

TURQUOISE HILL RESOURCES LTD.

Form 6-K

August 15, 2012

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

From: 14 August 2012

TURQUOISE HILL RESOURCES LTD.

(Translation of Registrant's Name into English)

Suite 615 999 CANADA PLACE, VANCOUVER, BRITISH COLUMBIA V6C 3E1

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F- Form 40-F-

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes: No:

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____ .)

Enclosed:

Second quarter Financial Statements and Notes

Second quarter MD&A

CEO Certification

CFO Certification

Table of Contents

Table of Contents

(formerly Ivanhoe Mines Ltd.)

SECOND QUARTER REPORT

JUNE 30, 2012

Table of Contents

TABLE OF CONTENTS

ITEM 1.	Financial Statements	
	<u>Unaudited Consolidated Balance Sheets as at June 30, 2012 and December 31, 2011</u>	3
	<u>Unaudited Interim Consolidated Statements of Operations for the Three and Six Month Periods ended June 30, 2012 and 2011</u>	4
	<u>Unaudited Interim Consolidated Statements of Comprehensive Loss for the Three and Six Month Periods ended June 30, 2012 and 2011</u>	5
	<u>Unaudited Interim Consolidated Statement of Equity for the Six Month Period ended June 30, 2012</u>	6
	<u>Unaudited Interim Consolidated Statements of Cash Flows for the Three and Six Month Periods ended June 30, 2012 and 2011</u>	7
	<u>Notes to the Unaudited Interim Consolidated Financial Statements</u>	8
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Consolidated Balance Sheets**

(Stated in thousands of U.S. dollars)

	June 30,	December 31,
	2012	2011
(Unaudited)		
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	\$ 515,552	\$ 998,054
Short-term investments	30,000	-
Accounts receivable	58,425	102,460
Inventories (Note 4)	193,967	108,483
Prepaid expenses	73,720	56,327
TOTAL CURRENT ASSETS	871,664	1,265,324
LONG-TERM INVESTMENTS (Note 5)	69,401	107,277
OTHER LONG-TERM INVESTMENTS (Note 6)	312,073	317,325
PROPERTY, PLANT AND EQUIPMENT (Note 7)	5,670,612	4,363,501
DEFERRED INCOME TAXES	38,479	33,062
OTHER ASSETS	53,929	50,339
TOTAL ASSETS	\$ 7,016,158	\$ 6,136,828
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 520,450	\$ 681,185
Stock-based compensation liability	1,965	-
Deferred revenue	4,872	-
Amounts due under credit facilities (Note 8)	45,058	44,884
Interest payable on long-term debt (Note 9 and 10)	18,304	10,808
TOTAL CURRENT LIABILITIES	590,649	736,877
CONVERTIBLE CREDIT FACILITY (Note 9)	115,921	141,853
INTERIM FUNDING FACILITY (Note 10 (a))	1,580,817	400,655
RIGHTS OFFERING DERIVATIVE LIABILITY (Note 11 (e))	669,896	-
PAYABLE TO RELATED PARTY	75,909	56,783
DEFERRED INCOME TAXES	7,948	15,282
ASSET RETIREMENT OBLIGATIONS	73,218	45,553
TOTAL LIABILITIES	3,114,358	1,397,003
CONTINGENCIES (Note 17)		
EQUITY		
SHARE CAPITAL (Note 11)		
Authorized		
Unlimited number of preferred shares without par value		
Unlimited number of common shares without par value		
Issued and outstanding		
741,720,272 (2011 - 739,382,976) common shares	6,855,158	6,819,367

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

ADDITIONAL PAID-IN CAPITAL	1,607,962	1,389,721
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	4,057	(2,300)
DEFICIT	(4,538,847)	(3,483,948)
TOTAL TURQUOISE HILL RESOURCES LTD. SHAREHOLDERS EQUITY	3,928,330	4,722,840
NONCONTROLLING INTERESTS (Note 12)	(26,530)	16,985
TOTAL EQUITY	3,901,800	4,739,825
TOTAL LIABILITIES AND EQUITY	\$ 7,016,158	\$ 6,136,828

APPROVED BY THE BOARD:

/s/ J. Gardiner
J. Gardiner, Director

/s/ L. Mahler
L. Mahler, Director

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

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Consolidated Statements of Operations**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Unaudited)				
REVENUE	\$ 28,201	\$ 47,336	\$ 68,354	\$ 67,494
COST OF SALES				
Production and delivery	(27,672)	(31,416)	(47,251)	(43,574)
Depreciation and depletion	(13,310)	(7,731)	(19,647)	(10,530)
Write-down of carrying value of inventory	(8,733)	(10,557)	(13,205)	(15,875)
	(49,715)	(49,704)	(80,103)	(69,979)
EXPENSES				
Exploration (Note 11 (a))	(65,082)	(68,579)	(141,839)	(114,802)
General and administrative (Note 11 (a))	(80,986)	(19,483)	(112,504)	(44,761)
Depreciation	(614)	(703)	(2,331)	(1,215)
Accretion of asset retirement obligations	(1,193)	(172)	(2,146)	(334)
TOTAL EXPENSES	(197,590)	(138,641)	(338,923)	(231,091)
OPERATING LOSS	(169,389)	(91,305)	(270,569)	(163,597)
OTHER INCOME (EXPENSES)				
Interest income	4,822	4,913	10,711	10,051
Interest expense	(1,987)	(3,336)	(2,722)	(7,683)
Financing costs (Note 10 (b) and 11 (d))	(168,721)	-	(168,721)	-
Accretion of convertible credit facility (Note 9)	(32)	(14)	(63)	(28)
Foreign exchange (losses) gains	(8,669)	2,254	1,242	5,403
Unrealized (losses) gains on long-term investments (Note 5 (e))	(2,282)	3,453	(2,654)	(309)
Realized (losses) gains on sale of long-term investments (Note 5)	(47)	-	38	10,628
Unrealized gains on other long-term investments	2,042	1,007	10,915	1,395
Realized gain on redemption of other long-term investments (Note 6 (a))	24	65	32	98
Change in fair value of derivative (Note 11 (e) and (f))	18,506	-	18,506	(432,536)
Change in fair value of embedded derivatives (Note 9)	26,771	70,422	25,995	33,641
Write-down of carrying value of long-term investments (Note 5)	(9,269)	-	(13,129)	-
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(308,231)	(12,541)	(390,419)	(542,937)
Recovery (provision) of income taxes	4,391	(4,283)	3	8,615
Share of (loss) income of significantly influenced investees (Note 5)	(2,270)	44,844	(20,557)	41,130
NET (LOSS) INCOME	(306,110)	28,020	(410,973)	(493,192)
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 12)	20,213	(27,416)	44,476	1,296
NET (LOSS) INCOME ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD.	\$ (285,897)	\$ 604	\$ (366,497)	\$ (491,896)
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD. (Note 1 (c))				
	\$ (0.35)	\$ -	\$ (0.45)	\$ (0.70)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000 s) (Note 1 (e))				

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

BASIC	810,161	721,599	809,686	699,936
DILUTED	810,161	765,563	809,686	699,936

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

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Consolidated Statements of Comprehensive Loss**

(Stated in thousands of U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Unaudited)				
NET (LOSS) INCOME	\$ (306,110)	\$ 28,020	\$ (410,973)	\$ (493,192)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAXES				
Unrealized losses on available-for-sale equity securities, net of tax recovery of \$772, \$7,148, \$2,847, \$690	(22,205)	(54,001)	(26,607)	(7,451)
Unrealized gains (losses) on available-for-sale debt securities, net of tax of \$nil, \$nil, \$nil, \$nil	1,498	(6,738)	26,046	(4,918)
Currency translation adjustments, net of tax of \$nil, \$nil, \$nil, \$nil	(2,873)	7,454	2,039	8,948
Less: reclassification adjustments for losses recorded in earnings:				
Long-term investments				
Other-than-temporary impairment charges	-	-	2,685	-
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(23,580)	(53,285)	4,163	(3,421)
TOTAL COMPREHENSIVE LOSS	\$ (329,690)	\$ (25,265)	\$ (406,810)	\$ (496,613)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Turquoise Hill Resources Ltd.	\$ (299,485)	\$ (35,730)	\$ (360,140)	\$ (501,048)
Noncontrolling interests	(30,205)	10,465	(46,670)	4,435
	\$ (329,690)	\$ (25,265)	\$ (406,810)	\$ (496,613)

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

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Consolidated Statement of Equity**

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

(Unaudited)

	Share Capital		Accumulated Other Comprehensive Income (Loss)		Noncontrolling Deficit Interests		Total
	Number of Common Shares	Amount	Additional Paid-In Capital				
Balances, December 31, 2011	739,382,976	\$ 6,819,367	\$ 1,389,721	\$ (2,300)	\$ (3,483,948)	\$ 16,985	\$ 4,739,825
Net loss	-	-	-	-	(366,497)	(44,476)	(410,973)
Other comprehensive income (loss)	-	-	-	6,357	-	(2,194)	4,163
Shares issued for:							
Exercise of stock options	1,707,109	22,370	(10,705)	-	-	-	11,665
Exercise of subscription right (Note 11 (b))	439,216	8,489	-	-	-	-	8,489
Bonus shares	171,375	4,574	(4,574)	-	-	-	-
Share purchase plan	19,596	358	-	-	-	-	358
Other increase in noncontrolling interests (Note 12)	-	-	-	-	-	3,155	3,155
Share purchase warrants (Note 11 (d))	-	-	164,385	-	-	-	164,385
Rights offering (Note 11 (e))	-	-	-	-	(688,402)	-	(688,402)
Dilution gains	-	-	566	-	-	-	566
Stock-based compensation (net of reclassifications of \$1,965)	-	-	68,569	-	-	-	68,569
Balances, June 30, 2012	741,720,272	\$ 6,855,158	\$ 1,607,962	\$ 4,057	\$ (4,538,847)	\$ (26,530)	\$ 3,901,800

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

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Consolidated Statements of Cash Flows**

(Stated in thousands of U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(Unaudited)				
OPERATING ACTIVITIES				
Cash used in operating activities (Note 13)	\$ (148,952)	\$ (119,356)	\$ (262,202)	\$ (186,045)
INVESTING ACTIVITIES				
Proceeds from sale of discontinued operations (Note 2)	-	-	13,000	-
Purchase of short-term investments	-	-	-	(20,657)
Purchase of long-term investments	(6,450)	-	(24,450)	(8,537)
Purchase of other long-term investments	-	(100,000)	-	(145,000)
Proceeds from redemption of short-term investments	-	23,148	-	103,991
Proceeds from sale of long-term investments	359	-	1,500	14,000
Proceeds from redemption of other long-term investments	50	121	15,067	30,181
Expenditures on property, plant and equipment	(695,091)	(601,565)	(1,428,779)	(1,130,269)
Expenditures on other assets	(1,321)	(1,452)	(3,500)	(12,695)
Cash used in investing activities	(702,453)	(679,748)	(1,427,162)	(1,168,986)
FINANCING ACTIVITIES				
Issue of share capital	1,148	512,042	20,512	1,668,160
Proceeds from interim funding facility (Note 10 (a))	476,451	-	1,180,162	-
Proceeds from (repayment of) credit facilities	14	(3,061)	(289)	1,547
Noncontrolling interests reduction of investment in subsidiaries	-	(9,449)	(960)	(18,233)
Noncontrolling interests investment in subsidiaries	622	709	726	4,689
Cash provided by financing activities	478,235	500,241	1,200,151	1,656,163
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(6,410)	6,130	6,711	9,916
NET CASH (OUTFLOW) INFLOW	(379,580)	(292,733)	(482,502)	311,048
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	895,132	1,867,812	998,054	1,264,031
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 515,552	\$ 1,575,079	\$ 515,552	\$ 1,575,079
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash on hand and demand deposits	\$ 302,603	\$ 521,463	\$ 302,603	\$ 521,463
Short-term money market instruments	212,949	1,053,616	212,949	1,053,616
	\$ 515,552	\$ 1,575,079	\$ 515,552	\$ 1,575,079

Supplementary cash flow information (Note 13)

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

Table of Contents

TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)

Notes to the Consolidated Financial Statements

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

On June 28, 2012, at Turquoise Hill Resources Ltd. s (the Company) Annual and Special Meeting the shareholders approved changing the Company s name from Ivanhoe Mines Ltd. to Turquoise Hill Resources Ltd. The new name became effective on August 1, 2012.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accounting policies followed in preparing these consolidated financial statements are those used by the Company as set out in the audited consolidated financial statements for the year ended December 31, 2011.

Certain information and note disclosures normally included for annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted. These interim consolidated financial statements should be read together with the audited consolidated financial statements of the Company for the year ended December 31, 2011.

In the opinion of management, all adjustments considered necessary (including reclassifications and normal recurring adjustments) to present fairly the financial position, results of operations and cash flows at June 30, 2012 and for all periods presented, have been included in these financial statements. The interim results are not necessarily indicative of results for the full year ending December 31, 2012, or future operating periods. For further information, see the Company s annual consolidated financial statements, including the accounting policies and notes thereto.

The Company has five segments, Oyu Tolgoi LLC (66.0% owned) (Oyu Tolgoi) with its copper and gold project under construction in southern Mongolia; Ivanhoe Australia Limited (58.9% owned) (Ivanhoe Australia) with its copper-gold operations, development activities and exploration activities in Australia; SouthGobi Resources Ltd. (57.6% owned) (SouthGobi) with its coal operations and exploration activities in Mongolia; other exploration with projects primarily in Mongolia and Indonesia; and its corporate division.

References to Cdn\$ refer to Canadian currency, Aud\$ to Australian currency, and \$ to United States currency.

(b) Basis of presentation

For purposes of these consolidated financial statements, the Company, subsidiaries of the Company, and variable interest entities for which the Company is the primary beneficiary, are collectively referred to as Turquoise Hill .

Table of Contents

TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)

Notes to the Consolidated Financial Statements

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Comparative figures

In July 2012, 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 11(e)). In accordance with the Financial Accounting Standards Board Accounting Standards Codification (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 three and six months ended June 30, 2012 and 2011 have been multiplied by a factor of 1.09.

(d) Accounting changes

In May 2011, the ASC guidance for fair value measurement and disclosure was updated to clarify the Financial Accounting Standards Board's intent on current guidance, modify and change certain guidance and principles, and expand disclosures concerning Level 3 fair value measurements in the fair value hierarchy (including quantitative information about significant unobservable inputs within Level 3 of the fair value hierarchy). In addition, the updated guidance requires disclosure of the fair value hierarchy for assets and liabilities not measured at fair value in the statement of financial position, but whose fair value is required to be disclosed. The updated guidance was effective for the Company's fiscal year beginning January 1, 2012. The adoption of the updated guidance had no impact on the Company's consolidated financial position or results of operations.

In June 2011, the ASC guidance on presentation of comprehensive income was updated to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The updated guidance requires an entity to present the components of net income and other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of equity, but does not change the items that must be reported in other comprehensive income. The updated guidance was effective for the Company's fiscal year beginning January 1, 2012, except for changes as they relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of the updated guidance had no impact on the Company's consolidated financial position or results of operations.

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)*(e) (Loss) earnings per share*

The following table reconciles the numerators and the denominators of the basic and diluted (loss) earnings per share computations for net (loss) income from continuing operations:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	2011	2012	2011	2011
	As Adjusted	As Reported		As Adjusted	As Reported	As Reported
	(Note 1 (c))			(Note 1 (c))		
Net (loss) income attributable to Turquoise Hill Resources Ltd. from continuing operations	\$ (285,897)	\$ 604	\$ 604	\$ (366,497)	\$ (491,896)	\$ (491,896)
Effect of dilutive securities						
None	-	-	-	-	-	-
Adjusted net (loss) income attributable to Turquoise Hill Resources Ltd. from continuing operations	\$ (285,897)	\$ 604	\$ 604	\$ (366,497)	\$ (491,896)	\$ (491,896)
Basic weighted average number of shares outstanding	810,161	721,599	660,414	809,686	699,936	640,588
Effect of dilutive securities						
Share purchase warrants	-	34,513	31,586	-	-	-
Stock options	-	9,258	8,473	-	-	-
Bonus shares	-	193	177	-	-	-
	810,161	765,563	700,650	809,686	699,936	640,588

The following table lists securities that could potentially dilute basic (loss) earnings per share in the future that were not included in the computation of diluted (loss) earnings per share because to do so would have been antidilutive for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Share purchase warrants	55,000	-	55,000	-
Stock options	21,175	2,460	21,175	19,996
Bonus shares	137	-	137	623

76,312	2,460	76,312	20,619
---------------	-------	---------------	--------

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

2. DISCONTINUED OPERATIONS

In February 2005, Turquoise Hill sold the Savage River Iron Ore Project in Tasmania, Australia, for two initial cash payments totalling \$21.5 million, plus a series of five contingent, annual payments that began on March 31, 2006. From 2006 to 2009, these contingent payments totalled \$116.4 million.

During 2010, Turquoise Hill received two payments totalling \$6.4 million in relation to the fifth annual contingent payment. The original purchaser of the Savage River Project disputed the estimated \$22.1 million remaining balance of the fifth annual contingent payment. In 2010, Turquoise Hill initiated arbitration proceedings by filing a Request for Arbitration with the ICC International Court of Arbitration. The arbitration hearing was scheduled to occur in December 2011. In November 2011, the parties reached an out-of-court settlement whereby the original purchaser agreed to pay Turquoise Hill a reduced balance of \$13.0 million by March 31, 2012. Turquoise Hill received the final payment on March 28, 2012.

Turquoise Hill has received a total of \$157.4 million in proceeds from the sale of the Savage River Project.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2012 included SouthGobi's balance of \$61.6 million (December 31, 2011 - \$123.6 million) and Ivanhoe Australia's balance of \$51.5 million (December 31, 2011 - \$170.3 million), which were not available for the Company's general corporate purposes.

4. INVENTORIES

	June 30,	December 31,
	2012	2011
Coal stockpiles	\$ 21,681	\$ 9,390
Copper-gold stockpiles	1,577	2,875
Copper-gold concentrate	10,445	-
Materials and supplies	160,264	96,218
	\$ 193,967	\$ 108,483

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

5. LONG-TERM INVESTMENTS

	June 30,	December 31,
	2012	2011
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	\$ -	\$ -
Exco Resources N.L. (b)	12,988	14,975
RDCC LLC (c)	6,399	-
Available-for-sale equity securities (d)	30,464	68,637
Held-for-trading equity securities (e)	3,316	7,431
Other equity securities, cost method (f)	16,234	16,234
	\$ 69,401	\$ 107,277

(a) The Company holds 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.

	June 30,	December 31,
	2012	2011
Amount due from Altynalmas	\$ 143,828	\$ 123,617
Share of equity method losses in excess of common share investment	(143,828)	(123,617)
Net investment in Altynalmas	\$ -	\$ -

Amounts advanced to Altynalmas bear interest compounded monthly at a rate per annum equal to the one month London Inter-bank Offered Rate (LIBOR) plus 3.0% and are due on demand.

During the six month period ended June 30, 2012, Turquoise Hill recorded a \$20.2 million (2011 - \$9.8 million) share of loss on this investment.

(b) During the six month period ended June 30, 2012, Turquoise Hill recorded a \$0.3 million share of loss (2011 - \$50.9 million share of income) on its investment in Exco Resources N.L. (Exco).

At June 30, 2012, Turquoise Hill recorded an other-than-temporary impairment of \$1.7 million against its investment in Exco based on an assessment of the fair value of Exco.

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

At June 30, 2012, the market value of Turquoise Hill's 22.3% investment in Exco was \$13.0 million (Aud\$12.7 million).

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

5. LONG-TERM INVESTMENTS (Continued)

(c) Turquoise Hill has a 40.0% interest in RDCC LLC (RDCC), a jointly controlled entity. RDCC has signed a concession agreement with the State Property Committee in Mongolia to construct a paved highway from Turquoise Hill's Ovoot Tolgoi Mine to the Mongolia-China border. The concession agreement is structured as a 15-year build, operate and transfer agreement. During the six month period ended June 30, 2012, Turquoise Hill recorded a \$0.1 million (2011 - \$nil) share of loss on its investment in RDCC.

(d) Available-for-sale equity securities

	June 30, 2012				December 31, 2011			
	Equity Interest	Cost Basis	Unrealized (Loss) Gain	Fair Value	Equity Interest	Cost Basis	Unrealized Gain (Loss)	Fair Value
Aspire Mining Limited	19.9%	\$ 27,911	\$ (8,949)	\$ 18,962	19.9%	\$ 27,911	\$ 18,925	\$ 46,836
Entrée Gold Inc. (i)	10.7%	8,552	-	8,552	10.9%	19,957	(3,202)	16,755
Emmerson Resources Limited	8.7%	2,960	(183)	2,777	8.8%	2,957	1,775	4,732
Other	-	96	77	173	-	96	218	314
		\$ 39,519	\$ (9,055)	\$ 30,464		\$ 50,921	\$ 17,716	\$ 68,637

(i) During the six month period ended June 30, 2012, Turquoise Hill recorded an other-than-temporary impairment of \$11.4 million against its investment in Entrée Gold Inc. (Entrée) based on an assessment of the fair value of Entrée.

(e) Held-for-trading equity securities

During the six month period ended June 30, 2012, Turquoise Hill sold 10.0 million shares of Kangaroo Resources Limited (Kangaroo) for \$1.5 million. This transaction resulted in a realized gain on sale of \$38,000.

As at June 30, 2012, the market value of Turquoise Hill's 1.2% investment in Kangaroo was \$3.3 million.

(f) Other equity securities, cost method

June 30, 2012		December 31, 2011	
Equity Interest	Cost Basis	Equity Interest	Cost Basis

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

Ivanplats Limited	8.0%	\$	16,119	8.8%	\$	16,119
Other	-		115	-		115
		\$	16,234		\$	16,234

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

6. OTHER LONG-TERM INVESTMENTS

	June 30,	December 31,
	2012	2011
Long-Term Notes (a)	\$ 40,884	\$ 32,277
Treasury Bill (b)	101,338	88,348
Prepayments (b)	151,987	136,103
Convertible Bonds (c)	17,864	15,627
Money Market investments	-	44,970
	\$ 312,073	\$ 317,325

(a) Long-Term Notes

As at June 30, 2012, the Company held \$62.7 million (December 31, 2011 - \$62.5 million) principal amount of Long-Term Notes (received in 2009 upon completion of the Asset-Backed Commercial Paper restructuring) which was recorded at a fair value of \$40.9 million. The increase from December 2011 of principal of \$0.2 million was due to the strengthening of the Canadian dollar. The Company has designated the Long-Term Notes as held-for-trading. Accordingly, the Long-Term Notes are recorded at fair value with unrealized gains and losses included in earnings.

There is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company has estimated the fair value of the Long-Term Notes considering information provided on the restructuring, the best available public information regarding market conditions and other factors that a market participant would consider for such investments.

The Company is aware of a limited number of trades in the Long-Term Notes that occurred prior to June 30, 2012, but does not consider them to be of sufficient volume or value to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes.

The Company has used a discounted cash flow approach to value the Long-Term Notes at June 30, 2012 incorporating the following assumptions:

Bankers Acceptance Rate:	1.14%
Discount Rates:	8% to 60%
Maturity Dates:	4.5 years

Based on the discounted cash flow model as at June 30, 2012, the fair value of the Long-Term Notes was estimated at \$40.9 million. As a result of this valuation, the Company recorded an unrealized gain of \$8.6 million for the six month period ended June 30, 2012.

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

Continuing uncertainties regarding the value of the assets that underlie the Long-Term Notes, the amount and timing of cash flows and changes in general economic conditions could give rise to a further change in the fair value of the Company's investment in the Long-Term Notes, which would impact the Company's results from operations. A 1.0% increase, representing 100 basis points, in the discount rate will decrease the fair value of the Long-Term Notes by approximately \$1.6 million.

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

6. OTHER LONG-TERM INVESTMENTS (Continued)*(b) Treasury Bill and Prepayments*

On October 20, 2009, Turquoise Hill purchased a Treasury Bill (T-Bill) from the Mongolian Government, having an aggregate face value of \$115.0 million, for the aggregate sum of \$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 must 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.

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	
	June 30,	December 31,	June 30,	December 31,
	2012	2011	2012	2011
Purchased Amount	\$ 100,000,000	\$ 100,000,000	\$ 150,000,000	\$ 150,000,000
Discount Rate	5.7%	9.9%	5.7%	9.9%
Term	2.3 years	2.8 years	0.3 years	1.5 years

Based on the discounted cash flow models as at June 30, 2012, the fair values of the T-Bill and tax prepayments were estimated at \$101.3 million and \$152.0 million respectively. As a result of these valuations, Turquoise Hill recorded an unrealized gain of \$11.5 million on the T-Bill and an unrealized gain of \$14.5 million on the tax prepayments in accumulated other comprehensive income for the six month period ended June 30, 2012.

Table of Contents**TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)****Notes to the Consolidated Financial Statements**

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

6. OTHER LONG-TERM INVESTMENTS (Continued)*(c) Convertible Bonds*

On November 10, 2011, Turquoise Hill participated in Ivanplats Limited's (Ivanplats) convertible bond offering by purchasing 15,000 bonds at \$1,000 each. Upon and subsequent to Ivanplats completing a qualifying initial public offering, Turquoise Hill and Ivanplats shall both have the right to convert the bonds into Ivanplats common shares at a conversion price equal to the qualifying initial public offering price. The bonds bear interest at rates ranging from 8.0% to 25.51% per annum, compounded annually, depending on the timing of certain events, including the timing of a qualifying initial public offering. Upon redemption or conversion, Turquoise Hill is also entitled to a bonus payment equal to 11.11% of the sum of the principal and interest then outstanding. The bonds mature on November 10, 2014.

The bonds are inherently complex financial instruments. In order to reduce accounting complexity Turquoise Hill has elected to apply the fair value option to account for its entire holding of Ivanplats bonds. Accordingly, each reporting period the bonds shall be remeasured at fair value with changes in fair value being recognized in earnings. As at June 30, 2012, the \$17.9 million (December 31, 2011 - \$15.6 million) aggregate fair value of the bonds was determined using an effective interest rate of 30.0%. As a result of this valuation, the Company recorded an unrealized gain of \$2.2 million for the six month period ended June 30, 2012.

7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2012			December 31, 2011		
	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						
Ovoot Tolgoi, Mongolia	\$ 45,810	\$ (4,653)	\$ 41,157	\$ 27,553	\$ (2,666)	\$ 24,887
Australia	67,055	(3,247)	63,808	-	-	-
	\$ 112,865	\$ (7,900)	\$ 104,965	\$ 27,553	\$ (2,666)	\$ 24,887
Mineral property interests						
Oyu Tolgoi, Mongolia	\$ 83,023	\$ (6,489)	\$ 76,534	\$ 57,021	\$ (6,489)	\$ 50,532
Ovoot Tolgoi, Mongolia	37,450	(2,215)	35,235	40,572	(1,913)	38,659
Australia	21,598	(126)	21,472	26,604	(126)	26,478
Other exploration projects	1,252	(1,244)	8	1,252	(1,244)	8
	\$ 143,323	\$ (10,074)	\$ 133,249	\$ 125,449	\$ (9,772)	\$ 115,677
Other capital assets						
Oyu Tolgoi, Mongolia	\$ 291,302	\$ (43,658)	\$ 247,644	\$ 41,252	\$ (20,441)	\$ 20,811

Edgar Filing: TURQUOISE HILL RESOURCES LTD. - Form 6-K

Ovoot Tolgoi, Mongolia	400,749	(67,591)	333,158	347,135	(46,927)	300,208
Australia	15,841	(5,070)	10,771	43,730	(3,958)	39,772
Other exploration projects	4,833	(4,129)	704	4,562	(3,851)	711
	\$ 712,725	\$ (120,448)	\$ 592,277	\$ 436,679	\$ (75,177)	\$ 361,502

Capital works in progress						
Oyu Tolgoi, Mongolia	\$ 4,736,085	\$ -	\$ 4,736,085	\$ 3,753,857	\$ -	\$ 3,753,857
Ovoot Tolgoi, Mongolia	71,121	-	71,121	82,760	-	82,760