UNDUR TOLGOI MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2011

Cautionary Statements

Forward-Looking Information

Except for statements of historical fact relating to Undur Tolgoi Minerals Inc., certain statements contained in this MD&A constitute forward-looking information, future oriented financial information or financial outlooks (collectively "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this document and other matters identified in the Company's public filings, Undur Tolgoi Minerals Inc.'s future outlook and anticipated events or results and in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue", "objective" or other similar expressions concerning matters that are not historical facts and include, commodity prices, access to sufficient capital resources, mineral resources, mineral reserves, realization of mineral reserves, existence or realization of mineral resource estimates, results of exploration activities, the timing and amount of future production, the timing of construction of the proposed mine and process facilities, the timing of cash flows, capital and operating expenditures, the timing of receipt of permits, rights and authorizations, communications with local stakeholders and community relations, employee relations, settlement of disputes, status of negotiations of joint ventures, availability of financing and any and all other timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, those disclosed in any other of Undur Tolgoi Minerals Inc.'s public filings, and include the ultimate determination of mineral reserves, availability and final receipt of required approvals, licenses and permits, ability to acquire necessary surface rights, sufficient working capital to develop and operate the proposed mine, access to adequate services and supplies, economic conditions, commodity prices, foreign currency exchange rates, interest rates, access to capital and debt markets and associated cost of funds, availability of a qualified work force, positive employee relations, lack of social opposition and legal challenges, ability to settle disputes, and the ultimate ability to mine, process and sell mineral products on economically favorable terms. While Undur Tolgoi Minerals Inc. considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in other Undur Tolgoi Minerals Inc's filings. Forward-looking statements are based upon management's beliefs, estimate and opinions on the date the statements are made and other than as required by law, Undur Tolgoi Minerals Inc. does not intend and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

The following management's discussion and analysis ("MD&A") of Undur Tolgoi Minerals Inc. ("UTMI" or the "Company"), is prepared as of April 20, 2012 and should be read together with the audited consolidated financial statements for the year ending December 31, 2011 and the audited consolidated financial statements and related notes for the period ended December 31, 2010. All financial amounts are stated in United States dollars unless otherwise indicated.

For the purpose of preparing this MD&A, Management in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (1) if such information results in or would reasonably be expected to result in a significant change in the market price or value of the Company's common shares; or (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at www.sedar.com.

All amounts in this MD&A are expressed in United States dollars ("US$"), unless otherwise noted.

As of January 1, 2011, UTMI adopted International Financial Reporting Standards ("IFRS"). These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). They include all of the information required for full annual financial statements. These audited financial statements for the year ended December 31, 2011 are Undur Tolgoi's first IFRS annual reporting statements and as a result, IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied. Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS.

DESCRIPTION OF BUSINESS

The Company was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia and is in the exploration stage. The Company has three wholly owned subsidiaries: Natalya-1 S.à.r.l. ("Natalya-1"), a private limited liability corporation existing under the laws of Luxembourg; and Novametal Resources LLC ("Novametal"), a limited liability corporation existing under the laws of Mongolia.The registered office of the Company is Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

UTMI, through its wholly owned subsidiaries, owns a 100% interest in mineral exploration license number 8573X (the "License") named "Undur Tolgoi" granted by the Department of Geological Mining Cadastre ("DGMC") of the Minerals Resources Authority of Mongolia. See *Mineral Exploration* below.

GROUP STRUCTURE

Undur Tolgoi Minerals Inc.
Incorporated on December 22, 2010 under the Business Corporations Act of British Columbia.

↓ 100 % ownership of common shares ↓

Natalya-1 S.ar.l
Incorporated on May 28, 2010 and organized under the laws of Luxembourg as a private limited liability company.

↓ 100 % ownership of Common shares ↓

Novametal Resources LLC
A limited liability company incorporated on April 20, 2010 and domiciled in Mongolia.

OVERALL OBJECTIVE

The Company's overall object is to acquire a mineral property and discover an economically viable mineral deposit on it. To date the Company is focused on the Undur Tolgoi mineral license as it continues to identify additional potential properties in which to invest in the exploration thereof.

HIGHLIGHTS

Highlights for the year ending December 31, 2011, include:

1) The acquisition of Natalya-1 and its wholly owned subsidiary Novametal.
2) On November 14, the Company announced the proposed arrangement transaction with Wedge became effective, resulting in the acquisition by Wedge of all of the outstanding shares of UTMI and the subsequent amalgamation of both companies to form a new company also named Undur Tolgoi Minerals Inc.
3) The Company completed a two tranche private placement issuing a total of 35,120,465 common shares at a price of CDN$0.20 per share for aggregate gross proceeds of CDN$7,024,093
4) Commenced phase 1 of the 2012 exploration program on the Undur Tolgoi Mineral license.
5) The Company is in the process of completing a listing application to get its shares trading on the TSX Venture.

TRANSACTION WITH WEDGE ENERGY INTERNATIONAL INC.

In August 2011, the Company entered into an arrangement agreement ("the Arrangement") with Wedge Energy International Inc. ("Wedge"), whereby Wedge would acquire all of the issued and outstanding shares of the Company. Wedge is a public company listed on the Canadian National Stock Exchange ("CNSX"). This transaction would constitute a reverse takeover ("RTO") of Wedge by UTMI under the policies of CNSX.

<u>Acquisition of Wedge</u>

On November 14, 2011 the proposed arrangement transaction between Wedge and UTMI has become effective, resulting in the acquisition by Wedge of all of the outstanding shares of Undur Tolgoi Minerals Inc. Following the acquisition of UTMI by Wedge, UTMI was a wholly owned subsidiary of Wedge. UTMI and Wedge then amalgamated, and the resulting issuer adopted the name "Undur Tolgoi Minerals Inc." Upon completion of the transaction Undur Tolgoi Minerals, the resulting issuer, holds the rights to the License.

Under the terms of the Arrangement, the shareholders of UTMI received approximately 19,975,647 shares of a newly created class of common shares ("New Shares") of Wedge in exchange for all the securities of UTMI. The acquisition was effected by court-approved plan of arrangement under the Business Corporations Act (British Columbia) among UTMI, Wedge and Wedge's shareholders. Prior to completing the Arrangement, Wedge submitted and received approval from its shareholders of its continuance under the Business Corporations Act (British Columbia).

In addition to due diligence and definitive documentation, the transaction was conditional upon but not limited to, the receipt of, disinterested approval of Wedge shareholders and all requisite government, regulatory and CNSX approvals. The transaction per the arrangement agreement resulted in a consolidation of the outstanding Wedge common shares on a 20:1 basis. The post consolidated Wedge common shares were then exchanged for new shares in the amalgamated Undur Tolgoi Minerals Inc.

Legally, Wedge is the parent of UTMI; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of UTMI, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been accounted for under IFRS 2 Share Based Payment and therefore the financial statements have been prepared as a continuation of UTMI. Consequently, through the period ended November 14, 2011 the consolidated statements of comprehensive loss and the consolidated statements of cash flows relate only to UTMI, the acquirer. Subsequent to November 14, 2011, the net assets of UTMI are included in the balance sheet at their carrying values, and the acquisition of Wedge is accounted for by the acquisition method, with the net assets of Wedge recorded at their estimated fair values.

a.) the assets and liabilities of UTMI are recognized and measured at their pre-combination carrying amounts.
b.) the retained earnings (deficit) and other equity balances are the retained earnings (deficit) and other equity balances of UTMI immediately prior to the share exchange transaction.
c.) the amount recognized as issued equity was determined by adding the cost of the combination to the issued equity of UTMI immediately prior to the share exchange transaction. However, the equity structure appearing in these consolidated financial statements (the number and type of equity instruments issued) reflect the equity structure of Wedge, including the equity instruments issued by Wedge to effect the combination.

The net assets acquired had a negative fair value of $1,570,325:

	$
Cash	21,030
Accounts receivable	34,909
Prepaid expenditures	2,640
Current liabilities and redemption of convertible notes and preferred shares	(1,628,904)
Net assets acquired	(1,570,325)

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, Share Based Payment. Consideration consisted entirely of shares of the Company which were measured at the fair value of the UTMI shares issued to existing UTMI shareholders at the fair market value of the UTMI shares at the date of the acquisition. The recognition of a listing expense as part of the acquisition of a public company is determined as the proceeds paid by the Company less the net assets acquired by the Company as a result of the takeover. The Company recognized a listing expense of $2,336,095.

In May 2011, the Company agreed to pay $660,000 to SMDD Capital Ltd. upon listing of the Company's shares on a recognized stock exchange through either a reverse takeover, initial public offering of the shares or a similar transaction, such payment being subject to Canadian Securities Laws and regulations adopted by the applicable stock exchange. Upon the reverse takeover of Wedge under the terms of the arrangement agreement the Company had reached its milestone per the agreement with SMDD Capital Ltd. and paid the $660,000 bonus on November 15, 2011. This amount represents a performance bonus on the Company being publicly traded.

UTMI is also pleased to announce that concurrently with the closing of the arrangement transaction with Wedge, UTMI has accepted subscriptions for the purchase of 29,985,500 common shares at a purchase price of CDN$0.20 for aggregate gross proceeds of CDN$5,997,100.

December 7, 2011 the Company closed the second and final tranche of its non-brokered private placement, issuing an additional 5,134,965 common shares at a price of CDN$0.20 per share for aggregate gross proceeds of CDN$1,026,993. Pursuant to completion of the second tranche of the private placement, the Company has issued a total of 35,120,465 common shares at a price of CDN$0.20 per share for aggregate gross proceeds of CDN$7,024,093.

The ongoing directors of UTMI are Donald Padgett, James Passin, Paul Rapello, Larry Van Hatten and Orgilmaa Siizkhuu. Don Padgett continues as the Chief Executive Officer and Sabino Di Paola continues as the Chief Financial Officer.

ON-GOING PROJECTS

Listed below is a summary of the main projects and their status:

Country	Project	Commodity	Status at December 31, 2011	Future Plans	Company Ownership	Company held in
Mongolia	Undur Tolgoi	Gold and Copper	Scheduled and budgeted Phase 1 exploration for spring 2012	Develop Phase 2 exploration program based on Phase 1 results.	100%	Novametal

MINERAL RESOURCES AND MINERAL RESERVES

The Company has no known mineral reserves as defined by and compliant with the requirements of National Instrument 43-101 on its exploration property as at December 31, 2011.

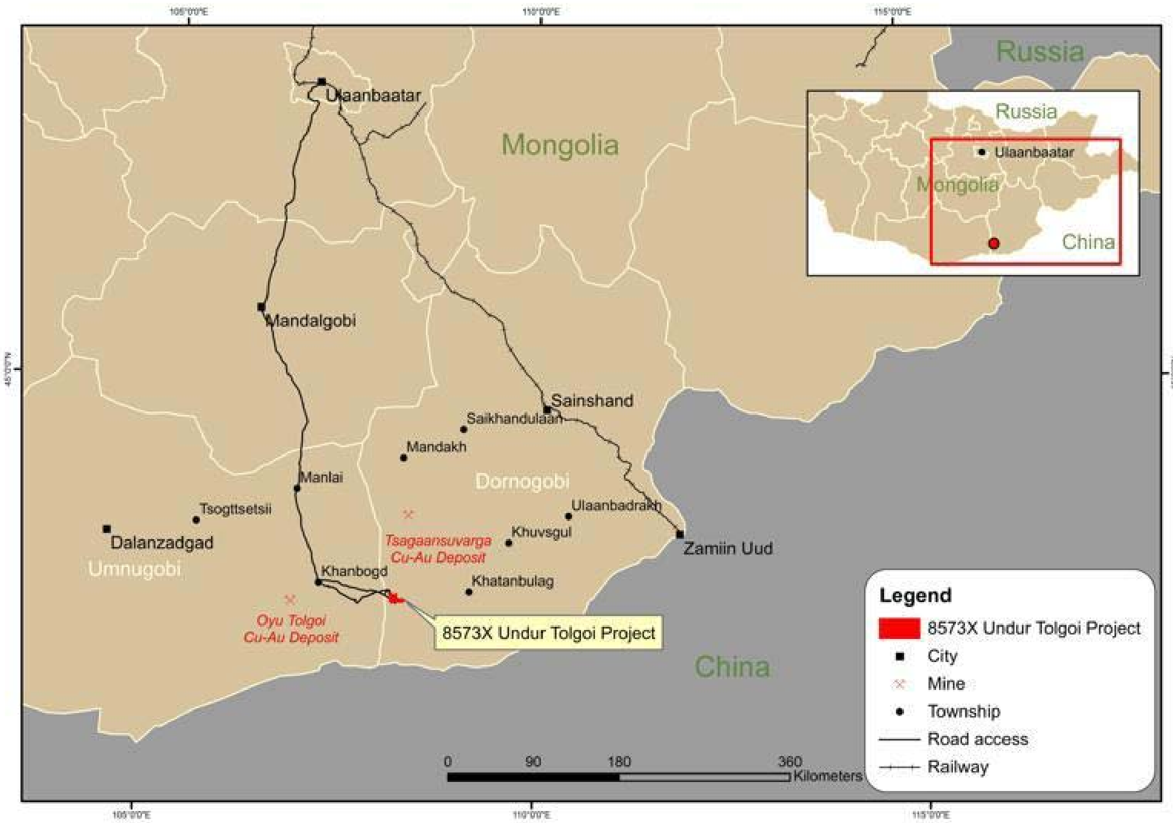
MINERAL EXPLORATION

UTMI, through its wholly owned subsidiary Novametal, owns a 100% interest in the License named "Undur Tolgoi" granted by the DGMC of the Minerals Resources Authority of Mongolia pursuant to the Revised Minerals Law of Mongolia effective August 26, 2006. The License was granted in October 2004 to ASA Group LLC and was transferred to Novametal in May 2010. The license expires October 13, 2013.

The Company is in compliance with annual minimum expenditure requirements and has no outstanding obligations under the Minerals Law with respect to the License, including any outstanding obligations to pay applicable license fees and environmental reclamation payments or file any environmental protection plans and reports.

The Company commissioned Micromine Pty Ltd. ("Micromine") to complete a National Instrument 43-101 ("NI 43-101") compliant technical report for the purpose of identifying exploration targets on the License. The following description of the License is taken from the 43-101 report, prepared for the Company by Micromine and Warren Woodhouse, a geologist and Qualified Person, dated March 11, 2011.

Property Description



Location

The License is situated 700 kilometres south of Ulaanbaatar in the Khatanbulag sub-province of the Dornogobi province. The License covers approximately 9,620 hectares of property and allows for the exploration of all minerals with the exception of uranium, petroleum, gas and water exploration, all in accordance with the mineral laws of Mongolia.

The townships of Khanbogd and Khatanbulag are located approximately 85 kilometres to the west and 100 kilometres to the east of the License area respectively. The property can be accessed by driving from Ulaanbaatar to Undurdov Tourist Camp; travel is on sealed road for 40 kilometres, and for the remainder from Undurdov Tourist Camp to Khanbogd by dirt roads. The driving time from Khanbogd to site is approximately 2 hours. The licensed property is also situated approximately 100 kilometres from Ivanhoe Mines Ltd. “Oyu Tolgoi” copper and gold mine.

Geology

The License is interpreted to lie at the western end of the Hutag Uul domain, an older cratonic block that formed during the Precambrian. The local geology consists of granite, flanked to the southeast by meta-sediments including sandstone, schist and limestone. A zone of quartz veining and silicification trends through the SE section of the License area. There are substantial Upper Cretaceous and Quarternary sediments in the northwest and southwest sections of the License.

Mineralization

The deposit style most likely to be present in the License is mesothermal vein gold style mineralization in the sediments associated with the granite intrusions in the tenement area. The deposit area has only been mapped at a regional scale (1:50,000) and there is limited information about the occurrence of mineralization.

The quartz veins are interpreted to be of a mesothermal type and have a sugary texture with rare cross cutting secondary veinlets and have significant stockwork veinlets with some disseminated sulphide (pyrite, oxidised pyrite).

The north western and south eastern portions of the License are covered with cretaceous and quaternary sediments, covering the mineralization and possibly any mineralization within it.

Previous Exploration

The first geological work carried out in the area, was geological mapping at 1:200,000 scale in 1959. This work was carried out by Kulesch A.A and Kovalensky E.D in 1959 (Rashkhan, N. and Mungundemberel, S). More detailed mapping, at 1:50,000 was carried out in the period 1997-1999 by a MRAM mapping team, led by Ulziibayar, JU, Bumburuu, G., and Aguaansambuu, E.

The project was previously owned by the ASA Group. The extent of work carried out on the project area is not known.

In 2010, Novametal commissioned the consulting company Monrecsur LLC Consulting Group ("Monrecsur") to conduct a prospecting review of the project. A total of 45 rock chip samples were analyzed for a wide variety of elements. From August to September 2010, Monrecsur conducted exploration work to define mineralization and the prospectivity of the License area.

Sampling by Monrecsur highlighted some anomalous values that included 0.5 g/t Au within the SW section of the License and 73 g/t Au immediately to the south of the License area. The quartz veining was also anomalous in base metals such as Pb, Zn and Cu. Values of up to 1.11% Pb and 1132ppm Cu, and 4236ppm Zn were returned from sampling. The presence of elevated gold and base metals in the quartz veining warrants further work to define drill targets.

Novametal then commissioned Micromine to compile a NI43-101 Technical Report on the prospectivity of the project in January 2011. An additional 27 rock samples were collected and analyzed. Exploration work carried out by Micromine in 2011 included prospecting of the southwest (SW) and southeast (SE) sections of the License (Figure 12-1). Alteration zones were checked by rock chip sampling. A total of 27 samples were collected in the field and analyzed for a wide selection of elements. Due to the cold conditions and limited time in which the field work was carried out, it was impossible to check all of the previous work.

The central part of the License was found to host granitic rock which was not viewed as prospective. Prospecting of the SE and SW zones confirmed the presence of quartz veining that ranged in width from a few centimetres to a few metres. A SW-NE trending zone of silicification was found to occur to the SE of this zone of quartz veining,

The quartz veins are interpreted to be of a mesothermal type and have a sugary texture with rare cross cutting secondary veinlets and have significant stockwork veinlets with disseminated sulphide (pyrite, oxidised pyrite). Rarely malachite, lead and zinc were seen. The silica alteration zone was noted for little if no, quartz veining. The silicified sedimentary rocks were FeOx rich and locally hematitic and limonitic with some geothite.

Recommended Exploration

The project stage is very early exploration and substantial additional work is required to gauge the potential for mineralization on the License area. Micromine has outlined specific recommendations for completion of further work as follows:

- Soil geochemistry should be carried out on a 100 x 50 metre grid over the zone of silicification and veining to help define the most anomalous sections of the alteration zone.

- Ground Geophysics (IP and magnetic) should be carried out over the zone of silicification and veining to help identify areas of disseminated sulphide at depth.

- Magnetics should be carried out over the areas of colluviums to understand the nature of the stratigraphy that is concealed. It may be cost effective to fly the License with airborne magnetic.

- Further prospecting and mapping should be carried out to understand and target drill holes from the results of the soil geochemistry and surface geophysics.

The Company estimates, based on the 43-101 report, exploration costs will be approximately $377,000 for geophysical and geochemical test work and for the completion of two drill holes to test targets.

In accordance with the Mongolian minerals law, the following expenses are necessary in order to retain the License:

1. The annual License rental is $14,429, based on $1.50 per hectare

2. Novametal has registered an exploration plan for 2011 for a total $35,980 (44,975,350 MNT).

3. The annual service fee for supervising the exploration plan is $100.

4. MRAM ‘s annual service fee for auditing exploration expenses is $400.

5. The annual minimum donation amount to local authorities is approximately $500.

6. To ensure the Company’s responsibilities with respect to environmental protection, an amount equal to 50% of environmental protection budget has been deposited with the local soum. Novametal has deposited an amount of 150,000MNT. Novametal has surface rights to develop a temporary road and camp facilities on the License area.

SELECTED ANNUAL INFORMATION

The following table provides selected annual financial information for the Company’s year ending December 31, 2011.

The Company was incorporated on December 22, 2010 and does not have any comparative financial information. In the year ended December 31, 2011, the Company has not generated any revenue or incurred any loss from discontinued operations or extraordinary items.

Year Ended	Accounting Principles	Total Expenses for the year	Net Loss for the year	Loss per share basic and fully diluted	Total long-term financial liabilities	Cash dividends per common share
		US$	US$	US$	US$	US$
December 31, 2010	IFRS	(2,800)	(2,800)	(2,800)	-	-
December 31, 2011	IFRS	(4,665,505)	(4,600,931)	(0.36)	-	-

RESULTS OF OPERATION FOR THE YEAR ENDED DECEMBER 31, 2011

The loss for the year ended December 31, 2011 was $4,600,931, much of which relates to transaction costs associated with the reverse takeover of Wedge Energy International Inc. and the costs of completing the acquisition of Natalya-1 and the purchase of a 49% interest in Novametal.

Costs associated with/as a result of the takeover of Wedge Energy International Inc.

1)	Listing expense	$2,336,095
2)	Listing bonus	$ 660,000
3)	Professional fees*	$ 405,397
4)	Restructuring fees	$ 196,360
	Total	$3,597,852

*Not all of the professional fees with/as a result of the takeover of Wedge Energy International Inc., however, the unrelated portion is insignificant to the total professional fees.

During the year the Company issued stock options to Directors, Officers, and consultant upon the successful listing of UTMI. The Company has recognized a stock based compensation expense of $911,972.

The remaining costs were for administration of the Company in the period.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Company's working capital, defined as current assets less current liabilities, was $4,119,990. The Company's cash resources are sufficient to fund a business acquisition and meet liabilities as they come due for the next 12 months. However, the Company may need to raise further funds prior to or in conjunction with any acquisition of mineral properties or further exploration of the Undur Tolgoi licence in the future.

The Company's working capital amounts are as follows:

	December 31 2011	December 31 2010
Cash	**$ 4,525,437**	$ 1
Accounts receivable	**92,618**	-
Prepaid expenses	**2,640**	-
Accounts payable & accrued liabilities	**(454,766)**	(2,800)
Due to related parties	**(45,939)**	-
	$ 4,119,990	$ (2,799)

The Company, which is involved in early stage exploration, has no sources of revenue and does not anticipate receiving revenues in the foreseeable future. Therefore, the Company must utilize its current cash reserves, income from cash held in the bank, funds obtained from the exercise stock options and other financing transactions to maintain its capacity to meet working capital requirements, expected exploration activity and operating activity. The Company anticipates going to the market to raise capital when the opportunity arises.

INVESTING ACTIVITIES

The Company loaned Wedge US$150,000 at an annual interest rate of 10% calculated and compounded monthly. In November 2011 the loan was dissolved upon the amalgamation of Wedge and UTMI as per the terms of the arrangement agreement.

SHARE CAPITAL

Authorized capital

The authorized capital of the company consists of unlimited common shares without par value.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at Undur Tolgoi Mineral Inc.'s meetings. All shares are ranked equally with regards to the Company's residual assets.

The equity structure of the group represents the equity structure of the legal parent.

Issued share capital

At December 31, 2011, there were 58,987,848 common shares outstanding [December 31, 2010 - 1; December 22, 2010 - 1].

Common share issuances

The Company issued one common share on its formation in December 2010 for cash consideration of $1. In January 2011, the Company redeemed this share for cash consideration of $1.

In January 2011, the Company issued 5,000,000 common shares at a price of $0.01 per share to Firebird Mongolia Fund, Ltd. ["Firebird Mongolia"] for gross proceeds of $50,000.

In February 2011, the Company acquired the issued shares of Natalya-1 through the issuance of 5,187,580 common shares.

In May 2011, the Company issued 9,788,067 common shares at a price of $0.015 per share to SMDD Capital Ltd., for cash proceeds of $146,821 and a 49% interest in Novametal with a fair value of $40,846 for total consideration of $187,667. Following this transaction, Novametal is a wholly owned subsidiary of the Company.

In November 2011, the Company issued 19,975,647 common shares with an assigned value of CAD $0.20 per share to the former shareholders of Undur Tolgoi Minerals Inc. under the terms of the arrangement agreement for total deemed consideration of $765,427. Following this transaction, Wedge is legally the parent of UTMI, however, for accounting purposes Wedge is considered a wholly owned subsidiary of the Company.

In November and December 2011, the Company completed a two tranche private placement and issued 35,120,465 common shares at a price of CAD$0.20. Investors had the option to pay in either Canadian or US dollars. The private placement raised gross proceeds of US$6,840,995 after conversion of the Canadian funds into US dollars. As a result of the conversion the US dollar price per share was $0.1948.

Financial Instruments and other Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to related parties. Given their short-term nature the fair value of these instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

Risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, commodity and equity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Market rate risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Company's functional and reporting currency is the United States dollar and major purchases are transacted in US dollars. The Company also holds a bank account in CDN dollars.

To mitigate the exposure to foreign currency risk the Company typically holds funds in CDN dollars for operating expenditures.

The Company does not enter into any forward exchange contracts to mitigate the exposure to foreign currency risk.

Commodity and price risk

The Company is exposed to a price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to precious and base metals and other minerals in order to determine the appropriate course of action to be taken by the Company.

Commodity price can adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. A decline in the market price of precious and base metals and other minerals may require the Company to reduce mineral resources, which could have a material and adverse effect on its value.

As at December 31, 2011, the Company was not a precious metal, base metals, and other minerals producer. Even so, commodity prices may affect the completion of future equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet ongoing obligations.

Credit risk

Credit risk arises due to the potential for one party to a financial instrument to fail to discharge it obligations and cause the other party to suffer a loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash with financial institutions that are believed to be creditworthy.

The Company continues to monitor default of accounts receivable and other counterparties and incorporates this information into its credit risk control. The company policy is to deal only with creditworthy counterparties.

Key Management of UTMI considers all financial assets not to be impaired or past due for the above mentioned reporting date and are of good credit quality. None of the financial assets are secured by collateral or other credit enhancements.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

In respect of accounts receivable, UTMI is not exposed to a significant credit risk as the principal amounts of the receivable are from sales tax credits with the province of Ontario and the Federal government. Risk of default with the various levels of Canadian Government is considered low due to the economic stability of the country.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled exploration and evaluation activity as well as forecasted cash inflows and outflows due in day-to-day business. Liquidity is measured in various time bands, on day-to-day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day lookout periods.

The Company maintains cash to meet its liquidity requirements for a 90 day period at a minimum. Funding for long term liquidity needs is based on the ability of the company to successfully complete private placements as well as, in certain cases, to pay the outstanding balances owed in shares of the Company rather than in cash.

The Company considers expected cash flow from financial assets in managing liquidity risk, in particular its cash resources and accounts receivable. The Company's existing cash resources and accounts receivable currently meet the current cash outflow requirements.

<u>Fair value of financial instruments</u>

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and due to related party. At December 31, 2011 and December 31, 2010 there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

OUTSTANDING SHARE INFORMATION

As at the date of this MD&A the Company has 59,987,848 shares issued and outstanding.

Information with respect to outstanding common shares, warrants, and stock options as at April 30, 2012, December 31, 2011, and December 31, 2010, is as follows:

	April 30 2012	December 31 2011	December 31 2010
Common shares	**59,987,848**	59,987,848	1
Stock options	**4,525,000**	4,975,000	-
	63,512,848	64,962,848	1

In the first quarter 2012, two consultant of the Company forfeited 450,000 stock options granted to them on December 7, 2011. The stock options had an exercise price of $0.25 and an expiry date of December 6, 2016.

BOARD PURPOSE AND FUNCTION

The Directors and Management of the parent company have extensive experience operating and taking projects through to various stages of exploration and development. There is a balanced representation of directors with operational, corporate and financial backgrounds.

The board's purpose is to ensure corporate governance, risk, strategy and shareholder interests are priorities at all times. At the end of the financial year under review the board consisted of four members.

DIRECTORS AND OFFICERS

Donald Padgett (Director, President and Chief Executive Officer). Mr. Padgett is an experienced senior management leader with a proven track record of developing and executing successful strategies for profitable international business ventures. He has served as Chairman, President and director of several public and private companies. Mr. Padgett has also enjoyed a successful investment banking career in senior management positions including: Managing Director of the investment banking group at Canaccord Financial Ltd.'s Western Canadian office and more than 10 years as a senior member of the Investment Banking Group at Burns Fry, now Nesbitt Burns. Mr. Padgett holds a law degree from Dalhousie University, an MBA from McMaster and a Bachelors of Science from University of Toronto.

James Passin (Director and Chairman of the Board). Mr. Passin is a Fund Manager at Firebird Management LLC. He joined the firm in 1999. Mr. Passin is the Co-Founder and Manager of Firebird Mongolia Fund, Firebird New Mongolia Fund, Firebird Global Fund and Firebird Global Fund II and a Principal at FGS Advisors LLC and FG2 Advisors LLC. He is a director of a number of both public and private Mongolian and Canadian companies, including Sharyn Gol JSC, Baganuur JSC, and NIBank. Mr. Passin has served as Director of Wedge Energy International Inc. since January 28, 2010. Mr. Passin is a graduate of St. John's College, where he majored in Philosophy and Classical Literature. Mr. Passin has directed Firebird's portfolio and private equity investment activity in Mongolia since 2006.

Sabino Di Paola (Chief Financial Officer and Corporate Secretary). Mr. Di Paola is a Chartered Accountant in the Provinces of Quebec and Ontario and a member in good standing of The Quebec Order of Chartered Accountants as well as the Institute of Chartered Accountants of Ontario. He has a wide variety of experience in computer systems and consulting and has worked with international accounting firms performing engagements on both public and private sector organizations. He currently serves as the Chief Financial Officer with three other junior exploration companies.

Orgilmaa Siizkhuu (Director). Mrs. Siizkhuu is the Chief Legal Officer of the NIBank, in Ulaanbaatar, Mongolia. Mrs. Siizkhuu served as secretary to the Bank's Board of Directors. Mrs. Siizkhuu holds a law degree from the Law School of the State University of Mongolia and is a member of the Mongolian Advocates Association.

Larry Van Hatten (Director). Mr. Van Hatten was a Partner of Ernst & Young LLP from May 2005 to June 2010, leading its Vancouver assurance practice until announcing his retirement in June 2010. Prior to May 2005, Mr. Van Hatten was the Managing Partner of Ellis Foster, Chartered Accountants, a Vancouver based firm that merged into Ernst & Young LLP in May 2005. From June 2002 to May 2006, Mr. Van Hatten was a Director of Saxon Oil Company, an international oil and gas company engaged in the acquisition, development and production of oil and natural gas reserves. Mr. Van Hatten also served on the Board of the BC Children's Hospital Foundation, which he chaired from 1996 to 1999. Mr. Van Hatten is currently a Director of Kensington Court Ventures Inc., a capital pool company and PNG Gold Corporation, a premier gold exploration and mine development company in Papua New Guinea. Mr. Van Hatten received his Chartered Accountant designation in 1975 and his Fellow Chartered Accountant designation in 2009. In 2010, he completed the academic requirements for the Directors Education Program.

On March 20, 2012 the Company announced the appointment of Kenneth Farrell and Saruul Ganbaatar to the Company's board of directors and Paul Rapello has resigned as a member of the board of directors. The Company intends to reappoint Mr. Rapello to the board of directors following the next shareholders meeting, in which the Company will seek authorization from shareholders to increase the number of directors. Mr. Rapello has accepted the appointment as Special Advisor to the Board of Directors of the Company effective immediately.

Kenneth Farrell (Director). Kenneth Farrell, an Australian citizen, is the CEO of Bumi Resources Minerals, the largest publicly traded Indonesian mineral company. Mr. Farrell is also an Executive Director of Bumi Resources, Indonesia's largest listed coal mining company. Prior to joining Bumi Resources in 2002, Mr. Farrell worked for BHP Billiton for 21 years in various executive and managerial capacities in iron ore, transport, manganese and coal business units. He is a Member of the Institution of Engineers, Australia; a Member of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

"We are honored and excited to welcome Ken to the UTM team", said James Passin, UTM's Chairman. "The strengthening of our board reflects UTM's commitment to build a world class exploration and mining company focused on Mongolia."

CONTRACTUAL OBLIGATIONS

The Company has no long-term debt outstanding. The Company does not have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments. During the year ending December 31, 2011, the Company had a month-to-month agreement for the operating lease for the office premises.

The Company has a commitment with its Chief Financial Officer in which the Company guarantees a minimum of 250 billable hours at an hourly rate of $100 per hour over a 3 year term ending December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet arrangements such as: obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or that engages in leasing, hedging or research and development services with the Company.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Currently, there are no material transactions being pursued or negotiated by the Group that is not otherwise disclosed herein.

CHANGES IN ACCOUNTING STANDARDS

CONVERSION TO IFRS

In February 2008, the Accounting Standards Board (AcSB) confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for the financial periods beginning on or after January 1, 2011, including comparative figures for the prior year. As a result, in the fiscal year beginning January 1, 2011 the Company began reporting under International Financial Reporting Standards ("IFRS"). The Company has completed its evaluation of the impact of IFRS on its financial accounting and reporting systems and has prepared accounting information under IFRS for comparative purposes effective December 22, 2010.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). They include all of the information required for full annual financial statements. These audited financial statements for the year ended December 31, 2011 are Undur Tolgoi's first IFRS annual reporting statements and as a result, IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

These audited consolidated financial statements should be read in conjunction with Undur Tolgoi's 2010 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Undur Tolgoi is provided in note 24 of the audited consolidated financial statements.

Impact of adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes. However, the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. The board of directors and audit committee have been regularly updated throughout the Company's IFRS transition process and are aware of the key aspects of IFRS affecting the Company.

Initial adoption of IFRS

The Company has prepared a balance sheet at December 22, 2010 under IFRS that forms the opening position of the Company's comparative financial statements when reporting under IFRS. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income and the measurement of balance sheet items. The Company's has modelled the impact of individual IFRS standards and related interpretations on its financial statements. The following IFRS standards are expected to have the most significant impact on the Company:

- IFRS 1 – First-time Adoption of IFRS
- IFRS 2 – Share Based Payment
- IFRS 6 – Exploration and Evaluation of Mineral Resources
- IAS 16 – Property, Plant and Equipment

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Impact of adopting IFRS on the Company's accounting policies

The Company has changed certain accounting policies to be consistent with IFRS effective December 31, 2011, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity and expenses within its financial statements.

Please refer to note 24 of the audited consolidated financial statements, for a summary of the Company's accounting policies to be consistent with IFRS effective December 31, 2011, the Company's first annual IFRS reporting date.

Reconciliation between IFRS and Canadian GAAP

Please refer to the note 24 of the interim consolidated financial statements, for the Company's IFRS reconciliations of the statement of financial position, statement of comprehensive loss, and statement of cash flow for the year ended December 31, 2011.

UNCERTAINTIES AND RISK FACTORS

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved.

Exploration Stage Company
The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits, with the discovery of precious minerals being the Company's focus. The Company's property interests are in the exploration stage only and are without a known economic mineral deposit. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating economic mineral deposit, which itself is subject to numerous risk factors. Further, there can be no assurance, even if an economic deposit of precious minerals is located, that any of the Company's property interests can be commercially drilled. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of Management may not eliminate. Major expenses may be required to establish reserves by drilling and to construct wells and processing facilities at a particular site. It is impossible to ensure that the current exploration programs of the Company will result in profitable commercial operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration programs which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercial precious minerals.

Economic Risk
The price of precious minerals will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new methods. The effect of these factors on the price of commodities, and therefore on the economic viability of the Company's projects, cannot accurately be predicted.

Dependence on Key Personnel, Contractors and Service Providers
Shareholders of our Company rely on the good faith, experience and judgment of the Company's management, contractors and service providers in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

Value of Our Common Shares
The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations which may affect the business of the Company and other factors.

Competition
There is aggressive competition within the precious mineral industry for the discovery and acquisition of properties considered to have commercial potential. UTMI competes with many other companies, which

may have greater financial resources, for the opportunity to participate in projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Additional Funding and Financing Risk
Additional funds will be required for future exploration and development. There is no assurance that sufficient equity financing will be available at reasonable terms to the Company. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

Environmental Risk
Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators.

Uninsured Hazards
The Company currently carries minimal insurance coverage. The nature of the risks the Company faces in the conduct of its operations are such that liabilities could exceed policy limits in any insurance policy or could be excluded from coverage under an insurance policy. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's financial position.

Conflicts of Interest
Certain Directors of the Company also serve as Directors of other companies involved in mineral resource exploration, development and production. Consequently, there exists the possibility that such Directors will be in a position of conflict of interest. Any decision made by such Directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a material conflict of interest.

Permits, Licenses and Approvals
The operations of the Company may require licenses and permits from various governmental authorities. The Company believes it holds or is in the process of obtaining all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations. Such licenses and permits are subject to changes in regulations and in various operating circumstances.

Regulatory Matters
The Company's business is subject to various federal, provincial and local laws governing prospecting and development, taxes, labor standards and occupational health, mine safety, toxic substances, environmental protection and other matters. Exploration and development are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to monitor the discharge of waste water and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties.

No source of revenue

As of the date of this MD&A, the Company has no source of income other than interest income earned on cash held in investment accounts. For the year ended December 31, 2011 the Company recorded $1,476 (December 31, 2010 - $nil) in interest income. All of the Company's short to medium-term operating and project expenses must be derived from its existing cash position or from external financing.

STRATEGY AND OUTLOOK

Our objective is to maximize the value of the Company for our shareholders and as part of this strategy the Company is currently looking leveraging its unique 100% owned license and local Mongolian infrastructure to create UTMI as a significant publicly traded Mongolian investment vehicle. The Company is always looking at exploring opportunities with potential strategic partners as these opportunities present themselves.

OTHER INFORMATION

Other information and additional disclosure of the Company's technical reports, material change reports, new releases, and other information may be found on the SEDAR website at www.SEDAR.com.

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Website

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Trading Symbol

CNSX: UTM

Independent Auditor

Ernst & Young LLP

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Royal Bank of Canada
Bank of Montreal

Transfer Agent
Equity Transfer & Trust Company, Toronto