

[UTMI's letterhead]

PERSONAL AND CONFIDENTIAL

August 17, 2011

SMDD CAPITAL LTD.
1603, 16/F, Island Place Tower
510 King's Road, Quarry Bay
Hong Kong

Re: Grant of a bonus pursuant to the Subscription Agreement concluded between Undur Tolgoi Minerals Inc. ("UTMI") and SMDD Capital Ltd. ("SMDD") as of May 13, 2011 (the "Subscription Agreement")

Dear Sumiyabazar,

As per section 3.1 c) of the Subscription Agreement, we hereby confirm that UTMI agrees to pay to SMDD a bonus payable in the form of 4,000,000 common shares of UTMI (the "**Bonus**") if the following conditions are met:

- UTMI, or any of its subsidiaries, receives a JORC Resource Report issued by the Australian Joint Ore Reserves Committee (JORC) that is compliant with the most recent Australian Code for reporting of Exploration Resources and Ore Reserves or any equivalent report prepared with the same rigor and acceptable by a recognized stock exchange (the "**Report**").
- The Report must confirm the presence of proved recoverable copper reserves in the tracts of land licensed under what is currently the mining exploration licence number 8573X issued by the Department of Geological Mining Cadastre of the Minerals Resources Authority of Mongolia (the "**Licence**") exceeding 25,250,000 pounds.
- The Report must be issued on the earlier of (i) nine years from the date of execution of the Subscription Agreement; (ii) the date of termination of the Licence; or (iii) the transfer of the License to an entity that is not a subsidiary of UTMI.

Sincerely,

UNDUR TOLGOLMINERALS INC.

By: 

James Passin