

TURQUOISE HILL RESOURCES LTD.

Form 6-K

November 15, 2012

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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 November 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.)

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Yes: _____ No:

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

Enclosed: 30 September 2012 Quarterly Financial Statements and Notes,
 Management Discussion and Analysis
 CEO and CFO Certifications

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(formerly Ivanhoe Mines Ltd.)

THIRD QUARTER REPORT

SEPTEMBER 30, 2012

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

(Stated in thousands of U.S. dollars)

	September 30, 2012	December 31, 2011
(Unaudited)		
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	\$ 1,744,358	\$ 998,054
Short-term investments	30,000	-
Accounts receivable	35,184	102,460
Inventories (Note 4)	230,808	108,483
Prepaid expenses	52,399	56,327
TOTAL CURRENT ASSETS	2,092,749	1,265,324
LONG-TERM INVESTMENTS (Note 5)	64,359	107,277
OTHER LONG-TERM INVESTMENTS (Note 6)	286,312	317,325
PROPERTY, PLANT AND EQUIPMENT (Note 7)	6,281,244	4,363,501
DEFERRED INCOME TAXES	44,369	33,062
OTHER ASSETS	50,127	50,339
TOTAL ASSETS	\$ 8,819,160	\$ 6,136,828
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 449,531	\$ 681,185
Payable to related party	85,165	-
Amounts due under credit facilities (Note 8)	-	44,884
Interest payable on long-term debt (Note 9 and 10)	27,640	10,808
Stock-based compensation liability	739	-
TOTAL CURRENT LIABILITIES	563,075	736,877
CONVERTIBLE CREDIT FACILITY (Note 9)	103,098	141,853
INTERIM FUNDING FACILITY (Note 10 (a))	1,799,004	400,655
PAYABLE TO RELATED PARTY	-	56,783
DEFERRED INCOME TAXES	-	15,282
ASSET RETIREMENT OBLIGATIONS	78,170	45,553
TOTAL LIABILITIES	2,543,347	1,397,003
CONTINGENCIES (Note 17)		
EQUITY		
SHARE CAPITAL (Note 11)		
Authorized		

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Unlimited number of preferred shares without par value		
Unlimited number of common shares without par value		
Issued and outstanding		
1,004,046,266 (2011 - 739,382,976) common shares	9,125,617	6,819,367
ADDITIONAL PAID-IN CAPITAL	1,613,745	1,389,721
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	15,690	(2,300)
DEFICIT	(4,424,583)	(3,483,948)
TOTAL TURQUOISE HILL RESOURCES LTD. SHAREHOLDERS EQUITY	6,330,469	4,722,840
NONCONTROLLING INTERESTS (Note 12)	(54,656)	16,985
TOTAL EQUITY	6,275,813	4,739,825
TOTAL LIABILITIES AND EQUITY	\$ 8,819,160	\$ 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)

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUE	\$ 23,787	\$ 60,491	\$ 92,141	\$ 127,985
COST OF SALES				
Production and delivery	(30,464)	(40,997)	(77,715)	(84,571)
Depreciation and depletion	(18,182)	(9,991)	(37,829)	(20,521)
Write-down of carrying value of inventory	(6,258)	(3,061)	(19,463)	(18,936)
Write-down of carrying values of property, plant and equipment	(2,288)	-	(2,288)	-
	(57,192)	(54,049)	(137,295)	(124,028)
EXPENSES				
Exploration (Note 11 (a))	(55,339)	(79,558)	(201,515)	(194,360)
General and administrative (Note 11 (a))	(18,261)	(21,390)	(130,765)	(66,151)
Depreciation	(635)	(837)	(2,966)	(2,052)
Accretion of asset retirement obligations	(1,397)	(176)	(3,543)	(510)
Write-down of current assets	(12,519)	-	(12,519)	-
TOTAL EXPENSES	(145,343)	(156,010)	(488,603)	(387,101)
OPERATING LOSS	(121,556)	(95,519)	(396,462)	(259,116)
OTHER INCOME (EXPENSES)				
Interest income	4,714	5,320	15,425	15,371
Interest expense	(4,270)	(1,935)	(6,992)	(9,618)
Financing costs (Note 11 (d))	-	-	(164,384)	-
Accretion of convertible credit facility (Note 9)	(34)	(15)	(97)	(43)
Foreign exchange gains (losses)	13,851	(35,552)	15,093	(30,149)
Unrealized losses on long-term investments (Note 5 (d))	(1,197)	(2,374)	(3,851)	(2,683)
Realized gains on sale of long-term investments (Note 5)	553	-	591	10,628
Unrealized gains on other long-term investments	28	729	10,943	2,124
Realized gain on other long-term investments (Note 6 (a))	4,429	9	4,461	107
Change in fair value of derivative (Note 11 (e) and (f))	176,158	-	194,664	(432,536)
Change in fair value of embedded derivatives (Note 9)	12,856	62,058	38,851	95,699
Write-down of carrying value of long-term investments (Note 5)	(16,109)	(928)	(29,238)	(928)
Gain on settlement of note receivable	-	102,995	-	102,995
Net recovery on derecognition of property, plant and equipment	-	2,925	-	2,925
INCOME (LOSS) BEFORE INCOME TAXES AND OTHER ITEMS	69,423	37,713	(320,996)	(505,224)
Recovery (provision) of income taxes	14,336	(6,884)	14,339	1,731
Share of (loss) income of significantly influenced investees (Note 5)	(6,131)	(19,341)	(26,688)	21,789
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	77,628	11,488	(333,345)	(481,704)
LOSS FROM DISCONTINUED OPERATIONS (Note 2)	-	(9,105)	-	(9,105)
NET INCOME (LOSS)	77,628	2,383	(333,345)	(490,809)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS (Note 12)	36,636	4,950	81,112	6,246
NET INCOME (LOSS) ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD.	\$ 114,264	\$ 7,333	\$ (252,233)	\$ (484,563)
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO TURQUOISE HILL RESOURCES LTD. FROM CONTINUING OPERATIONS	\$ 0.12	\$ 0.02	\$ (0.31)	\$ (0.65)

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DISCONTINUED OPERATIONS	-	(0.01)	-	(0.01)
	\$ 0.12	\$ 0.01	\$ (0.31)	\$ (0.66)
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO TURQUOISE HILL				
RESOURCES LTD. FROM				
CONTINUING OPERATIONS	\$ 0.12	\$ 0.02	\$ (0.31)	\$ (0.65)
DISCONTINUED OPERATIONS	-	(0.01)	-	(0.01)
	\$ 0.12	\$ 0.01	\$ (0.31)	\$ (0.66)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000 s) (Note 1 (e))				
BASIC	925,673	788,625	803,028	729,824
DILUTED	926,482	797,092	803,028	729,824

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 Income (Loss)**

(Stated in thousands of U.S. dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(Unaudited)				
NET INCOME (LOSS)	\$ 77,628	\$ 2,383	\$ (333,345)	\$ (490,809)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAXES				
Unrealized losses on available-for-sale equity securities, net of tax recovery of \$nil, \$2,266, \$2,847, \$2,956	(2,409)	(24,912)	(29,016)	(32,363)
Unrealized gains (losses) on available-for-sale debt securities, net of tax of \$nil, \$nil, \$nil, \$nil	3,942	3,760	29,988	(1,158)
Currency translation adjustments, net of tax of \$nil, \$nil, \$nil, \$nil	2,225	(22,181)	4,264	(13,233)
Less: reclassification adjustments for losses recorded in earnings:				
Long-term investments				
Other-than-temporary impairment charges	16,109	-	18,794	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	19,867	(43,333)	24,030	(46,754)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 97,495	\$ (40,950)	\$ (309,315)	\$ (537,563)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Turquoise Hill Resources Ltd.	\$ 125,897	\$ (23,190)	\$ (234,243)	\$ (524,238)
Noncontrolling interests	(28,402)	(17,760)	(75,072)	(13,325)
	\$ 97,495	\$ (40,950)	\$ (309,315)	\$ (537,563)

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		Noncontrolling		Total
	Number of Common Shares	Amount	Additional Paid-In Capital	Other Comprehensive (Loss) Income	Deficit	Interests	
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	-	-	-	-	(252,233)	(81,112)	(333,345)
Other comprehensive income	-	-	-	17,990	-	6,040	24,030
Shares issued for:							
Exercise of stock options	4,464,641	55,385	(24,309)	-	-	-	31,076
Rights offering (Note 11 (e)), net of issue costs of \$75,442	259,558,050	2,237,332	66	-	-	-	2,237,398
Exercise of subscription right (Note 11 (b))	439,216	8,489	-	-	-	-	8,489
Bonus shares	171,375	4,574	(4,574)	-	-	-	-
Share purchase plan	30,008	470	-	-	-	-	470
Other increase in noncontrolling interests (Note 12)	-	-	-	-	-	3,431	3,431
Share purchase warrants (Note 11 (d))	-	-	164,385	-	-	-	164,385
Rights offering (Note 11 (e))	-	-	-	-	(688,402)	-	(688,402)
Dilution gains	-	-	417	-	-	-	417
Stock-based compensation (net of reclassifications of \$739)	-	-	88,039	-	-	-	88,039
Balances, September 30, 2012	1,004,046,266	\$ 9,125,617	\$ 1,613,745	\$ 15,690	\$ (4,424,583)	\$ (54,656)	\$ 6,275,813

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		Nine Months Ended	
	September 30, 2012	2011	September 30, 2012	2011
(Unaudited)				
OPERATING ACTIVITIES				
Cash used in operating activities (Note 13)	\$ (108,667)	\$ (124,456)	\$ (370,869)	\$ (310,501)
INVESTING ACTIVITIES				
Proceeds from sale of discontinued operations (Note 2)	-	-	13,000	-
Purchase of short-term investments	-	-	-	(20,657)
Purchase of long-term investments	(7,500)	(8,673)	(31,950)	(17,210)
Purchase of other long-term investments	-	-	-	(145,000)
Proceeds from redemption of short-term investments	-	4,979	-	108,970
Proceeds from sale of long-term investments	4,783	-	6,283	14,000
Proceeds from redemption of other long-term investments	35,690	15,018	50,757	45,199
Proceeds from redemption of note receivable	-	102,995	-	102,995
Expenditures on property, plant and equipment	(647,915)	(718,835)	(2,076,694)	(1,849,104)
Proceeds from (expenditures on) other assets	4,204	54	704	(12,641)
Cash used in investing activities	(610,738)	(604,462)	(2,037,900)	(1,773,448)
FINANCING ACTIVITIES				
Issue of share capital	1,763,181	539,282	1,783,693	2,207,442
Proceeds from interim funding facility (Note 10 (a))	218,187	-	1,398,349	-
Repayment of credit facilities	(46,515)	(1,685)	(46,804)	(138)
Noncontrolling interests reduction of investment in subsidiaries	-	(10,611)	(960)	(28,844)
Noncontrolling interests investment in subsidiaries	113	85,039	839	89,728
Cash provided by financing activities	1,934,966	612,025	3,135,117	2,268,188
EFFECT OF EXCHANGE RATE CHANGES ON CASH	13,245	(47,931)	19,956	(38,015)
NET CASH INFLOW (OUTFLOW)	1,228,806	(164,824)	746,304	146,224
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	515,552	1,575,079	998,054	1,264,031
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,744,358	\$ 1,410,255	\$ 1,744,358	\$ 1,410,255
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash on hand and demand deposits	\$ 451,644	\$ 665,777	\$ 451,644	\$ 665,777
Short-term money market instruments	1,292,714	744,478	1,292,714	744,478

\$ 1,744,358	\$ 1,410,255	\$ 1,744,358	\$ 1,410,255
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Supplementary cash flow information (Note 13)

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

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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 September 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 (58.7% 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 the Company's 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 .

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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 nine months ended September 30, 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 consolidated balance sheet, 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 balance sheet 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 balance sheet or results of operations.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)*(e) Earnings (loss) per share*

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011		2012	2011	
		As Adjusted (Note 1 (c))	As Reported		As Adjusted (Note 1 (c))	As Reported
Net income (loss) attributable to Turquoise Hill Resources Ltd. from continuing operations	\$ 114,264	\$ 16,438	\$ 16,438	\$ (252,233)	\$ (475,458)	\$ (475,458)
Effect of dilutive securities						
None	-	-	-	-	-	-
Adjusted net income (loss) attributable to Turquoise Hill Resources Ltd. from continuing operations	\$ 114,264	\$ 16,438	\$ 16,438	\$ (252,233)	\$ (475,458)	\$ (475,458)
Basic weighted average number of shares outstanding	925,673	788,625	721,757	803,028	729,824	667,941
Effect of dilutive securities						
Share purchase warrants	-	-	-	-	-	-
Stock options	712	8,270	7,569	-	-	-
Bonus shares	97	197	180	-	-	-
	926,482	797,092	729,506	803,028	729,824	667,941

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

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	Three Months Ended		Nine Months Ended	
	September 30, 2012	2011	September 30, 2012	2011
Share purchase warrants	74,247	-	74,247	-
Stock options	13,696	2,755	18,180	19,611
Bonus shares	-	-	137	623
	87,943	2,755	92,564	20,234

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(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. In total, Turquoise Hill received \$157.4 million in consideration from the sale of the Savage River Project.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2012 included SouthGobi's balance of \$33.5 million (December 31, 2011 - \$123.6 million) and Ivanhoe Australia's balance of \$17.8 million (December 31, 2011 - \$170.3 million), which were not available for the Company's general corporate purposes.

4. INVENTORIES

	September 30, 2012	December 31, 2011
Coal stockpiles	\$ 16,158	\$ 9,390
Copper-gold stockpiles	1,184	2,875
Copper-gold concentrate	23,821	-
Materials and supplies	189,645	96,218
	\$ 230,808	\$ 108,483

5. LONG-TERM INVESTMENTS

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	September 30, 2012	December 31, 2011
Investments in companies subject to significant influence:		
Altynalmas Gold Ltd. (a)	\$ -	\$ -
Exco Resources N.L. (b)	-	14,975
RDCC LLC	8,378	-
Available-for-sale equity securities (c)	37,628	68,637
Held-for-trading equity securities (d)	2,119	7,431
Other equity securities, cost method (e)	16,234	16,234
	\$ 64,359	\$ 107,277

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

5. LONG-TERM INVESTMENTS (Continued)

- (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.

	September 30, 2012	December 31, 2011
Amount due from Altynalmas	\$ 150,519	\$ 123,617
Share of equity method losses in excess of common share investment	(150,519)	(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 nine month period ended September 30, 2012, Turquoise Hill recorded a \$26.9 million (2011 - \$18.1 million) share of loss on this investment.

- (b) During the nine month period ended September 30, 2012, Turquoise Hill recorded a \$0.3 million share of income (2011 - \$39.9 million share of income) on its investment in Exco Resources N.L. (Exco).

During the nine period ended September 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.

On August 23, 2012, Turquoise Hill sold 24.3 million shares of Exco for proceeds of \$4.8 million. This transaction resulted in a gain on sale of \$0.6 million being recognized. As a result of this sale, Turquoise Hill ceased using the equity method and commenced classifying its remaining investment in Exco as an available-for-sale equity security (Note 5(c)).

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5. LONG-TERM INVESTMENTS (Continued)*(c) Available-for-sale equity securities*

	Equity Interest	September 30, 2012			Equity Interest	December 31, 2011		
		Cost	Unrealized	Fair		Cost	Unrealized	Fair
		Basis	Gain (Loss)	Value		Basis	(Loss)	Value
Aspire Mining Limited (i)	19.9%	\$ 11,803	\$ -	\$ 11,803	19.9%	\$ 27,911	\$ 18,925	\$ 46,836
Exco Resources N.L. (Note 5 (b))	15.0%	9,534	5,313	14,847	-	-	-	-
Entrée Gold Inc. (ii)	10.7%	8,552	(556)	7,996	10.9%	19,957	(3,202)	16,755
Emmerson Resources Limited	8.7%	2,998	(183)	2,815	8.8%	2,957	1,775	4,732
Other	-	96	71	167	-	96	218	314
		\$ 32,983	\$ 4,645	\$ 37,628		\$ 50,921	\$ 17,716	\$ 68,637

(i) During the nine month period ended September 30, 2012, Turquoise Hill recorded an other-than-temporary impairment of \$16.1 million against its investment in Aspire Mining Limited (Aspire) based on an assessment of the fair value of Aspire.

(ii) During the nine month period ended September 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.

(d) Held-for-trading equity securities

During the nine month period ended September 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 September 30, 2012, the market value of Turquoise Hill s 1.2% investment in Kangaroo was \$2.1 million.

(e) Other equity securities, cost method

September 30, 2012 December 31, 2011

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	Equity Interest	Cost Basis	Equity Interest	Cost Basis
Ivanplats Limited	7.9%	\$ 16,119	8.8%	\$ 16,119
Other	-	115	-	115
		\$ 16,234		\$ 16,234

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6. OTHER LONG-TERM INVESTMENTS

	September 30, 2012	December 31, 2011
Long-Term Notes (a)	\$ 9,949	\$ 32,277
Treasury Bill (b)	105,400	88,348
Prepayments (b)	153,299	136,103
Convertible Bonds (c)	17,664	15,627
Money Market investments	-	44,970
	\$ 286,312	\$ 317,325

(a) Long-Term Notes

As at September 30, 2012, the Company held \$15.6 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 \$9.9 million. The decrease from December 2011 of principal of \$46.9 million was due to disposals (\$47.7 million), offset by the strengthening of the Canadian dollar (\$0.8 million). 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.

During the nine month period ended September 30, 2012, Turquoise Hill sold Long-Term Notes with a principal amount of \$48.0 million for proceeds of \$35.6 million. These transactions resulted in an aggregate realized gain on sale of \$4.4 million.

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 (including the Company's recent sales) and other factors that a market participant would consider for such investments.

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

Bankers Acceptance Rate:	1.13%
Discount Rates:	8% to 60%
Maturity Dates:	4.2 years

Based on the discounted cash flow model as at September 30, 2012, the fair value of the Long-Term Notes was estimated at \$9.9 million. As a result of this valuation, the Company recorded an unrealized gain of \$8.9 million for the nine month period ended September 30, 2012.

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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 \$0.4 million.

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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	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Purchased Amount	\$ 100,000,000	\$ 100,000,000	\$ 150,000,000	\$ 150,000,000
Discount Rate	4.3%	9.9%	4.3%	9.9%
Term	2.1 years	2.8 years	0.3 years	1.5 years

Based on the discounted cash flow models as at September 30, 2012, the fair values of the T-Bill and tax prepayments were estimated at \$105.4 million and \$153.3 million respectively. As a result of these valuations, Turquoise Hill recorded an unrealized gain of \$14.8 million on the T-Bill and an unrealized gain of \$15.2 million on the tax prepayments in accumulated other comprehensive income for the nine month period ended September 30, 2012.

(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

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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.

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

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 September 30, 2012, the \$17.7 million (December 31, 2011 - \$15.6 million) aggregate fair value of the bonds was determined using an effective interest rate of 20.0%. As a result of this valuation, the Company recorded an unrealized gain of \$2.0 million for the nine month period ended September 30, 2012.

In October 2012, Ivanplats completed a qualifying initial public offering and notified the Company that the bonds were converted into 3.7 million common shares of Ivanplats.

7. PROPERTY, PLANT AND EQUIPMENT

	September 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	\$ (5,723)	\$ 40,087	\$ 27,553	\$ (2,666)	\$ 24,887
Australia	72,333	(6,133)	66,200	-	-	-
	\$ 118,143	\$ (11,856)	\$ 106,287	\$ 27,553	\$ (2,666)	\$ 24,887
Mineral property interests						
Oyu Tolgoi, Mongolia	\$ 86,491	\$ (6,489)	\$ 80,002	\$ 57,021	\$ (6,489)	\$ 50,532
Ovoot Tolgoi, Mongolia	38,408	(2,215)	36,193	40,572	(1,913)	38,659
Australia	21,733	(126)	21,607	26,604	(126)	26,478
Other exploration projects	1,252	(1,244)	8	1,252	(1,244)	8
	\$ 147,884	\$ (10,074)	\$ 137,810	\$ 125,449	\$ (9,772)	\$ 115,677

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Other capital assets						
Oyu Tolgoi, Mongolia	\$ 291,277	\$ (55,496)	\$ 235,781	\$ 41,252	\$ (20,441)	\$ 20,811
Ovoot Tolgoi, Mongolia	425,894	(79,127)	346,767	347,135	(46,927)	300,208
Australia	16,381	(5,738)	10,643	43,730	(3,958)	39,772
Other exploration projects	4,631	(3,946)	685	4,562	(3,851)	711
	\$ 738,183	\$ (144,307)	\$ 593,876	\$ 436,679	\$ (75,177)	\$ 361,502
Capital works in progress						
Oyu Tolgoi, Mongolia	\$ 5,332,891	\$ -	\$ 5,332,891	\$ 3,753,857	\$ -	\$ 3,753,857
Ovoot Tolgoi, Mongolia	56,458	-	56,458	82,760	-	82,760
Australia	53,922	-	53,922	24,818	-	24,818
	\$ 5,443,271	\$ -	\$ 5,443,271	\$ 3,861,435	\$ -	\$ 3,861,435
	\$ 6,447,481	\$ (166,237)	\$ 6,281,244	\$ 4,451,116	\$ (87,615)	\$ 4,363,501

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8. AMOUNTS DUE UNDER CREDIT FACILITIES

	September 30, 2012	December 31, 2011
<i>Current</i>		
Non-revolving bank loans (a)	\$ -	\$ 5,719
Two-year extendible loan facility (b)	-	39,165
	\$ -	\$ 44,884

(a) In October 2007, Turquoise Hill obtained non-revolving bank loans which were due on demand. Certain securities and other investments were pledged as collateral against these bank loans. In September 2012, Turquoise Hill made payments to settle all amounts outstanding under the non-revolving bank loans.

(b) In April 2009, Turquoise Hill obtained a non-revolving, two-year extendible loan facility. Upon the loan facility's original maturity in October 2010, Turquoise Hill elected to utilize the first one-year extension. Turquoise Hill elected to utilize the second one-year extension available to it under the loan facility, extending the loan's maturity to October 2012. Certain securities and other investments were pledged as collateral against the loan facility. In September 2012, Turquoise Hill made payments to settle all amounts outstanding under the non-revolving loan facility.

9. CONVERTIBLE CREDIT FACILITY

	September 30, 2012	December 31, 2011
Principal amount of convertible debenture	\$ 500,000	\$ 500,000
(Deduct) add:		
Bifurcation of embedded derivative liability	(313,292)	(313,292)
Accretion of discount	223	127
Reduction of carrying amount upon partial conversion	(93,370)	(93,370)
Carrying amount of debt host contract	93,561	93,465

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Embedded derivative liability	9,537	48,388
Convertible credit facility	103,098	141,853
Accrued interest	9,311	6,301
Transaction costs allocated to deferred charges	(2,797)	(2,799)
Net carrying amount of convertible debenture	\$ 109,612	\$ 145,355

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.

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9. CONVERTIBLE CREDIT FACILITY (Continued)

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).

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.

As at September 30, 2012, the fair value of the embedded derivative liability associated with the remaining \$250.0 million principal outstanding was determined to be \$9.5 million (December 31, 2011 - \$48.4 million).

During the nine month period ended September 30, 2012, Turquoise Hill capitalized \$9.3 million (2011 - \$6.8 million) of interest expense and \$0.1 million (2011 - \$nil) of accretion 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, risk-free rate of return, expected volatility of SouthGobi's share price, forward Cdn\$ exchange rate curves and spot Cdn\$ exchange rates.

Assumptions used in the Monte Carlo valuation model are as follows:

	September 30, 2012	December 31, 2011
Floor conversion price	Cdn\$8.88	Cdn\$8.88
Ceiling conversion price	Cdn\$11.88	Cdn\$11.88
Expected volatility	71%	71%
Risk-free rate of return	2.22%	2.41%
Foreign exchange spot rate (U.S. Dollar to Cdn\$)	1.02	0.98
Forward foreign exchange rate curve (U.S. Dollar to Cdn\$)	0.97 - 1.02	0.96 - 1.01

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10. INTERIM FUNDING FACILITIES

(a) *Interim Funding Facility*

In December 2010, Rio Tinto committed to provide the Company with an initial, non-revolving interim funding facility of \$1.8 billion to assist in sustaining Oyu Tolgoi Project development activities. The interim funding facility is on arm's-length terms, with funds to be advanced to the Oyu Tolgoi Project on a month-to-month basis, if and when required. The interim funding facility matures 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.

In November 2011, the Company made its first draw on the interim funding facility. As at September 30, 2012, a total of \$1.8 billion (December 31, 2011 - \$400.7 million) had been drawn down on the interim funding facility.

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 the nine month period ended September 30, 2012, the interim funding facility's effective annual interest rate equaled 90% of the sum of the three-month LIBOR and 6.5%. During the nine month period ended September 30, 2012, interest of \$69.6 million (2011 - \$nil) was incurred on the interim funding facility.

As part of the interim funding facility, the Company paid a front end fee of \$18.0 million and is subject to a commitment fee of 0.4% annually, payable on a semi-annual basis in arrears on the daily average of the undrawn amount under the interim funding facility. During the nine month period ended September 30, 2012, commitment fees of \$1.5 million (2011 - \$nil) were incurred on the interim funding facility.

During the nine month period ended September 30, 2012, the interest expense and commitment fees were all capitalized as Oyu Tolgoi Project development costs.

(b) *Bridge Funding Facility*

On April 18, 2012, the Company signed a Memorandum of Agreement (Note 11 (c)) with Rio Tinto 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 first phase of the Oyu Tolgoi Project's development. The bridge funding facility initially matures on April 23, 2013, subject to earlier mandatory prepayment of all amounts from the proceeds of the first drawdown under the planned Oyu Tolgoi project financing package. The bridge funding facility is extendable for one year at Rio Tinto's discretion following the written request of the Company.

Amounts advanced to the Company under the bridge funding facility bear interest at LIBOR plus 5.0%. As part of the bridge funding facility, the Company paid a front end fee of \$15.0 million and is subject to a commitment fee of 1.75% annually, payable on a semi-annual basis in arrears on the daily average of the undrawn amount under the bridge funding facility.

During the nine month period ended September 30, 2012, the front end fee and commitment fees of \$9.6 million (2011 - \$nil) were capitalized as Oyu Tolgoi Project development costs.

To date, the Company has not drawn down on the bridge funding facility.

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11. SHARE CAPITAL*(a) Equity Incentive Plan*

Stock-based compensation charged to operations was allocated between exploration expenses and general and administrative expenses as follows:

	Three Months Ended September 30, 2012		2011		Nine Months Ended September 30, 2012		2011	
Exploration (i)	\$	9,238	\$	9,031	\$	26,297	\$	27,655
General and administrative		6,546		6,899		53,246		29,211
	\$	15,784	\$	15,930	\$	79,543	\$	56,866

- (i) During the nine months ended September 30, 2012, stock-based compensation of \$9.2 million (2011 - \$26.9 million) relating to the development of the Oyu Tolgoi Mine was capitalized as property, plant and equipment.

Stock-based compensation charged to operations was incurred by Turquoise Hill as follows:

	Three Months Ended September 30, 2012		2011		Nine Months Ended September 30, 2012		2011	
Turquoise Hill Resources Ltd. (i)	\$	10,180	\$	8,971	\$	60,432	\$	35,910
SouthGobi Resources Ltd.		3,238		3,646		12,188		9,938
Ivanhoe Australia Limited		2,366		3,313		6,923		11,018
	\$	15,784	\$	15,930	\$	79,543	\$	56,866

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- (i) During the nine months ended September 30, 2012, 4,710,580 options were exercised, 798,806 options were cancelled and 240,000 options were granted. These granted options have a weighted average exercise price of Cdn\$9.59, lives of five years, and vest in one year. The weighted average grant-date fair value of stock options granted during the nine months ended September 30, 2012 was Cdn\$2.97. The fair value of these options was determined using the Black-Scholes option pricing model. The option valuation was based on a weighted average expected life of 2.3 years, risk-free interest rate of 1.05%, expected volatility of 54% and dividend yield of nil%.

In addition, during the nine months ended September 30, 2012, as a result of implementing the board and management changes contemplated in the Memorandum of Agreement, 6,646,123 options vested in accordance with the terms of these awards.

During the nine months ended September 30, 2012, stock-based compensation of \$9.2 million (2011 - \$26.9 million) relating to the development of the Oyu Tolgoi Mine was capitalized as property, plant and equipment.

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11. SHARE CAPITAL (Continued)*(a) Equity Incentive Plan (continued)*

On October 4, 2012, the Company adjusted the quantity of outstanding stock options as a result of the dilution impact of the rights offering (Note 11 (e)). Specifically, the number of stock options outstanding as at June 19, 2012 was increased by 35%.

(b) Rio Tinto Placements

In 2006, the Company and Rio Tinto formed a strategic partnership and entered into a private placement agreement whereby Rio Tinto would invest in Turquoise Hill. Since 2006 the parties have entered into a series of agreements pursuant to which Rio Tinto has provided equity and debt financing to Turquoise Hill. As a result of these transactions, Rio Tinto holds a significant investment interest in Turquoise Hill. These transactions are set out below:

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

Nature of Investment by Rio Tinto	Period	Number of Shares Acquired ⁽¹⁾	Proceeds/ Transaction Value
Private Placement - Tranche 1	2006	37,089,883	\$ 303,395
Anti Dilution Shares	2008	243,772	612
Private Placement - Tranche 2	2009	46,304,473	388,031
March 2010 Private Placement	2010	15,000,000	240,916
Exercise of Series A Warrants	2010	46,026,522	393,066
Conversion of Convertible Credit Facility	2010	40,083,206	400,832
Exercise of Anti Dilution Warrants	2010	720,203	2,229
Partial exercise of Series B Warrants	2010	33,783,784	300,000
Rights Offering	2011	34,387,776	477,302
Exercise of remaining Series B Warrants	2011	14,070,182	119,737
Exercise of Anti Dilution Warrants	2011	827,706	2,527
Exercise of Series C Warrants	2011	40,224,365	379,316
Exercise of Subscription Right	2011	27,896,570	535,908
Balance at December 31, 2011		336,658,442	\$ 3,543,871
Exercise of Subscription Right ⁽²⁾	January 2012	439,216	8,489
Rights Offering	July 2012	133,585,562	935,099

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Balance at September 30, 2012	470,683,220	\$	4,487,459
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⁽¹⁾ Shares acquired excludes other purchases made by Rio Tinto from third parties.

⁽²⁾ In January 2012, Turquoise Hill received \$8.5 million from Rio Tinto following Rio Tinto's decision to exercise the subscription right granted to Rio Tinto as part of the terms of the December 2010 Heads of Agreement between Rio Tinto and Turquoise Hill.

On January 24, 2012, Rio Tinto announced that it had increased its stake in the Company to 51.0% from 49.0%, by purchasing an additional 15.1 million common shares of the Company from two sellers in a privately negotiated transaction.

As at September 30, 2012, Rio Tinto's equity ownership in the Company was 50.9% (December 31, 2011 - 48.9%).

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11. SHARE CAPITAL (Continued)

(c) *Memorandum of Agreement with Rio Tinto*

On April 18, 2012, the Company signed a Memorandum of Agreement with Rio Tinto that established Rio Tinto's support for a series of funding measures.

The agreement, negotiated by a committee of the Company's independent directors, contained a comprehensive financing plan structured to secure Rio Tinto's direct participation in, and support for, funding for planned developments at the Oyu Tolgoi Project.

Under the terms of the agreement Rio Tinto committed to the following steps:

Provide an additional bridge funding facility of up to \$1.5 billion towards continued construction of the first phase of the Oyu Tolgoi Project's development.

Support a rights offering, with a goal of generating \$1.8 billion in gross proceeds.

Provide full support for completion of an Oyu Tolgoi project-finance package of \$3 to \$4 billion that remains under negotiation with third-party lenders.

Enter into a completion support agreement with the Company and the project-finance lenders to cover the Oyu Tolgoi project-finance package now under negotiation, subject to lenders responding with improvements to the terms of the Oyu Tolgoi project financing. In exchange, the Company will pay Rio Tinto an annual fee of 2.5%, in advance, on the amount of debt that is projected as the aggregate average of the debt that will be outstanding under the project financing at the end of each calendar month during the ensuing 12-month period.

Also under the terms of the agreement the Company agreed to issue 55 million Series D share-purchase warrants (Series D Warrants) to Rio Tinto. Each warrant would be exercisable to purchase one Turquoise Hill share at \$12.79 at any time during a three-year period.

On May 22, 2012, Turquoise Hill and Rio Tinto agreed to amend certain terms of the Memorandum of Agreement. The amended terms addressed conditions of regulatory approval and more closely aligned the terms of the rights offering with market conditions current at the time.

Amendments to the agreement included:

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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 agreed to eliminate the material adverse change condition for its standby commitment in relation to the decline that occurred in the Company's share price.

Rio Tinto continued to provide a standby commitment for the full amount of the \$1.8 billion rights offering, subject to certain conditions. Under the standby commitment, Rio Tinto was required to acquire any Turquoise Hill common shares not taken up under the rights offering.

Removing the previously announced \$8.34 subscription price for the rights offering. Turquoise Hill and Rio Tinto agreed to price the rights offering in the final prospectus.

In consideration of eliminating the material adverse change condition for a decline in the Company's share price, priced the exercise price of the Series D Warrants at \$10.84 per share, subject to adjustment upon completion of the rights offering.

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11. SHARE CAPITAL (Continued)*(c) Memorandum of Agreement with Rio Tinto (continued)*

Confirming the standby commitment fee will be paid in cash. Rio Tinto agreed to waive its previously announced entitlement to reinvest its standby commitment fee in the Company's common shares.

(d) Series D Warrants

Under the terms of the Memorandum of Agreement with Rio Tinto, the Company agreed to issue 55 million Series D Warrants to Rio Tinto upon the filing of the rights offering preliminary prospectus on May 22, 2012. Each warrant would be exercisable to purchase one Company share at \$12.79 at any time during a three-year period. The exercise price of the warrants was based on the volume-weighted average price of the Company's shares on the NYSE on the five trading days preceding the date of the Memorandum of Agreement.

Under the May 22, 2012 amendment to the Memorandum of Agreement, it was agreed by the parties to price the exercise price for each Series D Warrant to (i) prior to the closing date of the rights offering, \$10.84, and (ii) after the closing date of the rights offering, the median of the NRO Exercise Price and \$8.89, being the US dollar volume weighted average price of a common share on the NYSE over the five trading days immediately before May 22, 2012. Where the NRO Exercise Price is the price obtained by multiplying \$12.79 by a fraction (i) the numerator of which is the aggregate of (A) the number of common shares outstanding as of the record date of the rights offering and (B) a number determined by dividing the product of the rights offering subscription price and the number of common shares subscribed for or purchased under the rights offering and, if applicable, Rio Tinto's standby commitment by the volume-weighted average trading price per common share at which the common shares have traded on the NYSE for the twenty consecutive trading days before the record date, and (ii) the denominator of which is the number of common shares outstanding immediately after the completion of the rights offering and, if applicable, Rio Tinto's standby commitment on the closing date. In no event will the NRO Exercise Price be lower than \$8.89.

On July 26, 2012, after the closing of the rights offering, the number of Series D Warrants was adjusted to from 55,000,000 to 74,247,460 and the exercise price was adjusted from \$10.84 to \$10.37.

Turquoise Hill has recorded an amount of \$164.4 million in equity attributable to the fair value of the Series D Warrants. A corresponding amount was expensed as financing costs during the nine months ended September 30, 2012. As at May 22, 2012, the fair value of the Series D Warrants was determined using a 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

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11. SHARE CAPITAL (Continued)*(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 7 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.

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 million.

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. This amount was comprised of \$344.8 million attributable to rights held by the Company's noncontrolling shareholders and \$343.6 million attributable to rights held by Rio Tinto. Deficit was adjusted by a corresponding amount. Each reporting period the derivative financial liability is remeasured at fair value with changes being recognized in earnings. During the nine month period ended September 30, 2012, Turquoise Hill recognized a derivative gain of \$194.7 million (2011 - \$nil).

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 which expired unexercised.

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
Theoretical ex-rights share price	\$8.93	\$9.52
Risk-free rate of return	0.00%	0.17%

Spot Cdn\$ exchange rate	1.02	0.98
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TURQUOISE HILL RESOURCES LTD. (formerly Ivanhoe Mines Ltd.)

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

11. SHARE CAPITAL (Continued)

(e) 2011 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.

(f) 2011 Rights Offering

In December 2010, 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 31, 2010 received one right for each common share held. Every 100 rights held entitled the holder thereof to purchase 15 common shares of the Company at \$13.88 per share or Cdn\$13.93 per share, at the election of the holder. The rights traded on the TSX, NYSE and NASDAQ and expired on January 26, 2011.

Upon the closing of the rights offering, the Company issued a total of 84,867,671 common shares for gross proceeds of \$1.18 billion. Expenses and fees relating to the rights offering totalled approximately \$27.3 million.

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 \$13.88 or Cdn\$13.93 subscription price. Furthermore, the Cdn\$13.93 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 23, 2010, rights to be issued under the rights offering began trading on a when issued basis. On this date, the Company recognized a derivative financial liability of \$901.9 million associated with the Company's legal obligation to carry out the rights offering. Deficit was adjusted by a corresponding amount. Each reporting period the derivative financial liability was remeasured at fair value with changes being recognized in earnings. During the nine month period ended September 30, 2012, Turquoise Hill recognized a derivative loss of \$nil (2011 - \$432.5 million).

The derivative financial liability was settled as rights were exercised or expired unexercised. A total of \$1.19 billion was reclassified from the derivative financial liability to share capital, representing the fair value of rights exercised. At expiry, a total of \$5.7 million was reclassified from the derivative financial liability to additional paid-in capital, representing the fair value of rights which expired unexercised.

The fair value of the derivative financial liability was determined by reference to published market quotations for the rights.

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12. NONCONTROLLING INTERESTS

At September 30, 2012 there were noncontrolling interests in SouthGobi, Ivanhoe Australia and Oyu Tolgoi:

	SouthGobi	Ivanhoe Australia	Noncontrolling Interests Oyu Tolgoi (a)	Total
Balance, December 31, 2011	\$ 283,716	\$ 100,868	\$ (367,599)	\$ 16,985
Noncontrolling interests share of loss	(24,212)	(41,667)	(15,233)	(81,112)
Noncontrolling interests share of other comprehensive (loss) income	(7,012)	2,856	10,196	6,040
Common share investments funded on behalf of noncontrolling interest (a)	-	-	149,464	149,464
Funded amounts repayable to the Company (a)	-	-	(149,464)	(149,464)
Changes in noncontrolling interests arising from changes in ownership interests	2,825	606	-	3,431
Balance, September 30, 2012	\$ 255,317	\$ 62,663	\$ (372,636)	\$ (54,656)

- (a) During 2011 and 2012, a subsidiary of the Company funded common share investments in Oyu Tolgoi on behalf of Erdenes Oyu Tolgoi LLC (Erdenes). In accordance with the Amended and Restated Shareholders Agreement, which was signed on June 8, 2011, such funded amounts earn interest at an effective annual rate of LIBOR plus 6.5% and are repayable to a subsidiary of the Company via a pledge over Erdenes share of future Oyu Tolgoi dividends. Erdenes also has the right to reduce the outstanding balance by making payments directly to a subsidiary of the Company.

Common share investments in Oyu Tolgoi that are funded by a subsidiary of the Company on behalf of Erdenes are recorded as a reduction to the net carrying value of noncontrolling interest. As at September 30, 2012, the cumulative amounts of such funding and associated unrecognized interest were \$259.6 million (December 31, 2011 - \$110.1) and \$11.0 million (December 31, 2011 - \$1.0 million) respectively.

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13. CASH FLOW INFORMATION(a) *Reconciliation of net (loss) income to net cash flow used in operating activities*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ 77,628	\$ 2,383	\$ (333,345)	\$ (490,809)
Loss from discontinued operations	-	9,105	-	9,105
Items not involving use of cash				
Stock-based compensation	15,353	14,753	74,022	53,375
Accretion expense	1,431	191	3,640	553
Depreciation	18,817	10,828	40,795	22,573
Accrued interest income	(2,625)	(315)	(7,662)	(6,420)
Interest expense	-	(742)	-	-
Financing costs	-	-	164,384	-
Unrealized losses on long-term investments	1,197	2,374	3,851	2,683
Realized gain on sale of long-term investments	(553)	-	(591)	(10,628)
Unrealized gains on other long-term investments	(28)	(729)	(10,943)	(2,124)
Realized gain on redemption of other long-term investments	(4,429)	(9)	(4,461)	(107)
Change in fair value of derivative	(176,158)	-	(194,664)	432,536
Change in fair value of embedded derivatives	(12,856)	(62,058)	(38,851)	(95,699)
Unrealized foreign exchange losses (gains)	(12,383)	35,208	(17,379)	31,703
Share of loss (income) of significantly influenced investees	6,131	19,341	26,688	(21,789)
Write-down of current assets	18,777	3,061	31,982	18,936
Write-down of carrying values of property, plant and equipment	2,288	-	2,288	-
Gain on settlement of note receivable	-	(102,995)	-	(102,995)
Net recovery on derecognition of property, plant and equipment	-	(2,925)	-	(2,925)
Write-down of carrying value of long-term investments	16,109	928	29,238	928
Deferred income taxes	(13,838)	2,521	(15,504)	(10,362)
Bonus shares	431	1,177	5,521	3,491
Net change in non-cash operating working capital items:				
Decrease (increase) in:				
Accounts receivable	11,317	(2,384)	43,149	(34,571)
Inventories	(45,051)	(19,925)	(134,691)	(65,279)
Prepaid expenses	22,940	(58,737)	4,005	(78,188)
(Decrease) increase in:				
Accounts payable and accrued liabilities	(21,052)	18,635	(44,967)	31,681
Deferred revenue	(4,872)	-	-	-
Interest payable on long-term debt	(7,241)	5,858	2,626	3,831
Cash used in operating activities	\$ (108,667)	\$ (124,456)	\$ (370,869)	\$ (310,501)

(b) *Supplementary information regarding other non-cash transactions*

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Financing activities:				
Rights offering (Note 11 (e) & (f))	\$ 493,673	\$ -	\$ 493,673	\$ 1,193,064
Interest settlement on convertible debenture (Note 9)	-	-	4,000	4,011
	\$ 493,673	\$ -	\$ 497,673	\$ 1,197,075

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14. SEGMENT DISCLOSURES

	Nine Months Ended September 30, 2012					Consolidated
	Oyu Tolgoi	Ivanhoe Australia (a)	SouthGobi (b)	Other Exploration	Corporate	
REVENUE	\$ -	\$ 40,238	\$ 51,903	\$ -	\$ -	\$ 92,141
COST OF SALES						
Production and delivery	-	(28,111)	(49,604)	-	-	(77,715)
Depreciation and depletion	-	(4,080)	(33,749)	-	-	(37,829)
Write-down of carrying value of inventory	-	(8,671)	(10,792)	-	-	(19,463)
Write-down of carrying values of property, plant and equipment	-	-	(2,288)	-	-	(2,288)
	-	(40,862)	(96,433)	-	-	(137,295)
EXPENSES						
Exploration	(52,399)	(104,532)	(32,014)	(12,570)	-	(201,515)
General and administrative	-	-	-	-	(130,765)	(130,765)
Depreciation	-	(2,643)	(163)	(122)	(38)	(2,966)
Accretion of asset retirement obligations	(1,462)	(1,693)	(388)	-	-	(3,543)
Write-down of current assets	-	-	(12,519)	-	-	(12,519)
TOTAL EXPENSES	(53,861)	(149,730)	(141,517)	(12,692)	(130,803)	(488,603)
OPERATING LOSS	(53,861)	(109,492)	(89,614)	(12,692)	(130,803)	(396,462)
OTHER INCOME (EXPENSES)						
Interest income	4,687	3,285	346	55	7,052	15,425
Interest expense	-	-	(5,873)	(5)	(1,114)	(6,992)
Financing costs	-	-	-	-	(164,384)	(164,384)
Accretion of convertible credit facility	-	-	(97)	-	-	(97)
Foreign exchange (losses) gains	(464)	249	(1,725)	(184)	17,217	15,093
Unrealized losses on long-term investments	-	-	(3,851)	-	-	(3,851)
Realized gain on sale of long-term investments	-	553	38	-	-	591
Unrealized gains on other long-term investments	-	-	30	-	10,913	10,943
Realized gain on redemption of other long-term investments	-	-	-	-	4,461	4,461
Change in fair value of derivative	-	-	-	-	194,664	194,664
Change in fair value of embedded derivatives	-	-	38,851	-	-	38,851
Write-down of carrying value of long-term investments	-	(1,724)	(16,109)	-	(11,405)	(29,238)
Gain on settlement of note receivable	-	-	-	-	-	-
Net recovery on derecognition of property, plant and equipment	-	-	-	-	-	-
LOSS BEFORE INCOME TAXES AND OTHER ITEMS	(49,638)	(107,129)	(78,004)	(12,826)	(73,399)	(320,996)

(Provision) recovery of income taxes

(855)

(520)