313	2.06	$ 3.38	452,313	$ 3.38
$7.04 to $8.20	978,681	3.53	8.05	546,676	8.08
$8.21 to $12.62	486,281	2.72	9.98	486,281	9.98
$12.63 to $17.70	1,454,977	2.81	14.64	1,353,162	14.49
$17.71 to $27.83	2,537,080	3.33	23.78	1,928,798	23.63
	5,909,332	3.09	$ 16.23	4,767,230	$ 15.94

As at December 31, 2013, total unrecognized compensation cost related to unvested stock options was $3.7 million. This cost is expected to be recognized over a weighted-average period of approximately 1.0 years.

As at December 31, 2013 the aggregate intrinsic value for fully vested stock options was $0.1 million (December 31, 2012 - $4.7 million).

Stock-based compensation charged to operations was incurred by Turquoise Hill as follows:

	Year Ended December 31,	
	2013	2012
Turquoise Hill Resources Ltd. (i)	**$ 9,736**	$ 68,961
SouthGobi Resources Ltd.	**1,587**	13,689
	$ 11,323	$ 82,650

(i) During 2013, stock-based compensation of $4.6 million (2012 - $13.2 million) relating to the development of the Oyu Tolgoi mine was capitalized as property, plant and equipment.

14. SHARE CAPITAL (Continued)

(b) Other Stock Based Compensation

The Company has a Performance Share Unit Plan, which authorizes the Board of Directors of the Company to grant PSU's to directors and employees of Turquoise Hill. Each PSU evidences the right of the holder to receive, on a deferred cash payment basis, a cash payment equal to the fair market value of a common share, calculated using the average of the closing prices of the common shares for the five days preceding the last day of the applicable performance period, multiplied by the multiplier resulting from the applicable performance based criteria. During 2013, the Company granted 71,200 PSU's with a fair value of $0.5 million. At December 31, 2013, 71,200 PSU's remained outstanding and unvested.

The Company has a Director Deferred Share Unit Plan, which authorizes the Board of Directors of the Company to grant DDSU's to independent directors of the Company. Each DDSU evidences the right of the holder to receive, on a deferred cash payment basis, a cash payment equal to the fair market value of a common share, calculated using the volume weighted average closing prices of the common shares for the five days preceding the date the fair market value is to be determined. During 2013, the Company granted 100,420 DDSU's with a fair value of $0.7 million. At December 31, 2013, 100,420 DDSU's remained outstanding and nil vested.

(c) Series D Warrants

Under the terms of the 2012 MOA and the May 22, 2012 amendment thereto, the Company agreed to issue 55 million Series D Warrants to Rio Tinto upon filing the 2012 rights offering preliminary prospectus on May 22, 2012. Each Series D Warrant entitles Rio Tinto to purchase one common share of the Company at the warrant's exercise price at any time during a three year period. The quantity and exercise price of the Series D Warrants were both subject to certain anti-dilution provisions connected to future rights offerings. After the 2012 rights offering closed on July 26, 2012, the number of Series D Warrants was increased to 74,247,460 and the exercise price was set at $10.37.

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

14. SHARE CAPITAL (Continued)

(c) Series D Warrants (continued)

Turquoise Hill has recorded an amount of $164.4 million in equity attributable to the fair value of the Series D Warrants, and a corresponding amount was expensed as financing costs during 2012. As at May 22, 2012, the fair value of the Series D Warrants was determined using the Black-Scholes option-pricing model, using the following assumptions:

Exercise price	**$10.33**
Theoretical ex-rights share price	**$8.62**
Risk-free interest rate	**0.46%**
Expected life	**3.0 years**
Expected volatility	**60%**
Expected dividends	**Nil**

As at December 31, 2013, Rio Tinto held 74,247,460 Series D Warrants (December 31, 2012 - 74,247,460) exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $10.37.

Upon closing the 2014 rights offering in January 2014, the exercise price of the Series D Warrants was adjusted to $8.20 and Rio Tinto was issued 74,247,460 Anti-Dilution Series D Warrants that are exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $4.31.

(d) 2014 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 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 2014 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.

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

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

14. SHARE CAPITAL (Continued)

(d) 2014 Rights Offering (continued)

relating to the rights offering totalled approximately $78.7 million, including the $70.8 million standby purchaser fee paid to Rio Tinto, and reduced the gross proceeds recorded as share capital.

Under the terms of the rights offering, the monetary amount to be received by the Company upon the exercise of rights was not fixed. Each holder of rights could elect either the $2.40 or Cdn$2.53 subscription price. Furthermore, the Cdn$2.53 subscription price was not denominated in the Company's U.S. dollar functional currency. Therefore, the pro rata distribution of rights to the Company's shareholders was accounted for as a derivative financial liability measured at fair value.

On December 3, 2013, rights to be issued under the rights offering began trading on a "when issued" basis. On this date, the Company recognized an aggregate derivative financial liability of $1,016.2 million associated with the Company's legal obligation to carry out the rights offering and deficit was adjusted by a corresponding amount. This derivative financial liability comprised $500.1 million attributable to rights held by the Company's noncontrolling shareholders and $516.1 million attributable to rights held by Rio Tinto. Each reporting period, the derivative financial liability is remeasured at fair value with changes being recognized in earnings. During 2013, the Company recognized a derivative gain of $87.9 million.

In January 2014, the derivative financial liability was settled as rights were exercised and a total of $909.3 million was reclassified from the derivative financial liability to share capital.

Under the terms of the 2013 MOA, Rio Tinto confirmed that it would take up its full basic subscription privilege, with respect to its 51% shareholding, and provide a standby commitment to subscribe for the common shares not subscribed for under the basic subscription privilege and the additional subscription privilege under the rights offering, subject to certain conditions. Rio Tinto was committed to exercising its full basic subscription privilege regardless of whether or not the rights were in the money. Accordingly, the fair value of the derivative financial liability attributable to rights held by Rio Tinto was estimated using a forward contract pricing model, using the following assumptions:

	December 31, 2013	December 3, 2013
Ex-rights share price	**$3.30**	$3.38
Risk-free rate of return	**0.08%**	0.08%
Spot Cdn$ exchange rate	**0.94**	0.94

14. SHARE CAPITAL (Continued)

(d) 2014 Rights Offering (continued)

The fair value of the derivative financial liability attributable to rights held by the Company's noncontrolling shareholders was determined by reference to published market quotations for the rights.

Rio Tinto's standby commitment over rights held by the Company's noncontrolling shareholders is accounted for as a derivative financial asset. Its fair value was estimated as the difference between the estimated forward contract price, used to estimate the fair value of a right held by Rio Tinto, and the published market quotation for a right. During the rights offering period, there were no significant differences between these two prices, so no derivative financial asset was recognized.

The standby purchaser fee liability contains an embedded derivative as it is equal to 3% of the Canadian and U.S. dollar proceeds to be received upon the rights offering close. Therefore, the standby purchaser fee liability was accounted for as a derivative financial liability 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 other assets 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 2013, the Company recognized a derivative loss of $0.2 million associated with remeasuring the standby purchaser fee liability.

(e) 2012 Rights Offering

In June 2012, 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 June 19, 2012 received one right for each common share held. Every 20 rights held entitled the holder thereof to purchase seven common shares of the Company at $7.00 per share or Cdn$7.17 per share, at the election of the holder. The rights traded on the TSX, NYSE and NASDAQ and expired on July 19, 2012.

Under the 2012 MOA and the May 22, 2012 amendment thereto, Rio Tinto agreed to provide a standby commitment for the full amount of the rights offering in exchange for a standby commitment fee equal to 4% of the gross rights offering proceeds. Under the standby commitment, Rio Tinto was required to acquire any common shares of the Company not taken up under the rights offering. Because the rights offering was oversubscribed, Rio Tinto did not purchase any shares under its standby commitment.

14. SHARE CAPITAL (Continued)

(e) 2012 Rights Offering (continued)

Upon the closing of the rights offering in July 2012, the Company issued a total of 259,558,050 common shares for gross proceeds of $1.8 billion. Expenses and fees relating to the rights offering totalled approximately $75.4 million, including the $72.8 million standby commitment fee paid to Rio Tinto, and reduced the gross proceeds recorded as share capital.

Under the terms of the rights offering, the monetary amount to be received by the Company upon the exercise of rights was not fixed. Each holder of rights could elect either the $7.00 or Cdn$7.17 subscription price. Furthermore, the Cdn$7.17 subscription price was not denominated in the Company's U.S. dollar functional currency. Therefore, the pro rata distribution of rights to the Company's shareholders was accounted for as a derivative financial liability measured at fair value.

On June 14, 2012, rights to be issued under the rights offering began trading on a "when issued" basis. On this date, the Company recognized an aggregate derivative financial liability of $688.4 million associated with the Company's legal obligation to carry out the rights offering and deficit was adjusted by a corresponding amount. This derivative financial liability comprised $344.8 million attributable to rights held by the Company's noncontrolling shareholders and $343.6 million attributable to rights held by Rio Tinto. Each reporting period, the derivative financial liability is remeasured at fair value with changes being recognized in earnings. During 2012, Turquoise Hill recognized a derivative gain of $194.7 million.

The derivative financial liability was settled as rights were exercised or expired unexercised. A total of $493.7 million was reclassified from the derivative financial liability to share capital, representing the fair value of rights exercised. At expiry, a total of $0.1 million was reclassified from the derivative financial liability to additional paid-in capital, representing the fair value of rights that expired unexercised.

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

14. SHARE CAPITAL (Continued)

(e) 2012 Rights Offering (continued)

Under the amendment to the Memorandum of Agreement, Rio Tinto confirmed that it would take up its full basic subscription privilege under the $1.8 billion rights offering with respect to its 51% shareholding, subject to certain conditions. Rio Tinto was committed to exercising its full basic subscription privilege regardless of whether or not the rights are in the money. Accordingly, the fair value of the derivative financial liability attributable to rights held by Rio Tinto was estimated using a forward contract pricing model, using the following assumptions:

	July 19, 2012	June 14, 2012
Ex-rights share price	**$8.93**	$9.52
Risk-free rate of return	**n/a**	0.17%
Spot Cdn$ exchange rate	**1.02**	0.98

The fair value of the derivative financial liability attributable to rights held by the Company's noncontrolling shareholders was determined by reference to published market quotations for the rights.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized (Loss) Gain on Available-For-Sale Equity Securities	Unrealized Loss on Available-For-Sale Debt Securities	Currency Translation Adjustments	Noncontrolling Interests	**Total Attributable to the Company**
Balance, December 31, 2012	$ (461)	$ (4,133)	$ 26,161	$ (8,718)	**$ 12,849**
Change in other comprehensive (loss) income before reclassifications	10,821	(12,062)	(21,954)	10,344	**(12,851)**
Reclassifications from accumulated other comprehensive income	6,612	-	(4,207)	116	**2,521**
Net current-period other comprehensive income (loss)	17,433	(12,062)	(26,161)	10,460	**(10,330)**
Balance, December 31, 2013	**$ 16,972**	**$ (16,195)**	**$ -**	**$ 1,742**	**$ 2,519**

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Consolidated Statement of Operations
	Year Ended December 31, 2013		
Unrealized (loss) gain on available-for-sale equity securities:			
Other-than-temporary impairment charges	$	(4,649)	Other expense
Other-than-temporary impairment charges		(1,963)	Loss from discontinued operations
	$	(6,612)	
Currency translation adjustments	$	4,207	Loss from discontinued operations
Noncontrolling interests	$	(116)	Loss from discontinued operations

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

16. NONCONTROLLING INTERESTS

At December 31, 2013 there were noncontrolling interests in Oyu Tolgoi and SouthGobi:

	Noncontrolling Interests			
	Oyu Tolgoi	SouthGobi	Discontinued Operations (Note 3)	Total
Balance, December 31, 2011	$ (367,599)	$ 281,771	$ 100,868	$ 15,040
Noncontrolling interests' share of loss	(47,509)	(51,736)	(46,917)	(146,162)
Noncontrolling interests' share of other comprehensive income (loss)	11,268	(7,012)	520	4,776
Common share investments funded on behalf of noncontrolling interest (a)	535,626	-	-	535,626
Funded amounts repayable to the Company (a)	(535,626)	-	-	(535,626)
Other changes in noncontrolling interest (b)	69,239	-	-	69,239
Changes in noncontrolling interests arising from changes in ownership interests	-	23,725	43,909	67,634
Balance, December 31, 2012	$ (334,601)	$ 246,748	$ 98,380	$ 10,527
Noncontrolling interests' share of loss	(174,387)	(123,917)	(37,320)	(335,624)
Noncontrolling interests' share of other comprehensive loss (income)	(3,986)	2,594	(8,952)	(10,344)
Common share investments funded on behalf of noncontrolling interest (a)	105,400	-	-	105,400
Funded amounts repayable to the Company (a)	(105,400)	-	-	(105,400)
Changes in noncontrolling interests arising from changes in ownership interests	-	971	1,351	2,322
Disposal of subsidiary	-	-	(53,459)	(53,459)
Balance, December 31, 2013	$ (512,974)	$ 126,396	$ -	$ (386,578)

(a) 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 noncontrolling interest. As at December 31, 2013, the cumulative

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

16. NONCONTROLLING INTERESTS (Continued)

(a) *(continued)*

amounts of such funding and unrecognized interest were $751.2 million (December 31, 2012 - $645.8 million) and $110.5 million (December 31, 2012 - $59.7 million) respectively.

(b) During 2012, shareholder loans from Turquoise Hill to Oyu Tolgoi totalling $245.4 million were converted to equity.

During 2012, unpaid dividends of $41.8 million on Oyu Tolgoi preferred shares held by Turquoise Hill were converted to equity.

17. REVENUE

	Year ended December 31,	
	2013	2012
Copper-gold concentrate		
Copper	**$ 37,596**	$ -
Gold	**13,172**	-
Silver	**752**	-
Coal	**58,636**	78,062
	$ 110,156	$ 78,062

For the year ended December 31, 2013, revenues are presented net of royalties of $23.4 million (2012 - $16.2 million).

18. COST OF SALES

	Year ended December 31,	
	2013	2012
Production and delivery	**$ 76,028**	$ 51,503
Depreciation and depletion	**33,718**	25,515
Write-down of carrying value of inventory	**38,018**	25,472
Cost of sales during mine operations	**147,764**	102,490
Cost of sales related to idled mine assets (i)	**30,439**	52,958
	$ 178,203	$ 155,448

(i) During the second quarter of 2012, mining activities at the Ovoot Tolgoi coal mine where curtailed to manage coal inventories and to maintain efficient working capital levels. By

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

18. COST OF SALES (Continued)

June 30, 2012, mining activities were fully curtailed and remained so for the remainder of 2012. While operations at the Ovoot Tolgoi coal mine resumed on March 22, 2013, the 2013 production plan does not fully utilize SouthGobi's existing mining fleet. Accordingly, costs related to idled mine assets continue to be incurred subsequent to March 22, 2013.

Cost of sales related to idled mine assets for the year ended December 31, 2013 includes $25.0 million (2012 - $33.4 million) of depreciation expense. The depreciation expense relates to SouthGobi's idled plant and equipment.

19. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2013	2012
Operating segment administration	**$ 170,752**	$ 32,438
Operational readiness	**20,076**	87,178
Selling expenses	**14,117**	-
Care and maintenance costs	**12,278**	-
Other	**16,024**	21,418
	$ 233,247	$ 141,034

20. OTHER INCOME (EXPENSE)

	Year ended December 31,	
	2013	2012
Unrealized losses on long-term investments (Note 6 (c))	**$ (656)**	$ (4,515)
Realized gains on sale of long-term investments (Note 6)	**231,836**	38
Unrealized gains on other long-term investments	**238**	11,463
Realized gains on other long-term investments	**1,952**	4,483
Write-down of carrying value of long-term investments (Note 6 (b))	**(4,649)**	(32,881)
	$ 228,721	$ (21,412)

(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 used in operating activities

	Year Ended December 31, 2013	2012
Net loss	**$ (447,660)**	$ (558,233)
Loss from discontinued operations	**80,603**	113,618
Items not involving use of cash		
Stock-based compensation	**11,727**	77,029
Accretion expense	**6,237**	2,869
Depreciation	**61,585**	46,203
Accrued interest income	**(8,870)**	(10,345)
Financing costs	**-**	164,384
Unrealized losses on long-term investments	**656**	4,515
Realized gains on sale of long-term investments	**(234,910)**	(38)
Unrealized gains on other long-term investments	**(238)**	(11,463)
Realized gains on other long-term investments	**(1,952)**	(4,483)
Change in fair value of derivative	**(87,722)**	(194,664)
Change in fair value of embedded derivatives	**(5,481)**	(39,512)
Unrealized foreign exchange losses (gains)	**341**	(14,308)
Share of loss of significantly influenced investees	**3,082**	33,233
Write-down of carrying value of accounts receivables	**30,352**	-
Write-down of carrying value of inventories	**67,819**	17,219
Write-down of carrying value of property, plant and equipment	**73,564**	15,245
Write-down of carrying value of long-term investments	**4,649**	32,881
Deferred income taxes	**58,597**	(18,637)
Bonus shares	**-**	5,621
Net change in non-cash operating working capital items:		
Decrease (increase) in:		
Accounts receivable	**6,375**	(8,285)
Due from related parties	**(2,835)**	(433)
Inventories	**(465,497)**	(219,603)
Prepaid expenses	**13,405**	170
(Decrease) increase in:		
Accounts payable and accrued liabilities	**103,141**	115,302
Payable to related parties	**(19,049)**	66,199
Deferred revenue	**107,796**	-
Interest payable on long-term debt	**17,530**	2,074
Cash used in operating activities of continuing operations	**(626,755)**	(383,442)
Cash used in operating activities of discontinued operations	**(4,142)**	(123,863)
Cash used in operating activities	**$ (630,897)**	$ (507,305)

(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:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Financing activites:		
Rights offering (Note 14 (e))	**$ -**	$ 493,673
Interest settlement on convertible credit facility (Note 10)	**8,000**	4,000
	$ 8,000	$ 497,673

(c) Other supplementary information

	Year Ended December 31, 2013	Year Ended December 31, 2012
Interest paid	**$ 44,747**	$ 9,843
Income taxes paid	**$ 339**	$ 2,418

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

22. RELATED PARTY TRANSACTIONS

(a) Related party transactions with Rio Tinto

As at December 31, 2013, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2012: 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:

	December 31, 2013	December 31, 2012
Cash and cash equivalents (i)	**$ -**	$ 970,591
Due from related parties	**5,070**	496
Payable to related parties:		
Management service payments (ii)	**(100,569)**	(91,175)
Cost recoveries (iv)	**(75,237)**	(94,226)
Standby purchaser fee (v)	**(71,886)**	-
Interest payable on long-term debt	**(13,530)**	(25,105)
Interim funding facility (Note 11 (a))	**(1,789,787)**	(1,799,004)
New bridge facility (Note 11 (b))	**(339,475)**	-
	$ (2,385,414)	$ (1,038,423)

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

	Year Ended December 31, 2013	Year Ended December 31, 2012
Interest income on demand deposits (i)	**$ 5,681**	$ 385
Cost recoveries - Turquoise Hill	**5,285**	2,654
Financing costs:		
Series D Warrants (Note 14 (c))	**-**	(164,384)
Standby purchaser fee (Note 14 (d) and (e))	**(71,710)**	(72,764)
Front end fees (Note 11) (iii)	**(7,917)**	(16,667)
Commitment fees (Note 11) (iii)	**(14,527)**	(19,607)
Interest expense (Note 11) (iii)	**(129,910)**	(101,109)
Management services payment (ii)	**(21,750)**	(34,392)
Cost recoveries - Rio Tinto (iv)	**(98,302)**	(113,326)
	$ (331,150)	$ (519,210)

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

22. RELATED PARTY TRANSACTIONS (Continued)

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

(i) Cash and cash equivalents at December 31, 2012 included two deposits with Rio Tinto totalling $970.6 million that earned interest at LIBOR plus 3.25% and were required to be repaid, in whole or in part, to the Company on demand. One deposit of $274.2 million was repaid on March 1, 2013 when Rio Tinto terminated that deposit arrangement in accordance with its terms. The remaining $696.4 million on deposit was fully repaid by May 22, 2013.

(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) 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.

(iv) 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.

(v) During 2013, the Company recognized a derivative loss of $0.2 million associated with remeasuring the standby purchaser fee liability.

The above noted transactions were 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.

(b) Other related party transactions

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

	Year Ended December 31,	
	2013	2012
Global Mining Management Corporation (i)	**$ 816**	$ 24,019
Robert Friedland related entities (ii)	**-**	21,224
	$ 816	$ 45,243

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Other related party transactions (continued)

The above noted transactions were 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.

At December 31, 2013, no amounts were due from (December 31, 2012 - $1.1 million) or payable to (December 31, 2012 - $0.1 million) companies related to Turquoise Hill by way of directors, officers or shareholders in common.

(i) On October 31, 2013, the Company ceased being one of seven equal shareholders of Global Mining Management Corporation (Global), a private company based in Vancouver, and the Company's Vice President, Human Resources and Administration ceased being a director of Global's parent company. Additionally, Global had a director in common with the Company until May 10, 2013. Global provided administration, accounting, and other office services to the Company on a cost-recovery basis.

(ii) Robert Friedland beneficially owned more than 10% of the Company until late April 2013 and was the Company's CEO up until April 17, 2012. Turquoise Hill had various service arrangements with certain private companies 100%-owned by Mr. Friedland. These arrangements were on a cost-recovery basis and included aircraft rental, administration and other office services out of London, England and Singapore. The cost-sharing arrangements with these entities were terminated in April 2012, and a payment of $19.4 million was made to settle all obligations.

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

23. SEGMENT DISCLOSURES

	Year Ended December 31, 2013				
	Oyu Tolgoi (a)	SouthGobi (b)	Other Exploration	Corporate	**Consolidated**
REVENUE	$ 51,520	$ 58,636	$ -	$ -	**$ 110,156**
COST OF SALES	(49,185)	(129,018)	-	-	**(178,203)**
EXPENSES					
Exploration and evaluation	(20,165)	(1,169)	(6,158)	-	**(27,492)**
Other operating expenses	(212,822)	(20,425)	-	-	**(233,247)**
General and administrative	-	-	-	(61,288)	**(61,288)**
Depreciation	(2,167)	(193)	(475)	(19)	**(2,854)**
Accretion of asset retirement obligations	(5,664)	(466)	-	-	**(6,130)**
Write-down of accounts receivables and other current assets	-	(30,352)	-	-	**(30,352)**
Write-down of carrying value of materials and supplies inventory	(14,839)	(14,962)	-	-	**(29,801)**
Write-down of carrying value of property, plant and equipment	-	(73,564)	-	-	**(73,564)**
TOTAL EXPENSES	(304,842)	(270,149)	(6,633)	(61,307)	**(642,931)**
OPERATING LOSS	(253,322)	(211,513)	(6,633)	(61,307)	**(532,775)**
OTHER INCOME (EXPENSES)					
Interest income	2,736	84	33	11,962	**14,815**
Interest expense	-	(20,291)	-	(42,092)	**(62,383)**
Financing costs	-	-	-	-	**-**
Foreign exchange losses	(2,342)	(1,659)	(306)	(1,304)	**(5,611)**
Change in fair value of derivatives	-	-	-	87,722	**87,722**
Change in fair value of embedded derivatives	-	5,481	-	-	**5,481**
Other (expense) income	-	(3,814)	-	232,535	**228,721**
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(252,928)	(231,712)	(6,906)	227,516	**(264,030)**
Provision for income and other taxes	(41,010)	(58,599)	(335)	(1)	**(99,945)**
Share of loss of significantly influenced investees	-	(53)	-	(3,029)	**(3,082)**
NET LOSS FROM CONTINUING OPERATIONS	(293,938)	(290,364)	(7,241)	224,486	**(367,057)**
CAPITAL EXPENDITURES	$ 1,071,670	$ 3,115	$ 441	$ 25	**$ 1,075,251**
TOTAL ASSETS	$ 7,921,540	$ 418,067	$ 5,429	$ 250,655	**$ 8,595,691**

(a) During the year ended December 31, 2013, all of Oyu Tolgoi's revenue arose from copper concentrate sales in China. Revenue from the three largest customers was $24.2 million, $18.4 million and $8.9 million, respectively.

(b) During the year ended December 31, 2013, all of SouthGobi's revenue arose from coal sales in Mongolia. Revenue from the three largest customers was $30.5 million, $10.0 million and $9.4 million, respectively.

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

23. SEGMENT DISCLOSURES (Continued)

	Year Ended December 31, 2012				
	Oyu Tolgoi	SouthGobi (a)	Other Exploration	Corporate	**Consolidated**
REVENUE	$ -	$ 78,062	$ -	$ -	**$ 78,062**
COST OF SALES	-	(155,448)	-	-	**(155,448)**
EXPENSES					
Exploration and evaluation	(42,181)	(8,598)	(15,302)	-	**(66,081)**
Other operating expenses	(107,540)	(33,494)	-	-	**(141,034)**
General and administrative	-	-	-	(154,486)	**(154,486)**
Depreciation	-	(215)	(145)	(45)	**(405)**
Accretion of asset retirement obligations	(2,218)	(517)	-	-	**(2,735)**
Write-down of accounts receivable and other current assets	-	-	-	-	**-**
Write-down of carrying value of materials and supplies inventory	-	-	-	-	**-**
Write-down of carrying value of property, plant and equipment	-	(15,245)	-	-	**(15,245)**
TOTAL EXPENSES	(151,939)	(213,517)	(15,447)	(154,531)	**(535,434)**
OPERATING LOSS	(151,939)	(135,455)	(15,447)	(154,531)	**(457,372)**
OTHER INCOME (EXPENSES)					
Interest income	3,432	406	74	11,892	**15,804**
Interest expense	-	(10,829)	-	(1,114)	**(11,943)**
Financing costs	-	-	-	(164,384)	**(164,384)**
Foreign exchange (losses) gains	(4,786)	(3,225)	(241)	14,900	**6,648**
Change in fair value of derivatives	-	-	-	194,664	**194,664**
Change in fair value of embedded derivatives	-	39,512	-	-	**39,512**
Other (expense) income	-	(23,631)	-	2,219	**(21,412)**
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(153,293)	(133,222)	(15,614)	(96,354)	**(398,483)**
(Provision) recovery of income taxes	(31,027)	10,627	(81)	7,582	**(12,899)**
Share of (loss) income of significantly influenced investees	-	(99)	-	(33,134)	**(33,233)**
NET LOSS FROM CONTINUING OPERATIONS	$ (184,320)	$ (122,694)	$ (15,695)	$ (121,906)	**$ (444,615)**
CAPITAL EXPENDITURES	$ 2,389,555	$ 90,658	$ 225	$ 22	**$ 2,480,460**
TOTAL ASSETS	$ 6,852,304	$ 685,016	$ 10,443	$ 1,257,796	**$ 8,805,559**

(a) During the year ended December 31, 2012, all of SouthGobi's revenue arose from coal sales in Mongolia. Revenue from the three largest customers were $23.5 million, $23.0 million and $14.3 million, respectively.

24. COMMITMENTS AND CONTINGENCIES

Turquoise Hill has, in the normal course of its business, entered into various long-term contracts, which include commitments for future operating payments under contracts for drilling, engineering, equipment rentals and other arrangements as follows:

2014	$ 218,494
2015	25,239
2016	207
2017	3
2018 onwards	6
	$ 243,949

24. COMMITMENTS AND CONTINGENCIES (Continued)

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 accrues for such items when both a liability is probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

(a) On December 13 and 18, 2013 two putative securities class action lawsuits were filed in the United States District Court for the Southern District of New York against the Company and certain of its officers and directors. The lawsuits seek to recover damages resulting from alleged misstatements about Turquoise Hill's financial performance and business prospects arising from revisions to its recognition of revenue on SouthGobi's coal sales, as disclosed on November 8, 2013. The Company believes the complaints are without merit and will vigorously defend against the lawsuits. In the opinion of the Company, at December 31, 2013 a provision for this matter is not required.

(b) SouthGobi is subject to investigations by Mongolia's Independent Authority against Corruption (the "IAAC") and the Mongolian State Investigation Office (the "SIA") regarding allegations against SouthGobi and some of its former employees. The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's money laundering and 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.

A report issued by the experts appointed by the SIA on June 30, 2013 and again in January 2014 has recommended that the accusations of money laundering as alleged against SouthGobi's three former employees be withdrawn. However, to date, SouthGobi has not received notice or legal document confirming such withdrawal as recommended by the experts appointed by the SIA.

A third investigation ordered by the SIA and conducted by the National Forensic Center ("NFC") into alleged violations of Mongolian taxation law was concluded at the end of January 2014. SouthGobi has received notice that the report with conclusions of the investigations by the NFC have been provided to the Prosecutor General of Mongolia. The Prosecutor General may undertake criminal actions against the three former employees for alleged violations of taxation laws and SouthGobi may be held liable as "civil defendant" as a result of these alleged criminal actions. These actions could result in the investigation case being imminently transferred to a Court of Justice under the relevant Mongolian law. The likelihood or consequences of such an outcome or any civil action taken against SouthGobi are uncertain and unclear at this time but could include

24. COMMITMENTS AND CONTINGENCIES (Continued)

financial or other penalties, which could be material, and which could have a material adverse effect on Turquoise Hill.

Turquoise Hill disputes and will vigorously defend itself against any civil or criminal actions. At this point, the three former employees remain designated as "accused" in connection with the allegations of tax evasion, and continue to be subject to a travel ban. SouthGobi remains designated as a "civil defendant" in connection with the tax evasion allegations, and may potentially be held financially liable for the alleged criminal misconduct of its former employees under Mongolian Law.

The SIA also continues to enforce administrative restrictions, which were initially imposed by the IAAC investigation, on certain of SouthGobi's Mongolian assets, including local bank accounts, in connection with its continuing investigation of these allegations. While the orders restrict the use of in-country funds pending the outcome of the investigation, they are not expected to have a material impact on Turquoise Hill's activities in the short term, although they could create potential difficulties for Turquoise Hill in the medium to long term. Turquoise Hill will continue to take all appropriate steps to protect its ability to conduct its business activities in the ordinary course.

In the opinion of Turquoise Hill, at December 31, 2013 a provision for this matter is not required.

(c) In the first quarter of 2013, the IAAC informed SouthGobi that orders placing restrictions on certain of its Mongolian assets had been imposed in connection with its continuing investigation. 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. While the orders related to SouthGobi's Mongolian banks accounts 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.

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

25. FAIR VALUE ACCOUNTING

The ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company’s financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	**$ -**	$ -	$ -	$ -
Long-term investments	**49,053**	31,121	17,932	-
Other long-term investments	**254,253**	-	-	254,253
Long-term investments included in non-current assets held for sale	**-**	-	-	-
	$ 303,306	$ 31,121	$ 17,932	$ 254,253
Liabilities:				
Payable to related parties	**$ 71,886**	**$ -**	**$ 71,886**	**$ -**
Rights offering derivative liabilities	**928,280**	456,827	471,453	$ -
Embedded derivative liability	**3,395**	-	3,395	-
	$ 1,003,561	$456,827	$ 546,734	$ -

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

25. FAIR VALUE ACCOUNTING (Continued)

	Fair Value at December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	**$ 15,000**	$ 15,000	$ -	$ -
Long-term investments	**37,472**	37,472	-	-
Other long-term investments	**270,612**	-	-	270,612
Long-term investments included in non-current assets held for sale	**(2,280)**	(2,280)	-	-
	$ 320,804	$ 50,192	$ -	$ 270,612
Liabilities:				
Payable to related parties	**$ -**	**$ -**	**$ -**	**$ -**
Rights offering derivative liability	**-**	-	-	-
Embedded derivative liability	**8,876**	-	8,876	-
	$ 8,876	$ -	$ 8,876	$ -

The Company's short-term investments are classified within level 1 of the fair value hierarchy as they are valued using quoted market prices of certain investments.

The Company's freely tradeable long-term investments are classified within level 1 of the fair value hierarchy as they are valued using quoted market prices of certain investments. Whereas, long-term investments with trading restrictions are classified within level 2 as they are valued by applying a liquidity discount to quoted market prices of certain investments.

The Company's other long-term investments are classified within level 3 of the fair value hierarchy and consist of tax prepayments, the T-Bill and other investments.

The standby purchaser fee liability, included within payable to related parties, is classified within level 2 of the fair value hierarchy as its fair value is determined using the optimal currency of exercise for a right.

The Company's rights offering derivative liabilities are classified within levels 1 and 2 of the fair value hierarchy. The derivative financial liability associated with rights held by the Company's noncontrolling shareholders is classified within level 1 of the fair value hierarchy as its fair value is determined by reference to published market quotations for the rights. The derivative financial liability associated with rights held by Rio Tinto is classified within level 2 of the fair value hierarchy as its fair value is determined using a forward pricing model, which uses readily observable inputs.

The Company's embedded derivative liability, included within the convertible credit facility (Note 10), is classified within level 2 of the fair value hierarchy as its fair value is determined using a Monte Carlo simulation valuation model, which uses readily observable market inputs.

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

25. FAIR VALUE ACCOUNTING (Continued)

The table below sets forth a summary of changes in the fair value, on a recurring basis, of the Company's level 3 financial assets for the year ended December 31, 2013 and 2012.

	Tax Prepayment	T-Bills	Other Investments	Convertible Bonds	Totals
Balance, December 31, 2011	$ 136,103	$ 88,348	$ 32,277	$ 15,627	**$ 272,355**
Accrued interest	2,695	3,017	-	-	**5,712**
Foreign exchange gains	-	-	66	-	**66**
Fair value redeemed	-	-	(31,325)	-	**(31,325)**
Unrealized gains included in other comprehensive income	15,143	15,166	-	-	**30,309**
Unrealized gains included in earnings	-	-	9,122	2,311	**11,433**
Convertible Bond conversion	-	-	-	(17,938)	**(17,938)**
Balance, December 31, 2012	$ 153,941	$ 106,531	$ 10,140	$ -	**$ 270,612**
Accrued interest	2,743	3,100	-	-	**5,843**
Foreign exchange losses	-	-	(139)	-	**(139)**
Fair value redeemed	-	-	(10,239)	-	**(10,239)**
Unrealized losses included in other comprehensive income	(11,725)	(337)	-	-	**(12,062)**
Unrealized gains included in earnings	-	-	238	-	**238**
Balance, December 31, 2013	**$ 144,959**	**$ 109,294**	**$ -**	**$ -**	**$ 254,253**

The fair values used in determining the following impairment losses were estimated using probability-weighted discounted cash flow models, which used significant unobservable inputs. Therefore, these fair value measurements are categorized within level 3 of the fair value hierarchy.

- During the year ended December 31, 2013, Turquoise Hill recorded a $66.3 million impairment loss related to property, plant and equipment (Note 8 (c)).
- During the year ended December 31, 2011, Turquoise Hill entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd., to toll wash coal from the Ovoot

25. FAIR VALUE ACCOUNTING (Continued)

Tolgoi mine. The agreement has a duration of 5-years from commencement and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input raw coal.

Commercial operations at the wet washing facility have not commenced. Turquoise Hill identified the results of a trial sample from the wet washing facility and the delay in starting the commercial operations at the wet washing facility as indicators of impairment for the prepaid toll washing fees, which are part of the contract with Ejin Jinda. Updated estimates and assumptions related to wash yields from the facility were incorporated in a probability-weighted discounted cash flow model, using a discount rate of 10.4%, to estimate the fair value of the prepaid toll washing fees. As a result of the impairment assessment, a $30.2 million impairment loss on the $33.6 million of prepaid toll washing fees was recorded during the year ended December 31, 2013. The remaining carrying amount of the prepaid toll washing fees of $3.4 million is classified as prepaid expenses.

26. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

(a) Turquoise Hill is exposed to credit risk with respect to its accounts receivable and other long-term investments. The significant concentrations of credit risk are situated in Mongolia and China. Turquoise Hill does not mitigate the balance of this risk.

(b) Turquoise Hill is exposed to interest rate risk with respect to the variable rates of interest incurred on the interim and bridge funding facilities (Note 11) and cash and cash equivalents. Interest rate risk is concentrated in Canada and principally relates to the U.S. dollar LIBOR. Turquoise Hill does not mitigate the balance of this risk.

Exhibit 99.3

Turquoise Hill Resources Ltd.

Annual Report for the year ended December 31, 2013.

Share Capital
As at March 26, 2014, the Company had approximately 2.0 billion common shares issued and outstanding and warrants and stock options outstanding for approximately 155.3 million additional common shares.

Share Information
Common shares of Turquoise Hill Resources Ltd. are listed for trading under the symbol TRQ on the New York Stock Exchange, NASDAQ and the Toronto Stock Exchange.

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INTRODUCTION

This 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 audited consolidated financial statements of Turquoise Hill Resources Ltd. and the notes thereto for the year ended December 31, 2013. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). In this MD&A, unless the context otherwise dictates, a reference to the Company refers to Turquoise Hill Resources Ltd. and a reference to Turquoise Hill refers to Turquoise Hill Resources Ltd., together with its subsidiaries. Additional information about the Company, including its Annual Information Form, is available under Turquoise Hill's profile on SEDAR at www.sedar.com.

References to "C$" refer to Canadian dollars, "A$" to Australian 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 63.

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 43.

The effective date of this MD&A is March 26, 2014.

OVERVIEW

2013 FINANCIAL RESULTS AND REVIEW OF OPERATIONS

HIGHLIGHTS

- Oyu Tolgoi achieved a strong safety performance for 2013 with no fatalities and an All Injury Frequency Rate of 0.43 per 200,000 hours worked.
- Oyu Tolgoi produced approximately 290,000 tonnes of concentrate for 2013 and 76,700 tonnes of copper in concentrates.
- In 2013, Oyu Tolgoi recorded net revenue of $51.6 million on 26,400 tonnes of concentrate.
- In March 2014, sales volumes at Oyu Tolgoi began accelerating and approaching production; as at March 24, 2014, approximately 43,000 tonnes of concentrate has been sold in 2014.
- During Q4'13, open pit production increased approximately 81% over Q3'13 as the mine returned to more normal operating levels.

- Concentrator production rates progressively increased during 2013, including periods where throughput rates exceeded design.

- Production at Oyu Tolgoi during Q1'14 has been impacted by various post-commissioning issues, including failure of the rake blades in the tailings thickeners, which have been repaired and full production recommenced on March 24, 2014. In addition, certain post-commissioning debottlenecking projects have been deferred in order to preserve cash.

- Oyu Tolgoi is now expected to produce 135,000 to 160,000 tonnes of copper in concentrates and 600,000 to 700,000 ounces of gold in concentrates for 2014.

- Sales contracts have now been signed for 74% and 84% of Oyu Tolgoi's 2014 and 2015 concentrate production respectively, while 40% of concentrate production is contracted for eight years (subject to renewals); discussions are ongoing with potential customers to place the remaining tonnage under long-term agreements at international terms.

- During Q4'13 and Q1'14, constructive engagement with the Government of Mongolia continued with the aim of resolving a number of outstanding shareholder issues and progressing project financing.

- At the end of 2013, approximately 92% of Oyu Tolgoi's employees were Mongolian nationals in line with the Investment Agreement requirements.

- During Q4'13, Oyu Tolgoi signed a two-year collective agreement with the Oyu Tolgoi Trade Union – a departure from typical 12-month Mongolian labor agreements.

- Following a Q4'13 launch, Turquoise Hill successfully closed an approximate $2.4 billion rights offering in January 2014 and repaid all outstanding Rio Tinto funding facilities.

- In 2013, SouthGobi produced approximately 3.1 million tonnes of coal compared to production of approximately 1.3 million tonnes of coal in 2012.

- In 2013, SouthGobi sold 3.26 million tonnes of coal at an average realized selling price of $24.25 per tonne compared to sales of 1.98 million tonnes of coal at an average realized selling price of $47.49 per tonne in 2012.

TURQUOISE HILL RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

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

INDEX

The MD&A is comprised of the following sections:

1. SELECTED ANNUAL FINANCIAL INFORMATION

This selected financial information is in accordance with U.S. GAAP as presented in the annual consolidated financial statements.

($ in millions of U.S. dollars, except per share information)	Years ended December 31, 2013	2012	2011
Revenue			
Copper-gold concentrate	$ 51.6	$ -	$ -
Coal	58.6	78.1	130.8
Total revenue	$ 110.2	$ 78.1	$ 130.8
Net loss from continuing operations attributable to parent	$ (68.7)	$ (345.4)	$ (495.6)
Net loss from discontinued operations attributable to parent	(43.3)	(66.7)	(92.1)
Net loss attributable to parent	$ (112.0)	$ (412.1)	$ (587.7)
Net loss per share from continuing operations attributable to parent	$ (0.06)	$ (0.31)	$ (0.51)
Net loss per share from discontinued operations attributable to parent	(0.03)	(0.06)	(0.10)
Net loss per share attributable to parent	$ (0.09)	$ (0.37)	$ (0.61)
Total assets	$ 8,595.7	$ 9,090.1	$ 6,141.2
Total long-term financial liabilities	$ 1,130.7	$ 229.4	$ 660.1

2. REVIEW OF OPERATIONS

Turquoise Hill is an international mining company focused on copper, gold and coal mines in Mongolia. The Company's main focus is the operation and development of the Oyu Tolgoi mine, Turquoise Hill's principal and only material mineral resource property. Turquoise Hill will continue to consider the divestment of non-core assets. Turquoise Hill's operating mines were held by the following subsidiaries at December 31, 2013 and March 26, 2014:

- A 66% interest in Oyu Tolgoi LLC (Oyu Tolgoi), whose principal asset is the Oyu Tolgoi copper-gold mine in southern Mongolia.
- A 56% interest in SouthGobi Resources Ltd. (SouthGobi), which owns the Ovoot Tolgoi coal mine in southern Mongolia.

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, with the first concentrate produced, as part of the commissioning activities, in January 2013.

The Oyu Tolgoi mine initially is being 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. Future plans for Oyu Tolgoi envisage a 95,000-tonne-per-day underground block-cave mine. In August 2013, development of the underground mine was delayed until matters with the Government of Mongolia can be resolved. Upon successful resolution, development of the underground mine is expected to recommence.

On November 1, 2013, the Company completed the divestment of its 56.1% interest in Inova Resources Limited (formerly Ivanhoe Australia Limited) (Inova) to Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (Shanxi) for approximately A$90 million in cash (approximately $83 million). Inova's operations up to the date of disposition are presented as discontinued operations in the consolidated statements of operations and consolidated statements of cash flows.

On November 29, 2013, the Company completed the sale of its 50% interest in Altynalmas Gold Ltd. (Altynalmas) to Sumeru Gold BV (Sumeru) for $235 million.

In 2013, Turquoise Hill recorded a net loss of $112.0 million ($0.09 per share), compared to a net loss of $412.1 million ($0.37 per share) in 2012, which was a decrease of $300.1 million. Results for 2013 included $110.2 million in revenue; $228.7 million in other income; $14.8 million in interest income; an $87.7 million gain from the change in the fair value of the rights offering derivative liabilities; a $5.5 million gain from the change in the fair value of SouthGobi's embedded derivatives; and $335.6 million of net loss attributable to non-controlling interests. These amounts were offset by $178.2 million in cost of sales; $27.5 million in exploration and evaluation expenses; $233.2 million in other operating expenses; $61.3 million in general and administrative expenses; $30.4 million write-down of accounts receivable and other current assets; $29.8 million write-down of carrying value of materials and supplies inventory; $73.6 million write-down of carrying value of property, plant and equipment; $62.4 million in interest expense; $5.6 million in foreign exchange losses; a $3.1 million share of loss of significantly influenced investees; a $99.9 million provision for income and other taxes; and a $80.6 million loss from discontinued operations.

Turquoise Hill's cash position, on a consolidated basis at December 31, 2013, was approximately $78.1 million. As at March 26, 2014, Turquoise Hill's consolidated cash position was approximately $147.0 million.

A. CORE INTERESTS AND ACTIVITIES

The main activities of Turquoise Hill during 2013 were the commissioning and production ramp up at the Oyu Tolgoi mining complex and the restarting of operations at SouthGobi's Ovoot Tolgoi coal mine, which began on March 22, 2013. During 2013, Turquoise Hill sold its holdings in Inova and Altynalmas.

In 2013, Turquoise Hill capitalized $642.9 million in additions to property, plant and equipment compared to $2.6 billion in 2012. The majority of the 2013 additions to property, plant and equipment were at the Oyu Tolgoi mine ($641.0 million), including underground development costs of $459.8 million (2012: $309.1 million). On May 1, 2013, the Oyu Tolgoi mine's ore processing infrastructure, including the concentrator, was in the condition and location necessary for its intended use. Therefore, on this date, costs associated with establishing and commissioning this infrastructure ceased being capitalized.

Other operating expenses of $233.2 million in 2013 increased by $92.2 million from $141.0 million in 2012. The increase in other operating expenses is primarily due to ceasing the capitalization of development costs associated with the Oyu Tolgoi mine's open pit operations from May 1, 2013 onwards.

Exploration and evaluation expenses of $27.5 million in 2013 decreased by $38.6 million from $66.1 million in 2012. Exploration and evaluation expenses mainly consists of activities at Oyu Tolgoi (2013: $20.2 million, 2012: $42.2 million) and SouthGobi (2013: $1.2 million, 2012: $8.6 million).

OYU TOLGOI COPPER-GOLD MINE

First year of production

By the end of Q1'13, construction of the Oyu Tolgoi open-pit mine and concentrator complex was complete and mine infrastructure was substantially complete.

Major highlights for 2013 and Q1'14 include the following:

- Oyu Tolgoi achieved a strong safety performance for 2013 with no fatalities and an All Injury Frequency Rate of 0.43 per 200,000 hours worked.

- In 2013, Oyu Tolgoi produced approximately 290,000 tonnes of concentrate. The mine produced 76,700 tonnes of copper in concentrates for 2013 and met production guidance.

- Throughput and recovery rates improved throughout 2013. During the first half of 2013, commissioning of the concentrator progressed and concentrate production ramped up. By Q3'13, the concentrator had consistently achieved throughput rates above 95% of capacity and by the end of 2013 was operating at just above design capacity.

- On July 9, 2013, Oyu Tolgoi commenced the shipping of concentrate. During Q3'13, Oyu Tolgoi's customers were engaged with Chinese customs officials to receive the necessary approvals to enable them to collect purchased concentrate. Sales commenced on October 19, 2013 when the first customer collected concentrate from the Chinese-border warehouse. Net revenue for 2013 was $51.6 million on 26,400 tonnes of concentrate.

- In Q2'13, open-pit production rates were reduced to preserve cash and better align open-pit production to the needs of the concentrator during the ramp up period. Open-pit mining resumed during Q3'13 and returned to more normal operating levels during Q4'13. During Q4'13, open-pit production increased approximately 81% over Q3'13.

- On September 1, 2013, Oyu Tolgoi achieved the Commencement of Production as defined in the October 2009 Investment Agreement between Turquoise Hill, Rio Tinto and the Government of Mongolia. This resulted in an increase in the Management Services Payment from 3% to 6% of capital costs and operating costs incurred by Oyu Tolgoi. The Company and Rio Tinto have agreed to evenly split the Management Services Payment from Oyu Tolgoi.

- On July 28, 2013, Turquoise Hill announced that funding and all work on the underground development of Oyu Tolgoi would be delayed and on August 13, 2013 development was suspended. All parties are committed to further construction and development of Oyu Tolgoi subject to resolution of shareholder issues.

- Prior to the development suspension in Q3'13, underground lateral development at Hugo North had advanced approximately 16 kilometres and the sinking of Shaft #2 and Shaft #5 had reached approximate depths below surface of 1,200 metres (91% of its final depth) and 200 metres (17% of its final depth), respectively. Development of the main ventilation station was completed during Q3'13.

- The feasibility study for the expansion of operations at the Oyu Tolgoi mine is ongoing and expected to be complete in the first half of 2014. Following completion, the study must be approved by the mine's shareholders as well as the Mongolian Minerals Council.

- Sales contracts have now been signed for 74% and 84% of Oyu Tolgoi's expected 2014 and 2015 concentrate production respectively, while 40% of concentrate production is contracted for eight years (subject to renewals). Discussions are ongoing with potential customers to place the remaining tonnage under long-term agreements at international terms.

- At the beginning of January 2014, annual negotiations were conducted with all Oyu Tolgoi customers and 2014 annual treatment and refining charges were settled at the Far East Benchmark of $92 per tonne of copper concentrate and 9.2 cents per pound of payable copper.

- During Q4'13, negotiations with the Oyu Tolgoi Trade Union were finalized resulting in the signing of a new collective agreement. The new two-year agreement is a departure from Mongolian labor agreements which typically are for 12 months. All parties see the new agreement as a positive step in positioning Oyu Togloi for long-term operations.

Final cost for the initial development and construction of Oyu Tolgoi was approximately $6.2 billion.

Funding of Oyu Tolgoi

In accordance with the Amended and Restated Shareholders' Agreement dated June 8, 2011 (ARSHA), Turquoise Hill is required to fund Oyu Tolgoi's cash requirements until September 1, 2016, and Oyu Tolgoi must repay all amounts funded by way of debt, including accrued interest, before it can pay common share dividends. At December 31, 2013, the aggregate outstanding balance of loans extended by subsidiaries of the Company to Oyu Tolgoi was $6.8 billion, including accrued interest of $0.9 billion. These loans bear interest at an effective annual rate of LIBOR plus 6.5%.

In accordance with the ARSHA, a subsidiary of the Company has funded common share investments in Oyu Tolgoi on behalf of Erdenes Oyu Tolgoi LLC (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. As at December 31, 2013, the cumulative amount of such funding, representing approximately 34% of invested common share equity, and accrued interest thereon totalled $751.2 million and $110.5 million respectively.

Fourth quarter and full-year 2013 performance

In 2013, Oyu Tolgoi generated revenue of $51.6 million, net of royalties of $3.0 million, on sales of 26,400 tonnes of copper-gold concentrates. Oyu Tolgoi's breakdown of revenue, net of royalties, by metals in concentrates is as follows: approximately 6,100 tonnes of copper for $37.6 million, approximately 10,000 ounces of gold for $13.2 million and approximately 36,000 ounces of silver for $0.8 million. All 2013 revenue from the sale of copper-gold concentrates arose in Q4'13. Oyu Tolgoi's sales of concentrate are subject to a 5% royalty in Mongolia. Turquoise Hill's revenues are presented net of royalties.

Oyu Tolgoi recognized cost of sales in 2013 of $49.2 million, which included direct cash costs of product sold, mine administration cash costs of product sold, mining plant and equipment depreciation, and depletion of mineral properties.

Key operational and production metrics for Q4'13 and full-year 2013 are as follows:

Oyu Tolgoi Production Data
All data represents full production and sales on a 100% basis

	1H 2013	3Q 2013	**4Q 2013**	12 Months 2013
Open pit material mined ('000 tonnes)	37,925	12,151	**21,956**	72,032
Ore Treated ('000 tonnes)	4,430	8,052	**7,835**	20,317
Average mill head grades:				
Copper (%)	0.42	0.47	**0.49**	0.47
Gold (g/t)	0.27	0.36	**0.41**	0.36
Silver (g/t)	1.31	1.39	**1.44**	1.39
Copper concentrates produced ('000 tonnes)	50.2	110.3	**129.5**	290.0
Average concentrate grade (% Cu)	26.1	27.7	**25.4**	26.4
Production of metals in concentrates:				
Copper in concentrates ('000 tonnes)	13.1	30.6	**32.9**	76.7
Gold in concentrates ('000 ounces)	21	62	**74**	157
Silver in concentrates ('000 ounces)	85	196	**208**	489
Sales of metals in concentrates:				
Copper in concentrates ('000 tonnes)	-	-	**6.1**	6.1
Gold in concentrates ('000 ounces)	-	-	**10**	10
Silver in concentrates ('000 ounces)	-	-	**36**	36
Metal recovery (%)				
Copper	73.2	81.7	**86.4**	81.6
Gold	56.7	66.3	**71.2**	66.1
Silver	47.8	54.9	**57.2**	54.2

Ramp up of the open pit was slower than expected during Q4'13 due to delays in recruitment and training and a strong focus on construction of the tailings storage facility. As a result, material mined during October and November 2013 was below expectation but it returned to near plan during December.

Production rates at the Oyu Tolgoi concentrator progressively increased during 2013, including periods where throughput rates exceeded design. In December 2013, the concentrator processed 3.0 million tonnes of ore, which was slightly above plan. Record production was achieved on December 2, 2013 with 122,800 tonnes of ore processed. Recovery of copper and gold progressively improved during 2013 as the open-pit mine deepened, feed grades increased and operations normalized.

Infrastructure construction continued throughout 2013. The building of the Oyu Tolgoi – Gashuun Sukhair road to an existing toll road is ongoing and is expected to be completed in 2014. The diversion of the Undai River was finished during Q3'13.

During 2013, additions to property, plant and equipment for the Oyu Tolgoi mine totalled $641.0 million (2012: $2.6 billion), which included underground development costs of $459.8 million (2012 $309.1 million). On May 1, 2013, the Oyu Tolgoi mine's ore processing infrastructure, including the concentrator, was in the condition and location necessary for its intended use. Therefore, on this date, costs associated with establishing and commissioning this infrastructure ceased being capitalized.

Q1'14 operational outlook

Some sales volumes previously expected during Q1'14 were deferred into Q2'14 and Q3'14 due to technical issues at two of Oyu Tolgoi's receiving smelters. Also, sales were slower than expected during January and February 2014 but began to accelerate during March 2014 and approached production. As at March 24, 2014, approximately 43,000 tonnes of concentrate has been sold in 2014. During Q2'14, sales are expected to increase and match production. During the second half of 2014, Oyu Tolgoi is expected to begin a drawdown of inventory. Oyu Tolgoi will monitor production levels and only if necessary, match them to meet customer requirements, with the goal of returning to more normal levels of inventory by the end of 2014.

As previously disclosed, Q1'14 production has been impacted by various post-commissioning issues including the failure of the rake blades in the tailings thickeners. This resulted in a shutdown of one line, approximately 50% feed rate, for seven weeks. Repairs to the rakes have been completed and full production recommenced on March 24, 2014. In addition, certain post-commissioning debottlenecking projects have been deferred in order to preserve cash.

Turquoise Hill now expects Oyu Tolgoi to produce 135,000 to 160,000 tonnes of copper in concentrates and 600,000 to 700,000 ounces of gold in concentrates for 2014.

In February 2014, Oyu Tolgoi signed two agreements that are expected to provide the mine with additional liquidity. On February 20, 2014, Oyu Tolgoi signed a $126 million non-revolving copper concentrate prepayment agreement with one of its customers whereby Oyu Tolgoi can request the customer to prepay up to 80% of the provisional value of copper concentrate produced but not yet delivered. On February 24, 2014, Oyu Tolgoi signed an unsecured $200 million revolving credit facility with two banks.

Discussions with the Government of Mongolia

Turquoise Hill, Rio Tinto and the Government of Mongolia continue to work together with the aim of resolving outstanding shareholder issues and finalizing project finance for further development of the underground mine at Oyu Tolgoi. Progress is being made and some matters have been resolved. All parties remain committed to further development of Oyu Tolgoi.

While discussions remain constructive, it may not be possible to resolve the shareholder issues until the underground feasibility study has been completed, reviewed and approved by all parties and all necessary permits have been received. The feasibility study is expected to be completed in the first half of 2014.

If agreement on outstanding shareholder issues is deferred until after the completion and approval of the feasibility study, the project finance will not be able to be closed prior to the current expiry of the lender commitments on March 31, 2014. In this event, the shareholders will consider requesting an extension of the commitments from the project finance lenders and finalization of the Oyu Tolgoi project financing may be deferred to the second half of 2014.

2013 Oyu Tolgoi Technical Report

On March 25, 2013, the 2013 Oyu Tolgoi Technical Report (2013 OTTR) was released. The 2013 OTTR was reviewed by independent qualified persons. The 2013 OTTR is the current Technical Report for the Oyu Tolgoi mine and related projects. Disclosure of a scientific or technical nature in the Annual Information Form in respect of the 2013 OTTR was prepared by the following qualified persons: Bernard Peters, B. Eng. (Mining), FAusIMM of OreWin Pty Ltd. (“OreWin”), formerly of AMC Consultants Pty Ltd. (“AMC”), who was responsible for the overall preparation of the report and the mineral reserve estimate of the report; as well as the preparation of the geotechnical sections and the sections related to and including processing; and Sharron Sylvester, B.Sc Geology, MAIG (RPGeo), of OreWin; also formerly of AMC; who was responsible for preparation of the mineral resources estimate of the report; both of whom are “qualified persons” for the purposes of National Instrument 43-101.

Highlights of the 2013 OTTR include the following:

- The OTTR revised phase-two capital estimate of $5.1 billion is based on the concentrator operating at its initial capacity of 100,000 tonnes per day and includes an expansion to the back end of the concentrator to process the high grade underground ore. Ore is initially fed from the Southern Oyu open pit mine, which is subsequently displaced with the more valuable Hugo North Lift 1 underground ore.
- The peak production rate from the underground has increased from an expected 85,000 tonnes per day to an expected 95,000 tonnes per day.
- The 2013 OTTR excludes the power plant and concentrator expansion to 160,000 tonnes per day outlined in the 2012 Integrated Development and Operations Plan Technical Report (IDOP).
- A decision to expand the concentrator to also process full production from the open pit mine does not need to be made at this time. Prior to this decision point, the Company will continue to evaluate and optimize options for resource development.
- The 100,000 tonne reserve case does not include construction of a power station; capital and operating costs have been adjusted to reflect purchases from a third party Mongolia based power provider.
- The case supporting the mineral reserve has extended from 27 to 43 years as concentrator production has been assumed to remain at 100,000 tonnes per day.
- The average cash cost after gold and silver credits for the first ten years of production is expected to be $0.89 per pound of copper. The increase relative to the 2012 IDOP ten-year average cash cost was primarily a result of incorporating higher third party power costs compared to a dedicated power station. This increase in power costs resulted in a large increase in processing costs and a smaller increase in mining costs. Higher general and administration costs also contribute to the increase in average cash cost.
- Overall, the Company estimates that there has been a 30% increase in the direct capital cost to construct the underground mine. The remainder of the increase in the phase-two capital estimate, after adjusting for scope changes, is primarily driven by an increase in contingencies, contractor costs and owner execution costs.
- The independently prepared 2013 OTTR states that the ongoing work being undertaken on the feasibility study may result in opportunities to improve the economics through cost reductions and optimizations of the mine plan. Oyu Tolgoi plans to complete a focused and structured review of the feasibility study work to support future capital approvals.

- The 2013 OTTR reserves and resources show an increase from previous years. The 2013 OTTR states that the deposits contain a currently identified estimated resource of 45.8 billion pounds of contained copper and 24.9 million ounces of contained gold in the measured and indicated mineral resource categories and 54.6 billion pounds of contained copper and 36.8 million ounces of contained gold in the inferred category. The reasonable prospects analysis identified a reduction in cut-off grade, which was the predominant factor for the change in resources relative to reporting in previous years. The mineral reserves state 26.5 billion pounds recovered copper and 12.9 million ounces recovered gold, increases of 4.4% in recovered copper and 4.3% in recovered gold over the 2012 IDOP mineral reserve. The increase in reserves is a result of re-optimization of the mine designs. Mineral resources are inclusive of mineral reserves.

Oyu Tolgoi workforce

Employment at Oyu Tolgoi continues to focus on utilizing Mongolian men and women and developing their skills through established training programs. As at December 31, 2013, Oyu Tolgoi had 2,830 employees and approximately 92% were Mongolian nationals. This is in line with the Investment Agreement requirement that 90% of Oyu Tolgoi's employees must be Mongolian nationals. Additionally, the number of Mongolians in senior leadership roles increased during 2013 with the appointment of a number of individuals to the Oyu Tolgoi executive management team. Mongolians now occupy nearly 50% of all superintendent and specialist-level positions and over 35% of manager/principal roles.

Development and exploration drilling continued in Q4'13

In 2013, 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 with the potential to directly impact the value of current operations and continuing development of legacy datasets to enable future discovery. There was also a reduction of drilling compared to previous years as emphasis shifted to data compilation, 3D modelling and interpretation to generate the next series of prioritized targets. In Q3'13, encouraging drilling results were reported from a Hugo West target. There was further shallow exploration to the Hugo West target in Q4'13 and Q1'14.

An infill drilling program at Hugo North Lift #1 was completed during 2013 and is being incorporated into an updated Hugo North resource model. This new Hugo North resource model will be used for the 2014 feasibility study.

During Q4'13, exploration drilling continued with 4,830 metres of surface diamond drilling completed by up to three drill rigs on the Oyu Tolgoi mining licence. OTD1770, located to the west of the Hugo South deposit and 380 metres south from OTD1769, was drilled to test the continuation of mineralization to the southwest of the Hugo South deposit and also test a magneto-telluric geophysical anomaly. OTD1770 has intersected quartz monzodiorite intruded by narrow basalt and andesite dikes. Drilling to date indicates a potential exploration target within the Hugo West area with moderate grade mineralization continuing over the 380 metre strike length that has been tested.

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

Drilling of OTD1771 took place during Q4'13 to test for continued mineralization of the Hugo West target. OTD1771 showed a continuity of mineralization within the Hugo West target to the south, albeit at weakening grades and reduced intercept thickness.

Twelve shallow drillholes were completed during the quarter targeting the Hugo West shallow exploration target. Copper and gold assay results have been received and are shown in the table below. The initial logging and assays indicate that the Hugo West shallow target is potentially a low-grade open pitable exploration target that requires additional drilling to delineate the target. The Hugo West shallow target is hosted predominantly in quartz monzodiorite and ignimbrite.

Development and exploration annexure

Collar table for drillholes OTD1770-OTD1772 and OTD1803-1813

Hole No	Easting	Northing	RL	Azimuth	Inclination	EOH	Prospect
OTD1770	650483	4765762	1174	90	70	1783	Hugo West
OTD1771	650440	4765460	1169	90	80	1140.6	Hugo West
OTD1772	650240	4765100	1174	270	80	249.4	Hugo West Shallow
OTD1803	650341	4765100	1168	270	80	333.8	Hugo West Shallow
OTD1804	650447	4765102	1179	270	80	288.7	Hugo West Shallow
OTD1805	650240	4765050	1170	270	70	306.6	Hugo West Shallow
OTD1806	650441	4765050	1168	270	70	305	Hugo West Shallow
OTD1807	650340	4765050	1181	270	70	306.7	Hugo West Shallow
OTD1808	650440	4765000	1181	270	80	309.6	Hugo West Shallow
OTD1809	650340	4765000	1181	270	70	300.7	Hugo West Shallow
OTD1810	650240	4765000	1181	270	60	288.3	Hugo West Shallow
OTD1811	650440	4764950	1182	270	80	336.8	Hugo West Shallow
OTD1812	650185	4765100	1175	270	80	294.6	Hugo West Shallow
OTD1813	650340	4764950	1185	270	70	216.6	Hugo West Shallow

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

Results for drillholes OTD1770-OTD1772 and OTD1803-1813

Hole No	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
	242	304	62	0.01	0.60
OTD1770	426	798	372	0.08	0.45
including	624	708	84	0.08	0.73
	827	880	53	0.11	0.49
	942	1008	66	0.15	0.38
	1020	1286	266	0.14	0.34
	1624	1718	94	0.38	0.40
	330	366	36	0.04	0.39
OTD1771	896	956	60	0.03	0.31
	978	1008	30	0.26	0.48
	1058	1098	40	0.10	0.49
OTD1772	102	249.4	147.4	0.18	0.32
OTD1803	134	333.8	199.8	0.20	0.32
OTD1804	166	218	52	0.03	0.40
OTD1805	88	168	80	0.24	0.76
including	102	120	18	0.23	1.06
	182	276	92	0.30	0.46
including	182	202	20	0.69	1.35
OTD1806	56	72	16	0.04	0.51
	164	224	60	0.40	0.72
including	206	220	14	1.24	1.91
OTD1807	132	224	92	0.16	0.40
OTD1808	80	250	170	0.23	0.47
	100	114	14	0.30	0.31
OTD1809	192	202	10	0.34	0.45
	256	272	16	0.45	0.12
OTD1810	10	122	112	0.14	0.40
	182	204	22	1.15	0.12
including	192	194	2	9.02	0.15
OTD1811	194	222	28	0.40	0.21
	8	72	62	0.05	0.57
OTD1812	158	186	28	0.16	0.33
	202	282	80	0.37	0.32
OTD1813	18	38	20	0.42	0.48
	70	118	48	0.36	0.53

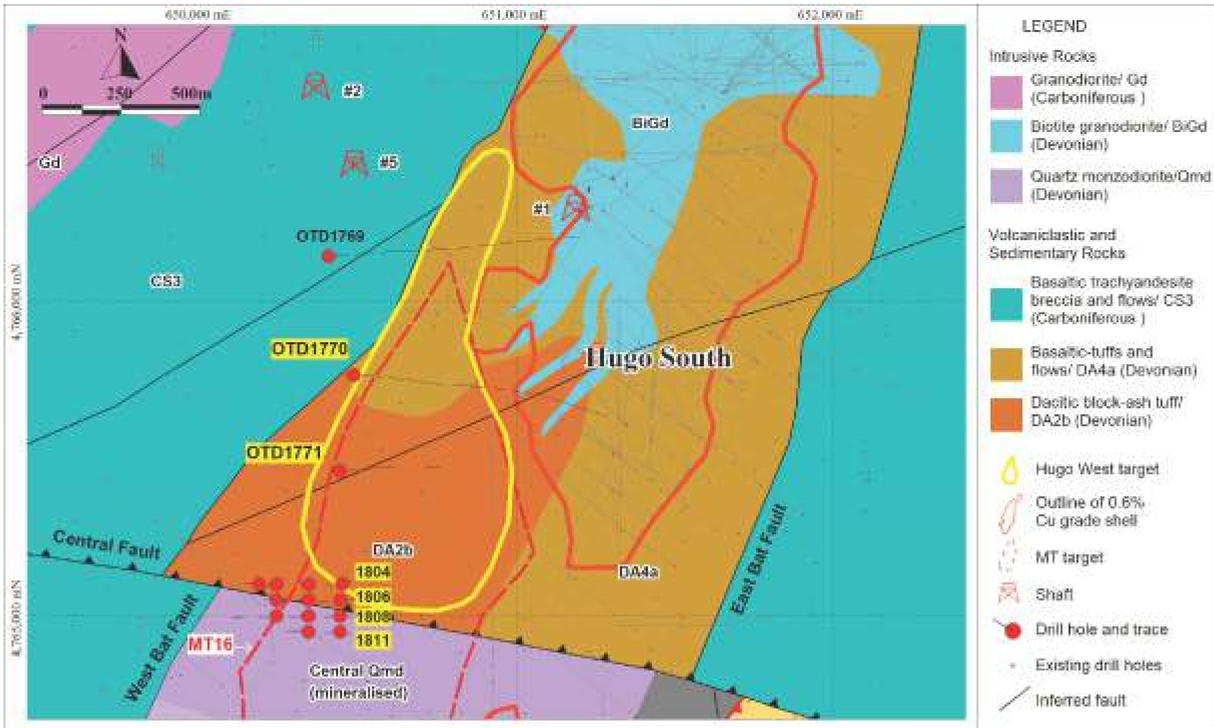

Figure 1 - Location of Hugo West drilling

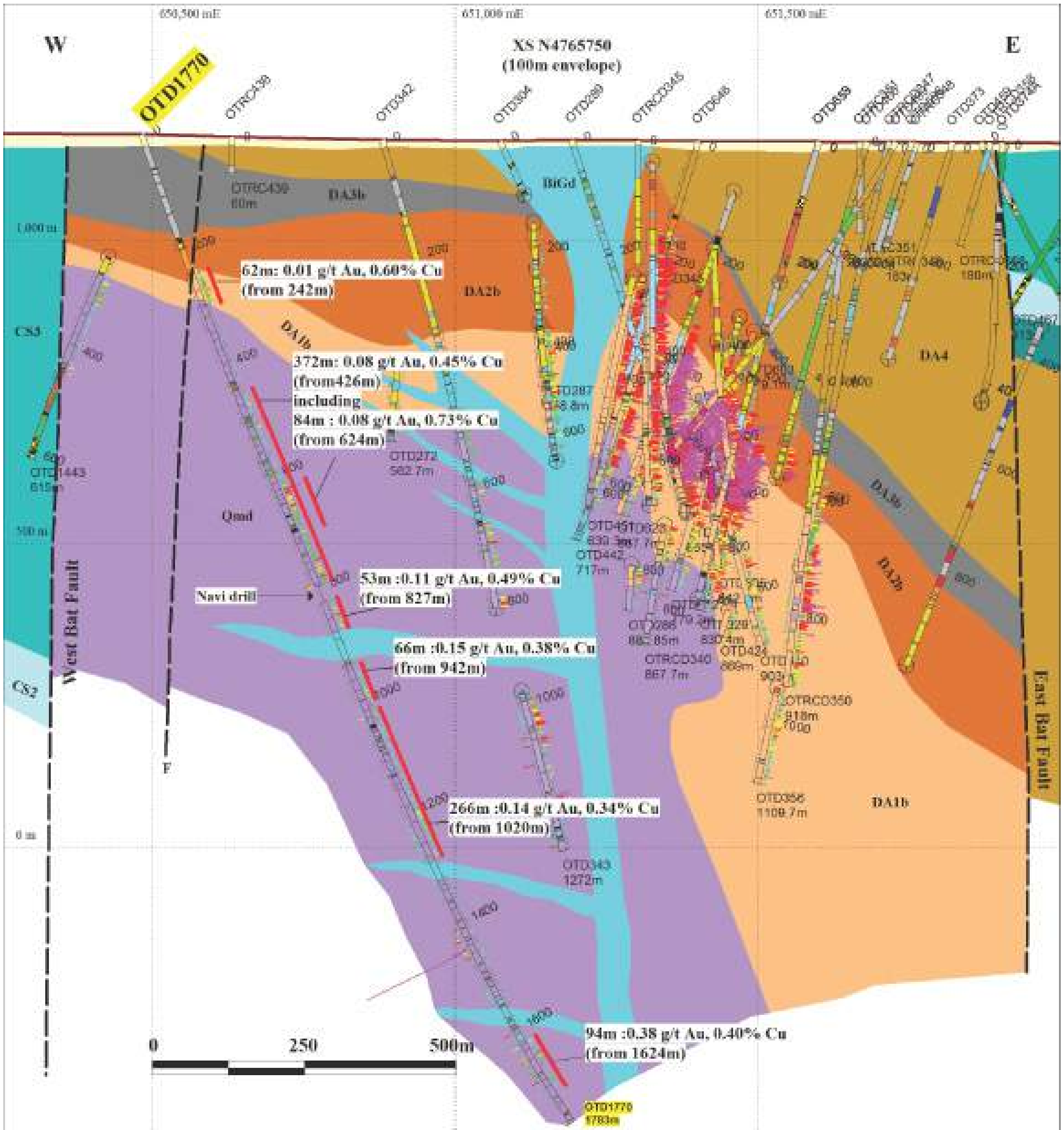

Figure 2 - Cross section N4765750 (OTD1770)

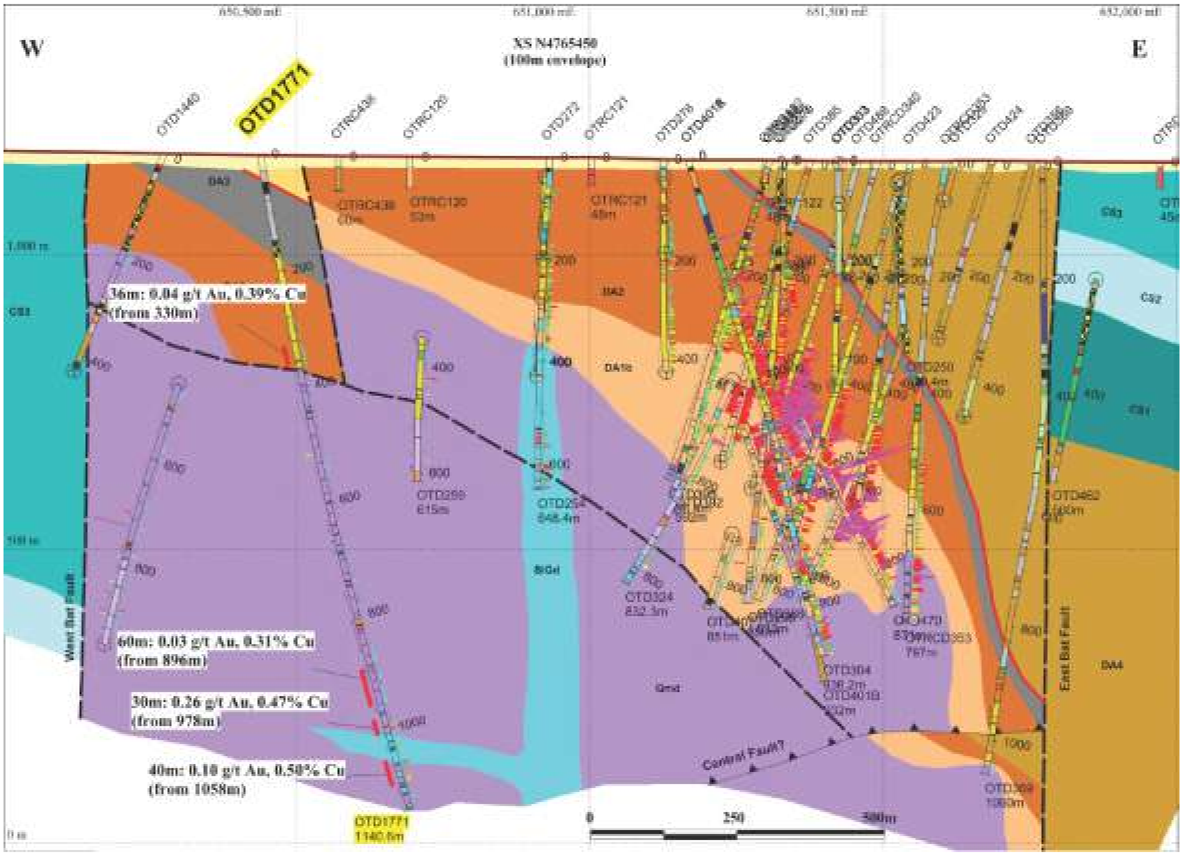

Figure 3 - Cross section N4765450 (OTD1771).

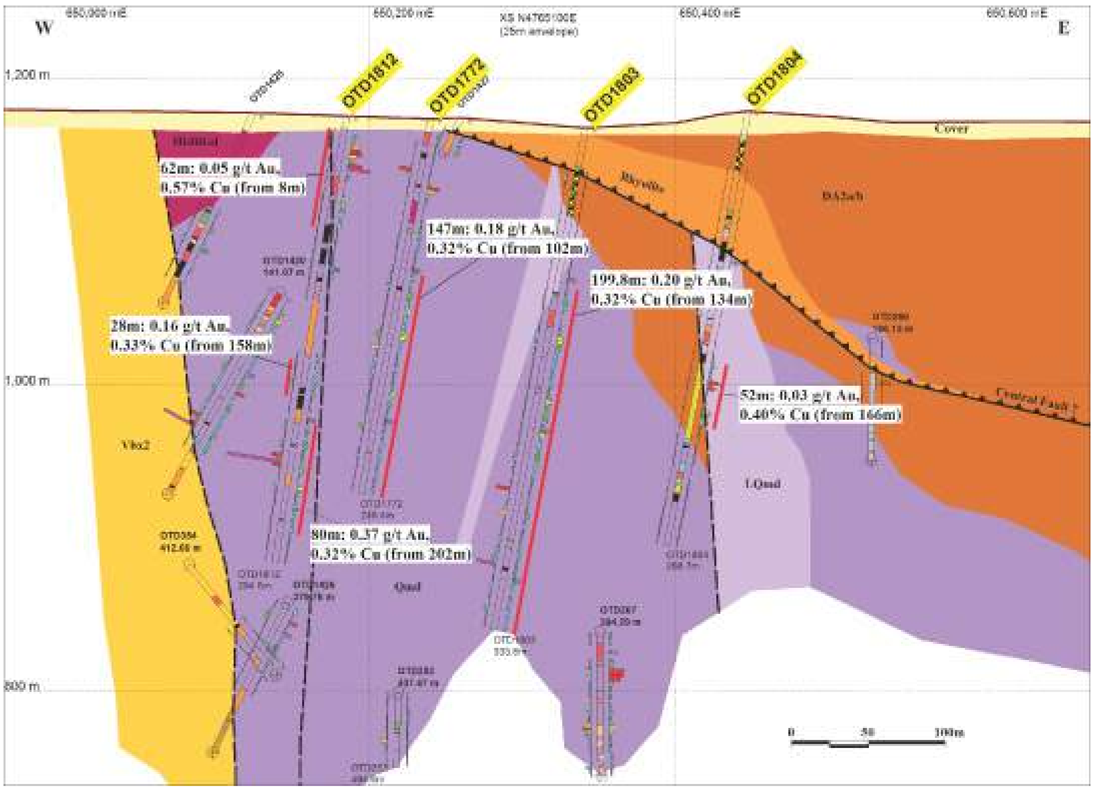

Figure 5 - Cross section N4765100.

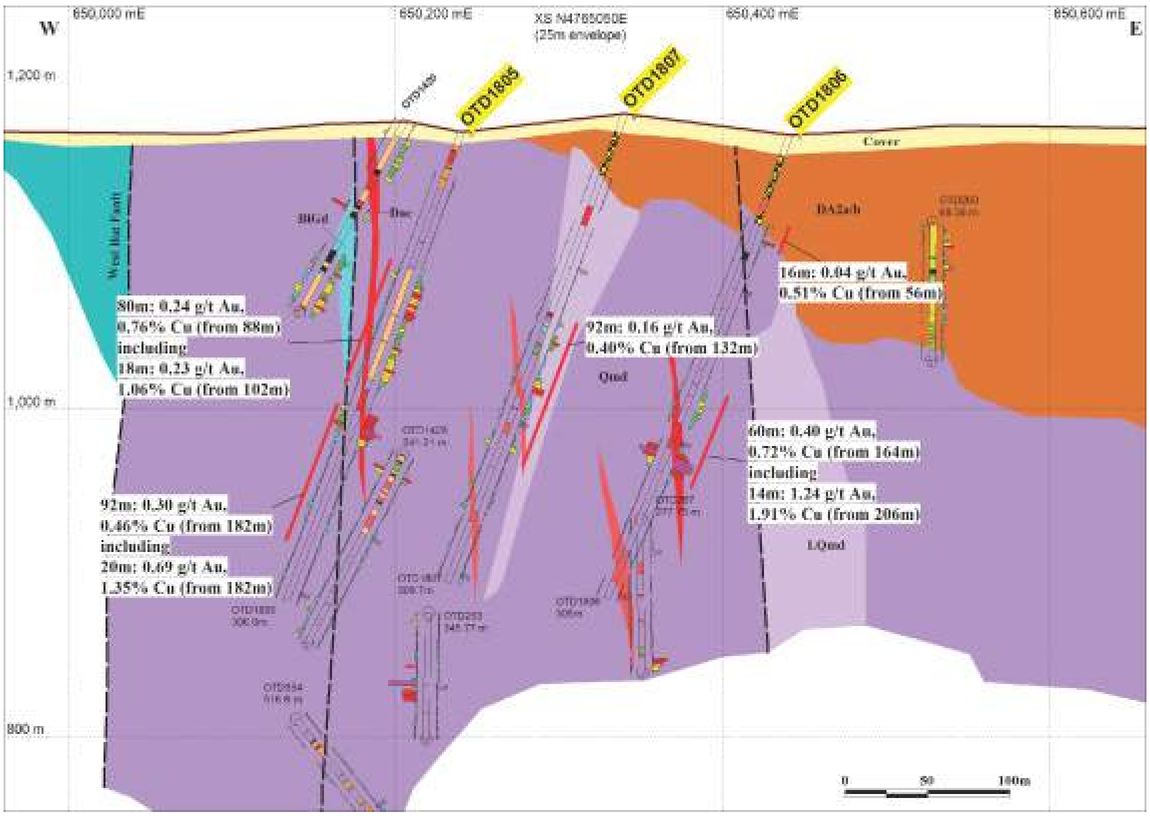

Figure 6 - Cross section N4765050.

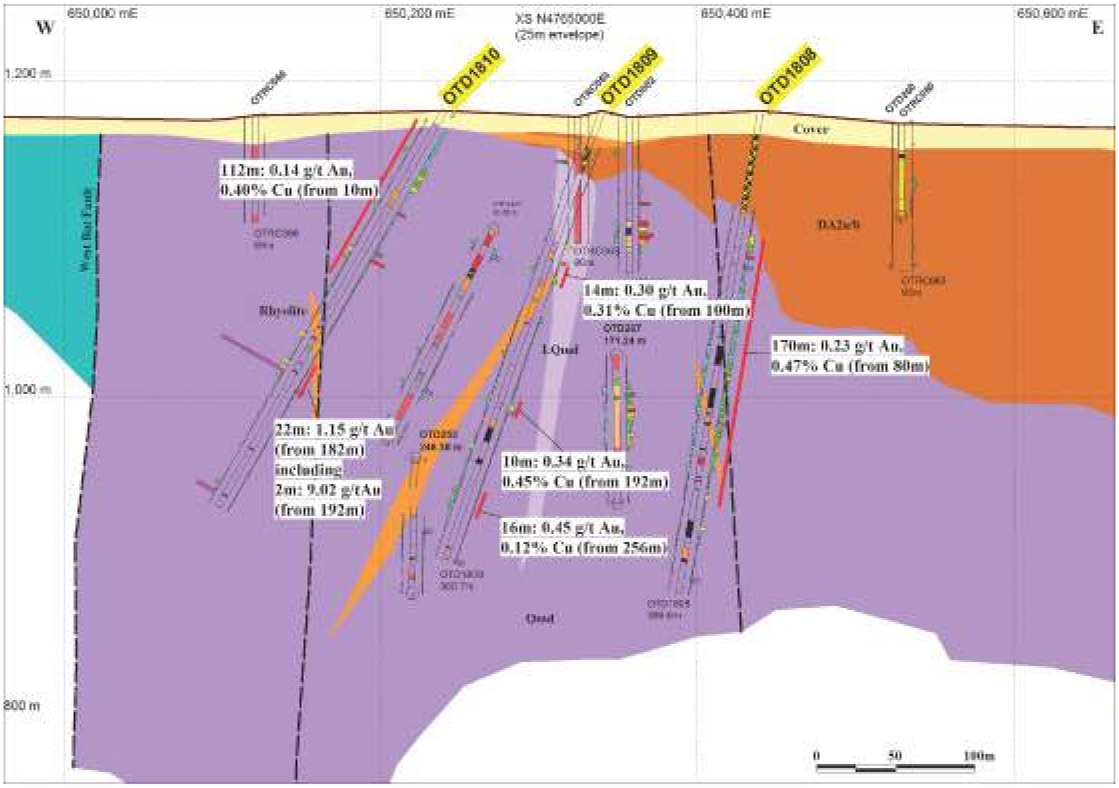

Figure 7 - Cross section N4765000.

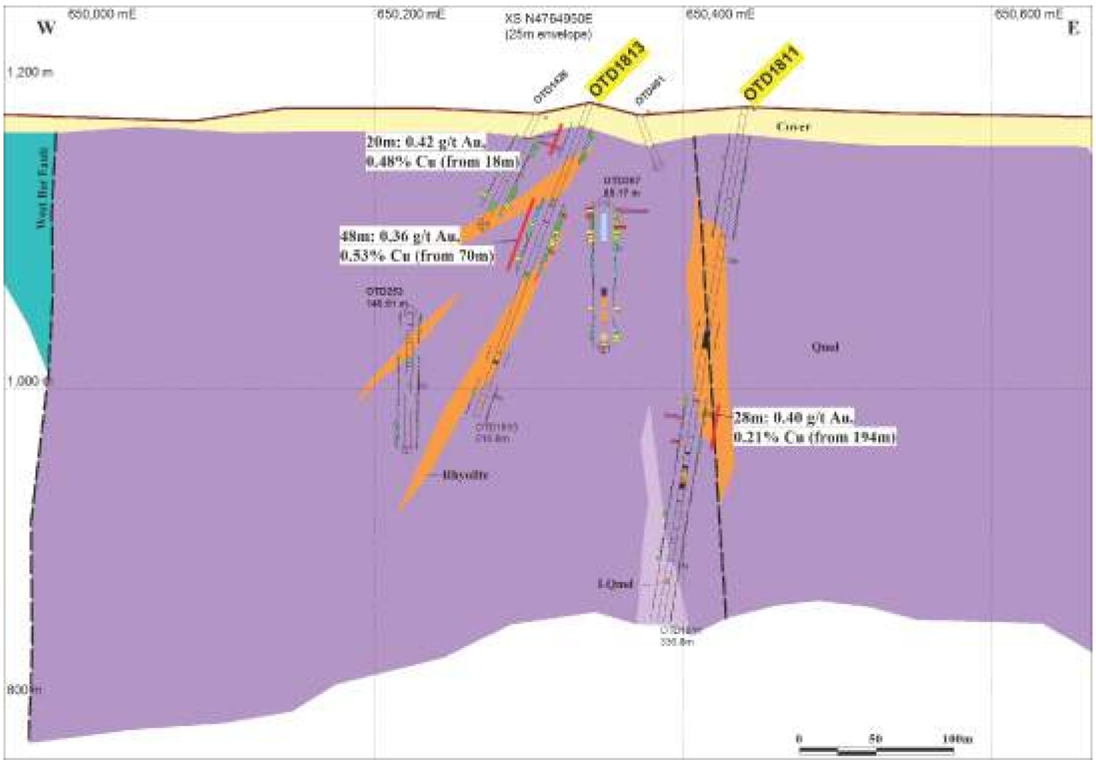

Figure 8 - Cross section N4765950.

SOUTHGOBI RESOURCES

Sales and operations at the Ovoot Tolgoi coal mine

Operations resumed at the Ovoot Tolgoi coal mine on March 22, 2013 after having been fully curtailed since the end of Q2'12.

In 2013, SouthGobi's revenue was $58.6 million compared to $78.1 million in 2012. SouthGobi sold 3.26 million tonnes of coal at an average realized selling price of $24.25 per tonne compared to sales of 1.98 million tonnes of coal at an average realized selling price of $47.49 per tonne in 2012. Revenue decreased primarily due to lower average realized selling prices for SouthGobi's coal products. Following the softening of coal markets in mid-2012, the coal markets in China continued to be challenging in 2013 with certain coal price indices in China reaching four year lows during the year. The decrease in average realized selling prices for SouthGobi's coal products was partially offset by higher sales volumes in 2013 compared to 2012.

Turquoise Hill's revenue is presented net of royalties. SouthGobi is subject to a base royalty in Mongolia of 5% on all export coal sales. In addition, effective January 1, 2011, SouthGobi is subject to an additional sliding scale royalty of up to 5%. The royalty is calculated using a set reference price per tonne published monthly by the Government of Mongolia. Based on the reference prices for 2013, SouthGobi was subject to an average 7% royalty based on a weighted average reference price of $65.81 per tonne. SouthGobi's effective royalty rate for 2013, based on SouthGobi's average realized selling price of $24.25 per tonne, was 19% or $4.53 per tonne compared to 15% or $7.12 per tonne in 2012.

In 2013, SouthGobi produced 3.06 million tonnes of raw coal with a strip ratio of 2.76 compared to production of 1.33 million tonnes of raw coal with a strip ratio of 2.52 in 2012. The increase in production was primarily due to the restart of operations following the curtailment of SouthGobi's mining operations in the last three quarters of 2012.

Cost of sales was $129.0 million in 2013, compared to $155.4 million in 2012. Cost of sales comprises the direct cash costs of product sold, mine administration cash costs of product sold, costs related to idled mine assets, coal inventory write-downs, mining plant and equipment depreciation, depletion of mineral properties and share-based compensation expense. As a result of the recommencement of mining operations at the Ovoot Tolgoi mine on March 22, 2013, costs related to idled mine assets decreased in 2013. However, the 2013 production plan did not fully utilize SouthGobi's existing mine fleet, therefore, costs related to idled mine assets continued to be incurred throughout 2013. In 2013, cost of sales included $30.4 million of costs related to idled mine assets (2012: $53.0 million) and $38.0 million of coal inventory write-downs (2012: $25.5 million).

Processing infrastructure

Dry Coal Handling Facility (DCHF)

Following an extensive review that commenced in Q4'13, SouthGobi concluded that it does not plan to either complete or use the DCHF at the Ovoot Tolgoi mine in the foreseeable future. This conclusion constituted an indicator of impairment and SouthGobi performed an impairment assessment of the DCHF. As a result of the impairment assessment, SouthGobi recorded a $66.9 million non-cash impairment to reduce the carrying value of the DCHF, including related materials and supplies inventories, to its fair value. A probability-weighted discounted cash flow model, with a discount rate of 10.4%, was used to estimate the DCHF's fair value. The DCHF had a carrying value of $78.1 million prior to the impairment assessment. Subsequent to the impairment charge, the DCHF's carrying value was $11.2 million at December 31, 2013.

The first phase of the DCHF project comprised a coal rotary breaker intended to reduce screening costs and improve yield recoveries. On February 13, 2012, SouthGobi announced the successful commissioning of the coal rotary breaker. The Ovoot Tolgoi mine operations were curtailed during Q2'12 and resumed on March 22, 2013. SouthGobi has not operated the coal rotary breaker since its announced commissioning. The second phase of the DCHF project included the installation of dry air separation modules and covered load out conveyors with fan stackers to take processed coals to stockpiles and enable more efficient blending. In 2012, SouthGobi announced the suspension of the completion of the DCHF project to minimize uncommitted capital expenditures and preserve SouthGobi's financial resources. On November 14, 2013, SouthGobi announced that it was conducting a review of the DCHF project and its contribution to SouthGobi's product strategy.

The review of the DCHF project was completed in Q1'14. SouthGobi continues to focus on preserving its financial resources and has assessed, using updated operating cost assumptions and estimates, that it currently has the adequate equipment and capacity to efficiently meet its commercial objectives and execute its product strategy without the use of the DCHF. The use of mobile screens at stockpile areas closer to the pits has enabled SouthGobi to realize a cost benefit compared to hauling the coal to the central DCHF and operating the rotary breaker. This provides a lower cost solution without adversely impacting the coal quality of the coal planned to be mined over the next year. As coal markets improve and production from the Ovoot Tolgoi mine increases in line with its anticipated annual capacity of 9 million tonnes run-of-mine production, SouthGobi will review the use of the DCHF as part of its existing assets and continue developing beneficiation capabilities to maximize value from its product.

Wet Washing Facility

In 2011, SouthGobi entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd. to toll-wash coals from the Ovoot Tolgoi mine. The agreement has a duration of five years from commencement of the contract and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input coal. The facility is located approximately 10km inside China from the Shivee Khuren Border Crossing, approximately 50km from the Ovoot Tolgoi mine. Ejin Jinda will charge SouthGobi a single toll washing fee which will cover their expenses, capital recovery and profit. Ejin Jinda will also transport coal from the Ovoot Tolgoi mine to the wet washing facility under a separate transportation agreement. Pursuant to the terms of the agreement, SouthGobi prepaid $33.6 million of toll washing fees in 2011.

To date, commercial operations at the wet washing facility have not commenced. SouthGobi identified the results of a trial sample from the wet washing facility and the delay in starting the commercial operations at the wet washing facility as indicators of impairment for the prepaid toll washing fees which are part of the contract with Ejin Jinda. Based on updated estimates and assumptions related to wash yields from the facility, a $30.2 million impairment loss on the $33.6 million of prepaid toll washing fees was recorded in Q4'13.

SouthGobi's objective continues to be the implementation of an effective and profitable wet washing solution, and SouthGobi is cooperating with Ejin Jinda in reviewing the utilization of the wet washing facility.

Governmental and regulatory investigations

SouthGobi is subject to investigations by Mongolia's Independent Authority against Corruption (the "IAAC") and the Mongolian State Investigation Office (the "SIA") regarding allegations against SouthGobi and some of its former employees. The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's money laundering and 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.

A report issued by the experts appointed by the SIA on June 30, 2013 and again in January 2014 has recommended that the accusations of money laundering as alleged against SouthGobi's three former employees be withdrawn. However, to date, SouthGobi has not received notice or legal document confirming such withdrawal as recommended by the experts appointed by the SIA.

A third investigation ordered by the SIA and conducted by the National Forensic Center ("NFC") into alleged violations of Mongolian taxation law was concluded at the end of January 2014. SouthGobi has received notice that the report with conclusions of the investigations by the NFC have been provided to the Prosecutor General of Mongolia. The Prosecutor General may undertake criminal actions against the three former employees for alleged violations of taxation laws and SouthGobi may be held liable as "civil defendant" as a result of these alleged criminal actions. These actions could result in the investigation case being imminently transferred to a Court of Justice under the relevant Mongolian law. The likelihood or consequences of such an outcome or any civil action taken against SouthGobi are uncertain and unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on SouthGobi and the Company.

Turquoise Hill disputes and will vigorously defend itself against any civil or criminal actions. At this point, the three former employees remain designated as "accused" in connection with the allegations of tax evasion, and continue to be subject to a travel ban. SouthGobi remains designated as a "civil defendant" in connection with the tax evasion allegations, and may potentially be held financially liable for the alleged criminal misconduct of its former employees under Mongolian Law.

The SIA also continues to enforce administrative restrictions, which were initially imposed by the IAAC investigation, on certain of SouthGobi's Mongolian assets, including local bank accounts, in connection with its continuing investigation of these allegations. While the orders restrict the use of in-country funds pending the outcome of the investigation, they are not expected to have a material impact on Turquoise Hill's activities in the short term, although they could create potential difficulties for Turquoise Hill in the medium to long term. Turquoise Hill will continue to take all appropriate steps to protect its ability to conduct its business activities in the ordinary course.

Internal investigations

Through SouthGobi's Audit Committee (comprised solely of independent directors) (the SouthGobi Audit Committee), SouthGobi has conducted an internal investigation into possible breaches of law, internal corporate policies and codes of conduct arising from the allegations which have been raised. The SouthGobi Audit Committee has had the assistance of independent legal counsel in connection with its investigation.

The Chair of the SouthGobi Audit Committee has also participated in a tripartite committee, comprised of the Audit Committee Chairs of SouthGobi and the Company and a representative of Rio Tinto, which focused on the investigation of a number of those allegations, including possible violations of anti-corruption laws. Independent legal counsel and forensic accountants assisted this committee with its investigation. The tripartite committee substantially completed the investigative phase of its activities during Q3'13. SouthGobi continues to cooperate with the IAAC, SIA and with Canadian and United States government and regulatory authorities that are monitoring the Mongolian investigations. It is possible that these authorities may subsequently conduct their own review or investigation or seek further information from SouthGobi. Pending further reviews or questions from any of such government or regulatory authorities, the tripartite committee has been stood down and investigations have been paused.

The investigations referred to above could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against SouthGobi, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on Turquoise Hill.

SouthGobi, through its Board of Directors and new management, has taken a number of steps to address issues noted during the investigations and to focus ongoing compliance by employees with all applicable laws, internal corporate policies and codes of conduct, and with SouthGobi's disclosure controls and procedures and internal controls over financial reporting.

Withdrawal of Notice of Investment Dispute

On August 22, 2013, SouthGobi announced that it had withdrawn the Notice of Investment Dispute in recognition of the fact that the dispute was resolved following the grant of three pre-mining agreements ("PMAs") on August 14, 2013 relating to the Zag Suuj Deposit and certain areas associated with the Soumber Deposit, and the earlier grant of a PMA on January 18, 2013 pertaining to the Soumber Deposit. Each of the PMAs was granted and executed by MRAM in accordance with Mongolian law.

Board of Directors and management changes

In 2013, SouthGobi announced the appointment of Bertrand Troiano as its Chief Financial Officer, Brett Salt as its Chief Commercial Officer and Enkh-Amgalan Sengee as President and Executive Director of SouthGobi Sands LLC, SouthGobi's wholly-owned subsidiary. Brett Salt resigned as a Non-Executive Director of SouthGobi following his appointment as Chief Commercial Officer. Bold Baatar was appointed as a Non-Executive Director of SouthGobi in 2013.

Class action lawsuit

On or about January 6, 2014, Siskinds LLP, a Canadian law firm, filed a proposed class action lawsuit in Canada against SouthGobi, certain former and current directors and officers of SouthGobi and SouthGobi's former auditor, Deloitte LLP, relating to the decision by SouthGobi's board of directors in November 2013 to restate SouthGobi's 2011 and 2012 financial statements.

The plaintiff seeks leave to bring a claim under applicable Canadian securities legislation and seeks certification of a class action with respect to a class of persons who purchased shares of SouthGobi between March 30, 2011 and November 7, 2013, alleging that the financial reporting of SouthGobi during that period contained misrepresentations giving rise to liability at common law and under applicable Canadian securities legislation. The proposed class action also seeks general damages against all defendants. Assuming that leave is granted, the action is certified as a class proceeding, and there is a finding of liability, the actual quantum of damages will depend upon the evidence which is adduced in the court proceedings.

SouthGobi disputes and will vigorously defend itself against these claims through independent Canadian litigation counsel retained by SouthGobi and the other defendants for this purpose. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the proposed class action lawsuit or determine the amount of any potential losses, if any. However, in the opinion of Turquoise Hill, at December 31, 2013 a provision for this matter is not required.

ALTYNALMAS GOLD

Altynalmas, a private company, holds 100% ownership of the Kyzyl Gold Project in northeastern Kazakhstan. The Kyzyl Gold Project contains the Bakyrchik and Bolshevik gold deposits, as well as a number of satellite deposits.

Sale of stake in Altynalmas

On February 13, 2013, the Company announced that it had signed an agreement with Sumeru for the sale of the Company's 50% interest in Altynalmas for total cash consideration of $300 million. Subsequently, on August 2, 2013, the Company announced that, in light of changes in the gold market, it had entered into an additional agreement with Sumeru in connection with the sale. The supplemental agreement reflected a conditionally reduced cash consideration of $235 million. On August 7, 2013, Sumeru satisfied a key condition of the revised transaction structure by advancing $235 million to the Company ahead of completion of the transaction. On November 29, 2013, the transaction was completed upon the satisfaction of all closing conditions.

OTHER EXPLORATION

During 2013, Turquoise Hill had exploration groups in Indonesia and Mongolia focused on porphyry-related copper-gold and epithermal gold-silver deposits and supporting the Oyu Tolgoi exploration team. Exploration involved detailed data reviews, field traverses, rock sampling and drilling. A process to sell the Company's Indonesian exploration subsidiary is underway.

Turquoise Hill holds two licences within 50 kilometres of Oyu Tolgoi. Desk top interpretation of the historic reconnaissance exploration data within approximately 50 kilometres was carried out to generate targets in the prospective areas along the Oyu Tolgoi mineralized trend and on the Oyu Tolgoi mining licences. Detailed spectroscopic analysis was completed on drill core from one target in January 2014.

B. CORPORATE ACTIVITIES

Changes to the Company's Board of Directors

On February 20, 2013, the Company's Board of Directors accepted the resignation of director Andrew Harding and appointed Jean-Sébastien Jacques to the board.

Directors Livia Mahler and Peter Meredith, nominees of Robert Friedland, did not stand for re-election at the Company's Annual Meeting of Shareholders held on May 10, 2013, as a result of changes in Mr. Friedland's holdings in the Company. Additionally, Dan Larsen, a Rio Tinto nominee, did not stand for re-election. Rio Tinto nominated Virginia Flood in his place and she was appointed to the Company's board on May 10, 2013.

On September 17, 2013, Mr. Jacques resigned from the Company's board. On October 7, 2013, the Company appointed Rowena Albones to the board replacing Mr. Jacques.

Directors Virginia Flood, Isabelle Hudon, Warren Goodman and Charles Lenegan will not stand for re-election at the Company's 2014 Annual Meeting of Shareholders. Turquoise Hill's Articles of Amendment currently provide that the number of directors will be a minimum of three and a maximum of 14. In accordance with the terms of the 2012 Memorandum of Agreement, Rio Tinto and Turquoise Hill agreed that until the earlier of January 18, 2014 and the date the Company ceased to be a reporting issuer, a majority of the directors on the board would be "independent" under the applicable securities laws. Of the seven persons nominated for election at the 2014 Annual Meeting of Shareholders, four are independent directors.

Rio Tinto short-term funding package

On June 28, 2013, the Company entered into an agreement with majority shareholder Rio Tinto for a non-revolving bridge facility for up to $225 million maturing on August 12, 2013 (Short-Term Bridge Facility). Interest on amounts advanced to the Company under the Short-Term Bridge Facility was at LIBOR plus 5%. The Company applied the proceeds from the sale of its 50% interest in Altynalmas Gold to repay in full the $224.8 million principal then outstanding on the Short-Term Bridge Facility.

On August 7, 2013, the Company signed a binding term sheet with Rio Tinto for a new bridge facility (New Bridge Facility) and the facility was finalized on August 23, 2013. Under the New Bridge Facility, Rio Tinto provided the Company with a secured $600 million bridge funding facility. The New Bridge Facility had a front end fee of $6 million, an interest rate of LIBOR plus 5% per annum on drawn amounts and a commitment fee of 2% per annum on undrawn amounts. The facility was used initially to refinance any amounts outstanding under the Short-Term Bridge Facility and thereafter used for the continued ramp up of phase one of the Oyu Tolgoi mine development.

Under the terms of the New Bridge Facility, in the event that the Oyu Tolgoi project financing funds were not available by December 31, 2013 to repay the $600 million New Bridge Facility and the $1.8 billion interim funding facility, the Company would be obligated to launch a rights offering, with a standby commitment from Rio Tinto the proceeds of which would be used to repay both facilities.

Turquoise Hill rights offering

On November 26, 2013, the Company filed a final prospectus outlining the details of a rights offering that was expected to raise approximately $2.4 billion in gross proceeds. To allow for completion of the rights offering, the Company and Rio Tinto agreed to amend the 2013 Memorandum of Agreement and extend the latest date by which the rights offering must be completed to January 13, 2014 and, correspondingly, extended the maturity dates of the Interim Funding Facility and New Bridge Facility to the earlier of the second business day following the rights offering closing date and January 15, 2014.

On January 13, 2014, Turquoise Hill successfully closed the rights offering and confirmed gross proceeds of approximately $2.4 billion. The Company used the net proceeds from the rights offering to repay all amounts outstanding under its $1.8 billion Interim Funding Facility and its secured $600 million New Bridge Facility with Rio Tinto, and the remaining proceeds were used for the continued funding and development of the Oyu Tolgoi mine, working capital, general administrative expenses and other corporate expenses.

Upon the closing of the offering, Turquoise Hill issued a total of 1,006,116,602 new common shares, which represented 100% of the maximum number of common shares available under the rights offering. Approximately 99.3% of the shares were issued in the basic subscription of the rights offering with the balance having been issued in the additional subscription. Rio Tinto exercised all of its rights under the basic subscription and did not participate in the additional subscription of the rights offering, which was available to all shareholders who fully participated in the basic subscription. Because the offering was over-subscribed, Rio Tinto was not required to purchase any shares under its standby commitment. As a result of the rights offering, Rio Tinto's stake in Turquoise Hill remained unchanged at 50.8% of the outstanding common shares.

Class action lawsuits

On December 13 and 18, 2013, two putative securities class action lawsuits were filed in the United States District Court for the Southern District of New York against the Company and certain of its officers and directors. The lawsuits seek to recover damages resulting from alleged misstatements about Turquoise Hill's financial performance and business prospects arising from revisions to its recognition of revenue on SouthGobi's coal sales, as disclosed on November 8, 2013. The Company believes the complaints are without merit and will vigorously defend against the lawsuits. In the opinion of the Company, at December 31, 2013 a provision for this matter is not required.

C. DISCONTINUED OPERATIONS

INOVA RESOURCES (formerly Ivanhoe Australia Limited)

On August 21, 2013, Turquoise Hill announced that it had entered into a pre-bid acceptance deed with Shanxi in respect of 108,502,084 ordinary shares representing approximately 14.9% of the issued and outstanding ordinary shares in Inova and noted Shanxi's intention to make a takeover bid for all of the issued shares in Inova at A$0.22 cash per share (the "Takeover Offer"). The Takeover Offer was subject to a number of conditions, including regulatory approvals and a 51% minimum acceptance condition.

On October 29, 2013, Shanxi announced that all outstanding regulatory approvals in respect of the Takeover Offer had been obtained and that it had waived all remaining conditions other than the 51% minimum acceptance condition. In accordance with the pre-bid acceptance deed and given that a superior proposal to the Takeover Offer did not emerge, Turquoise Hill accepted the Takeover Offer in respect of all 409,488,666 ordinary shares representing approximately 56.1% of the issued and outstanding ordinary shares in Inova.

On November 1, 2013, Turquoise Hill announced that it had completed the divestment of the entirety of its interest in Inova to Shanxi for approximately A$90 million (approximately $83 million) in cash. These funds were received in November 2013.

Inova's operations up to the date of disposition are presented as discontinued operations in the consolidated statements of operations and consolidated statements of cash flows.

D. ADMINISTRATIVE AND OTHER

General and administrative costs. General and administrative costs in 2013 were $61.3 million, a decrease of $93.2 million from 2012 ($154.5 million). The decrease was mainly due to one-off costs related to the former management team of the Company that were incurred in 2012. During 2012, the Company paid $17.8 million in severance payments to the former management team, paid $19.4 million to terminate certain cost-sharing arrangements with companies associated with the Company's former CEO and incurred $24.0 million in non-cash stock-based compensation expense related to the acceleration of the vesting of stock options held by the former management team. Non-cash stock-based compensation expense was also $28.2 million higher in 2012 mainly due to anti-dilution stock options granted in 2012, resulting from the rights offering that closed in July 2012, and an overall higher number of stock options outstanding.

Interest income. Interest income in 2013 of $14.8 million was relatively consistent with 2012 ($15.8 million).

Interest expense. Interest expense in 2013 of $62.4 million was $50.5 million higher than 2012 ($11.9 million). Interest expense (net of amounts capitalized) consisted of $42.1 million (2012: $nil) incurred on the Rio Tinto funding facilities and $20.3 million (2012: $10.8 million) incurred on SouthGobi's convertible debenture. After work was suspended on the development of the Oyu Tolgoi underground mine on August 13, 2013, interest incurred on the Rio Tinto funding facilities ceased being capitalized as underground mine development costs.

Foreign exchange gains. The $5.6 million foreign exchange loss during 2013 was mainly attributable to the weakening of the Canadian dollar and Mongolian Tugrik against the U.S. dollar during the year.

Change in fair value of derivative. The non-cash change in fair value of derivatives related to the change in fair value of the Turquoise Hill rights offering liabilities. The rights related to the rights offering that closed in January 2014 were revalued at December 31, 2013, which resulted in an $87.7 million gain being recognized. The rights related to the rights offering that closed in July 2012 were revalued prior to their exercise or expiry, which resulted in the comparative gain of $194.7 million.

Other income (expense). Other income in 2013 was $228.7 million, a $250.1 million change from other expense of $21.4 million in 2012. The change was mainly due to 2013 including a $231.9 million gain on the sale of the Company's 50% interest in Altynalmas to Sumeru.

Share of loss of significantly influenced investees. The $3.1 million share of loss of significantly influenced investees in 2013 represented Turquoise Hill's share of Altynalmas's loss up to the date of disposition.

3. SELECTED QUARTERLY DATA

($ in millions of dollars, except per share information)

	Quarter Ended			
	Dec-31 2013	Sep-30 2013	Jun-30 2013	Mar-31 2013
Revenue				
Copper-gold concentrate	$51.6	$0.0	$0.0	$0.0
Coal	32.4	15.7	6.1	4.4
Total revenue	$84.0	$15.7	$6.1	$4.4
Net income (loss) from continuing operations attributable to parent	$134.3	($84.8)	($77.8)	($40.4)
Income (loss) from discontinued operations attributable to parent	4.1	(9.3)	(27.6)	(10.5)
Net (loss) income attributable to parent	$138.4	($94.1)	($105.4)	($50.9)
Basic income (loss) per share attributable to parent				
Continuing operations	$0.10	($0.07)	($0.06)	($0.03)
Discontinued operations	$0.01	($0.01)	($0.02)	($0.01)
Total	$0.11	($0.08)	($0.08)	($0.04)
Diluted (loss) income per share attributable to parent				
Continuing operations	$0.10	($0.07)	($0.06)	($0.03)
Discontinued operations	$0.01	($0.01)	($0.02)	($0.01)
Total	$0.11	($0.08)	($0.08)	($0.04)
	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012
Revenue				
Copper-gold concentrate	$0.0	$0.0	$0.0	$0.0
Coal	1.3	3.8	46.6	26.5
Total revenue	$1.3	$3.8	$46.6	$26.5
Net (loss) income from continuing operations attributable to parent	($144.0)	$125.5	($263.5)	($63.4)
Loss from discontinued operations attributable to parent	(1.0)	(13.3)	(22.8)	(29.6)
Net (loss) income attributable to parent	($145.0)	$112.2	($286.3)	($93.0)
Basic (loss) income per share attributable to parent				
Continuing operations	($0.11)	$0.11	($0.25)	($0.06)
Discontinued operations	$0.00	($0.01)	($0.02)	($0.03)
Total	($0.11)	$0.10	($0.27)	($0.09)
Diluted (loss) income per share attributable to parent				
Continuing operations	($0.11)	$0.11	($0.25)	($0.06)
Discontinued operations	$0.00	($0.01)	($0.02)	($0.03)
Total	($0.11)	$0.10	($0.27)	($0.09)

4. FOURTH QUARTER

Revenue. Consists of sales revenue at Oyu Tolgoi and SouthGobi.

In Q4’13, Oyu Tolgoi generated revenue of $51.6 million, net of royalties of $3.0 million, on sales of 26,400 tonnes of copper-gold concentrates. Oyu Tolgoi’s breakdown of revenue, net of royatlies, by metals in concentrates is as follows: approximately 6,100 tonnes of copper for $37.6 million, approximately 10,000 ounces of gold for $13.2 million and approximately 36,000 ounces of silver for $0.8 million.

In Q4’13, SouthGobi recognized $32.4 million in coal revenue, compared to $1.3 million in Q4’12. SouthGobi sold 1.73 million tonnes of coal in Q4’13 at an average realized selling price of $25.30 per tonne compared to sales of 0.03 million tonnes in Q4’12 at an average realized selling price of $47.86. The average realized selling price decreased as a result of the product mix in Q4’13. The product mix in Q4’13 primarily included standard semi-soft coking coal compared to entirely premium semi-soft coking coal in Q4’12. While certain coal price indices in China reached four year lows during 2013, Chinese coal price indices recovered slightly in Q4’13 compared to Q3’13. This resulted in an increase in the average realized selling price from $22.05 in Q3’13 to $25.30 in Q4’13.

Cost of sales. Consists of cost of sales at Oyu Tolgoi and SouthGobi.

In Q4’13, Oyu Tolgoi recognized cost of sales of $49.2 million, which included direct cash costs of product sold, mine administration cash costs of product sold, mining plant and equipment depreciation, and depletion of mineral properties.

In Q4’13, SouthGobi’s cost of sales was $39.3 million, compared to $36.6 million in Q4’12. Cost of sales is comprised of the direct cash costs of products sold, mine administration cash costs of product sold, idled mine costs, inventory impairments, mining plant and equipment depreciation, depletion of mineral properties and share-based compensation.

Exploration and evaluation. In Q4’13, Turquoise Hill expensed $5.8 million in exploration and evaluation activities, compared to $25.5 million in Q4’12. Exploration and evaluation in Q4’13 consisted of activities at Oyu Tolgoi ($3.8 million), SouthGobi ($0.5 million) and other exploration properties ($1.5 million).

Other operating expenses. In Q4’13, Turquoise Hill expensed $98.7 million in other operating expenses, compared to $85.8 million in Q4’12. The increase from Q4’12 is primarily due to ceasing the capitalization of development costs associated with the Oyu Tolgoi mine’s open pit operations from May 1, 2013 onwards.

General and administrative costs. General and administrative costs in Q4’13 were $16.4 million, a decrease of $7.3 million from Q4’12 ($23.7 million). The decrease from Q4’12 was mainly due to a $5.2 million decrease in non-cash stock-based compensation charges.

Write-down of accounts receivable and other current assets. Write-down of accounts receivable and other currents assets in Q4’13 of $30.4 million (Q4’12: $nil) included a $30.2 million impairment loss related to the toll washing fees that SouthGobi prepaid to Ejin Jinda to wash coal from the Ovoot Tolgoi mine.

Write-down of carrying value of materials and supplies inventory. Write-down of carrying value of materials and supplies inventory in Q4’13 of $22.9 million (Q4’12: $nil) consisted of $14.8 million at Oyu Tolgoi and $8.1 million at SouthGobi.

Write-down of carrying value of property, plant and equipment. In Q4'13, Turquoise Hill expensed $68.4 million in write-down of carrying value of property, plant and equipment, compared to $13.0 million in Q4'12. Write-down of carrying value of property, plant and equipment included a $66.3 million impairment loss associated with the write-down of the Ovoot Tolgoi mine's DCHF.

Foreign exchange loss. The $4.6 million foreign exchange loss during Q4'13 was attributable to the weakening of the Canadian dollar and Mongolian Tugrik against the U.S. dollar during the quarter.

Change in fair value of derivatives. The non-cash change in fair value of derivative related to the change in fair value of the Turquoise Hill rights offering liabilities. The rights related to the rights offering that closed in January 2014 were revalued at December 31, 2013, which resulted in an $87.7 million gain being recognized in Q4'13.

Change in fair value of embedded derivatives. The $1.3 million change in fair value of embedded derivatives during Q4'13 relates to the SouthGobi convertible debenture that was issued in November 2009. The conversion and interest payment features are considered embedded derivative liabilities that must be recorded at their fair values upon initial measurement and are revalued at each subsequent reporting period.

Other income (expense). Other income in Q4'13 was $231.9 million, a $237.4 million change from other expense of $5.5 million in Q4'12. The change was mainly due to Q4'13 including a $231.9 million gain on the sale of the Company's 50% interest in Altynalmas to Sumeru.

5. LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Operating activities. The $630.9 million of cash used in operating activities in 2013 primarily was the result of a $239.1 million change in non-cash operating working capital, which includes a $465.5 million change related to an overall increase in inventories; $26.0 million in cash exploration and evaluation expenditures; $231.7 million in cash other operating expenditures; $53.1 million in cash general and administrative expenditures; and $44.7 million in interest paid.

Investing activities. Cash used in investing activities totalled $786.8 million in 2013. Property, plant and equipment purchases of $1,075.3 million mainly related to construction activities at the Oyu Tolgoi mine ($1,071.7 million). These cash outflows were predominantly offset by proceeds from the dispositions of the Company's interests in Altynalmas ($235.0 million) and Inova ($83.2 million).

Financing activities. The $336.6 million in cash provided by financing activities mainly related to the net drawdowns on the Rio Tinto funding facilities.

Liquidity and capital resources

As at December 31, 2013, Turquoise Hill had consolidated cash and cash equivalents of $78.1 million, a consolidated working capital deficiency of $1.9 billion and an accumulated deficit of $5.7 billion. The consolidated working capital deficiency was largely a result of classifying the $2.1 billion aggregate amount due to majority shareholder Rio Tinto under the Interim Funding Facility and New Bridge Facility as a current liability.

In 2010, Rio Tinto provided the Company with a $1.8 billion Interim Funding Facility to assist in sustaining the development of the Oyu Tolgoi copper-gold mine. The Interim Funding Facility had an initial maturity date of December 31, 2013 and was subject to earlier mandatory repayment from the expected proceeds of the first drawdown under the planned Oyu Tolgoi project-financing package.

The Memorandum of Agreement signed with Rio Tinto on April 17, 2012 (2012 MOA) established Rio Tinto's support for a series of funding measures related to the Oyu Tolgoi mine. The 2012 MOA included provisions for the Company and Rio Tinto to act together in good faith to negotiate project financing of $3 billion to $4 billion.

On June 28, 2013, the Company entered into an agreement with majority shareholder Rio Tinto for a $225 million Short-Term Bridge Facility that was set to mature on August 12, 2013.

On August 7, 2013, the Company signed a binding term sheet with Rio Tinto for a new funding package, including a New Bridge Facility. Under the New Bridge Facility, Rio Tinto provided the Company with a secured $600 million bridge funding facility that had an original maturity date of December 31, 2013. The facility was initially used to refinance amounts outstanding under the Short-Term Bridge Facility and thereafter used for the continued ramp up of phase one of the Oyu Tolgoi mine's development.

On August 23, 2013, as contemplated in the binding term sheet, the Company signed a Memorandum of Agreement with Rio Tinto (2013 MOA). The Company agreed that in the event that the Oyu Tolgoi project financing funds were not available to repay the New Bridge Facility and the Interim Funding Facility by their respective maturity dates, the Company was obligated to launch a rights offering, with a standby commitment from Rio Tinto, originally to close by the end of 2013, the proceeds of which would be used to repay both facilities.

On November 26, 2013, the Company filed a final prospectus outlining the details of a rights offering that was expected to raise approximately $2.4 billion in gross proceeds. To allow for completion of the rights offering, the Company and Rio Tinto agreed to amend the 2013 MOA and extend the latest date by which the rights offering must be completed to January 13, 2014 and, correspondingly, extended the maturity dates of the Interim Funding Facility and New Bridge Facility to the earlier of the second business day following the rights offering closing date and January 15, 2014.

On January 13, 2014, the Company successfully closed the rights offering and confirmed gross proceeds of approximately $2.4 billion. The Company used the net proceeds from the rights offering of approximately $2.3 billion to repay the Interim Funding Facility ($1.8 billion) and the New Bridge Facility ($402.6 million), and any remaining proceeds were used for the continued funding of the Oyu Tolgoi mine, working capital requirements, general administrative expenses and other corporate expenses.

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. The 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 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 it will not be in a position to restart the underground development until project financing is in place.

On February 20, 2014, Oyu Tolgoi signed a $126 million non-revolving copper concentrate prepayment agreement with one of its customers whereby Oyu Tolgoi can request the customer to prepay up to 80% of the provisional value of copper concentrate produced but not yet delivered. Amounts prepaid by the customer are required to be used for Oyu Tolgoi's working capital and general corporate purposes, bear interest at a fixed margin over LIBOR and are repaid by delivering copper concentrate to the customer pursuant to a sales contract. The prepayment arrangement matures on August 30, 2014.

On February 24, 2014, Oyu Tolgoi signed an unsecured $200 million revolving credit facility with two banks. 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 is available until the earlier of February 24, 2015 and the first draw down of project financing.

The Company believes that based on its current cash position, the availability of the $126 million non-revolving prepayment arrangement and unsecured $200 million revolving credit facility, and cash generated from the operation of the Oyu Tolgoi mine, it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months.

Carrying out the development and exploration of the Oyu Tolgoi mine and the various other mineral properties in which Turquoise Hill holds interests depends upon the Company's ability to obtain financing through capital markets, sales of non-core assets or other means. Market volatility in precious and base metals may affect the terms upon which debt financing or equity financing is available. Turquoise Hill operates in some regions of the world that are prone to economic and political instability, which may make it more difficult for Turquoise Hill to obtain debt financing from project lenders. Additionally, under the 2013 MOA the Company and Rio Tinto agreed to certain continuing covenants which are substantially similar in scope and content and are consistent with other pre-existing contractual arrangements, including covenants prohibiting the Company from creating, incurring or permitting to remain outstanding any indebtedness other than certain permitted indebtedness as well as covenants prohibiting or restricting the Company's ability to raise funds through certain asset sales, sales of interests in subsidiaries and transferring or monetizing cash flows or revenue streams. As a result of these restrictions, the Company may not incur indebtedness for borrowed money or issue debt securities or other securities convertible into debt securities unless it obtains a waiver from Rio Tinto permitting the incurrence of such indebtedness or the issuance of such securities. There can be no assurance that Rio Tinto would be prepared or willing to waive these restrictions. Failure to obtain additional financing on a timely basis may cause Turquoise Hill to postpone its development plans, forfeit rights in some or all of its properties or joint ventures, reduce or terminate some or all of its operations or force the Company to raise funds from alternative sources on less favourable terms.

For SouthGobi, several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. SouthGobi had cash of $21.8 million and working capital of $40.6 million at December 31, 2013.

SouthGobi has in place a planning, budgeting and forecasting process to help determine the funds required to support SouthGobi's normal operations on an ongoing basis and its expansionary plans.

SouthGobi anticipates that coal prices in China will remain under pressure in 2014, which will continue to impact its margins and liquidity. Based on SouthGobi's forecasts for 2014, SouthGobi is unlikely to have sufficient capital resources and does not expect to generate sufficient cash flows from mining operations in order to satisfy its ongoing obligations and future contractual commitments, including cash interest payments due on the CIC convertible debenture. Therefore, SouthGobi is actively seeking additional sources of financing to continue operating and meet its objectives.

While SouthGobi is actively seeking additional sources of financing to continue operating and meet its objectives, there can be no assurance that such financing will be available on terms acceptable to SouthGobi. If for any reason, SouthGobi is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in Turquoise Hill's consolidated financial statements and such adjustments could be material.

While SouthGobi intends to secure additional sources of financing as soon as possible, a continued delay in securing additional financing could ultimately result in an event of default on the $250 million CIC convertible debenture, which if not cured within applicable cure periods in accordance with the terms of such debenture, may result in the principal amount owing and all accrued and unpaid interest becoming immediately due and payable upon notice to SouthGobi by CIC.

SouthGobi is focused on securing additional sources of financing and continues to minimize uncommitted capital expenditures while preserving its growth options. Factors that impact SouthGobi's liquidity are being closely monitored and include, but are not limited to, Chinese economic growth, market prices of coal, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where SouthGobi operates and exploration and discretionary expenditures.

In Q1'13, SouthGobi was 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 SouthGobi. 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 of 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.

Financial instruments

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

(Stated in $000's of dollars)	**December 31, 2013**	December 31, 2012[1]
Financial Assets		
Cash and cash equivalents	**78,112**	1,162,884
Short-term investments	**-**	15,000
Held-for-trading:		
Long-term investments	**222**	1,455
Other long-term investments	**-**	10,140
Available-for-sale:		
Long-term investments	**48,831**	36,017
Other long-term investments	**254,253**	260,472
Cost method:		
Long-term investments	**7,207**	16,234
Loans and receivables:		
Accounts receivable	**4,853**	12,321
Due from related parties	**5,070**	1,672
Investments subject to significant influence		
Long-term investments	**23,470**	13,166
Financial Liabilities		
Accounts payable and accrued liabilities	**386,340**	763,886
Payable to related parties	**175,806**	185,462
Interim and bridge funding facilities and interest payable	**2,142,792**	1,824,109
Convertible credit facility debt host contract and interest payable	**96,002**	99,898
Derivatives		
Payable to related parties	**71,886**	-
Rights offering derivative liabilities	**928,280**	-
Convertible credit facility embedded derivative liability	**3,395**	8,876

(1) Includes financial instruments classified as assets held for sale within the consolidated balance sheet.

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 tradeable long-term investments were determined by reference to published market quotations, which may not be reflective of future values. Whereas, fair values of long-term investments with trading restrictions were determined by applying a liquidity discount to published market quotations, which may not be reflective of future values.
- Other long-term investments – Fair values were determined by considering the best available data regarding market conditions for such investments, which may not be reflective of future values.
- Standby purchaser fee liability – The fair value of the standby purchaser fee liability, included in payable to related parties, was determined using the optimal currency of exercise for a right, which may not be reflective of future value.

- Rights offering derivative liabilities – The fair value of the derivative financial liability associated with rights held by Rio Tinto was determined using a forward pricing model, which uses readily observable inputs. The fair value of the derivative financial liability associated with rights held by the Company's noncontrolling shareholders was determined by reference to published market quotations for the rights. Neither of these estimated fair values may be reflective of future values.
- Convertible credit facility embedded derivative liability – Fair value was determined using a Monte Carlo simulation valuation model.

The consolidated statements of operations include the following amounts of unrealized gains (losses) from fair value adjustments to financial instruments:

(Stated in $000's of dollars)	**Year Ended, December 31, 2013**	Year Ended, December 31, 2012
Unrealized losses on long-term investments	**$ (656)**	$ (4,515)
Unrealized gains on other long-term investments	**238**	11,463
Change in fair value of derivatives	**87,722**	194,664
Change in fair value of embedded derivatives	**5,481**	39,512
Write-down of long-term investments	**(4,649)**	(34,605)

The total other comprehensive income and loss includes the following amounts of unrealized gains (losses) from fair value adjustments to financial instruments:

(Stated in $000's of dollars)	**Year Ended, December 31, 2013**	Year Ended, December 31, 2012
Unrealized gains (losses) on available-for-sale equity securities	**$ 17,433**	$ (14,874)
Unrealized (losses) gains on available-for-sale debt securities	**(12,062)**	30,309

Turquoise Hill is exposed to credit risk with respect to its accounts receivable. The significant concentrations of credit risk are situated in Mongolia and China.

Turquoise Hill is exposed to interest-rate risk with respect to the variable rates of interest incurred on the Rio Tinto Interim Funding Facility, New Bridge Facility and cash and cash equivalents. Interest-rate risk is concentrated in Canada. Turquoise Hill does not mitigate the balance of this risk.

6. SHARE CAPITAL

As at March 26, 2014, the Company had a total of:

- 2,012,241,573 common shares outstanding;
- 6,841,871 incentive stock options outstanding, with a weighted average exercise price of C$13.80 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;
- 74,247,460 Series D Warrants exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $8.20; and
- 74,247,460 Anti-Dilution Series D Warrants exercisable to purchase one common share of the Company at any time until May 22, 2015 at a price of $4.31.

7. 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; coal 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 5–LIQUIDITY AND CAPITAL RESOURCES on page 30 of this MD&A.

Commodity prices and 2014 production

Commodity prices are a key driver of Turquoise Hill's future earnings. Copper prices averaged $3.25 per pound in Q4'13, in line with levels observed in Q3'13. Gold prices were slightly lower, averaging $1,270 per ounce in Q4'13 down from approximately $1,300 per ounce in Q3'13.

The copper market has become more volatile recently due to uncertainty around the outlook for the Chinese economy. However, overall Turquoise Hill continues to expect a small surplus in the near-term, with solid demand growth likely to be matched by additional mine supply from new projects.

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

Excess supply within the coking coal markets in 2013 continued with further growth from Australian producers and strong exports from North America and Russia also impacting global trade. Chinese domestic washed coking coal production increased in 2013 as a result of continued capacity expansion in Shanxi.

Coal prices in China declined progressively through 2013 before flattening out at four year lows in Q3'13 and then improving slightly in Q4'13. However, prices remained well below the levels achieved over the last three years and the Mongolian coal industry faced strong competition from seaborne and domestic Chinese coal producers. These factors led to both lower prices and a reduction in market share of 16% for Mongolian coal producers in Chinese coking coal imports in 2013 compared to 2012.

The increase in sales volumes and the reduction in cash costs per tonne sold partially offset pricing pressures experienced in 2013 compared to 2012. The reduction in cash costs per tonne sold was driven by an improvement in mining equipment productivity and cost control measures. While the strip ratio was slightly higher in 2013 compared to 2012, it remained below long-term trend. Cash costs were also favourably impacted by the depreciation of the Mongolian Tugrik versus the U.S. Dollar. SouthGobi minimized capital expenditures and exploration expenses throughout 2013 to preserve its financial resources.

The outlook for Mongolian coal exports remains dependent on China. Demand at the beginning of 2014 has been seasonally weak with the impact of the Chinese New Year lasting longer than expected and prices have again declined after rising in Q4'13.

SouthGobi anticipates that coal prices in China will remain under pressure in 2014, which will continue to impact SouthGobi's margins and liquidity. SouthGobi continues to strive for further cost reductions and where possible delay expenditures. However, based on its forecasts for 2014, SouthGobi is unlikely to have sufficient capital resources and does not expect to generate sufficient cash flows from mining operations in order to satisfy its ongoing obligations and future contractual commitments, including cash interest payments due on the CIC convertible debenture. Therefore, SouthGobi is in the process of seeking additional sources of financing to continue operating and meet its objectives.

While SouthGobi is actively seeking additional sources of financing to continue operating and meet its objectives, there can be no assurance that such financing will be available on terms acceptable to SouthGobi. If for any reason, SouthGobi is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in Turquoise Hill's consolidated financial statements and such adjustments could be material.

While SouthGobi intends to secure additional sources of financing as soon as possible, a continued delay in securing additional financing could ultimately result in an event of default on the $250 million CIC convertible debenture, which if not cured within applicable cure periods in accordance with the terms of such debenture, may result in the principal amount owing and all accrued and unpaid interest becoming immediately due and payable upon notice to SouthGobi by CIC.

SouthGobi is focused on securing additional sources of financing and continues to minimize uncommitted capital expenditures while preserving its growth options.

Exchange Rates

Oyu Tolgoi's and SouthGobi's sales are settled in U.S. dollars, while a significant portion of their 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.

8. OFF-BALANCE-SHEET ARRANGEMENTS

During the year ended December 31, 2013, 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.

9. CONTRACTUAL OBLIGATIONS

The following table summarizes Turquoise Hill's contractual obligations as at December 31, 2013:

($000's of U.S. dollars)

	Payments Due by Period				
	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
Operating leases [(1)]	$ 1,400	$ 583	$ 9	$ -	$ 1,992
Purchase obligations [(1)]	217,094	24,863	-	-	241,957
Debt obligations [(2)]	2,145,093	-	-	250,000	2,395,093
Other long-term obligations [(3)]	-	754	-	602,814	603,568
Total	$ 2,363,587	$ 26,200	$ 9	$ 852,814	$ 3,242,610

(1) These amounts mainly represent various long-term contracts that include commitments for future operating payments under contracts for drilling, engineering, equipment purchases, rentals and other arrangements.

(2) Debt obligations includes the Interim Funding Facility and New Bridge Facility that both mature on January 15, 2014 and SouthGobi's CIC convertible credit facility that matures in 2039.

(3) Other long-term obligations consist of asset retirement obligations.

10. CHANGES IN ACCOUNTING POLICIES

In February 2013, the Financial Accounting Standards Board Accounting Standards Codification (ASC) guidance was updated to improve the reporting of reclassifications out of accumulated other comprehensive income. The updated guidance requires either in a single note or parenthetically on the face of the financial statements: (i) the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and (ii) the income statement line items affected by the reclassification. The updated guidance was effective for the Company's fiscal year beginning January 1, 2013.

11. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 annual consolidated financial statements for the year ended December 31, 2013. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies and the estimates derived therefrom have been identified as being critical:

- Reserves and resources;
- Recoverable amount of property, plant and equipment;
- Depletion and depreciation of property, plant and equipment;

- Asset retirement obligations; and
- Income taxes.

Reserves and resources

Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets and could result in impairment, resulting in a write-down of the assets.

Recoverable amount of property, plant and equipment

Turquoise Hill reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment is considered to exist if total estimated future cash flows, or probability-weighted cash flows on an undiscounted basis, are less than the carrying value of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with proven and probable reserves and value beyond proven and probable reserves. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of Turquoise Hill's investments in property, plant and equipment.

Depletion and depreciation of property, plant and equipment

Property, plant and equipment comprise one of the largest components of Turquoise Hill's assets and, as such, the amortization of these assets has a significant effect on Turquoise Hill's financial statements.

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. Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units-of-production method or the straight-line method. Depletion of each mineral property interest is provided on the units-of-production basis using estimated proven and probable reserves as the depletion basis.

Significant judgment is involved in the determination of the useful lives and residual values of long-lived assets. A change in the estimated useful life or residual value of a long-lived asset would result in a change in the rate of depreciation for that asset. For long-lived assets that are depleted or depreciated over proven and probable reserves using the units-of-production method, a change in the original estimate of proven and probable reserves would result in a change in the rate of depletion or deprecation.

Asset retirement obligations

Turquoise Hill has obligations for site restoration and decommissioning related to its mining properties. Turquoise Hill, using mine closure plans or other similar studies that outline the requirements planned to be carried out, estimates the future obligations for mine closure activities. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change — resulting from amendments in those laws and regulations relating to environmental protection and other legislation affecting resource companies.

Turquoise Hill recognizes liabilities for statutory, contractual or legal 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 liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Because the estimate of obligations is based on future expectations in the determination of closure provisions, management makes a number of assumptions and judgments including estimating the amount of future reclamation costs and their timing, risk-free inflation rates and risk-adjusted discount rates. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods in relation to the remediation of Turquoise Hill's existing assets could differ materially from their estimated undiscounted future value.

Income taxes

Turquoise Hill must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. Turquoise Hill'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 which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to Turquoise Hill's financial position and results of operations.

Turquoise Hill computes the provision for deferred income taxes under the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement's carrying amounts and the tax bases of certain assets and liabilities. Turquoise Hill records a valuation allowance against any portion of those deferred income tax assets that management believes will, more likely than not, fail to be realized.

The determination of the ability of Turquoise Hill to utilize tax loss carry-forwards to offset deferred income taxes payable requires management to exercise judgment and make assumptions about Turquoise Hill's future performance. Management is required to assess whether Turquoise Hill is more likely than not able to benefit from these tax losses. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2013, ASC guidance was issued to clarify foreign currency matters as they relate to the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign entity. The updated guidance is effective for the Company's fiscal year beginning January 1, 2014.

In July 2013, ASC guidance was updated to clarify the presentation of unrecognized tax benefits when a net operating loss carryforward exists. The updated guidance provides that an unrecognized tax benefit should generally be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward or similar tax losses or tax credit carryforwards. The updated guidance becomes effective for the Company beginning January 1, 2015.

The Company has not assessed the impact, if any, of the standards that become effective January 1, 2014 or later.

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS CHANGEOVER PLAN

The Company currently files its consolidated financial statements with Canadian and U.S. securities regulators in accordance with U.S. GAAP, as permitted under securities regulations in both countries. These regulations also permit the Company to file its consolidated financial statements with Canadian and U.S. securities regulators in accordance with International Financial Reporting Standards (IFRS), which is the predominant accounting framework for Canadian public companies.

Certain subsidiaries of the Company, including Oyu Tolgoi and SouthGobi, currently prepare their financial statements in accordance with IFRS. The Company's parent, Rio Tinto, also prepares its consolidated financial statements in accordance with IFRS. For purposes of reporting efficiencies, on November 7, 2013, the Company's Audit Committee approved management's decision to adopt IFRS effective January 1, 2014.

Subsequent to filing the Company's MD&A for the three and nine month periods ended September 30, 2013 on November 14, 2013, management reassessed the status of the Company's IFRS conversion project, and on November 29, 2013, the Company's Audit Committee approved management's decision to defer the Company's adoption of IFRS until January 1, 2015. Due to the requirement to present comparative financial information, the effective transition date will be January 1, 2014.

The Company's IFRS conversion project consists of four phases: scoping and planning, detailed assessment, implementation and post-implementation.

The scoping and planning phase involves establishing a project team and organizational structure, including oversight of the process. This phase also entails an initial assessment of the key areas where IFRS transition may have a significant impact and present significant challenges. The Company has completed the scoping and planning phase. The second phase, detailed assessment, involves in-depth technical analysis that will result in understanding potential impacts, decisions on accounting policy choices and the drafting of accounting policies. The Company is progressing through the detailed assessment phase. During the implementation phase, the Company will identify and carry out the implementation requirements to effect management's accounting choices, develop sample financial statements, implement business and internal control requirements, calculate the opening balance sheet at January 1, 2014 and other transitional reconciliations and disclosure requirements. The Company expects to complete the detailed assessment and implementation phases during the fourth quarter of 2014 in order to be able to effectively adopt IFRS for its first quarter of 2015. The last phase, post-implementation, will involve continuous monitoring of changes in IFRS following the implementation process.

The Company is developing and maintaining IFRS competencies by addressing training requirements at various levels within the organization.

Scoping and Detailed Assessment

IFRS 1 - First-Time Adoption of International Financial Reporting Standards

Adoption of IFRS requires the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company currently intends to elect on transition to IFRS. The Company continues to review all IFRS 1 exemptions and will implement those determined to be most appropriate. The list below and comments should not be regarded as a complete list of IFRS 1 elections available to the Company as a result from the transition to IFRS.

Business Combinations

Under IFRS 1, an entity has the option to retroactively apply IFRS 3, *Business Combinations* to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The Company currently intends to elect this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

Share based payments

Under IFRS 1, an entity can elect not to apply the requirements of IFRS 2, *Share Based Payments* to options granted before November 7, 2002 and options granted after November 7, 2002 which were vested at the date of transition. The Company currently intends to elect this exemption under IFRS 1.

Foreign currency translation

Under IFRS 1, a first-time adopter can elect to reset its cumulative translation account to zero on the transition date with the amount being adjusted to opening retained earnings. The Company's management is considering this IFRS 1 election in conjunction with its assessment of functional currency.

Potential Significant Impacts on Transition to IFRS

Based on the assessment performed to date, the Company's management has identified the following key areas of IFRS and US GAAP differences that are being assessed for potential changes in accounting policies that may impact the consolidated financial statements. This list should not be regarded as a complete list of changes that will result from transition to IFRS and is intended to highlight those areas where the potential for change is believed to be most significant. The Company is currently assessing the impact of each of the following areas and has not concluded whether differences will arise:

- Investments in subsidiaries and affiliates and related transactions;
- Exploration and evaluation costs;
- Impairment of long-lived assets;
- Foreign currency translation;
- Decommissioning and restoration provisions;
- Share based payments;
- Provisions for onerous contracts; and
- Financial instruments.

The discussion above regarding potential significant impacts on transition to IFRS is provided to allow readers to obtain a better understanding of the Company's IFRS changeover plan and the areas of potential effects on the Company's consolidated financial statements. Readers are cautioned that it is premature to draw conclusions as to the impact of IFRS on the Company's consolidated financial statements. This discussion reflects the Company's most recent assumptions and expectations. Circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations. The Company is still in the process of completing the selection of IFRS accounting policies and its assessment and quantification of potential differences from U.S. GAAP. Once completed, this information will be subject to approval by the Company's Audit Committee and audit prior to being finalized. Accordingly, the discussion above is subject to change.

Systems and Processes

The Company continues to assess the impact of the IFRS transition project on systems and processes, including an assessment on information technology systems and internal controls.

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

Business Activities

The Company is currently assessing the impacts of the IFRS transition project on all areas of the business, including contractual arrangements, financial covenants and key ratios.

14. RISKS AND UNCERTAINTIES

Turquoise Hill is subject to a number of risks due to the nature of the industry in which it operates, the present state of development of its business and the foreign jurisdictions in which it carries on business. The following is a summary description of the material risks and uncertainties to which Turquoise Hill is subject. Some of the following statements are forward-looking and actual results may differ materially from the results anticipated in these forward-looking statements. Please refer to the Section 21 entitled "Forward-Looking Statements and Forward-Looking Information" on page 63 of this MD&A. If any of such risks or risks not currently known to Turquoise Hill actually occurs or materializes, Turquoise Hill's business, financial condition or results of operations could be adversely affected, even materially adversely affected. For the purpose of Section 14 of this

MD&A, a reference to the Company refers to Turquoise Hill Resources Ltd. and, where the context so requires, includes its subsidiaries.

The Company may be limited in its ability to enforce the Investment Agreement against Mongolia, a sovereign government.

The Investment Agreement imposes numerous obligations and commitments upon the Government of Mongolia that provide clarity and certainty in respect of the development and operation of the Oyu Tolgoi mine. The Investment Agreement also includes a dispute resolution clause that requires the parties to resolve disputes through international commercial arbitration procedures. Nevertheless, if and to the extent that the Government of Mongolia does not observe the terms and conditions of the Investment Agreement, there may be limitations on the Company's ability to enforce the terms of the Investment Agreement against the Government of Mongolia, which is a sovereign nation, regardless of the outcome of an arbitration proceeding. If the terms of the Investment Agreement cannot be enforced effectively, the Company could be deprived of substantial rights and benefits arising from its investment in the Oyu Tolgoi mine with little or no recourse against the Government of Mongolia for fair and reasonable compensation. Irrespective of the ultimate outcome of any potential dispute, any requirement to engage in discussions or proceedings with the Government of Mongolia, whether or not formal, would result in significant delays, expense and diversion of management's attention. Such an outcome would have a material adverse impact on the Company and its share price.

The Government of Mongolia holds a significant stake in the Oyu Tolgoi mine.

Although the Shareholders' Agreement contemplates that the Company will maintain a controlling interest in the Oyu Tolgoi mine, the Government of Mongolia also holds a significant stake in Oyu Tolgoi LLC which holds the Oyu Tolgoi mine property. In addition, a portion of the Oyu Tolgoi mine property is held subject to an agreement with Entrée Gold, a Canadian exploration stage resource company in which the Company directly holds a 9.4% interest and RTIH directly holds an 11.3% interest. Therefore, the Company will be subject to risks to which shareholders are typically exposed. Such risks include the potential for disputes respecting development, operation and financing matters (including Oyu Tolgoi LLC board and Mongolian governmental approvals in respect of the Oyu Tolgoi Project Financing) resulting from multiple levels of corporate and/or governmental approvals and differing sophistication in relevant business and technical matters, inequality of bargaining power and incompatible strategic and economic objectives (both in the short term and the longer term) among the shareholders.

The Company's ability to carry on business in Mongolia is subject to legal and political risk.

Although the Company expects that the Investment Agreement will continue to bring significant stability and clarity to the legal, political and operating environment in which the Company will develop and operate the Oyu Tolgoi mine, the Company is still subject to potential legal and political risks in Mongolia.

There can be no absolute assurance that the Company's assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries' political and economic policies in relation to Mongolia will not have adverse economic effects on the development of the Company's mining projects, including its ability to access power, transport and sell its products and access construction labour, supplies and materials.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of the Company's original investment or to compensate for the loss of the current value of the Mongolian projects. Insofar as the Government of Mongolia is a sovereign entity against which the terms of the Investment Agreement may take considerable time to enforce (if enforceable at all), this risk applies to the Oyu Tolgoi mine despite the provisions of the Investment Agreement respecting nationalization and expropriation. Similarly, other projects in Mongolia in which the Company holds a direct or indirect interest that are not covered by the Investment Agreement, such as the Ovoot Tolgoi Mine, may be affected in varying degrees by, among other things, government regulations with respect to restrictions on production, price controls, export controls, income and other taxes, environmental legislation, mine safety and annual fees to maintain mineral licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing conventions and customs. Although legal title risks in respect of the Oyu Tolgoi mine are believed to be significantly mitigated by the terms of the Investment Agreement, there may still be ambiguities, inconsistencies and anomalies in the other agreements, licences and title documents through which the Company holds its direct or indirect interests in other mineral resource properties in Mongolia, or the underlying legislation upon which those interests are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations. Mongolian institutions and bureaucracies responsible for administrating laws may lack the experience necessary to apply such laws in a modern business context. Many laws have been enacted; but in many instances they are neither understood nor enforced and may be applied in an inconsistent; arbitrary and unfair manner; while legal remedies may be uncertain, delayed or unavailable. These laws or their enforcement by national, regional or local authorities can adversely affect, among other things, water access rights, operating costs resulting from unanticipated increases in tariff rates and overall assessment of risk. Accordingly, while the Company believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

There can be no assurance that the Company will be capable of raising the additional funding that it needs to continue development of the Oyu Tolgoi mine. In particular, but without limiting the scope of the foregoing statement, there can be no assurance that Oyu Tolgoi Project Financing will be available or that the corporate, governmental and other approvals required for its implementation will be obtained.

Development of the open pit mine at the Oyu Tolgoi mine has been completed and shipments of concentrate to customers has commenced. However, further development of the Oyu Tolgoi mine depends upon the Company's ability to obtain a reliable source of funding. Volatility in capital markets and commodity prices and other macroeconomic factors may adversely affect the Company's ability to secure project financing. Even if macroeconomic factors are conducive to securing project financing, there can be no assurance that final agreement with the project lenders will be reached on terms reasonably satisfactory to the Company and RTIH or that the Company or RTIH will continue to pursue project financing for the Oyu Tolgoi mine. In addition, the Company operates in a region of the world that is prone to economic and political upheaval and instability, which may make it more difficult to obtain sufficient debt financing from project lenders.

Key issues relating to the Oyu Tolgoi mine remain unresolved, including the sharing of economic value from the project, clarification of initial development and construction costs, access to water, and the timing, completion and Oyu Tolgoi LLC shareholder approval of the feasibility study for the expansion of operations. Some uncertainty remains regarding the approvals process and timing required to resolve the complex outstanding issues to enable completion of the proposed project financing package. As a result, there can be no assurance that these matters will be resolved in a manner that is satisfactory to the Company or RTIH and that Oyu Tolgoi Project Financing will be available within a reasonable time frame to permit development of the underground mine within current cost estimates, on schedule or at all. Further, there can be no assurance that the corporate, governmental and other approvals required to implement Oyu Tolgoi Project Financing will be obtained or that, even if all such required approvals are obtained, Oyu Tolgoi Project Financing will be available on the currently proposed terms or at all.

To the extent the Company and RTIH determine to proceed with development of the underground mine without having secured adequate project debt financing, the Company could seek to issue Common Shares or instruments convertible into equity, including through future rights offerings, which issuances could result in dilution to the holders of Common Shares and have a material adverse effect upon the market price of Common Shares. Under the terms of the Continuing Covenants forming part of the 2013 MoA, the Company is prohibited from creating, incurring or permitting to remain outstanding any indebtedness, other than certain permitted indebtedness, and from amending its constating documents to create and issue Preferred Shares. As a result of these restrictions, in seeking to raise additional capital, the Company may not incur indebtedness for borrowed money or issue debt securities, other securities convertible into debt securities or Preferred Shares while the Continuing Covenants are in force and effect unless it obtains a waiver or consent from RTIH permitting the incurrence of such indebtedness or the issuance of such securities.

Recent and future amendments to Mongolian laws could adversely affect the Company's mining rights in the Oyu Tolgoi mine or its other projects, or make it more difficult or expensive to develop such projects and carry out mining in Mongolia.

The Government of Mongolia has put in place a framework and environment for foreign direct investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to Mongolia's minerals laws in 2006 and the enactment of a windfall profits tax that same year (that has since been repealed) as well as by the recent passage of legislation to control foreign direct investment in strategic sectors of the Mongolian economy, including mining. There can be no assurance that the present or future Parliament will refrain from enacting legislation that undermines the Investment Agreement or that the present or a future government will refrain from adopting government policies or seeking to renegotiate the terms of the Investment Agreement (which was threatened in both 2011 and 2012) in ways that are adverse to the Company's interests or that impair the Company's ability to develop and operate the Oyu Tolgoi mine or other projects on the basis presently contemplated, which may have a material adverse impact on the Company and its share price.

The Investment Agreement includes a number of future covenants that may be outside of the control of the Company to perform.

The Investment Agreement commits the Company to perform many obligations in respect of the development and operation of the Oyu Tolgoi mine. While performance of many of these obligations is within the effective control of the Company, the scope of certain obligations may be open to interpretation. Further, the performance of other obligations may require co-operation from third parties or may be dependent upon circumstances that are not necessarily within the control of the Company. For example:

- Mongolian nationals must represent at least 90% of the Oyu Tolgoi mine workforce now that commercial production has been attained, and 50% of the Oyu Tolgoi mine's engineers must be Mongolian nationals within five years, increasing to 70% after ten years. Achieving or maintaining these targets is contingent upon the availability of a sufficient number of qualified personnel, which is not wholly within the Company's control. Currently, approximately 92% of Oyu Tolgoi LLC's employees are Mongolian nationals.

- Oyu Tolgoi LLC is obligated to utilize only Mongolian power sources within four years of commencing commercial production. Such sources of power may not be available or may be available upon commercial terms that are less advantageous than those available from other potential power suppliers.

- Although Oyu Tolgoi LLC has reached commercial production, there is a risk that unforeseen mining or processing difficulties may be encountered that could prevent Oyu Tolgoi LLC from maintaining the required commercial production levels.

- Oyu Tolgoi LLC is obligated to use Mongolian services, transportation and freight facilities on a priority basis to the extent such services and materials are available on a competitive time, cost, quantity and quality basis. Such services and facilities may not be available to the extent required or may be available upon commercial terms that are less advantageous than those available from other sources.

- Oyu Tolgoi LLC has community development commitments and social responsibility obligations. There is a risk that Oyu Tolgoi LLC will be unable to meet the expectations or demands of relevant community stakeholders to the extent contemplated to allow Oyu Tolgoi LLC to meet its commitments under the Investment Agreement.

- The extension of the term of the Investment Agreement from 30 years to 50 years and then to 70 years is subject to a number of conditions, including the Company having demonstrated that the Oyu Tolgoi mine has been operated in accordance with industry best practices in terms of national and community benefits, environment and health and safety practices. The inherently subjective nature of these criteria creates the risk that the Company and the Government of Mongolia may disagree as to whether the conditions for extending the term of the Investment Agreement have been met.

Despite the Company's best efforts, such provisions are not necessarily within its control and non-fulfilment of any such provision may result in a default under the Investment Agreement. Such a default could result in termination of the Investment Agreement or damages accruing, which may have a material adverse impact on the Company and its share price.

RTIH, as the holder of a majority of the Common Shares and as manager of the Oyu Tolgoi mine, has the ability to exert a significant degree of control over the Company, Oyu Tolgoi LLC and the Oyu Tolgoi mine.

RTIH, together with its affiliates, owns a majority of the outstanding Common Shares and can exercise its voting power to elect all of the members of the Board of Directors, subject to the agreed limitations in the HoA and the

2012 MoA. RTIH can also exercise its majority voting power to unilaterally pass any ordinary resolution submitted to a vote of the Company's shareholders, except for resolutions in respect of which RTIH is an interested party and for which disinterested shareholder approval is required. In addition, under the HoA, RTIH was appointed as manager of the Oyu Tolgoi mine which provides RTIH with responsibility for the management of the Oyu Tolgoi mine. Pursuant to the 2012 MoA, the Company's current Chief Executive Officer and Chief Financial Officer were nominated by RTIH. Such persons, together with the rest of the Company's senior management team, are employed by affiliates of RTIH and are seconded to the Company.

RTIH is also able to exert a significant degree of control over the management, development and operation of the Oyu Tolgoi mine through a series of governance mechanisms established under the Private Placement Agreement and the HoA. These include the Technical Committee established under the Private Placement Agreement and the Operating Committee established under the HoA, through which RTIH is able to control decisions respecting the business of Oyu Tolgoi LLC subject to a veto of the Company in respect of certain special matters.

The interests of RTIH and the interests of the Company's other shareholders are not necessarily aligned in all respects and there can be no assurance that RTIH will exercise its rights as the Company's majority shareholder and its other contractual rights under the Private Placement Agreement, the HoA, the 2012 MoA and the 2013 MoA in a manner that is consistent with the best interests of either the Company or the Company's other shareholders.

The actual cost of developing the Oyu Tolgoi mine may differ materially from the Company's estimates and involve unexpected problems or delays.

The Company's estimates regarding the cost of development and operation of the Oyu Tolgoi mine are estimates only and are based on many 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 estimates and the assumptions upon which they are based are subject to a variety of risks and uncertainties and other factors that could cause actual expenditures to differ materially from those estimated. If these estimates prove incorrect, the total capital expenditures required to complete development of the Oyu Tolgoi mine underground mine may increase, which may have a material adverse impact on the Company, its results of operations, financial condition and share price.

There are also a number of uncertainties inherent in the development and construction of any new or existing mine, including the Oyu Tolgoi mine. These uncertainties include the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, process water, power and transportation, including costs of transport for the supply chain for the Oyu Tolgoi mine, which requires routing approaches which have not been fully tested; the annual usage fees payable to the local province for sand, aggregate and water; the availability and cost of appropriate smelting and refining arrangements; and the need to obtain necessary environmental and other government permits, such permits being on reasonable terms, and the timing of those permits. 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, which may cause delays in the commencement or expansion of mineral production. In particular, funding and development of the Oyu

Tolgoi mine underground mine has been delayed until matters with the Government of Mongolia can be resolved and a new timetable agreed. Any of these delays could impact disclosed project economics. Accordingly, there is no assurance that the current or future development, construction or expansion activities will be successfully completed within cost estimates, on schedule or at all and, if completed, there is no assurance that such activities will result in profitable mining operations.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact the Company's business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, access to water, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters. Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact the Company's decision as to whether to continue to operate in a particular jurisdiction or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition, which may have a material adverse impact on the Company and its share price.

The Company is exposed to risks of changing political stability and government regulation in the countries in which it operates.

The Company holds mineral interests in countries which may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and by the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. The Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income and other taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. Although the issues with Chinese customs relating to the collection of shipments of concentrate have been resolved, future disputes or issues with customs officials affecting the shipment of the Company's products and the ability of its customers to collect such products may arise and could have an adverse effect on the Company's ability to collect and/or recognize revenue. The Company's operations may also be affected to varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

In certain areas where the Company is active, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The laws of certain of the countries in which the Company operates also have the potential to be applied in an inconsistent manner due to the substantial administrative discretion granted to the responsible government official. As such, even the Company's best efforts to comply with the laws and regulations may not result in effective compliance in the determination of government bureaucrats, which may have a material adverse impact on the Company and its share price.

The disclosed resource and reserve estimates for the Company's projects are estimates only and are subject to change based on a variety of factors, some of which are beyond the Company's control. The Company's actual production, revenues and capital expenditures may differ materially from these estimates.

The disclosed estimates of reserves and resources in this MD&A, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques, and 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. Reserve and resource estimates are materially dependent on prevailing metal prices and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of metals or increases in the costs to recover metals from the Company's mining projects may render mining of ore reserves uneconomical and affect the Company's operations in a materially adverse manner. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the Company's reserves and resources. Should such reductions occur, material write-downs of the Company's investments in mining properties or the discontinuation of development or production might be required, and there could be cancellations of or material delays in the development of new projects, increased net losses and reduced cash flow. The estimates of mineral reserves and resources attributable to a specific property are based on internationally accepted engineering and evaluation principles. The estimated amount of contained metals in Proven mineral reserves and Probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

The financial modeling for the Oyu Tolgoi mine is based on projected future metal prices. The prices used reflected organizational consensus pricing views and opinions and are subjective in nature. It should be expected that actual prices will be different than the prices used for such modelling (either higher or lower), and the differences could be significant.

There are numerous uncertainties inherent in estimating quantities of mineral reserves and resources. The estimates referenced in this MD&A are based on various 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. Many of the projections and estimates are based on subjective views and assumptions. 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, which may have a material adverse impact on the Company and its share price.

A number of the uncertainties relate to the costs and availability of smelting 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 such services. These costs can be significantly impacted by a variety of industry-specific and also regional and global economic factors (including, among others, those which affect commodity prices). Many of these factors are beyond the Company's control.

Mining projects are sensitive to the volatility of metal prices.

The long-term viability of the Oyu Tolgoi mine depends in large part on the world market prices of copper, gold and silver. The market prices for these metals are volatile and are affected by numerous factors beyond the Company's control. These factors include international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, increased production due to improved mining and production methods and economic events, including the performance of Asia's economies. Ongoing worldwide economic uncertainty could lead to prolonged recessions in many markets which may, in turn, result in reduced demand for commodities, including base and precious metals

The aggregate effect of these factors on metal prices is impossible to predict. Should prevailing metal prices be depressed or below variable production costs of the Company's current and planned mining operations for an extended period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of the Company's mining, development and exploration activities. The Company would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of the Company's reserves and resources. These factors could have an adverse impact on the Company's future cash flows, earnings, results of operations, stated reserves and financial condition, which may have a material adverse impact on the Company and its share price.

The following table sets forth for the periods indicated: (i) the London Metals Exchange's high, low and average settlement prices for copper in U.S. dollars per pound; (ii) the high, low and average London afternoon fixing prices for gold in U.S. dollars per ounce; and (iii) the high, low and average London afternoon fixing prices for silver in U.S. dollars per ounce.

	Copper			Gold			Silver		
Year	**High**	**Low**	**Average**	**High**	**Low**	**Average**	**High**	**Low**	**Average**
2009	$3.33	$1.38	$ 2.34	$1,213	$ 810	$ 972	$19.18	$10.51	$ 14.67
2010	$4.42	$2.76	$ 3.42	$1,421	$1,058	$ 1,225	$30.70	$15.14	$ 20.19
2011	$4.62	$3.05	$ 4.00	$1,895	$1,319	$ 1,572	$48.70	$26.16	$ 35.12
2012	$3.93	$3.29	$ 3.61	$1,792	$1,540	$ 1,669	$37.23	$26.67	$ 31.15
2013	$3.77	$3.04	$ 3.34	$1,694	$1,192	$ 1,411	$32.23	$18.61	$ 23.79

Under Mongolia's Resolution No. 175, the Government of Mongolia may seek contribution or reimbursement from Oyu Tolgoi LLC for compensation it provides to third parties adversely affected by Resolution No. 175.

In June 2011, the Government of Mongolia passed Resolution No. 175, the purpose of which is to authorize the designation of certain defined land areas for "special needs" in proximity to the Oyu Tolgoi mine. These special needs areas are to be used for infrastructure facilities for the development of the Oyu Tolgoi mine, if required. Most of the land areas designated for special needs are subject to existing mineral exploration and mining licences issued by the Government of Mongolia to third parties and, in certain cases, a mineral resource has been declared and registered with the applicable governmental authorities in respect of such licences. It is not entirely clear at this time what areas of land covered by Resolution No. 175 may be required for the purposes of infrastructure for the Oyu Tolgoi mine and, if required, what level of impact that may have, if any, on third parties holding mineral exploration and mining licences over such areas. Oyu Tolgoi LLC has entered into certain consensual arrangements with some of the affected third parties and is seeking to complete consensual arrangements with all affected third parties. If Oyu Tolgoi LLC cannot enter into consensual arrangements with an affected third party and such third party's rights to use and access the subject land area are ultimately adversely affected by the application of Resolution No. 175, compensation to such third parties will be payable under Mongolian legislation as indicated by Resolution No. 175.

It has not been formally confirmed by the Government of Mongolia that any consensual arrangements Oyu Tolgoi LLC enters into with affected third parties will make the application of Resolution No. 175 to those affected third parties unnecessary or of no adverse effect. It is not clear at this time whether the Government of Mongolia will alone assume the obligation to pay such compensation to third parties, or whether it will require Oyu Tolgoi LLC to pay all or a portion of such compensation.

The Company is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations, either through current or future operations or a pre-existing condition, could materially adversely affect the Company.

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates and has operated. For example, the Oyu Tolgoi mine is subject to a requirement to meet environmental protection obligations. The Company must complete an Environmental Protection Plan for approval by the Government of Mongolia and complete a report prepared by an independent expert on environmental compliance every three years.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing third party owners or operators of the properties. Government approvals and permits are also often required in connection with various aspects of the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prevented from proceeding with planned exploration or development of its mineral properties, which may have a material adverse impact on the Company and its share price.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties, which may have a material adverse impact on the Company and its share price.

Previous mining operations may have caused environmental damage at current and former mining projects of the Company, and if the Company cannot prove that such damage was caused by such prior operators, its indemnities and exemptions from liability may not be effective.

The Company has received exemptions from liability from relevant governmental authorities for environmental damage caused by previous mining operations at current and former mining projects, including at the Kyzyl Gold Project in Kazakhstan and the Cloncurry Tenements in Australia. There is a risk, however, that, if an environmental accident occurred at those sites, it may be difficult or impossible to assess the extent to which environmental damage was caused by the Company's activities or the activities of other operators. In that event, the liability exemptions could be ineffective and possibly worthless, which may have a material adverse impact on the Company and its share price.

The Company's ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions imposed by law, foreign currency exchange regulations and financing arrangements.

The Company conducts its operations through subsidiaries. Its ability to obtain dividends or other distributions from its subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, including any tax obligations, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate. The ability of our subsidiaries to pay dividends or to make other distributions to the Company is also subject to their having sufficient funds to do so. The Company notes that its cash and cash equivalents at December 31, 2013 includes SouthGobi's balance of US$21.8 million, which amount is not available for the Company's use. If its subsidiaries are unable to pay dividends or to make other distributions, the Company's growth may be inhibited unless it is able to obtain additional equity or debt financing on acceptable terms. In the event of a subsidiary's liquidation, the Company may lose all or a portion of its investment in that subsidiary. The Company expects to be able to rely on the terms of the Investment Agreement to pay dividends out of Mongolia, subject to certain restrictions contained in the Investment Agreement, but will be unable to do so in respect of projects that are not covered by the terms of the Investment Agreement, which may have a material adverse impact on the Company and its share price.

The Government of Mongolia T-Bill may remain illiquid beyond the stated maturity date.

On October 20, 2009, as an adjunct to the Investment Agreement, Oyu Tolgoi LLC purchased a T-bill from the Government of Mongolia, with a face-value of US$115.0 million, for US$100.0 million. The T-Bill was assigned to the Company by Oyu Tolgoi LLC in November 2012. The T-Bill will mature on October 20, 2014. Mongolia continues to maintain a relatively high level of debt and, as such, its debt securities carry a higher level of risk than similar securities issued by countries with lower debt and more developed economies. There is no assurance that the Company will be able to readily convert the T-Bill into cash upon the stated maturity date, and the inability to do so could have a material adverse impact on the Company's cash position, which may have a material adverse impact on the Company and its share price.

The Company is subject to anti-corruption legislation.

The Company is subject to the United States' *Foreign Corrupt Practices Act* and other similar legislation, such as, but not necessarily limited to, Canada's *Corruption of Foreign Public Officials Act* (collectively, "Anti-Corruption Legislation"), which prohibits the Company or any officer, director, employee or agent of the Company or any shareholder of the Company acting on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. The Company's international activities create the risk of unauthorized payments or offers of payments by its employees, consultants or agents, even though they may not always be subject to its control. The Company strictly prohibits these practices by its employees and agents. However, the Company's existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants or agents may engage in conduct for which the Company might be held responsible. Any failure by the Company to adopt appropriate compliance procedures and ensure that its employees and agents comply with the Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on its ability to conduct its business, which may have a material adverse impact on the Company and its share price.

SouthGobi is subject to continuing governmental, regulatory and internal investigations, the outcome of which is unclear at this time but could have a material adverse effect on SouthGobi and the Company.

The investigations referred to in "Description of the Business – SouthGobi Resources Ltd. – Governmental, Regulatory and Internal Investigations" could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against SouthGobi, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on SouthGobi and the Company.

There can be no assurance that the interests held by the Company in its exploration, development and mining properties are free from defects or that material contractual arrangements between the Company and entities owned or controlled by foreign governments will not be unilaterally altered or revoked.

The Company has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing, but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of the Company. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties. The Company has also applied for rights to explore, develop and mine various properties, but there is no certainty that such rights, or any additional rights applied for, will be granted on terms satisfactory to the Company or at all, which may have a material adverse impact on the Company and its share price.

The Company is currently engaged in an SEC comment letter process relating to revenue recognition accounting treatment regarding certain sales of coal by its majority-owned subsidiary, SouthGobi, which process could result in a requirement to file future supplements to or further restatements of the Company's financial disclosure.

The Company has received comment letters from the staff (the "Staff") of the SEC relating to the Annual Report on Form 40-F for the year ended December 31, 2012 filed with the SEC on March 25, 2013. The Staff's comments addressed accounting and disclosure matters primarily related to revenue recognition accounting under U.S. GAAP in respect of certain sales of coal by our majority-owned subsidiary, SouthGobi. The Company has concluded that the restatement of its consolidated financial statements as described under "General Development of the Business – Restatement of 2012 Financial Statements" appropriately addresses the timing of revenue recognition for these transactions. However, as of the date of this MD&A, the Staff's comments remain unresolved, and until these comments are resolved, the Company cannot predict whether the Staff will require it to supplement its disclosures or further restate or make other changes to its historical consolidated financial statements, including with respect to the financial information contained in the Company's previously filed annual and quarterly reports. If the Company is required to supplement its disclosures or further restate its previously reported financial statements in any way, it could have a material adverse effect on the Company's results of operations and on the value or trading price of its Common Shares.

The Company does not expect to pay dividends for the foreseeable future.

The Company has not paid any dividends on its Common Shares to date and it does not intend to declare or pay dividends for the foreseeable future, as it anticipates that it will reinvest future earnings, if any, in the development and growth of the Oyu Tolgoi mine and its business generally. Therefore, investors will not receive any funds unless they sell their Common Shares, and investors may be unable to sell their Common Shares on favourable terms or at all. The Company cannot give any assurance of a positive return on investment or that investors will not lose the entire amount of their investment in Common Shares. Prospective investors seeking or needing dividend income or liquidity should not purchase Common Shares.

There is no assurance that the Company will be capable of consistently producing positive cash flows.

While commercial production from the open pit at the Oyu Tolgoi mine has commenced and concentrate has been shipped to customers in China, which is expected to generate working capital in 2014, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or for a sustained period of time or arranging a sufficient amount of capital, whether through project debt financing or otherwise, to fund the development of the underground mine, which may have a material adverse impact on the value of the Oyu Tolgoi mine and, consequently, on the Company and its share price.

There is no guarantee that any exploration or development activity will result in additional commercial production.

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that additional commercial quantities of ore will be discovered on any of the Company's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Company.

The Company cannot insure against all of the risks associated with mining.

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including rock bursts, slides, fires, earthquakes or other adverse environmental occurrences; industrial accidents; labour disputes; political and social instability; technical difficulties due to unusual or unexpected geological formations; failures of pit walls, shafts, head frames, underground workings; and flooding and periodic interruptions due to inclement or hazardous weather conditions.

These risks can result in, among other things, damage to, and destruction of, mineral properties or production facilities; personal injury (and even loss of life); environmental damage; delays in mining; monetary losses; and legal liability.

It is not always possible to obtain insurance (or to fully insure) against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered or covered at all, by insurance, could have a material adverse effect on the Company's financial condition, results of operations and cash flows and could lead to a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks, which may have a material adverse impact on the Company and its share price.

The loss of, or a substantial decline in sales to, a top customer could have a material adverse effect on the Company's revenues and profitability.

A reduction or delay in orders from leading customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect upon the Company's results of operations. Customers that accounted for significant revenue in fiscal 2013 may not generate similar levels of or any revenue in 2014 or in any future period. The failure to obtain new significant customers or additional orders from existing customers may materially affect the Company's operating results. The Company anticipates that its dependence on a limited number of customers in any given fiscal year will continue for the foreseeable future. There is a risk that existing customers will elect not to do business with the Company in the future or will experience financial or other difficulties.

The Company faces risks associated with enforcement of its contractual rights.

The Company has customer contracts with certain Chinese companies. Enforcement of existing and future laws and contracts in China is subject to uncertainty, and the implementation and interpretation of them may be inconsistent. The promulgation of new laws and changes to existing laws may adversely affect foreign companies with operations in China or contracts with Chinese counterparties, such as the Company's. These uncertainties could limit the legal protections available to the Company. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. The Company's inability to enforce its contractual rights could have a material adverse effect on its business and profitability.

The Company's prospects depend on its ability to attract and retain key personnel.

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. The Company believes that it has been successful in recruiting the necessary personnel to meet its corporate objectives but, to the extent the Company's business activity grows and it commences development of the Oyu Tolgoi mine's underground mine, it will require additional key financial, operational, mining and management personnel, as well as additional staff on the operations side. The Company is also dependent on the Rio Tinto Group for the secondment of skilled labour at the Oyu Tolgoi mine, particularly in the construction and early development phases. Although the Company believes that it will be successful in attracting and retaining qualified personnel, including qualified secondees from the Rio Tinto Group, there can be no assurance of such success.

In addition, pursuant to the terms of the Investment Agreement, the Company is obligated to hire a specific number of Mongolian nationals as the Oyu Tolgoi mine continues in commercial production. Among other obligations, the Company must use its best endeavours to ensure that within five years of the Oyu Tolgoi mine attaining commercial production, at least 50%, and within ten years of the Oyu Tolgoi mine attaining commercial production, at least 70% of the engineers employed at the Oyu Tolgoi mine are Mongolian nationals (and failure to meet these levels will result in financial penalties).

Certain directors of the Company are directors or officers of, or have shareholdings in, other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with the Company.

Certain of the directors of the Company are directors, officers or employees of, or have shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in another resource Company, such directors and officers may have conflicts of interest, such as where such other companies may also compete with the Company for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director who has such a conflict is required to disclose the conflict to a meeting of the directors of the Company and will generally abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In accordance with the Business Corporations Act (Yukon), the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Capital markets are volatile, and capital may not at all times be available on terms acceptable to the Company or at all.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely impact the Company and its share price. In addition, in the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. The Company cannot assure you that similar litigation will not occur in the future with respect to it. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon the Company's business, operating results, and financial condition.

If the Company is required to access credit markets to carry out its development objectives, the state of domestic and international credit markets and other financial systems could affect the Company's access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. Such capital may not be available on terms acceptable to the Company or at all, which may have a material adverse impact on the Company and its share price.

The Company may be a passive foreign investment Company (PFIC), which could have adverse U.S. federal income tax consequences to United States Holders of Common Shares.

Based on the scope of its past, current and projected operations, the Company believes that it may have been a PFIC for the 2013 tax year and that it may remain a PFIC (or become one if it was not) in the future. However, the determination of the Company's PFIC status for any year is very fact-specific, and is dependent on continued active operations either by SouthGobi or through other projects, the value of the Company's resources and reserves, legal and political risks, and other factors beyond the Company's control. Accordingly, there can be no assurance in this regard. If the Company is classified as a PFIC, United States Holders of Common Shares could be subject to adverse U.S. federal income tax consequences, including increased tax liabilities and possible additional reporting requirements, which may have a material adverse impact on the Company and its share price. For the purposes hereof, "United States Holder" means any beneficial owner of a Common Share that is (i) an individual citizen or resident alien of the United States as determined for United States federal income tax purposes; (ii) a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or any of its political subdivisions; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; and (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

The Company may from time to time hold substantial funds in cash and cash equivalents and there is a risk that financial market turmoil or other extraordinary events could prevent the Company from obtaining timely access to such funds or result in the loss of such funds.

The Company may from time to time hold substantial funds in cash and cash equivalents, including treasury bills, money market funds and bank deposits. Management has adopted a conservative investment philosophy with respect to such funds, as the Company may require that these funds be used on short notice to support its business objectives. Nevertheless, there is a risk that an extraordinary event in financial markets generally or with respect to an obligor under an investment individually will occur that prevents the Company from accessing its cash and cash equivalent investments. Such an event could, in the case of delayed liquidity, have a negative impact on implementation of time sensitive business objectives that require access to such funds or such an event could, in extreme circumstances, result in the loss of some or all of such funds.

The Company's business could be materially and adversely affected by current, and potential future litigation proceedings.

The Company has recently received notice of two putative class action complaints filed in the U.S., which it must now defend against. Additionally, the Company could be subject to other legal claims or proceedings related to securities or other matters in the future. The Company may be required to defend against any future claims that are asserted against it, or may deem it necessary or advisable to initiate a legal proceeding to protect its rights. The expense and distraction of the current legal proceedings in the putative class actions or any future claim or proceeding, whether or not resolved in the Company's favour, could materially and adversely affect its business, operating results, and financial condition. Further, if a claim or proceeding were resolved against the Company or if it were to settle any such dispute, including the claims relating to the two putative class action complaints, the Company may be required to pay damages and costs or refrain from certain activities, any of which could have a material adverse impact on the Company's business, operating results, and financial condition.

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

15. RELATED-PARTY TRANSACTIONS

Related party transactions with Rio Tinto plc

As at December 31, 2013, Rio Tinto's equity ownership in the Company was 50.8% (December 31, 2012: 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:

	December 31,	
	2013	2012
Cash and cash equivalents (i)	**$ -**	$ 970,591
Due from related parties	**5,070**	496
Payable to related parties:		
Management services payment (ii)	**(100,569)**	(91,175)
Cost recoveries (iv)	**(75,237)**	(94,226)
Standby purchaser fee (v)	**(71,886)**	-
Interest payable on long-term debt	**(13,530)**	(25,105)
Interim Funding Facility	**(1,789,787)**	(1,799,004)
New Bridge Facility	**(339,475)**	-
	$ (2,385,414)	$ (1,038,423)

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

	Year Ended December 31,	
	2013	2012
Interest income on demand deposits (i)	**$ 5,681**	$ 385
Costs recoveries - Turquoise Hill	**5,285**	2,654
Financing costs:		
Series D Warrants	**-**	(164,384)
Standby purchaser fee	**(71,710)**	(72,764)
Front end fees (iii)	**(7,917)**	(16,667)
Commitment fees (iii)	**(14,527)**	(19,607)
Interest expense (iii)	**(129,910)**	(101,109)
Management services payment (ii)	**(21,750)**	(34,392)
Costs recoveries - Rio Tinto (iv)	**(98,302)**	(113,326)
	$ (333,150)	$ (519,210)

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

(i) Cash and cash equivalents at December 31, 2012 included two deposits with Rio Tinto totalling $970.6 million that earned interest at LIBOR plus 3.25% and were required to be repaid, in whole or in part, to the Company on demand. One deposit of $274.2 million was repaid on March 1, 2013 when Rio Tinto terminated that deposit arrangement in accordance with its terms. The remaining $696.4 million on deposit was fully repaid by May 22, 2013.

(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) 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.

(iv) 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.

(v) During 2013, the Company recognized a derivative loss of $0.2 million associated with remeasuring the standby purchaser fee liability.

The above noted transactions were 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.

Other related party transactions

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

	Year Ended December 31,	
	2013	2012
Global Mining Management Corporation (i)	**$816**	$ 24,019
Robert Friedland related entities (ii)	**-**	21,224
	$816	$ 45,243

The above noted transactions were 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.

At December 31, 2013, no amounts were due from (December 31, 2012 - $1.1 million) or payable to (December 31, 2012 - $0.1 million) companies related to Turquoise Hill by way of directors, officers or shareholders in common.

(i) On October 31, 2013, the Company ceased being one of seven equal shareholders of Global Mining Management Corporation (Global), a private company based in Vancouver, and the Company's Vice President, Human Resources and Administration ceased being a director of Global's parent company.

Additionally, Global had a director in common with the Company until May 10, 2013. Global provided administration, accounting, and other office services to the Company on a cost-recovery basis.

(ii) Robert Friedland beneficially owned more than 10% of the Company until late April 2013 and was the Company's CEO up until April 17, 2012. Turquoise Hill had various service arrangements with certain private companies 100%-owned by Mr. Friedland. These arrangements were on a cost-recovery basis and included aircraft rental, administration and other office services out of London, England and Singapore. The cost-sharing arrangements with these entities were terminated in April 2012, and a payment of $19.4 million was made to settle all obligations.

16. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under applicable securities legislation is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosures.

As of the end of the Company's fiscal year ended December 31, 2013, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a – 15(e) and 15d – 15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109)) was carried out by the Company's management with the participation of the CEO and CFO. Based upon that evaluation, the Company's CEO and CFO concluded that as of the end of the fiscal year, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under applicable U.S. and Canadian securities legislation is (i) recorded, processed, summarized and reported within the time periods specified in such legislation and (ii) accumulated and communicated to the Company's management, including its CEO and CFO, to allow timely decisions regarding required disclosure.

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only a reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part on certain assumptions about the likelihood of certain events, and there can be no assurance that any design can achieve its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

17. MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting of the Company (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act and in NI 52-109). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP and the requirements of applicable U.S. and Canadian securities legislation.

As previously reported in the Company's Amendment No. 1 to its Annual Report on Form 40-F for the fiscal year ended December 31, 2012, management identified a material weakness in the Company's internal control over financial reporting related to the Company's failure to properly account for revenues in complex transactions. Specifically the Company did not ensure that all aspects of sales arrangements were considered in the determination of the appropriate accounting for contracts in which the specified location of transfer of title in the contracts is the customer's stockpile in the stockyard located within SouthGobi's Ovoot Tolgoi mine's mining license area. To remediate the material weakness in the Company's internal control over financial reporting, the Company implemented the following procedures:

1) Additional monitoring of sales contracts entered into by its subsidiaries; and
2) Enhanced analysis of the application of relevant accounting standards to the facts of those contracts.

As such we have concluded that the material weakness in internal control over financial reporting has been remediated as discussed above.

The Company's CEO and CFO have assessed the effectiveness of the Company's internal controls over financial reporting as at December 31, 2013 in accordance with Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's CEO and CFO have determined that the Company's internal controls over financial reporting were effective as of December 31, 2013 and have certified the Company's annual filings with the U.S. Securities and Exchange Commission on Form 40-F as required by the United States Sarbanes-Oxley Act and with Canadian securities regulatory authorities.

Management reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors. PricewaterhouseCoopers LLP, independent auditor, has been engaged to audit and provide independent opinions on the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. PricewaterhouseCoopers LLP has expressed an unqualified opinion on the Company's consolidated financial statements and on the Company's internal control over financial reporting as of December 31, 2013.

Changes in internal controls over financial reporting

Other than the changes described above, there were no changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

18. OVERSIGHT ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews, with management and the external auditors, the Company's MD&A and related consolidated financial statements and approves the release of such information to shareholders. For each audit or quarterly review, the external auditors prepare a report for members of the Audit Committee summarizing key areas, significant issues and material internal control weaknesses encountered, if any.

19. 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 Pty Ltd 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 a Principal Geologist. Each of these individuals is a "qualified person" as that term is defined in NI 43-101.

20. 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, 2013, 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 Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 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. 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.

21. 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 United States *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; 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 issues including the implementation of the Investment Agreement, project development costs, operating budgets, management fees and governance and the existence or filing of legal proceedings against the Company and its officers and directors. 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 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 its 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 issues 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 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 those projected in the 2013 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. In addition, see "Cautionary Note to United States Investors". Such estimates and statements are, in large part, based on the following:

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

development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates;

- Assumptions relating to projected future metal prices. The prices used reflect organizational consensus pricing views and opinions in the financial modeling for the Oyu Tolgoi mine and are subjective in nature. It should be expected that actual prices will be different than the prices used for such modeling (either higher or lower), and the differences could be significant; and
- Assumptions relating to the costs and availability of treatment and refining services for the metals mined from the Oyu Tolgoi mine, which require arrangements with third parties and involve the potential for fluctuating costs to transport the metals and fluctuating costs and availability of refining services. These costs can be significantly impacted by a variety of industry-specific and also regional and global economic factors (including, among others, those which affect commodity prices). Many of these factors are beyond the Company's control.

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

Readers are 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.

22. MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The Consolidated Financial Statements and the management's discussion and analysis of financial condition and results of operations (MD&A) are the responsibility of the management of Turquoise Hill Resources Ltd. These financial statements and the MD&A have been prepared by management in accordance with accounting principles generally accepted in the United States and regulatory requirements, respectively, using management's best estimates and judgment of all information available up to March 26, 2014.

The Board of Directors has approved the information contained in the consolidated financial statements and the MD&A. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with financial officers of the Company and the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors who approve the consolidated financial statements.

TURQUOISE HILL RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 2 to the Consolidated Financial Statements.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent auditor, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). They have full and unrestricted access to the Audit Committee.

/s/ Kay Priestly
Kay Priestly
Chief Executive Officer

/s/ Chris Bateman
Chris Bateman
Chief Financial Officer

March 26, 2014
Vancouver, BC, Canada

EXHIBIT 99.4

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2013 of Turquoise Hill Resources Ltd. of our report dated March 26, 2014, relating to the consolidated financial statements for the year ended December 31, 2013 and the effectiveness of internal control over financial reporting at December 31, 2013, which appears in the Exhibit incorporated by reference in this Annual Report.

We also consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-160783, 333-143550, 333-135595, 333-128205 and 333-113048) of Turquoise Hill Resources Ltd. of our report dated March 26, 2014 referred to above.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, Canada
March 26, 2014

EXHIBIT 99.5

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Turquoise Hill Resources Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent (i) to the use of and reference to my name as a qualified person for the Oyu Tolgoi Technical Report dated March 25, 2013, and to the use of and reference to my name, in the Company's Annual Information Form for the year ended December 31, 2013, dated March 26, 2014, and the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations, dated March 26, 2014, in each case which form part of the 40-F, and (ii) to the incorporation by reference of such information into the Company's Form S-8 (333-113048, 333-128205, 333-135595, 333-143550 and 333-160783).

Sincerely,

/s/ Bernard Peters
Title: Technical Director – Mining
Company: OreWin Pty Ltd.

Date: March 26, 2014

EXHIBIT 99.6

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Turquoise Hill Resources Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent (i) to the use of and reference to my name as a qualified person for the Oyu Tolgoi Technical Report dated March 25, 2013, and to the use of and reference to my name, in the Company's Annual Information Form for the year ended December 31, 2013, dated March 26, 2014, and the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations, dated March 26, 2014, in each case which form part of the 40-F, and (ii) to the incorporation by reference of such information into the Company's Form S-8 (333-113048, 333-128205, 333-135595, 333-143550 and 333-160783).

Sincerely,

/s/ Sharron Sylvester
Title: Technical Director – Geology
Company: OreWin Pty Ltd.

Date: March 26, 2014

EXHIBIT 99.7

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Turquoise Hill Resources Ltd. (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and to the report dated March 25, 2013, titled *Oyu Tolgoi Technical Report* (the "Report").

I, Bernard Peters, on behalf of OreWin Pty Ltd., consent to the use of our name and references to the Report, or portions thereof, as described in the 40-F and documents filed as part of the 40-F, and to the incorporation by reference of such information in the Company's Form S-8 (333-113048, 333-128205, 333-135595, 333-143550 and 333-160783).

Sincerely,

/s/ Bernard Peters
Title: Technical Director – Mining
Company: OreWin Pty Ltd.

Date: March 26, 2014

EXHIBIT 99.8

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the “40-F”) of Turquoise Hill Resources Ltd. (the “Company”) to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent (i) to the use of and reference to my name as a qualified person for disclosures of a scientific or technical nature in the Company’s Annual Information Form for the year ended December 31, 2013, dated March 26, 2014, and the Company’s Management’s Discussion and Analysis of Financial Condition and Results of Operations, dated March 26, 2014, in each case which form part of the 40-F, and (ii) to the incorporation by reference of such information into the Company’s Form S-8 (333-113048, 333-128205, 333-135595, 333-143550 and 333-160783).

Sincerely,

/s/ Kendall Cole-Rae
Title: Principal Geologist
Company: Rio Tinto plc

Date: March 26, 2014

EXHIBIT 99.9

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OR 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Kay Priestly, certify that:

1. I have reviewed this annual report on Form 40-F of Turquoise Hill Resources Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 26, 2014

By: *\/s/ Kay Priestly*
Chief Executive Officer

EXHIBIT 99.10

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) OR 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Christopher M. Bateman, certify that:

1. I have reviewed this annual report on Form 40-F of Turquoise Hill Resources Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 26, 2014

By: *_/s/ Christopher M. Bateman_*
Chief Financial Officer

EXHIBIT 99.11

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this annual report of Turquoise Hill Resources Ltd. (the "Company") on Form 40-F for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kay Priestly, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2014

By: */s/ Kay Priestly*
Chief Executive Officer

EXHIBIT 99.12

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this annual report of Turquoise Hill Resources Ltd. (the "Company") on Form 40-F for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher M. Bateman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2014

By: */s/ Christopher M. Bateman*
Chief Financial Officer