

**UNDUR TOLGOI MINERALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS ENDED MARCH 31, 2012**

**UNDUR TOLGOI MINERALS INC.  
QUARTERLY REPORT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

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***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 MAY 25, 2012 and should be read together with the audited consolidated financial statements for the year ending December 31, 2011 and the unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2012. 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](http://www.sedar.com).

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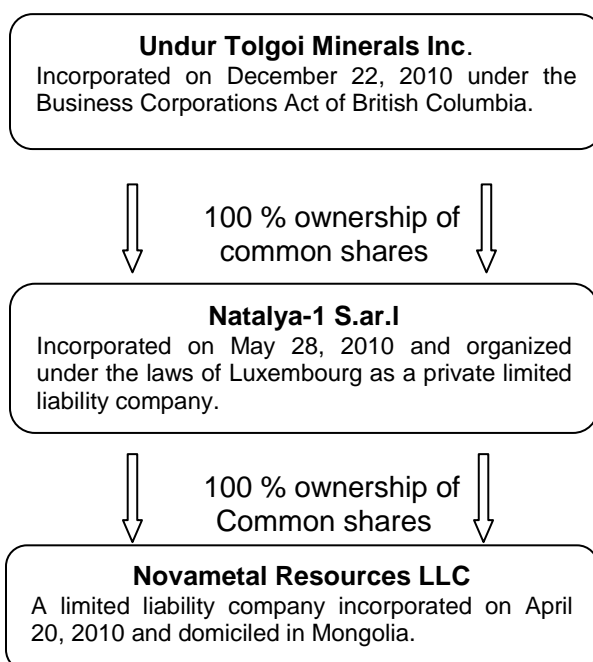
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**DESCRIPTION OF BUSINESS**

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 two 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**



**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 period ending March 31, 2012, include:

- 1) Commenced phase 1 of the 2012 exploration program on the Undur Tolgoi Mineral license.
- 2) The Company is in the process of completing a listing application to get its shares trading on the TSX Venture exchange.

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**ON-GOING PROJECTS**

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

<b>Country</b>	<b>Project</b>	<b>Commodity</b>	<b>Status at March 31, 2012</b>	<b>Future Plans</b>	<b>Company Ownership</b>	<b>Company held in</b>
Mongolia	Undur Tolgoi	Gold and Copper	Commenced 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**

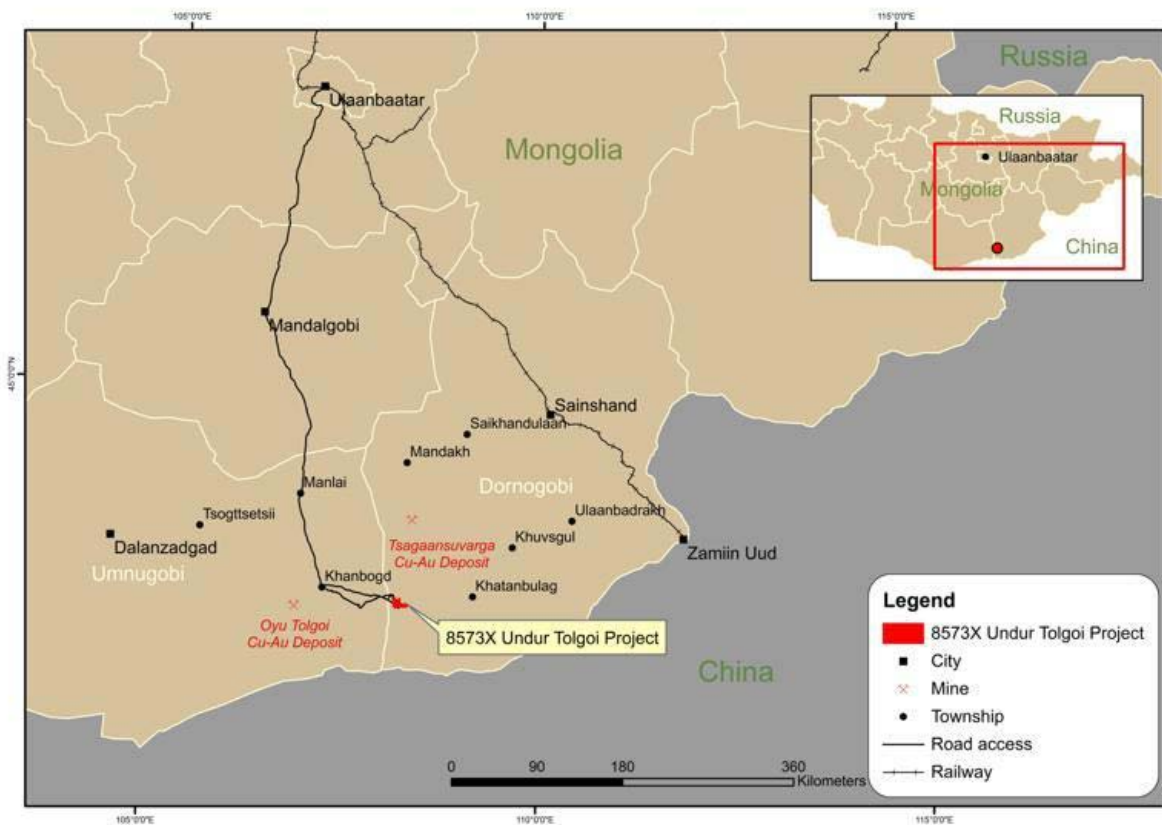
UTMI, through its wholly owned subsidiary Novametal, owns a 100% interest in the License named "Undur Tolgoi" granted by the DGMC of the Minerals Resources Authority of Mongolia pursuant to the Revised Minerals Law of Mongolia effective August 26, 2006. The License was granted in October 2004 to ASA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

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**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 Undurdiv Tourist Camp; travel is on sealed road for 40 kilometres, and for the remainder from Undurdiv 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.

**Historical and Recent Exploration Work**

- Geological mapping programs at scales of 1:50,000 and 1:200,000 (Mongolian and Russian expeditions)
- Air-borne magnetic survey at the scale of 1:200,000 (conducted by Russians in 1980s)
- 46 rock chip samples were analyzed for 14 elements (Micromine Visit 2010).
- A total of 1,504 soil samples were collected from a 250 by 250 m grid covering the whole license area, and each of the samples was sieved into two different fractions, coarse (1.2mm to 80 micron) and fine (less than 80 micron) and analyzed for 45 elements (CBM LLC, 2012)
- Interpretation of an ASTER image (commissioned by CBM LLC, 2012)
- Ground magnetic and gravity surveys have been executed by GeoSignal LLC (commissioned by CBM LLC, 2012)

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**Regional Tectonic Setting**

The licence is located in a major fault zone at the contact between the Archean and Proterozoic Khutag Uul Cratonic Block and a large Cenozoic basin.

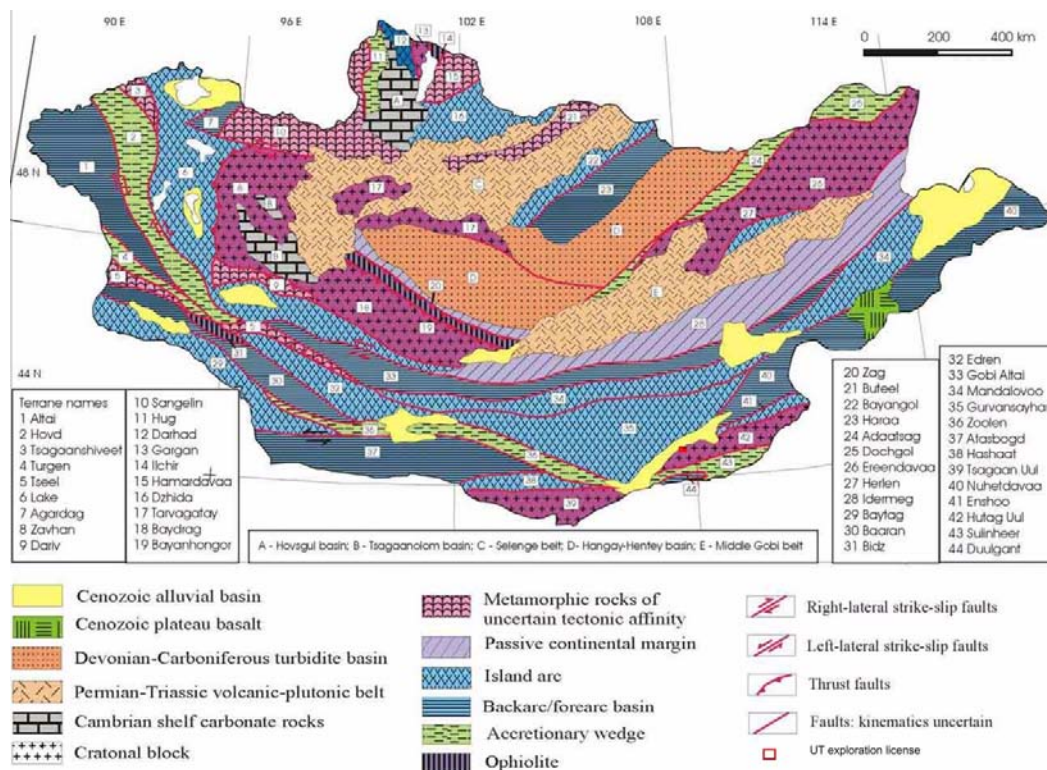


Figure 1. Map of Terranes in Mongolia

**Geology**

The northwestern and southeastern parts of the licence are distributed with Cenozoic shale, conglomerate, and sand.

Most of the rocks distributed in the central part of the licence are bodies of bi-granite, granodiorite, diorite, and gabbrodiorite of the Devonian 2-3 Khatanbulag complex, and they contain dykes of granite porphyry and diorite porphyry. In addition, there are intrusions of Permian 1 Bairam Ovoo Formation consisting of bodies of sub-alkaline leucogranite, granosyenite, and quartz syenite as well as dykes of granosyenite porphyry and trachyrhyolite porphyry, occurring in the area where the Devonian intrusions are found.

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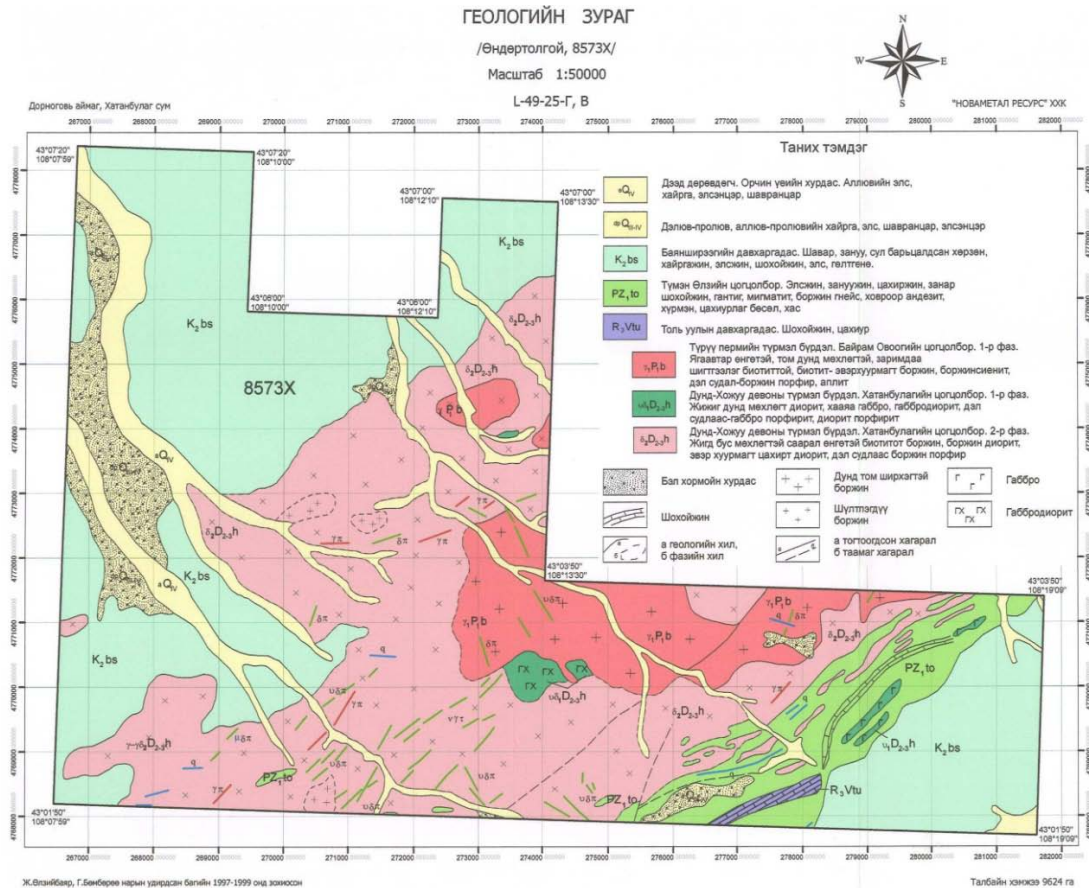


Figure 2. Geology map

In the southeastern part of the area, there are occurrences of Toli Uul (R3-V tu) limestone and silicic rocks occurring as xenoliths in a very limited area, and these rocks are found only within the host sedimentary-metamorphic rocks of Proterozoic 1 TumenUlzii complex. The Tumen Ulzii complex is formed of sandstone, siltstone, quartzite, schist, limestone, marble, migmatite, granite gneiss, some andesite, basalt, silicic tuff, and jasper.

**Mineral Occurrences**

Historical geological studies in the licence area identified zones of base metals mineralizations such as Pb, Zn, Cu and precious metal mineralizations such as Au and Ag plus some mineral occurrences within a 10 km long and 2-3 km wide northeasterly zone of Tumen Ulzii. Analyses on rock chip samples from the zone returned 73 ppm Au, 105 ppm Ag, 0.2% Cu, 1.1% Pb, and 0.4% Zn.



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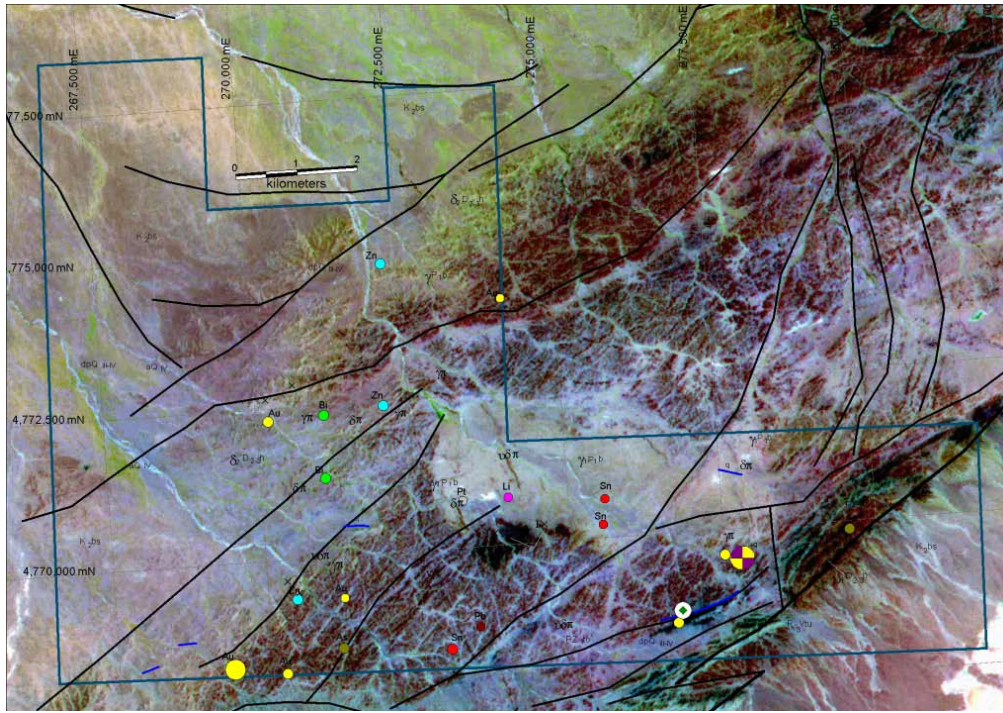


Figure 3. Mineralization map

These mineral occurrences are usually hosted in quartz veins that vary in size from 10 to 100 meters long and from 30 to 40 cm thick and have strike directions at 60-65 degrees northeast with dip angles at 55-60 degrees. They contain pyrite, limonite, and malachite. Sample NR\_0127, which gave the highest grade of gold, was collected from just outside the license boundary to the south.

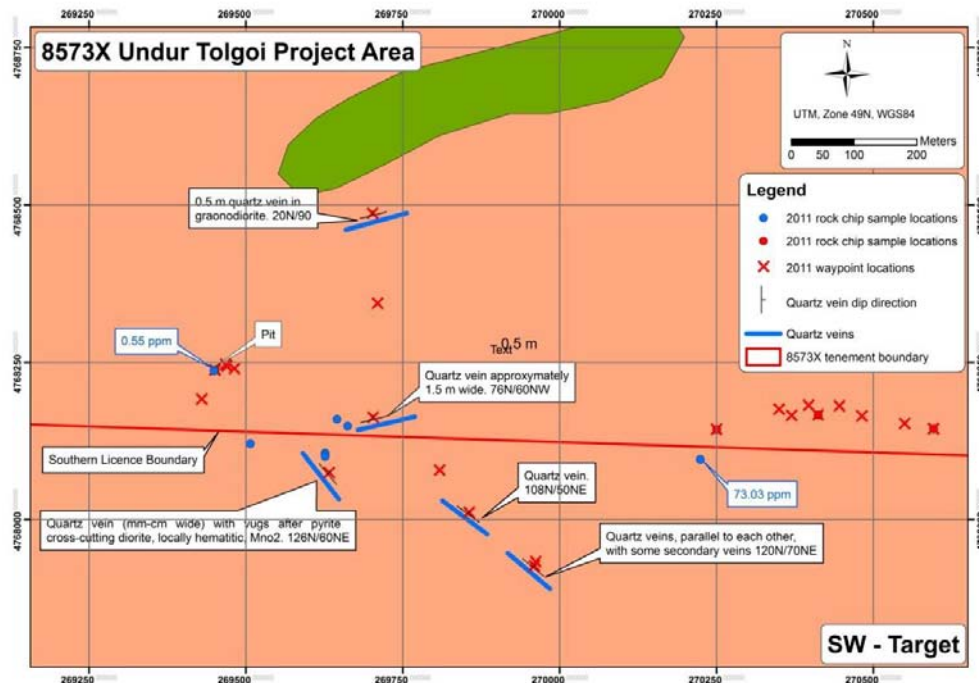
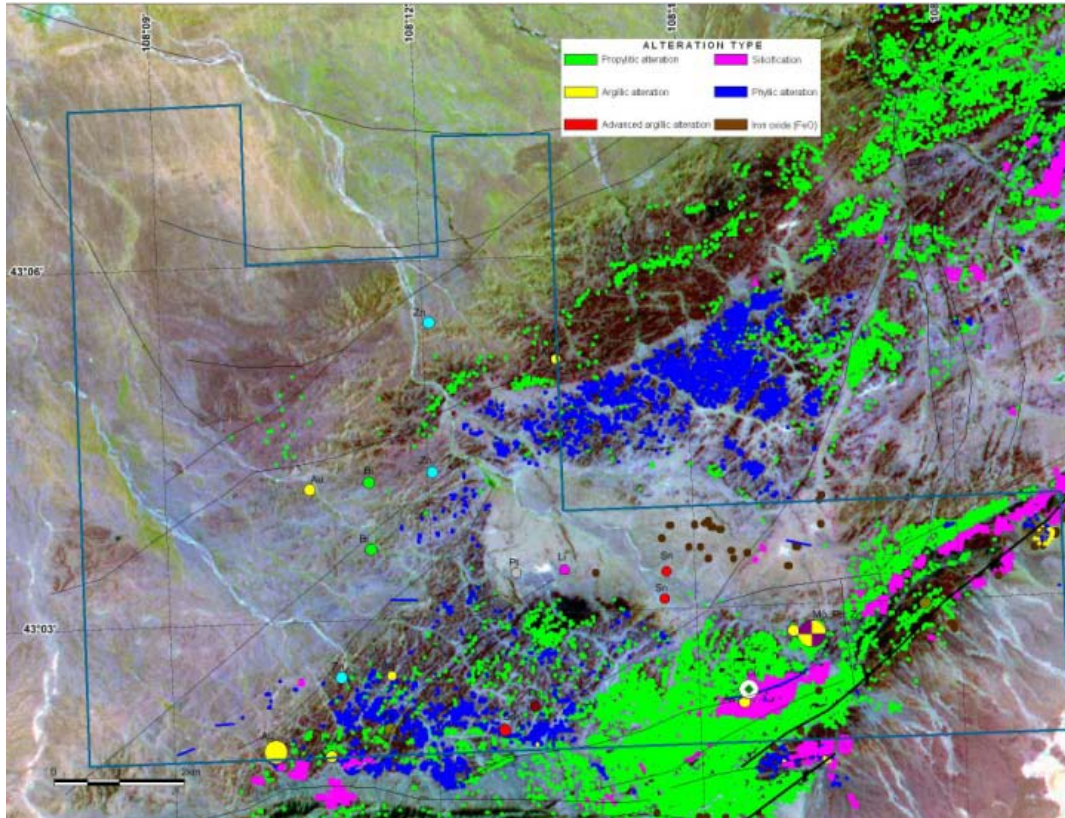


Figure 4. Distribution of quartz veins with gold mineralization



### Interpretation of satellite image

In early 2000s, The Mongolian-French joint SPOT project team under the Geological Survey Center undertook interpretations of various types of satellite images (SPOT, Landsat, ASTER) that covered most of the territory of Mongolia, and they distinguished alteration zones for 6 different alteration types.



*Figure 5. Alterations map*

Silicification is manifested in the zone along the major Tumen Ulzii deep-seated fault; whereas, alterations of phyllite and sericite coincide with the D2-3 intrusive rocks. Propylitic alteration appears to occur abundantly in the area of sedimentary-metamorphic rocks in the southeastern part of the licence. P-age intrusive rocks show only iron oxide alteration to a limited extent. Silicification that starts from here and extends northeast along the fault may be related to precious and base metal concentrations.

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The map below shows interesting features of alterations in areas that did not show any alteration in the map above.

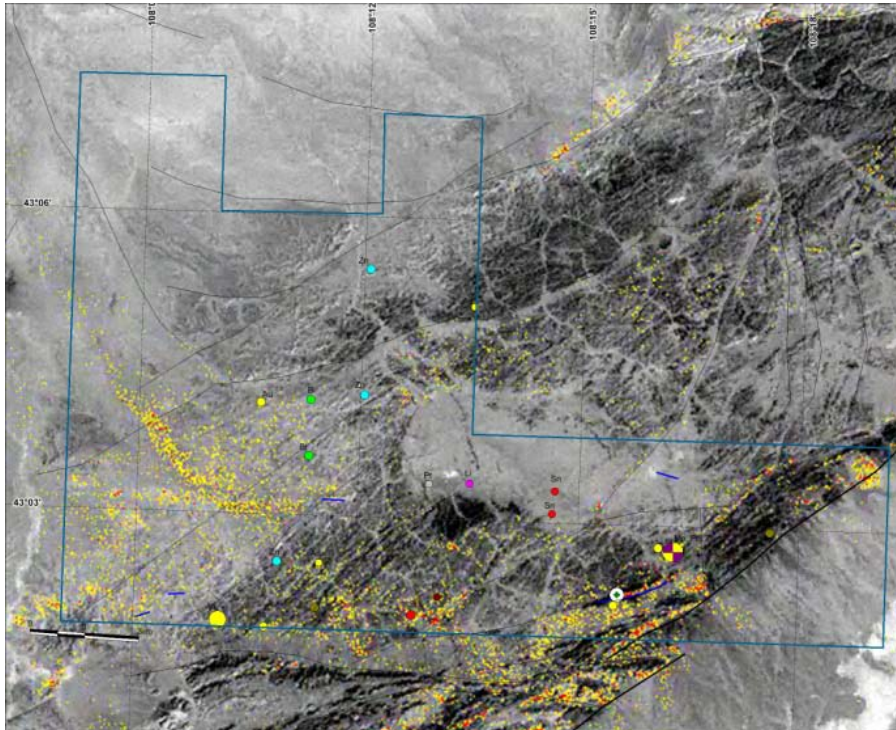


Figure 6. Argillic alteration map with mineralization points

**Satellite Image Interpretation**

The map below shows an interpreted satellite image with features such as major faults and the contacts between major rock units.

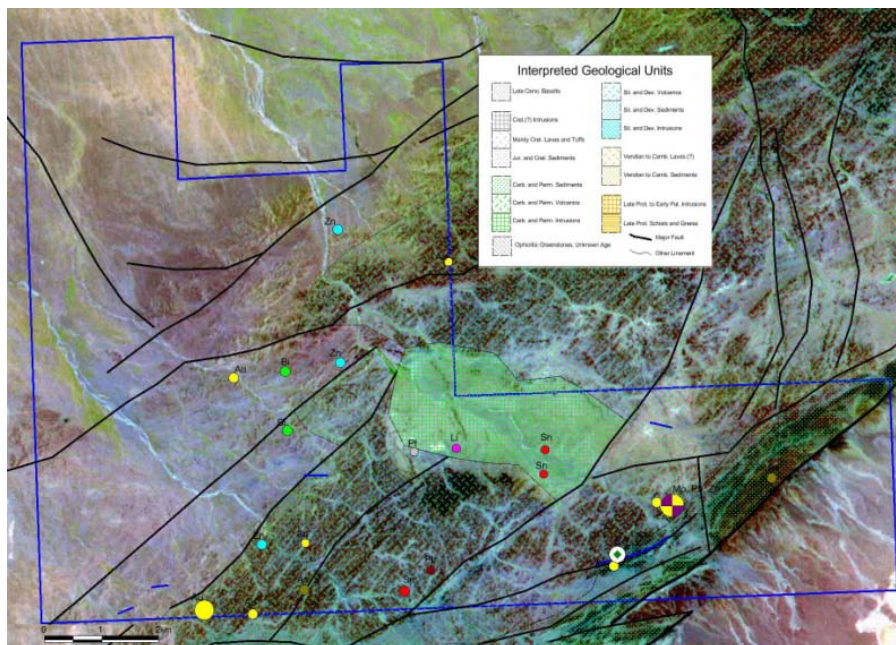


Figure 7. Interpreted satellite image



**Historical Geochemical sampling and analyses**

During the 1:200,000 scale geological mapping program that included the licence area, expert geochemists (Gotovsuren and others) conducted a comprehensive geochemical program of the district concerned. They analyzed the distribution pattern of chemical elements and produced the following maps.

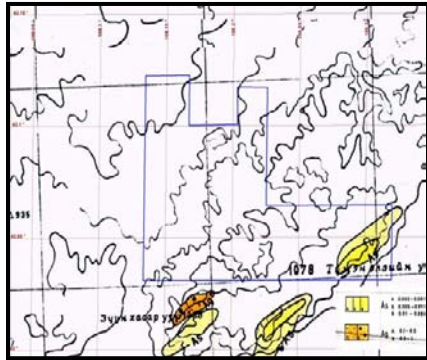


Figure 9. Ag and As Anomalies

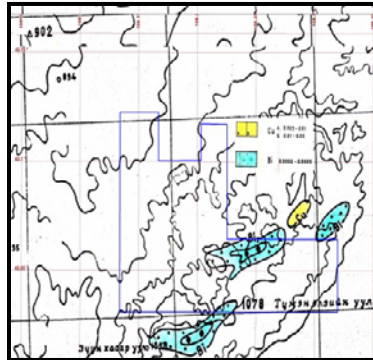


Figure 10. Cu and Bi Anomalies

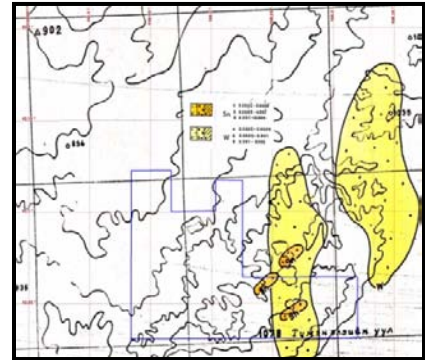


Figure 11. Anomalies of W and Sn

**Soil sampling program 2012**

A soil sampling program was conducted covering the whole license area in 2012. A total of 1504 samples were taken, sieving the samples into two different fractions (coarse and fine) for each of the samples, and they were analyzed for 46 elements. The samples were collected on a 250m by 250m grid.

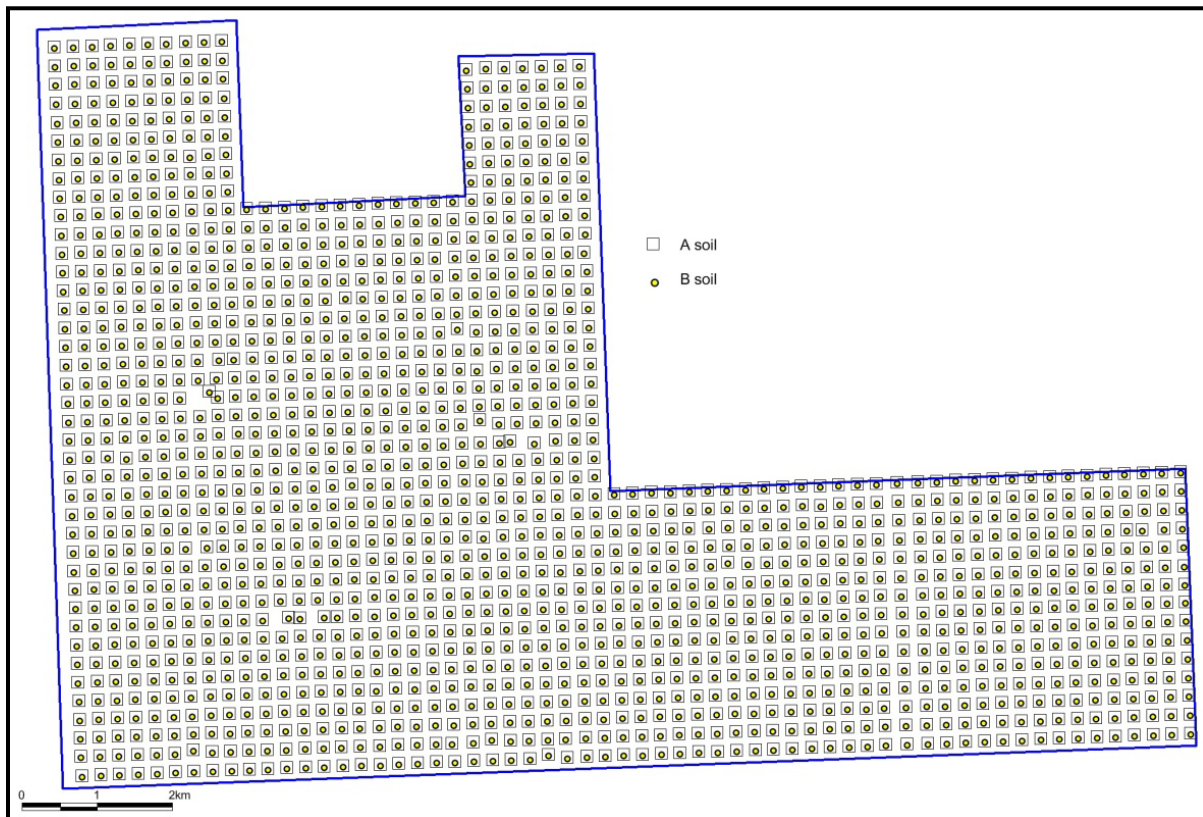


Figure 12. Locations of Soil Samples

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**A and B soil sampling correlations**

	A soil	B soil
	Cu correlation	
Al	0.19	0.2
As	0.14	0.13
Cd	0.47	0.48
Co	0.63	0.63
Cr	0.4	0.38
Fe	0.46	0.48
Li	0.12	0.13
Mg	0.35	0.34
Mn	0.33	0.3
Mo	0.31	0.3
Ni	0.73	0.7
P	0.1	
Pb	0.44	0.45
Sc	0.43	0.41
Ti	0.19	0.15
V	0.44	0.43
W	0.1	
Y	0.1	0.1
Zn	0.47	0.49
Zr	0.17	0.13

**Statistical Information**

	A soil		B soil	
	Average	Max	Average	Max
Au ppb	1.9	394.0	2.2	416.0
Ag ppm	0.5	2.2	0.5	3.1
Al	6.4	9.9	6.4	10.0
As	31.9	603.1	32.6	622.6
Ba	568.6	2000.0	550.5	2000.0
Be	2.3	9.4	2.3	9.4
Bi	5.0	29.2	5.0	28.0
Ca	4.2	10.0	4.8	10.0
Cd	1.0	9.1	1.0	10.3
Ce	71.8	744.9	76.8	773.7
Co	8.6	74.9	9.0	72.5
Cr	38.2	405.0	42.7	439.4
Cu	21.4	195.5	23.2	195.7
Fe	3.1	10.0	3.2	10.0
Ga	14.5	30.6	14.5	31.0
Hg	2.0	2.2	2.0	2.0
K	2.2	3.8	2.1	3.8
La	44.5	433.6	49.1	472.3
Li	34.7	137.2	35.5	119.9
Mg	1.0	3.4	1.1	3.8
Mn	605.3	3729.5	624.2	4192.7
Mo	4.5	18.2	4.6	17.7
Na	1.7	3.5	1.6	3.2
Nb	8.5	47.6	8.9	45.6
Ni	18.8	121.7	20.5	132.3
P	423.4	2268.1	488.4	2724.2
Pb	18.3	725.6	18.0	744.0
Rb	80.9	374.5	78.3	392.5
S	0.1	3.4	0.1	3.6
Sb	6.1	165.9	6.2	175.6
Sc	9.7	34.6	10.4	36.5
Se	10.0	41.2	10.0	10.4
Sn	20.0	25.5	20.0	25.2
Sr	310.6	1630.4	328.3	1875.5
Ta	10.0	10.0	10.0	10.0
Te	10.0	10.0	10.0	10.0
Th	14.1	182.8	14.2	149.6
Ti	0.4	2.4	0.4	1.6
Tl	5.0	6.1	5.0	5.0
U	10.0	10.0	10.0	10.0
V	97.2	430.9	100.4	422.3
W	20.8	684.8	20.6	484.0
Y	24.4	218.1	26.5	290.2
Zn	68.5	1417.4	69.8	1533.0
Zr	86.7	341.0	92.9	489.6



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It is likely that concentrations of Cu, Co, and Ni are correlated with each other in the mafic rocks found in the southeastern part of the licence. Distributions of anomalous values of the elements are shown on the geology and alteration maps below.

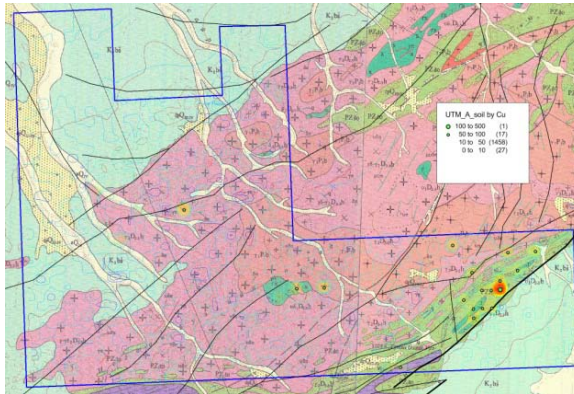


Figure 13. Distribution of Cu anomalies

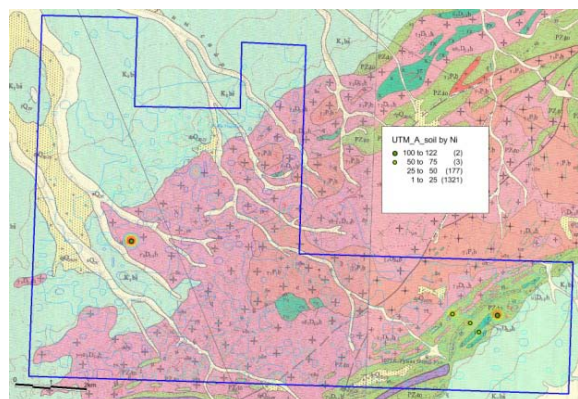
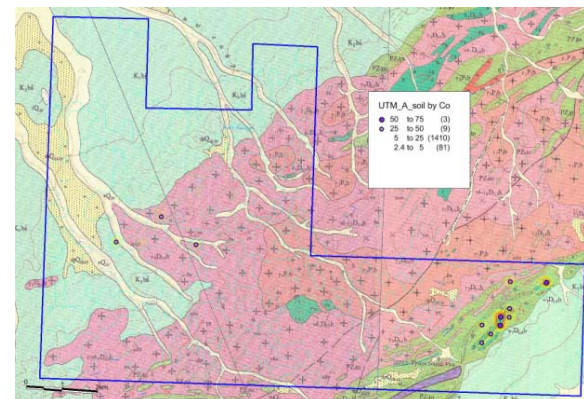
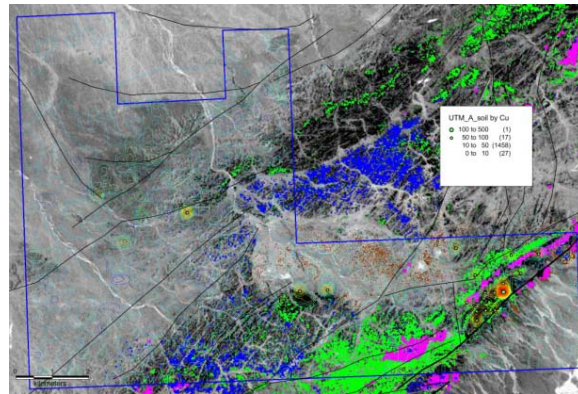


Figure 14. Distribution of Co anomalies

Figure 15. Distribution of Ni anomalies

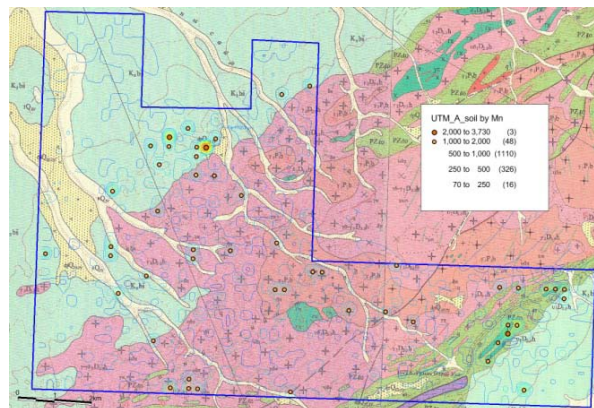
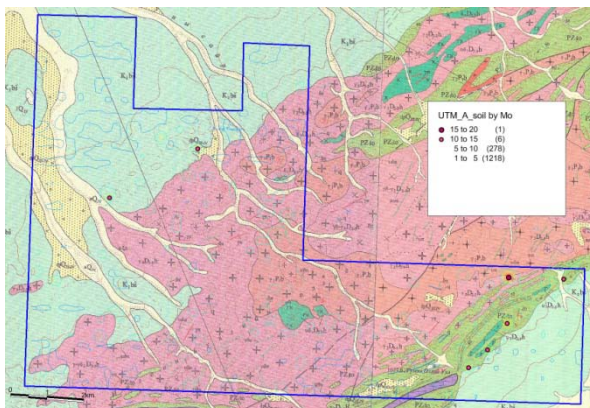
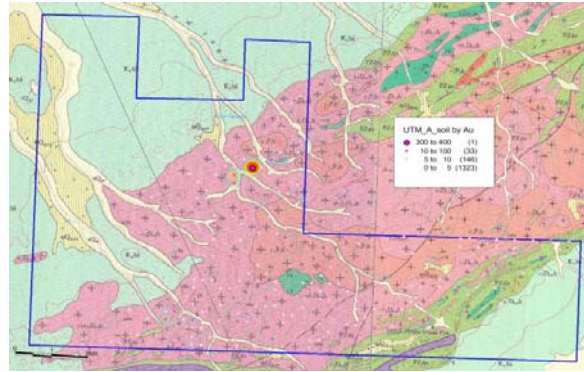


Figure 16. Distribution of Mo anomalies

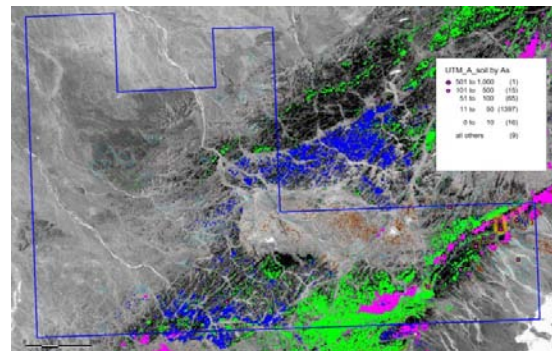
Figure 17. Distribution of Mn anomalies



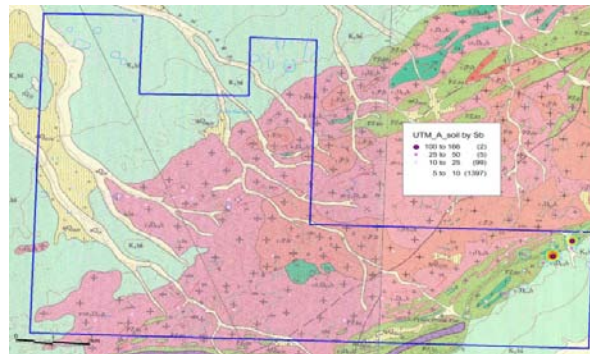
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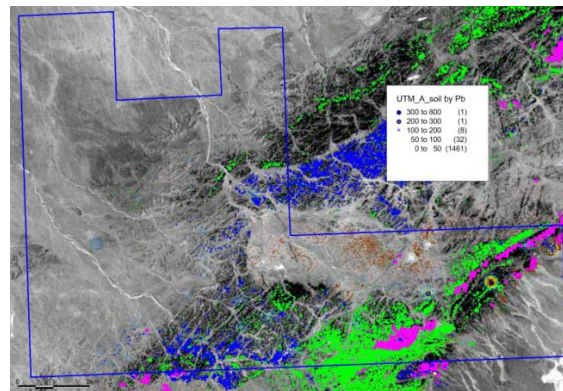
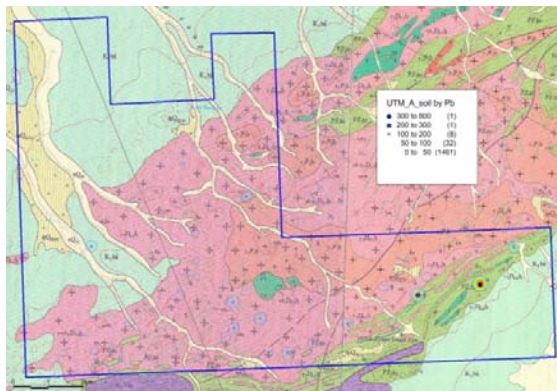
*Figure 18. Distribution of Au anomalies*



*Figure 19. Distribution of As anomalies*



*Figure 20. Distribution of Sb anomalies*



*Figure 21. Distribution of Pb anomalies*

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**Rock chip sampling**

In 2010, forty six rock samples were collected mostly from the southern part of the licence.

Rock Samples_46		
<b>Correlation :</b>	Au ppm	Cu ppm
Ag ppm		0.23
As ppm	0.11	
Cd ppm		0.6
Cr ppm		0.12
Ni ppm		
Co ppm		
Mo ppm		0.28
Fe %		
Mn ppm		
Pb ppm		0.57
Zn ppm		0.73
V ppm	0.19	

<b>Grades:</b>	Mean	Maximum
Au ppm	1.608	73.03
Ag ppm	7.591	105
As ppm	29.587	85
Cd ppm	8.239	146.8
Cr ppm	15.109	35
Ni ppm	3.739	10
Co ppm	3.304	30
Cu ppm	177.652	2021
Mo ppm	8.065	53
Fe %	1.236	5.26
Mn ppm	153.326	1542
Pb ppm	862.348	11100
Zn ppm	544.587	4244
V ppm	50.457	165

2021 Anomaly grade

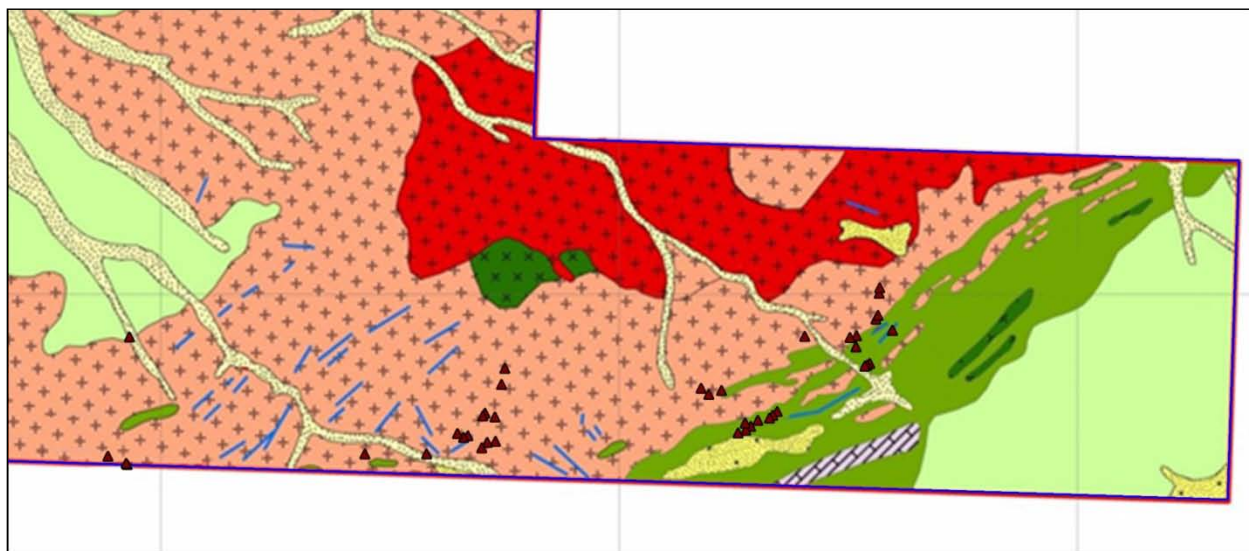


Figure 22. Locations of Rock Samples



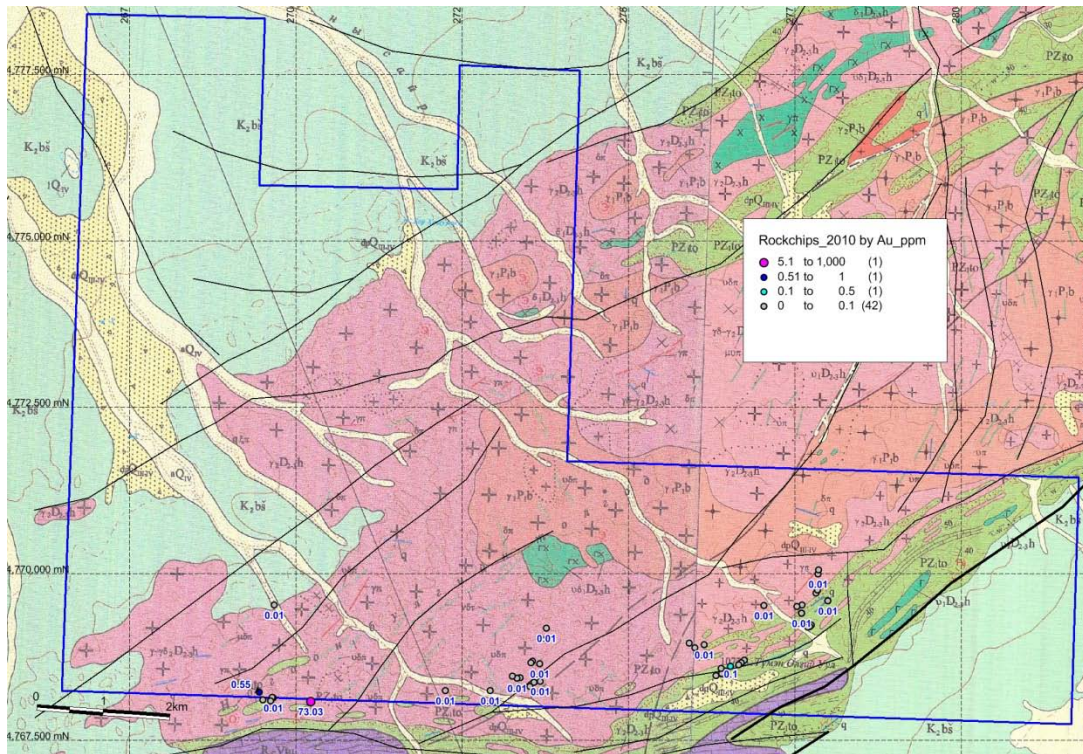


Figure 23. Distribution of gold grades in rock samples

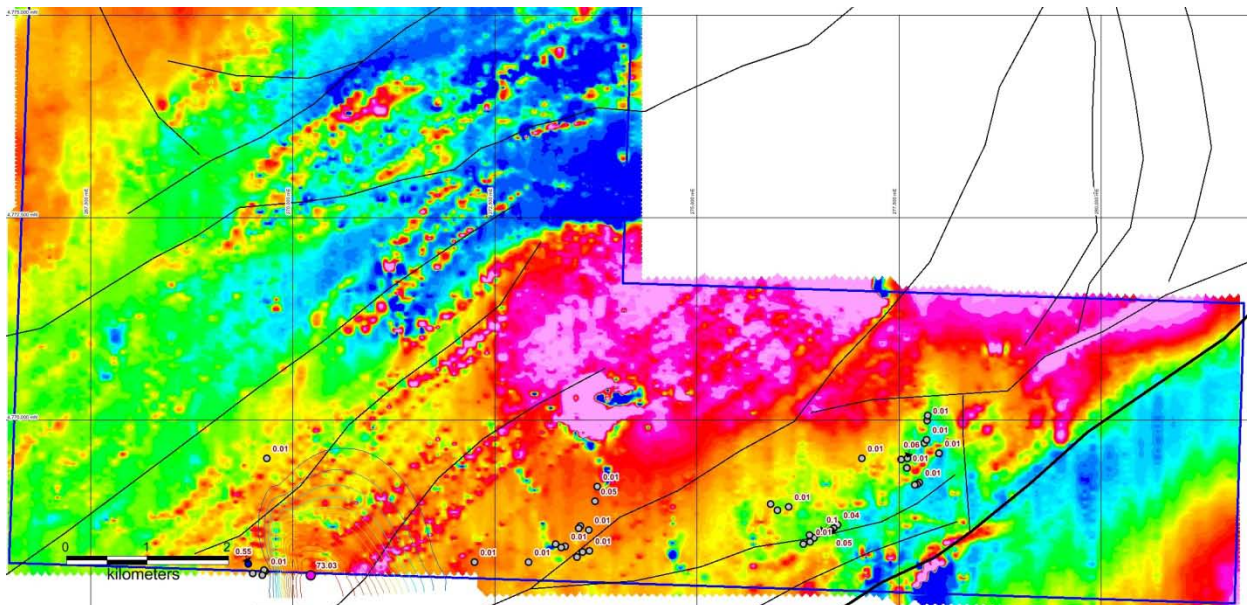


Figure 24. Distribution of gold in rock samples on a Reduce\_Pole plan



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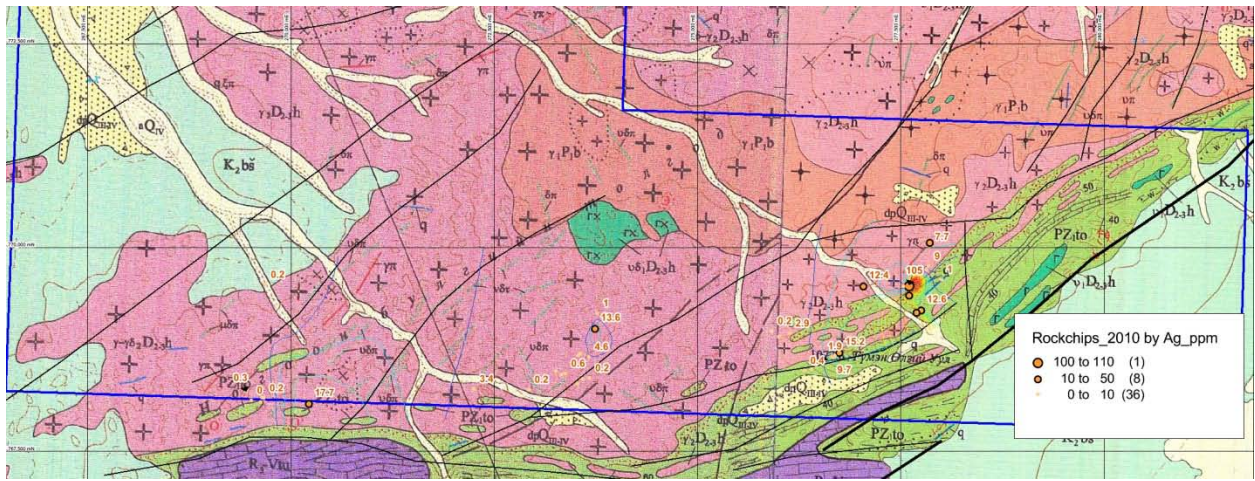


Figure 25. Distribution of Ag in rock samples

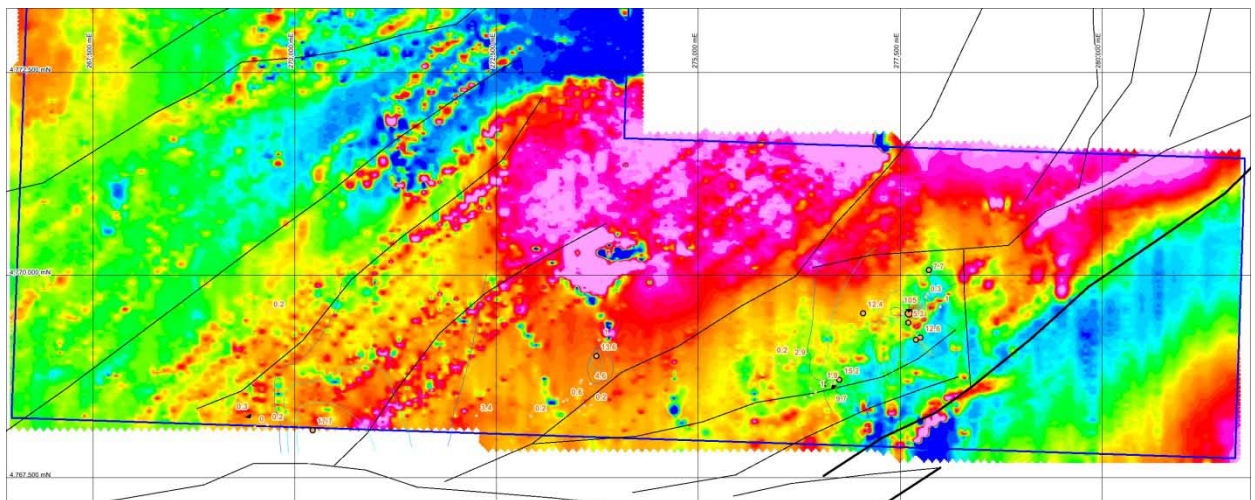


Figure 26. Distribution of Ag in rock samples on a Mag (R to PM) map

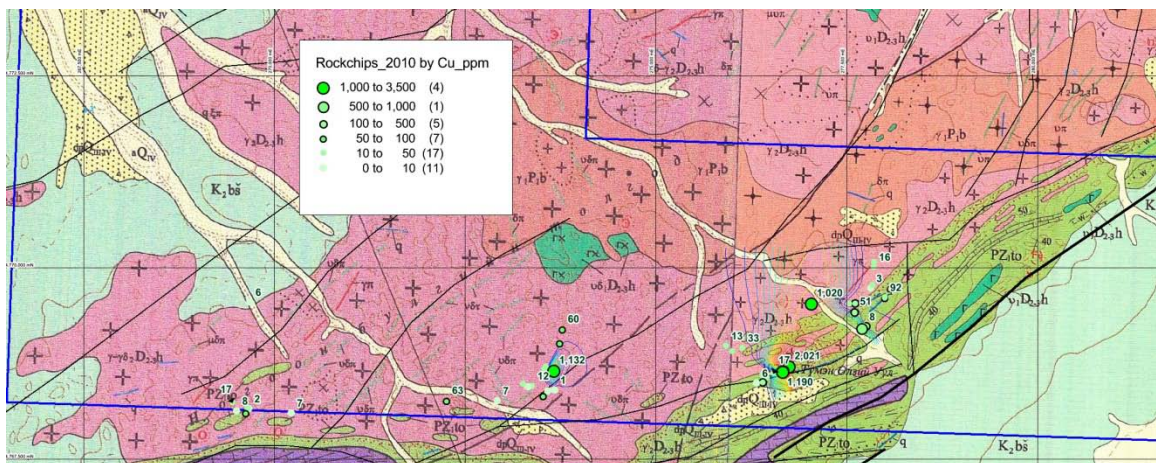
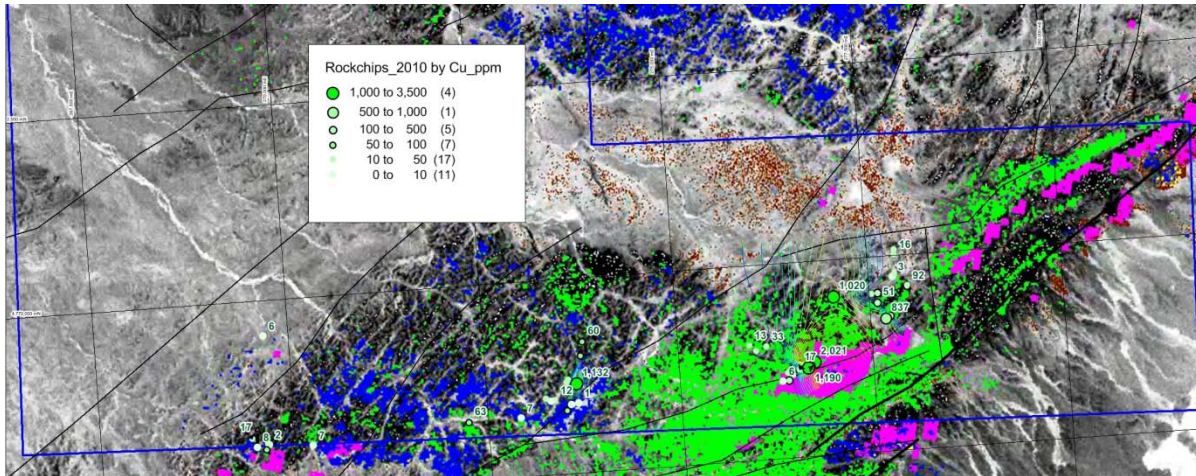


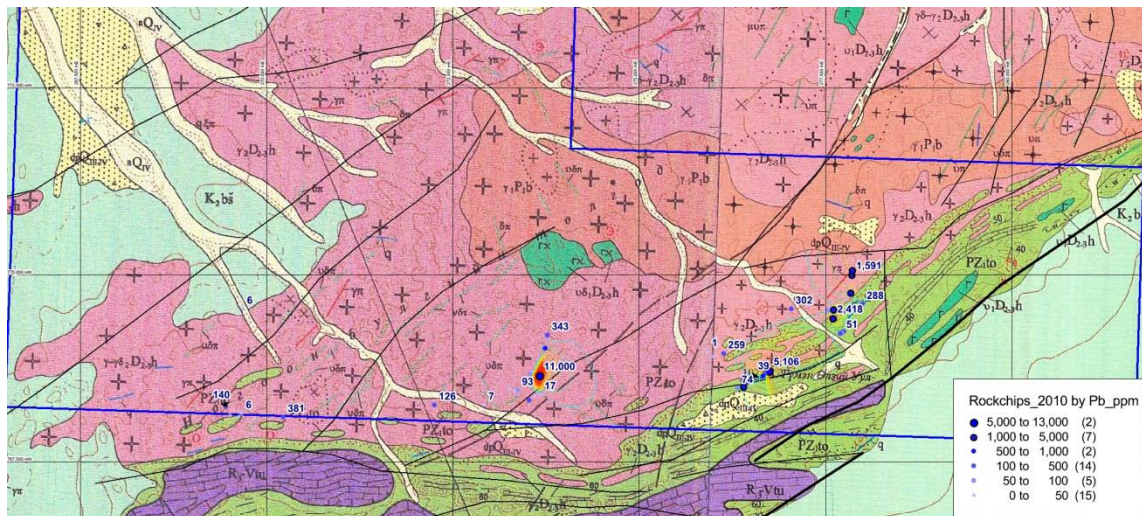
Figure 27. Distribution of Cu in rock samples



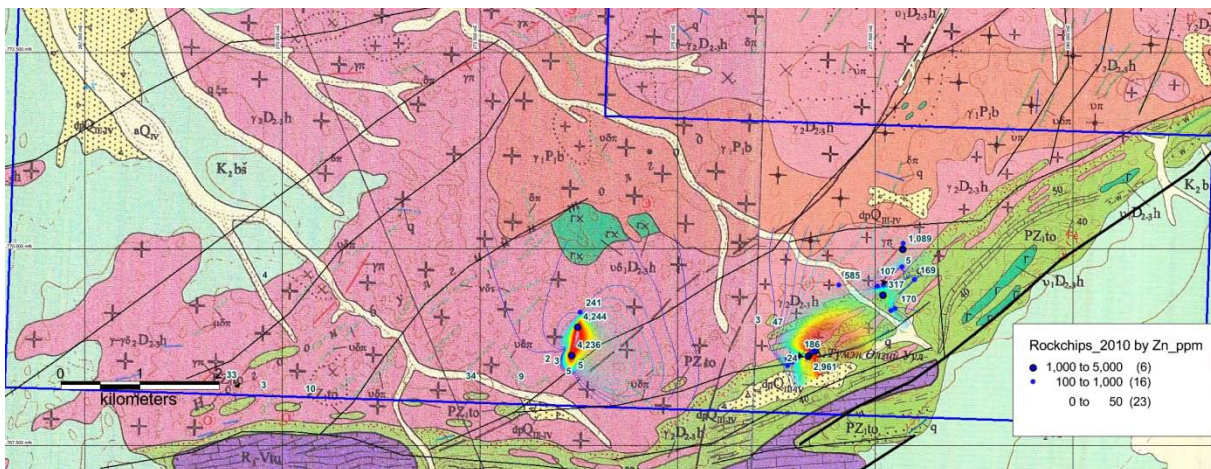
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*Figure 28. Distribution of Cu in rock samples on an alterations map*



*Figure 29. Distribution of Pb in rock samples*



*Figure 30. Distribution of Zn in rock samples*



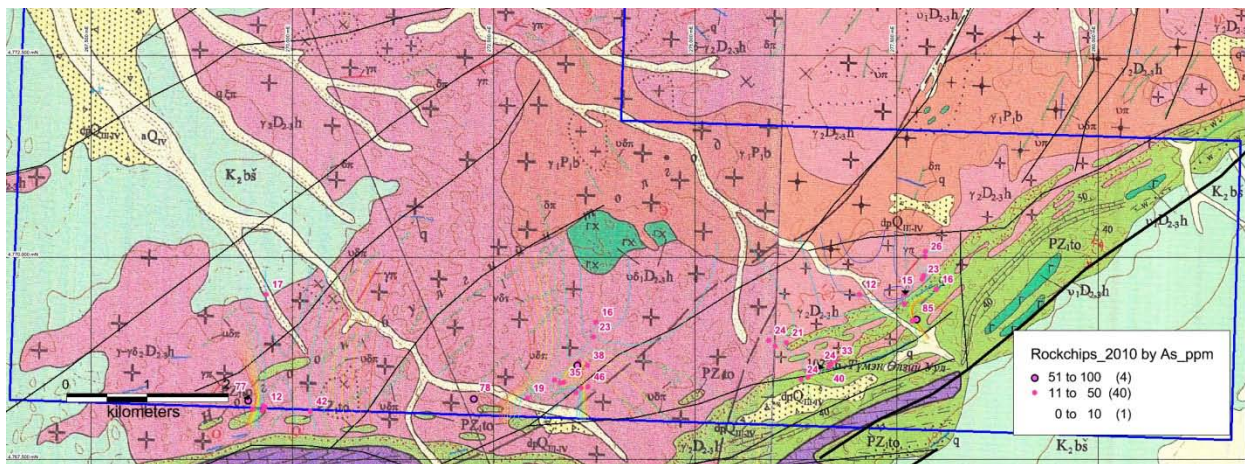


Figure 31. Distribution of As in rock samples

**Geophysical surveys**

**Gravity survey**

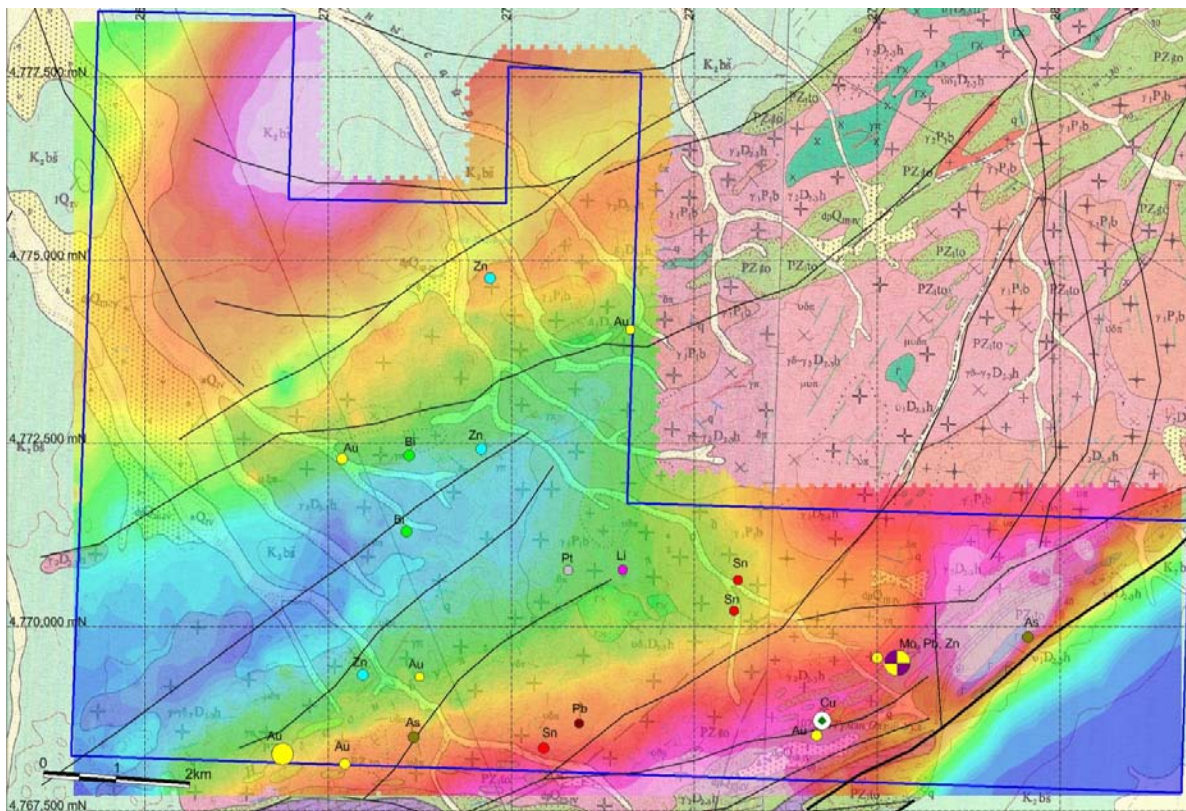


Figure 32. Gravity map on a background of geology map

There are some high values of gravity in the Cretaceous sediments in the northern part of the licence and this may be because of the possible presence of a different type of rock, possibly an intrusion at depth. In addition, the sedimentary-metamorphic rocks of Proterozoic age in the southeastern part of the licence may contain intrusions that may be either shallow or deeper.



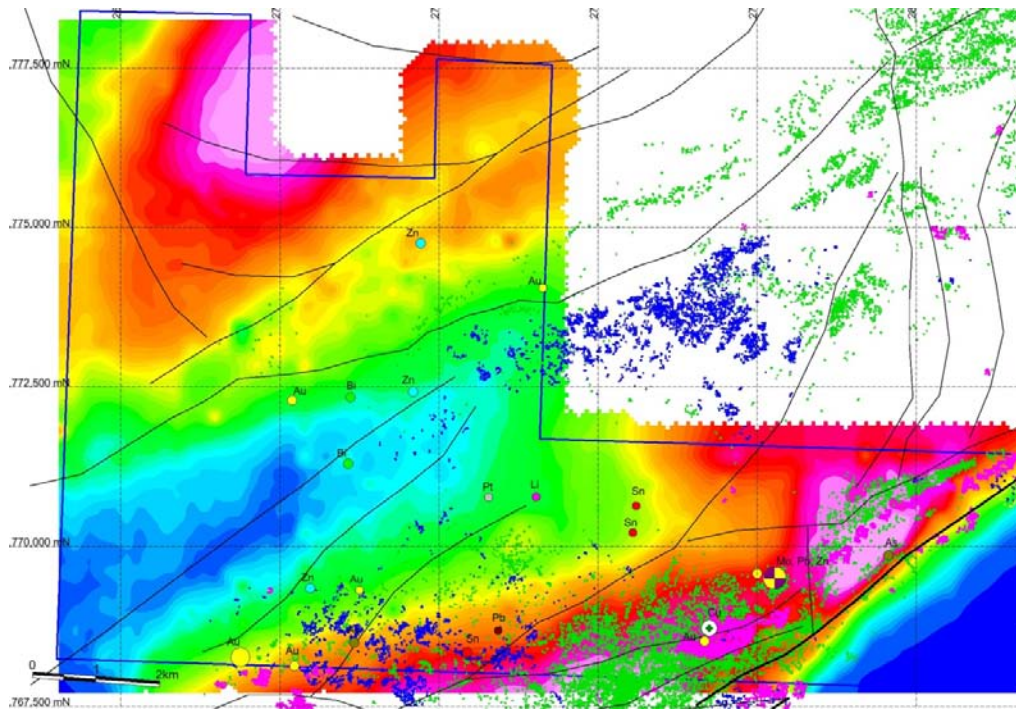


Figure 33. Gravity map with alteration occurrences

The block to the north of the Tumen Ulzii fault is characterized by high gravity values in the southeastern part of the licence, and these high values coincide with silicification, propylitic and phyllic alterations.

**Magnetic survey**

Magnetic maps of Reduce to Pole and TMI make it possible to delineate the contacts and boundaries of rock types, especially those of intrusions, in detail.

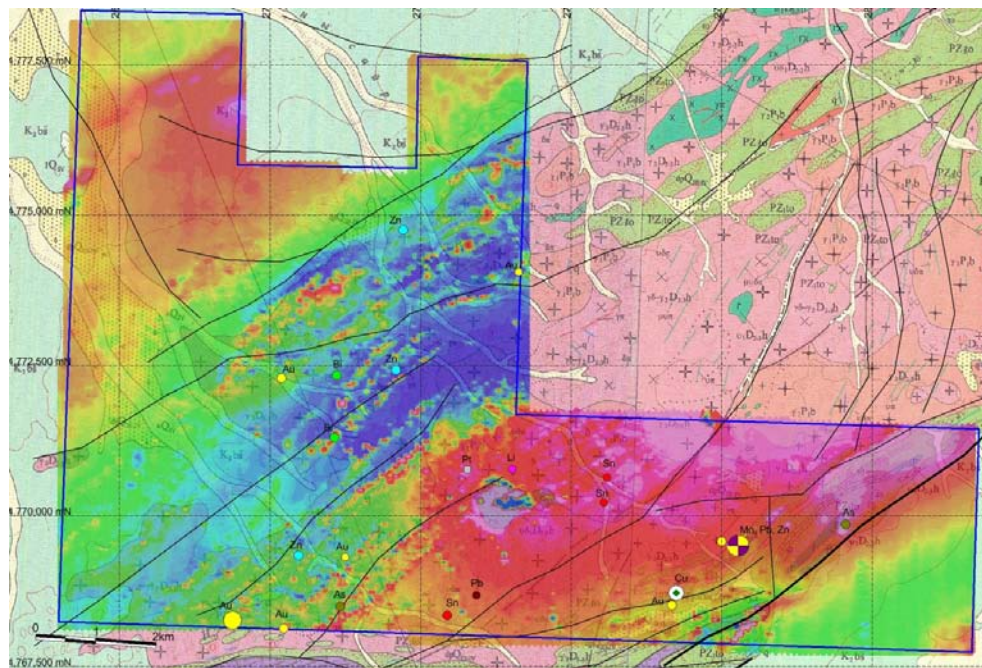


Figure 34. TMI map on a background geology map



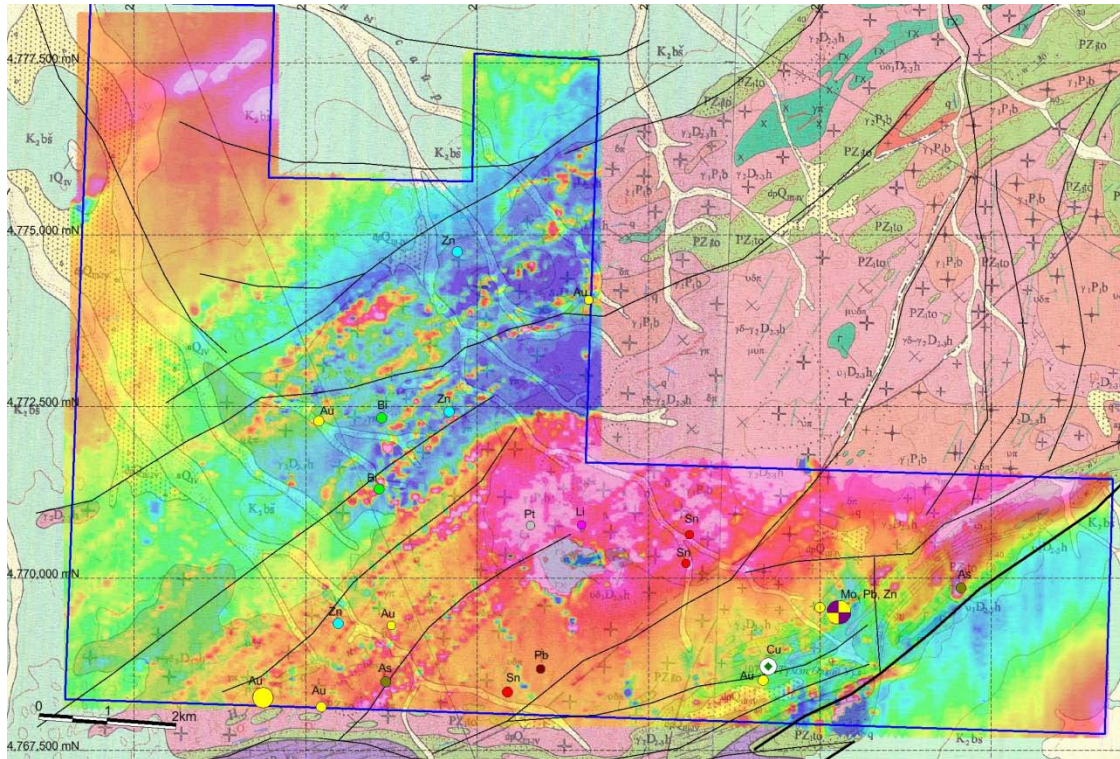


Figure 35. Reduce to Pole map on a background geology map

These maps demonstrate that the high magnetic values are broken apart or discontinued by faults.

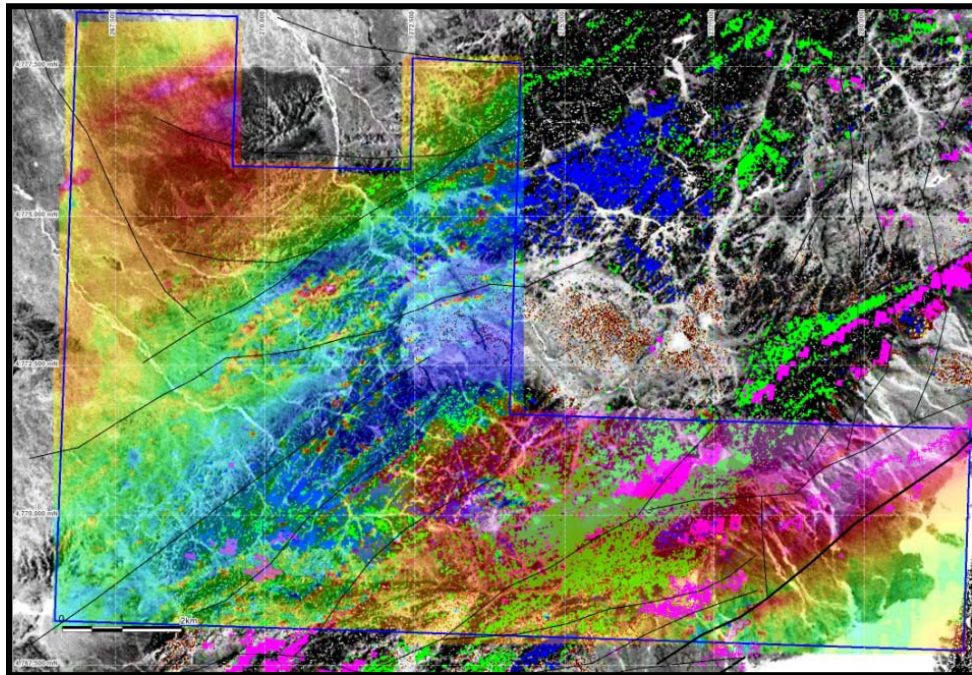
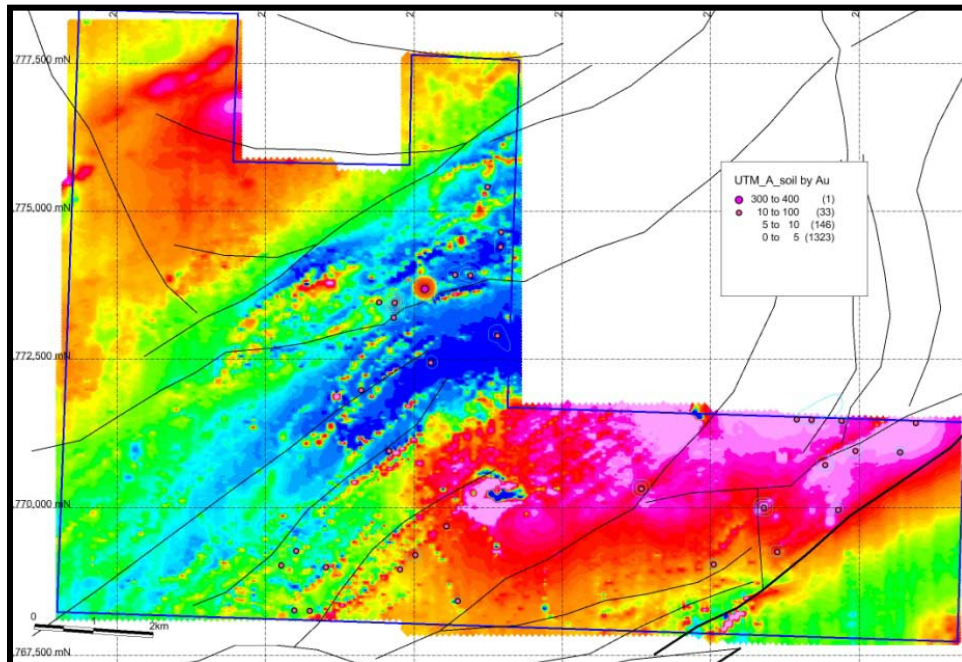


Figure 36. TMI map and alteration map stacked

As seen from the magnetic map, alteration zones are likely to be delineated in linear forms toward northeast, possibly parallel to faults.

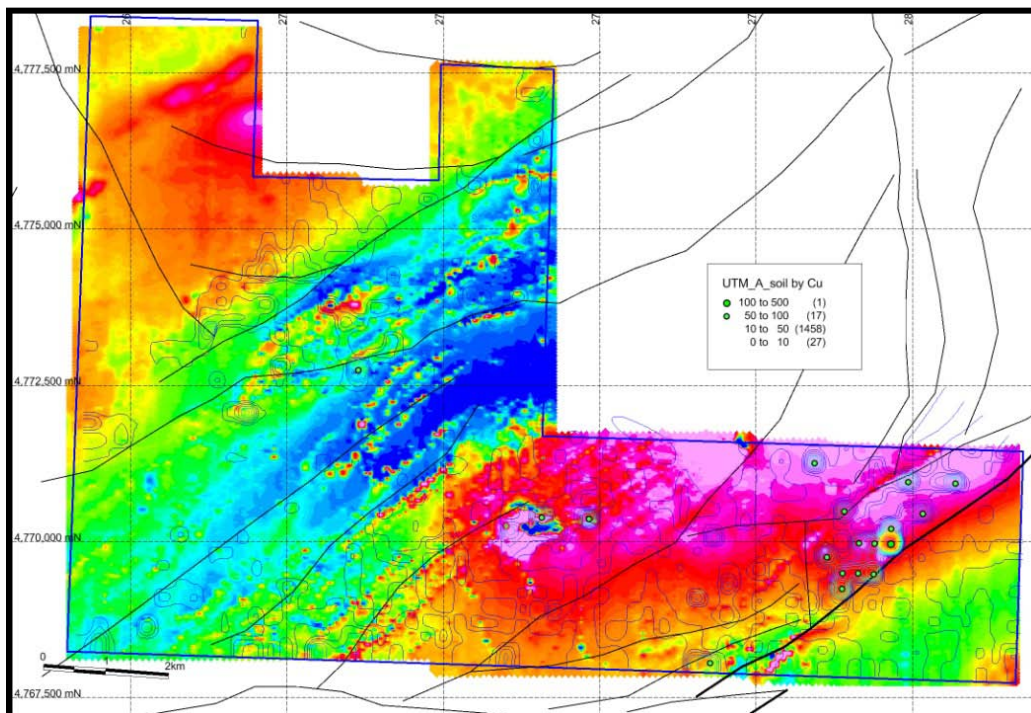


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*Figure 37. Distribution of Au in soil samples on a TMI map*

As seen from the map, the areas of low magnetic anomalies tend to be relatively abundant with Au anomalies in soil samples. Au grades in soil samples seem to be related to the linear features observed in the TMI.



*Figure 38. Distribution of Cu in soil samples on a background of TMI map*

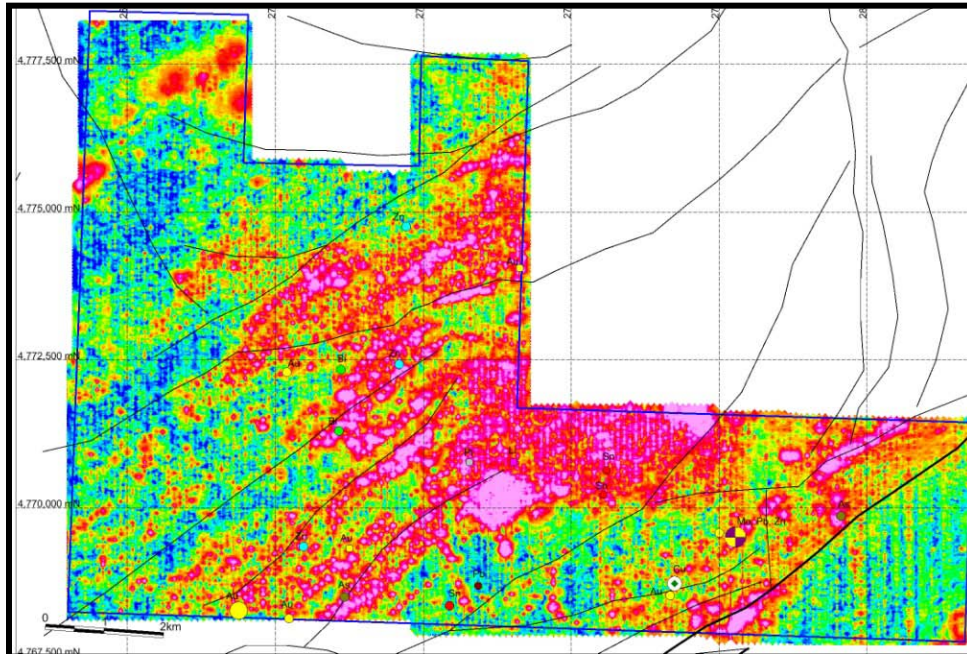


Figure 39. Analytic Signal map

### Conclusions

- The first pass soil sampling program has identified 4 areas of interest, with 2 areas being anomalous in Au and 2 areas being anomalous in Base Metals.
- Gold anomalies coincide with linear magnetic features, which may indicate quartz vein hosted gold. This bears out in field observations, but has not yet been tested by rock chip analysis.
- The 2 Base Metal areas are set next to a granitic intrusion, one in the southwest along a granite – calcareous sediment contact and the other what seems to be granite – dolerite contact.
- The license area sits on a major fault zone that separates northeast trending terranes. This means the area is a spatially favorable environment for formation of a range of deposits.

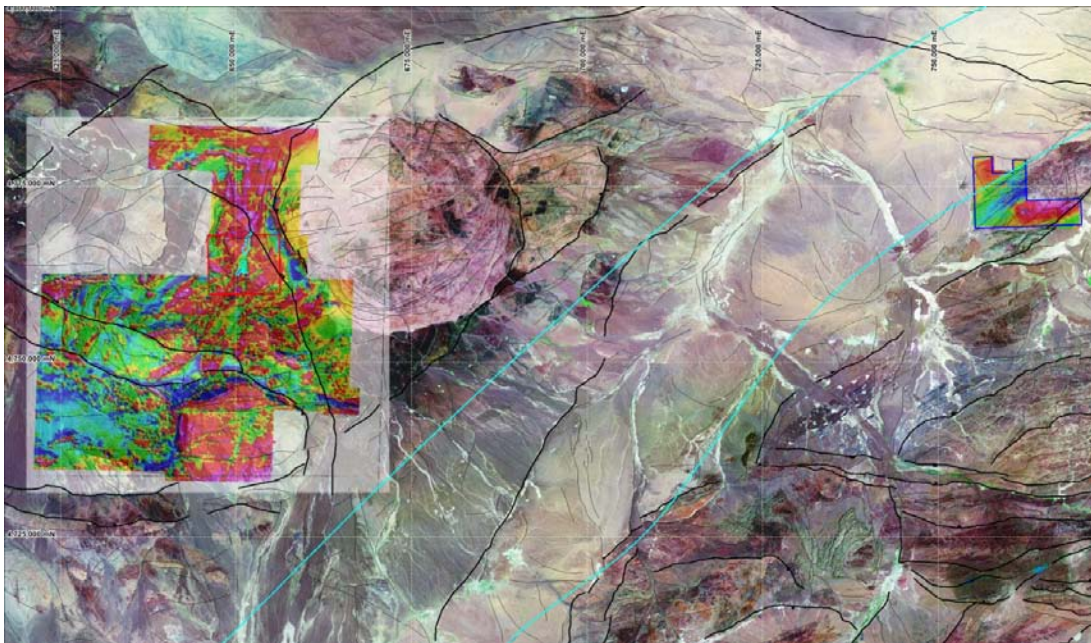


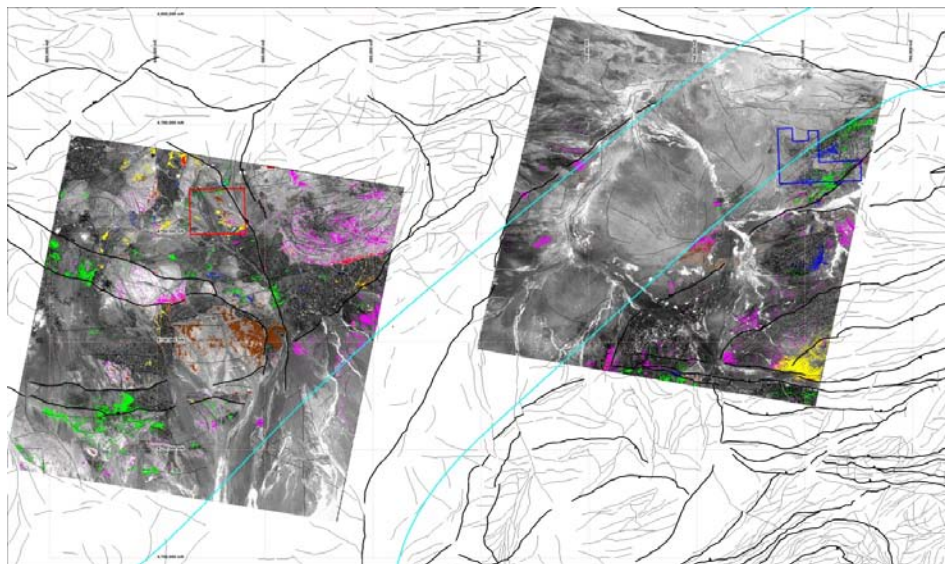
Figure 40. Satellite with magnetic overlay, OT and UTM



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- The northwestern part of the license where Cretaceous sediments are distributed, is characterized by high anomalies of both magnetic and gravity surveys, which suggesting that there might be intrusive rocks within the sediments.
- The coincidence of low magnetic anomalies with the anomalous Au grades in the central part of the license suggests that there might be an alteration zone with mineralization. Gold-bearing quartz veins could be found in this zone.
- As seen from the results of analyses on both soil and rock samples, quartz veins with mineralization of Au-Ag-Pb-Zn are likely to be found in greater number.
- A comparison of argillic alterations at OT with those at UTM suggests that OT is dominated by epithermal argillic alteration, iron oxide, and silicification whereas UTM is dominated with propylitic alteration with accompanying phyllic and silica alterations.



*Figure 41. Alteration maps of OT and UTM*

### **Recommendations**

- A follow up soil sampling program to cover the areas of interest, tightening the sample spacing to 250 x 50 meters.
- An IP program to cover the areas of interest. This should include the magnetic high in the NW corner of the tenement occluded by alluvium.
- A rockchip sampling exercise to identify host rocks as well as an ASD/PIMA study to understand the alteration and possible deposit types.

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.

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**SELECTED ANNUAL AND QUARTERLY INFORMATION**

The following table provides selected annual financial information for the Company's period ending March 31, 2012. In the period ended March 31, 2012, the Company has not generated any revenue or incurred any loss from discontinued operations or extraordinary items.

Period Ended	Accounting Principles	Total Expenses for the period US\$	Net Loss for the period US\$	Loss per share basic and fully diluted US\$	Total long-term financial liabilities US\$	Cash dividends per common share US\$
December 31, 2010	IFRS	(2,800)	(2,800)	(2,800)	-	-
December 31, 2011	IFRS	(4,665,505)	(4,600,931)	(0.23)	-	-
March 31, 2012	IFRS	(186,138)	(104,946)	(0.00)	-	-

**RESULTS OF OPERATION FOR THE PERIOD ENDED MARCH 31, 2012**

The loss for the quarter ended March 31, 2012 was \$104,946. The Company incurred management fees of \$29,781 for management services provided by Primary Venture Corporation. The Company incurred promotional costs of \$24,300 during the quarter. A significant portion of these costs relates to the Company's participation in the Hong Kong resource show in March 2012. The Company incurred Regulatory, exchange, AGM, press release and transfer agent fees \$ 4,701 during the first quarter 2012. The Company incurred professional fees of \$48,718 during the first quarter 2012. The professional fees relate to amounts paid to the Company's Chief Financial Officer, as well as audit accrual and legal fees. The Company incurred general and administrative expenses of \$76,856 which relate to the operation of the Company's offices in Vancouver, Ottawa, Luxembourg and Mongolia. The Company incurred finance costs of \$2,315 and depreciation of property, plant and equipment of \$93 in the first quarter 2012.

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2012, the Company's working capital, defined as current assets less current liabilities, was \$3,807,274. 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:

	<b>March 31 2012</b>	December 31 2011
Cash	<b>\$ 3,870,520</b>	\$ 4,525,437
Accounts receivable	<b>101,027</b>	92,618
Prepaid expenses	<b>10,123</b>	2,640
Accounts payable & accrued liabilities	<b>(174,396)</b>	(454,766)
Due to related parties	-	(45,939)
	<b>\$ 3,807,274</b>	\$ 4,119,990

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

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exploration activity and operating activity. The Company anticipates going to the market to raise capital when the opportunity arises.

## **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 March 31, 2012, there were 58,987,848 common shares outstanding [December 31, 2011 - 58,987,848].

### *Common share issuances*

There were no common shares issued in the first quarter 2012.

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.

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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 March 31, 2012, 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 its 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.

Liquidity risk

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.

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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.

Fair value of financial instruments

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 May 25, 2012, March 31, 2012, and December 31, 2011, is as follows:

	<b>May 25 2012</b>	March 31 2012	December 31 2011
Common shares	<b>59,987,848</b>	59,987,848	59,987,848
Stock options	<b>4,525,000</b>	4,525,000	4,975,000
	<b>63,512,848</b>	63,512,848	64,962,848

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.

**CHANGES TO DIRECTORS AND OFFICERS**

On March 20, 2012 the Company announced the appointment of Kenneth Farrell and to the Company's board of directors.

**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.



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“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 quarter ending March 31, 2012, 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.

### **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.

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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.



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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](http://www.SEDAR.com).

***Corporate Office's***

Head Office

Suite 900, 595 Howe Street  
Vancouver, BC  
V6C 2T5

Ottawa office

2746 St. Joseph Blvd. Suite 100,  
Orleans, Ontario,  
K1C 1G5

Mongolia Office

Nature Tour LLC Building  
4<sup>th</sup> Floor, Chinggis Avenue-13  
1<sup>st</sup> Khoroo, Sukhbaatar District  
Ulaanbaatar, Mongolia

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**Website**

www.undurtolgoi.com

***Trading Symbol***

CNSX: UTM

***Independent Auditor***

Ernst & Young LLP

***Financial Institution***

Royal Bank of Canada  
Bank of Montreal  
Jameson Bank

***Transfer Agent***

Equity Transfer & Trust Company, Toronto