

Wedge Energy International Inc.

(an exploration stage company)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2011

(Information as at November 25, 2011 unless otherwise noted)

## Notice

VANCOUVER, BC – Wedge Energy International Inc. (CNSX:WEG)(the “Company”) is pleased to announce that it has changed its name to Undur Tolgoi Minerals Inc., effective November 14, 2011. The name change has been accepted by the CNSX Exchange and was previously approved at a meeting of the Company’s shareholders held on October 21, 2011. The Company’s shares will commence trading on the CNSX Exchange under the new name at the opening of trading on December 1, 2011, under the trading symbol “UTMI”. There was also a 20:1 consolidation of capital per the arrangement agreement with UTMI.

## **Cautionary Statements**

### Forward-Looking Information

Except for statements of historical fact relating to Wedge Energy International 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, Wedge Energy International 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 Wedge Energy International 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 Wedge Energy International 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 Wedge Energy International 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, Wedge Energy International 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 provides management's discussion and analysis of the financial condition and the results of operations of Wedge Energy International Inc. ("the Company") constitutes management's review of the factors that affects the Company's financial performance for the three and nine month period ending September 30, 2011. The MD&A was written to comply with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2010, as well as the unaudited interim consolidated financial statements for the three and nine months ending September 30, 2011, which has been posted on SEDAR. Management's Discussion and Analysis was prepared by Company Management and approved by the Board of Directors on November 25, 2011.

As of January 1, 2011, Wedge Energy International Inc. adopted International Financial Reporting Standards ("IFRS"). The condensed unaudited interim financial statements for the three and nine month period ending September 30, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) and using accounting policies consistent with IFRS.

This MD&A complements and supplements the unaudited interim consolidated financial statements for the three and nine month period ended September 30, 2011, and should be read in conjunction with the consolidated financial statements. All figures are presented in Canadian dollars (unless otherwise indicated) and are in accordance with Canadian generally accepted accounting principles. These statements together with the following management discussion and analysis dated November 25, 2011, are intended to provide

investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance. Wedge Energy International Inc.'s interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

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).

All amounts in this MD&A are expressed in Canadian dollars ("CAD"), unless otherwise noted.

### **Nature of Operations**

Wedge Energy International Inc. ("Wedge" or the "Company") was incorporated on July 5, 1996, under the *Ontario Business Corporations Act*. On February 10, 2006, Wedge Energy Inc. was incorporated in Alberta as a wholly owned subsidiary of Wedge Energy International Inc.

On January 31, 2007, Alyattes Enterprises Inc. ("AEI") completed a "three-cornered" amalgamation with 1272639 Alberta Ltd. (a wholly-owned subsidiary of AEI) and Wedge Energy Inc. ("Wedge") pursuant to the *Business Corporations Act* (Alberta). Wedge and the AEI subsidiary were amalgamated, continuing under the name Wedge Energy Inc. and AEI issued common shares to the former shareholders of Wedge. On February 1, 2007, AEI changed its name to Wedge Energy International Inc.

Wedge is a development stage junior mining company engaged in the identification, acquisition, evaluation and exploration of precious and base metals with mineral properties in Canada. At the date of this Management Discussion and Analysis the Company does not have or own the right to any mineral properties.

On November 14, 2011, Wedge Energy International Inc. ("WEG") completed an amalgamation with Undur Tolgoi Minerals Inc. ("UTMI") pursuant to the *Business Corporations Act* (British Columbia). WEG and UTMI were amalgamated, continuing under the name Under Tolgoi Minerals Inc. and the amalgamated company will issue 19,975,647 common shares to the former shareholders of UTMI.

These unaudited interim consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine month period ended September 30, 2011, the Company had a shareholders' deficiency of \$1,747,771 (December 2010 - \$1,331,831) and a working capital deficiency of \$1,747,771 (December 2010 - \$1,331,831).

The Company's continuation as a going concern is dependent upon its ability to obtain financing and to attain profitability from operations. The Company is pursuing additional financing through public and private equity, debt instruments and collaborative arrangements with potential partners. In the event the Company is unable to arrange additional financing, the Company's ongoing operations would be negatively impacted.

The Company has its common shares listed on the CNSX (Canadian National Stock Exchange) under the symbol WEG. The operating office is located at 2746 St Joseph Blvd., Suite 100, Orleans, Ontario, Canada, K1C1G5

## General Concerns

Management is always careful of its operating costs and a strong but inexpensive back office staff, coupled with a minimal annual rental cost for the office, keeps costs down. The largest operating costs are those related to the legal, audit, stock transfer and CNSX related activity which, as a public entity the Company is compelled to pay.

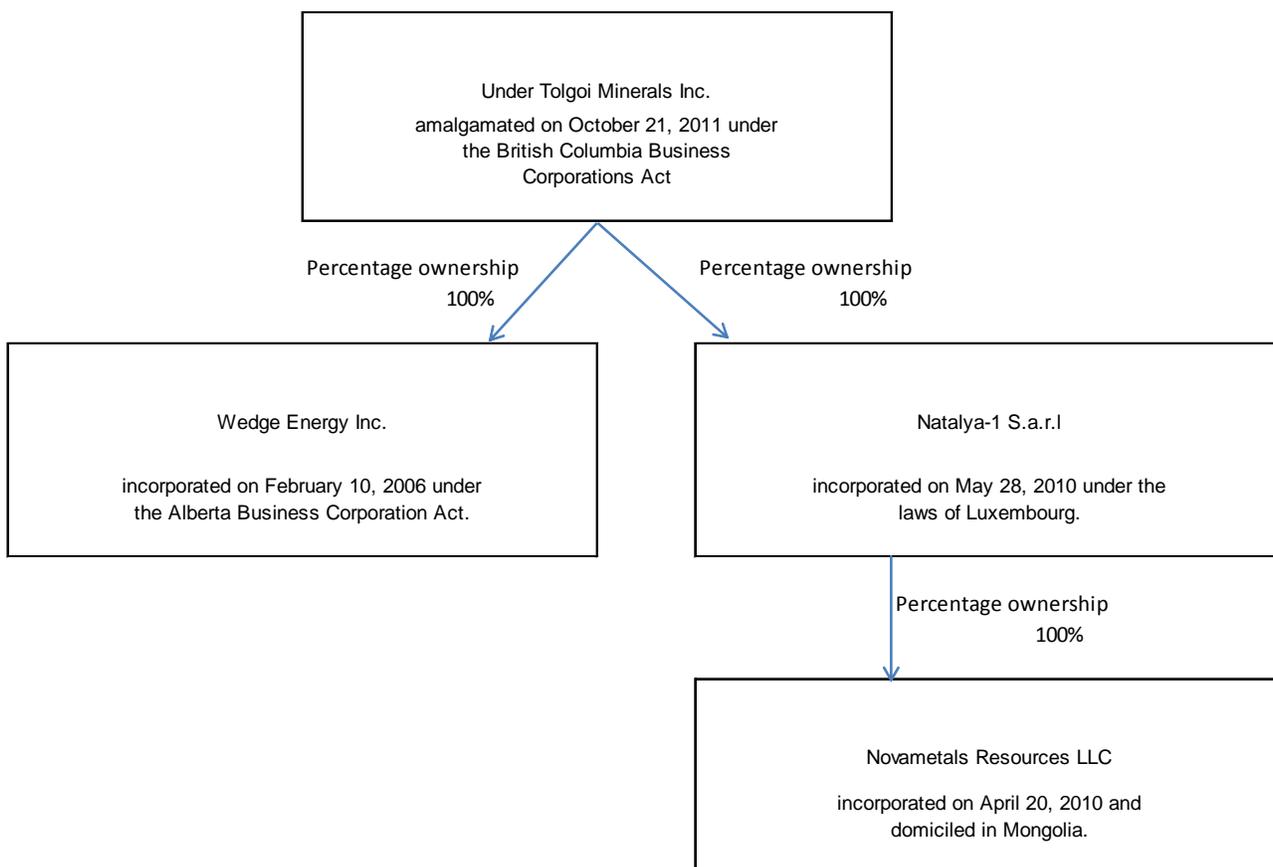
## Highlights

Highlights for the nine month period ending September 30, 2011, include:

- The Company has reached an agreement with the holders of its Convertible Notes maturing July 26, 2011, to extend the maturity period of the Notes by 5 months. The new maturity date has been extended to December 31, 2011. The terms of the Notes have remained unchanged.
- The Company has reached an agreement with the holders of its Convertible Notes maturing May 30, 2011, to extend the maturity period of the Notes by 6 months. The new maturity date has been extended to November 30, 2011. The terms of the Notes have remained unchanged with the exception of a 0.5% increase in the interest rate which is effective on the six month extension period.
- UTMI advanced the Company US\$150,000 in the form of a non-convertible demand loan. The loan which matures on September 17, 2011, carries interest at a rate of 10% per annum and compounded monthly and is secured by the assets of the Company. This loan was subsequently extended to November 17, 2011.
- On August 5, 2011, the Company issued 5,000,000 shares for the conversion of \$50,000 Convertible Notes. Of the two holders who converted their notes one is a director of the Company.
- On August 17, 2011, the Company entered into an Arrangement Agreement with Undur Tolgoi Minerals Inc. ("UTMI") providing for the acquisition by the Company of all of the issued and outstanding shares of UTMI.
- On October 6, 2011, the Company assigned its working interest in Kaybob, AB to NAL Resources Limited ("NAL") in exchange for the release of \$11,688 owing by Wedge to NAL as well as Wedge being released from all future costs associated with these interests.
- On October 17, 2011, the Company announced that four of the holders of the Convertible Notes originally issued on January 26, 2010, exercised their conversion options. The Company issued 10,500,000 shares for the conversion of \$105,000 Convertible Notes. Of the four holders who converted their notes one is a director of the Company.
- On October 21, 2011, the Company held a Special Meeting (the "Meeting") at which the security holders of the Company voted on a plan of arrangement and certain other matters set out in the Circular. The security holders voted in favor of a plan of arrangement pursuant to which the Company would:
  - 1) redeem all of its outstanding Convertible Notes issued in January 2010 and July 2010, as amended, at a redemption price equal to the principal amount owing pursuant to such notes plus all applicable and unpaid interest thereon up to but excluding the date of the arrangement;
  - 2) cancel all of its outstanding warrants;
  - 3) cancel all of its outstanding options to purchase shares granted under its stock option plan;
  - 4) effect a share consolidation on a 20:1 basis;
  - 5) issue new shares in exchange for all of the issued and outstanding shares of UTMI; and
  - 6) amalgamate with UTMI (following the share exchange) with the resulting issuer adopting the name "Undur Tolgoi Minerals Inc."
- Wedge also received approval from the Ontario Securities Commission, the British Columbia Securities Commission and the Company's shareholders for the continuance of the Company under the Business Corporations Act (British Columbia), which was effective as of October 21, 2011.
- On October 25, 2011, the Company announced that four of the holders of the Convertible Notes originally issued on January 26, 2010, had exercised their conversion options. The Company issued 10,500,000 shares for the conversion of \$105,000 Convertible Notes. The Company will also issue a total of 10,507,338 shares to settle \$105,073 in interest owing and outstanding on the Convertible Notes. The interest shares are issued at a value of \$0.01 per share.
- Effective of November 14, 2011, the Company also redeemed all 70,000 preferred shares at par value for \$350,000.

- On November 14, the Company announced the proposed arrangement transaction with UTMI 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. UTMI is focused on the exploration, development and mining of mineral resources and reserves in Mongolia through its indirectly wholly-owned subsidiary, Novametal Resources LLC.
- On November 14, 2011, the Company redeemed \$ 910,000 of Convertible Notes, all of the outstanding Wedge shares were consolidated on a 20:1 basis pursuant to the plan of arrangement approved by the security holders at the Meeting on October 21, 2011.
- On November 15, the Company announced that it had raised a total of \$ 5,997,100 CAD through the sale of common shares in the first tranche of the private placement approved as part of the special meeting of the shareholders. The Company issued 29,985,500 shares which were sold at \$0.20 per share. The Company will pay a Finder's Fee in cash equal to 7% of the proceeds in connection with proceeds received by the Corporation from the sale of common shares to certain subscribers. The Company incurred finder's fees of \$ 50,138 in closing the first tranche of the private placement.
- On November 16, 2011, the Company paid SMDD Capital Limited ("SMDD") a bonus of US \$660,000 per the existing agreement between SMDD and UTMI, in which SMDD is entitled to the bonus upon completion of an RTO transaction and acceptance of conditional listing of UTMI shares on a recognized stock exchange.

#### Corporate 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 has not identified a property in which to invest in the exploration thereof. As a result managements focus will remain on finding a property for the Company to acquire wholly or an interest in.

## **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.

Except as disclosed Wedge Energy International Inc. is not aware of any director or of the families of any directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with the Company and its subsidiary which has affected or will materially affect Wedge Energy International Inc. or its subsidiary.

## **Directors and officers, changes**

**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). 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.

**Paul Rapello** (Director). Mr. Rapello has over 20 years of experience in investment banking and private equity investing in sectors including transportation, infrastructure, energy, power, and industrial manufacturing. Mr. Rapello is a Partner at Great Circle Capital, a private equity fund dedicated to investing in the infrastructure, transportation and energy services in Russia, CIS, Eastern Europe and Turkey. Prior to founding Great Circle Capital, Mr. Rapello was a Managing Director at Stanton Capital Corp. where his responsibilities included monitoring the firm's portfolio in emerging markets. Mr. Rapello previously held positions in the investment banking departments of Credit Suisse First Boston and Paine Webber. He currently serves as a Director of Wedge Energy International Inc. since January 28, 2010 and has previously served as a Director of STS Logistics; Russian Logistic Service; Caspian Services Inc.; and Balnak Logistics Group. He received an M.B.A. from Columbia University Graduate School of Business and a B.A. from Georgetown University.

**Sabino Di Paola** (Chief Financial Officer and 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 Order 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.

### **Business combination with Undur Tolgoi Minerals, Inc.**

On June 16, 2011, the Company announced that it had entered into a non-binding Letter of Intent ("LOI"), with respect to a proposed business combination with Undur Tolgoi Minerals, Inc. ("UTMI"), a private company registered in British Columbia. Under the terms of the LOI, the shareholders of UTMI would receive approximately 25 million shares of a newly created class of common shares ("New Shares") of Wedge in exchange for all the securities of UTMI. Through its wholly owned subsidiaries, UTMI owns a 100% interest in Mineral Exploration License Number 8573X (the "License") named "Undur Tolgoi" granted by the Department of Geological Cadastre of the Minerals Resources Authority of Mongolia. The licensed property is situated approximately 100km from Ivanhoe Mines Ltd. "Oyu Tolgoi" copper and gold mine. The License covers approximately 9620 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. A National Instrument 43-101 compliant technical report on the Undur Tolgoi Project dated March 11, 2011, has been completed and delivered to Wedge.

This transaction would constitute a reverse takeover ("RTO") of Wedge by UTMI under the policies of CNSX. The transaction is subject to due diligence by both parties and to completion of a definitive agreement by July 8, 2011.

On August 22, 2011, the Company announced that it has entered into an Arrangement Agreement with Undur Tolgoi Minerals Inc. ("UTMI"), providing for the acquisition by the Company of all of the issued and outstanding shares of UTMI.

The acquisition will be effected by court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) among UTMI, the Company and the Company shareholders.

Prior to completing the Arrangement, the Company will submit to its shareholders for approval its continuance under the *Business Corporations Act* (British Columbia). The Arrangement is conditional upon such continuance being approved and implemented.

In connection with the Arrangement, the Company will, among other things:

- redeem all of its outstanding Convertible Notes issued in January 2010 and July 2010, as amended, at a redemption price equal to the principal amount owing pursuant to such notes plus all applicable and unpaid interest thereon up to but excluding the date of the Arrangement;
- cause for the surrender and cancellation of all of its outstanding warrants;

- cause for the surrender and cancellation of all of its outstanding options to purchase shares granted under its stock option plan;
- effect a share consolidation on a 20:1 basis;
- issue new shares in exchange for all of the issued and outstanding shares of UTMI; and
- amalgamate with UTMI (following the share exchange), with the resulting issuer adopting the name to “Undur Tolgoi Minerals Inc.”.

The Arrangement is subject to the completion by the Company of an equity financing of a minimum of \$2,500,000 by means of a private placement.

The arrangement was unanimously approved by the Company’s Board of Directors (with Mr. James Passin abstaining, as he is an officer and manager of one of the shareholders of UTMI). In doing so, the Board determined that the Arrangement is fair to the shareholders of the Company, other than the interested parties, is in the best interest of the Company and it authorized the submission of the Arrangement to the security holders for approval. The Board also unanimously agreed (with Mr. James Passin abstaining) to recommend to the Company security holders that they vote in favour of the Arrangement.

Full details of the Arrangement and related transactions will be included in the Company’s Management information circular which is expected to be mailed to security holders in September 2011.

#### The Consolidation

As part of the arrangement, the Company will consolidate its outstanding common shares on the basis of 1 (new) for 20 (old) shares. The Company currently has 77,835,063 common shares outstanding. Post-consolidation (but prior to the completion of the Arrangement and the private placement), the Company will have approximately 3,800,000 common shares issued and outstanding.

#### The Share Exchange

The Company will also acquire all of the issued and outstanding shares of UTMI in exchange for the equivalent number of shares in the Company, which will result in UTMI shareholders holding, as a group, approximately 90% of the post-consolidation (but pre-private placement) outstanding common shares of the Company.

#### Treatment of Other Securities

All of the Company’s outstanding warrants and options to purchase common shares will be cancelled without consideration and outstanding Convertible Notes will be redeemed at a redemption price equal to the principal amount owing pursuant to such notes plus all applicable and unpaid interest thereon up to but excluding the date of the arrangement.

#### The Amalgamation

Following the Company’s acquisition of UTMI by means of the share exchange described above, UTMI will be a wholly-owned subsidiary of the Company. The Company and UTMI will then amalgamate, and the resulting issuer will adopt the name to “Undur Tolgoi Minerals Inc.”. Existing Company shareholders will receive the equivalent number of shares in the amalgamated entity, taking into account the consolidation.

Upon completion of the Arrangement (but prior to the completion of the private placement), and assuming no additional securities of either the Company or UTMI are issued prior to closing, it is anticipated that the resulting issuer will have approximately 22,187,867 common shares outstanding.

### Board of Directors and Management of the Resulting Issuer

Under the terms of the plan of Arrangement and pursuant to the amalgamation, the Board of Directors of the resulting issuer will be comprised of 5 Directors. Refer to the section on changes in directors and officers.

### Conditions of Closing

Completion of the transaction will be subject to certain conditions, including:

- the Company obtaining approval of (i) at least two-thirds of the votes cast by the Company's shareholders, (ii) at least a simple majority of the votes cast by the Company's shareholders, excluding interested parties, (iii) at least a majority in number and three-fourths in value of the holders of the Company's notes, and (iv) at least two-thirds of the votes cast by the Company's security holders (voting together as a single class on the basis of one vote per share, one vote per option, one vote per warrant, and one vote for each share into which the notes are convertible);
- the Company obtaining the approval of the OSC and the Minister of Finance (Ontario) for the continuance and effecting the continuance;
- the Company obtaining the consent of CNSX and the approval of the court in connection with the arrangement;
- the Company redeeming all of its outstanding Series A Preferred Shares in accordance with their terms;
- the Company's shareholders shall not have exercised dissent rights in respect of the continuance or the plan of arrangement in excess of 5% of the Company's issued and outstanding common shares;
- UTMI obtaining approval of its shareholders to the transaction;
- the Company and UTMI obtaining approval from their respective boards of directors; and
- neither the Company nor UTMI having suffered a material adverse effect.

The Company will be calling a special meeting of its security holders to consider the continuance, the transaction and related matters.

### Purpose and Business Reasons for the Transaction

Through its wholly owned subsidiaries, UTMI wholly owns an interest in an exploration license for a property situated approximately 100 kilometers from Ivanhoe Mines Ltd. "Oyu Tolgoi" copper and gold mine. The license covers approximately 9620 hectares of property and allows for the exploration of all minerals except uranium, petroleum, gas and water. Upon completion of the transaction, the resulting issuer will hold the rights to this license.

The Company and UTMI have agreed to use best efforts to complete the transaction on or before December 30, 2011. Each of the Company and UTMI has agreed that, until completion of the transaction or termination of the Arrangement Agreement, it will not solicit, initiate or encourage the sale of any of its securities to a third party.

### Concurrent Private Placement

The Company plans to complete a concurrent, non-brokered private placement of up to \$7,000,000 through the sale of up to 35,000,000 shares of the amalgamated entity at a price of \$0.20 per share. The closing of the private placement will be conditional upon the closing of the transaction.

The intended proceeds of the private placement are for the funding of the redemption of the Company's outstanding Convertible Notes and Series A Preferred Shares, the further exploration of the area covered by the exploration license as well as for general corporate purposes. The shares to be issued pursuant to the

private placement will be subject to statutory hold periods pursuant to applicable securities laws, expiring four months after the closing date.

The Company anticipates participation in the private placement by “related parties”, including the existing UTMI shareholders, who have agreed to commit a minimum of \$2.5 million, as well as Management and it will therefore constitute a “related party transaction” under relevant securities legislation, requiring the Company, in the absence of exemptions, to rely on minority shareholder approval of the private placement.

On October 21, 2011, the Company held a Special Meeting (the “Meeting”) at which the security holders of the Company voted on a plan of arrangement and certain other matters set out in the Circular. The security holders voted in favor of a plan of arrangement pursuant to which the Company would:

- redeem all of its outstanding convertible notes issued in January 2010 and July 2010, as amended, at a redemption price equal to the principal amount owing pursuant to such notes plus all applicable and unpaid interest thereon up to but excluding the date of the arrangement;
- cancel all of its outstanding warrants;
- cancel all of its outstanding options to purchase shares granted under its stock option plan;
- effect a share consolidation on a 20:1 basis;
- issue new shares in exchange for all of the issued and outstanding shares of Under Tolgoi Minerals Inc. (“UTMI”); and
- amalgamate with UTMI (following the share exchange), with the resulting issuer adopting the name “Undur Tolgoi Minerals Inc.”.

Wedge also received approval from the Ontario Securities Commission, the British Columbia Securities Commission and the Company’s shareholders for the continuance of the Company under the Business Corporations Act (British Columbia), which was effective as of October 21, 2011.

On November 14, the Company announced the proposed arrangement transaction with UTMI 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. UTMI is focused on the exploration, development and mining of mineral resources and reserves in Mongolia through its indirectly wholly-owned subsidiary, Novametal Resources LLC.

On November 14, 2011, the Company redeemed \$ 910,000 of Convertible Notes, all of the outstanding Wedge shares were consolidated on a 20:1 basis pursuant to the plan of arrangement approved by the security holders at the Meeting on October 21, 2011.

Effective of November 14, 2011, the Company also redeemed all 70,000 preferred shares at par value for \$350,000.

On November 15, the Company announced that it had raised a total of \$ 5,997,100 CAD through the sale of common shares in the first tranche of the private placement approved as part of the special meeting of the shareholders. The Company issued 29,985,500 shares which were sold at \$0.20 per share. The Company will pay a Finder’s Fee in cash equal to 7% of the proceeds in connection with proceeds received by the Corporation from the sale of common shares to certain subscribers. The Company incurred finder’s fees of \$ 50,138 in closing the first tranche of the private placement.

UTMI has also received conditional approval of listing from the CNSX and expects that the common shares of UTMI will commence trading shortly after the completion of the second tranche of the private placement.

On November 16, 2011, the Company paid SMDD Capital Limited ("SMDD") a bonus of US \$660,000 per the existing agreement between SMDD and UTMI, in which SMDD is entitled to the bonus upon completion of an RTO transaction and acceptance of conditional listing of UTMI shares on a recognized stock exchange.

### Selected annual information

The following table contains selected interim financial information of the Company for the nine month period ending September 30, 2011 and 2010, as well as the fiscal years ended December 31, 2010, and 2009. This information is derived from the audited financial statements of the Company.

	Nine months- ended September 30, 2011 (\$)	Nine months- ended September 30, 2010 (\$)	Year-ended December 31, 2010 (\$)	Year- ended December 31, 2009 (\$)
Accounting policy	IFRS	IFRS	IFRS	Canadian GAAP
Petroleum and natural gas sales	-	-	-	28,367
Less: royalties	-	-	-	(10,182)
Production costs	-	-	-	(18,906)
Net petroleum (loss)	-	-	-	(721)
Total expenses	(574,496)	(939,606)	(1,135,033)	(990,865)
Recovery of FIT	-	-	-	37,800
Net loss for the period	(570,190)	(620,473)	(828,559)	(1,028,461)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.02)	(0.04)
Total assets	85,915	212,450	41,590	
Total long-term financial liability	-	-	-	
Cash dividends per common share	-	-	-	

Total expenses were lower as at September 30, 2011, compared to the same nine month period in the prior year by approximately \$365,110. There was an increase in interest expense of approximately \$39,500 in 2011 compared to 2010 due to an increase in the interest rates on the extension of the Convertible Notes. In 2010 the Company issued \$770,000 convertible debt in January to repurchase the 2009 debt as well as a second convertible debt in July of \$440,000 (total debt in June 2010, \$770,000 versus \$1,170,000 in June 2011). In January 2011 the January 2010 Convertible Notes were extended and the interest rate increased to 12.5% from the original 10%. Decrease in other expenses of \$1,810 in 2011 compared to 2010. The reason for the increase was due to more activity in 2010 that required additional time by the CFO and Controller. There was an increase in management fees paid in 2011 of \$15,000 that was due to \$90,000 paid to Primary Venture Corporation for CEO services from Don Padgett compared to \$75,000 in management fees in the prior year. In the prior year \$20,000 was paid to the previous CEO and \$50,000 paid to Primary Venture for services over the same period in 2010. An increase in accretion expense of \$61,810 in 2011 compared to 2010 was due to the Convertible Notes extended in 2011; whereas during the same six month period only the January 2010 Convertible Notes were issued. There was a decrease in professional fees of approximately \$134,700 in 2011 compared to 2010. The decrease is mainly due to the fact that there were no further requests by the Ontario Securities Commission in 2011 compared to March 2010, as well as the fact that the Company did not participate in a private placement or further issuance of Convertible Notes in 2011, thereby incurring less professional fees. There was a decrease in the impairment on notes receivable of approximately \$359,000 in 2011 compared to 2010. The decrease in the impairment is due to the fact that, in the fourth quarter of 2010 the Framework Agreement was assigned to Desiree Resources Inc., an unrelated third company and no funds were advanced in 2011. Stock based compensation had

decreased in 2011 by approximately \$10,220 as compared to 2010. This was mainly due to the fact that the company did not issue any stock options in 2010, however under IFRS options are only accounted for in the period in which they vest. Of the 400,000 options granted in 2010 only 12,500 of the options vested in 2011 compared to 350,000 which vested in 2010. Promotion and investor conference expense was greater by \$14,300 in 2011 compared to 2010, as two of the Directors of the Company travelled to Europe in connection with signing a Letter of Intent with UTMI.

As at September 30, 2010, the company had other income of \$316,924 compared to \$16,358 for the same nine month period in 2011. In 2010, the other income was the result of investors of the company waiving the flow-through obligations incurred by Wedge for failure to incur eligible exploration expenditures for flow-through shares issued. In 2011, the other income was a result of Neo Exploration settling a lawsuit with the Company in which Neo Exploration paid the Company a cash settlement of \$11,379 (half of the amount of the civil claim filed with the Provincial Court of Alberta), in exchange for a Full Release and Settlement of This and All Matters between Wedge Energy International Inc. and Neo Exploration.

No cash dividends have been paid by the Company. The Company has no present intention of paying cash dividends on its common shares as it anticipates that all available funds will be invested to finance potential business combinations and working capital.

### Summary of Quarterly Results

The following table contains a summary of quarterly information for the last eight quarters:

	Accounting Policy	Revenue	Net loss	Loss per share
Quarter 3 - 2011	IFRS	\$ -	\$ (253,367)	\$ (0.01)
Quarter 2 - 2011	IFRS	-	(195,223)	(0.01)
Quarter 1 - 2011	IFRS	-	(121,105)	(0.00)
Quarter 4 – 2010	IFRS	775	(481,183)	(0.02)
Quarter 3 – 2010	IFRS	329	(5,623)	(0.02)
Quarter 2 – 2010	IFRS	-	(284,858)	(0.01)
Quarter 1 – 2010	IFRS	-	(56,895)	(0.00)
Quarter 4 – 2009	Canadian GAAP	-	(439,473)	(0.02)

### Ongoing projects

As at September 30, 2011, the Company does not have any ongoing exploration and evaluation projects.

On October 6, 2011, the Company has assigned its working interest in Kaybob, AB to NAL Resources Limited (“NAL”), in exchange for the Release of \$11,688 owing by Wedge to NAL as well as Wedge being released from all future costs associated with these interests.

Undur Tolgoi Minerals Inc., through its wholly owned subsidiary Novametals, owns a 100% interest in the Under Tolgoi license granted by the Mineral Resources Authority of Mongolia. The license was granted on October 4, 2004 and transferred to Novametals in May 2010; it expires on October 13, 2013. The Company is in compliance with annual minimum expenditure requirements and has no outstanding obligations under Mongolian mineral laws.

The license is situated 700 kilometres south of Ulaanbaatar in the Khatanbulag sub-province of the Dornogobi province. The license covers 9,620 hectares and allows for the exploration of all minerals with the exception of uranium, petroleum, gas and water. The Company plans to explore for gold and copper mineralization.

The license is subject to an annual license rental payment of \$1.50 per hectare, minimum exploration expenditures of \$1.50 per hectare, service fees of \$500 per year and minimum donations to local authorities of \$500 per year. The Company must therefore spend at least \$29,860 annually maintaining the license.

### Note Receivable and Framework Agreement

#### Assignment of Framework Agreement – November 2010

On November 16, 2010, the Company has assigned the Framework Agreement with Kazenercom LLP (the “Borrower”), Yerkin Kaldybayevich Bektayev and Trek Resources, Inc. dated August 31, 2009, (the “Framework Agreement”) to Desiree Resources Inc. (a private company, which is an unrelated third party to Wedge).

Under the agreement between Wedge Energy International Inc. and Desiree Resources Inc. the assignment of the framework agreement and loan facility, Desiree Resources Inc. will be assigned the full benefit of the Framework Agreement and the Loans made there under, and the Desiree Resources Inc. has agreed to assume liability for the performance of the obligations of the Company under the Framework Agreement and the Loans. In the event that Desiree Resources Inc. is awarded a new license in Kazakhstan over the Arys Concession (the “License Date”), Desiree Resources Inc. will make a payment to the Company totaling US\$1,500,000.00 (the “Purchase Price”), as follows:

- (A) US\$500,000.00 on the date that is twelve (12) months from the License Date;
- (B) US\$500,000.00 on the date that is eighteen (18) months from the License Date; and,
- (C) US\$500,000.00 on the date that is twenty-four (24) months from the License Date.
- (D) In the event of non payment of any of the above noted payments the Assignor shall have the right and option to be assigned the License on a pro rata basis in discharge of the Assignees obligations

To date, Desiree Resources Inc. has not been successful in obtaining a new license for the Arys concession in Kazakhstan. Due to the significant uncertainty surrounding the outcome of Desiree obtaining a new license, management is taking a conservative approach and not recording any receivables from the assignment of the framework agreement.

### Liquidity and Capital Resources

The Company’s working capital amounts are as follows:

	<b>September 30 2011</b>	December 31 2010
Cash	<b>\$ 50,538</b>	\$ 182,985
Accounts receivable	<b>20,662</b>	23,047
Prepaid expenses	<b>14,714</b>	6,418
Accounts payable & accrued liabilities	<b>(561,493)</b>	(381,660)
Demand loan	<b>(161,194)</b>	-
Liability component - convertible debt	<b>(1,111,000)</b>	(1,162,621)
	<b>\$ (1,747,771)</b>	\$ (1,331,831)

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 of warrants and 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. See “Risk and Uncertainties” of this MD&A.

At September 30, 2011, the Company had a working capital deficiency of \$1,747,771 (December 2010 - \$1,331,831). In the past Wedge has been able to successfully raise equity to fund its drilling programs and cover operating costs. There can be no assurance in the Company's ability to issue common shares or obtain debt in the future with reasonable terms. The inability to access sufficient capital could have an adverse effect on the Company's financial condition.

At September 30, 2011, the Company had cash totaling at \$50,538 (December 2010 - \$182,985). During the nine month period ended September 30, 2011, the Company invested cash of \$ NIL in investing activities and raised \$ 144,675 through financing activities and utilized net cash of \$ 293,640 for operating activities.

From the beginning of the fiscal year to the date of this MD&A, the cash resources of the Company are held in accounts with the Royal Bank of Canada. The Company does not have any asset-backed commercial paper or derivative instruments.

#### 2011 Financing activity

On January 26, 2011, the holders of the January 2010 Convertible Notes agreed to extend the term of the notes for a period of six months past the maturity date (July 26, 2011). As part of the extension, the holders were granted an increase in the interest rate of 2.5% for the six month period. This brings the interest rate on the extension period to 12.5% per annum (not compounded). The interest on the extension is payable on the new maturity date of July 26, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original Convertible Note have remained unchanged.

In May 2011, the Company issued 105,254 common shares to cover the \$1,000 interest payment pursuant to the January 2010 convertible debt agreement (the "January 2010 Notes"). These common shares were issued by the Company with an effective price per share of \$0.0095 per share.

On May 30, 2011, the holders of the July 2010 Convertible Notes agreed to extend the term of the Notes for a period of six months past the maturity date (November 30, 2011). As part of the extension, the holders were granted an increase in the interest rate of 0.5% for the six month period. This brings the interest rate on the extension period to 13% per annum (not compounded). The interest on the first and second extension is payable on the new maturity date of November 30, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

On July 14, 2011, the holders of the January 2010 Notes agreed to a further five month extension on the maturity of the Notes. The second extension did not include a further increase in interest. Interest on the first and second extension is payable on the new maturity date of December 31, 2011. All other provisions in the original Notes remained unchanged.

UTMI advanced the Company US\$150,000 in the form of a non-convertible demand loan. The loan, which matures on September 17, 2011, carries interest at a rate of 10% per annum, compounded monthly and is secured by the assets of the Company. On September 17, 2011, the Company extended the loan for a two month period. The extension did not include an increase in the interest rate.

On August 5, 2011, The Company issued 5,000,000 shares for the conversion of \$50,000 Convertible Notes. Of the two holders who converted their Notes one is a director of the Company.

On October 17, 2011, the Company announced that four of the holders of the Convertible Notes originally issued on January 26, 2010 exercised their conversion options. The Company issued 10,500,000 shares for the conversion of \$105,000 Convertible Notes. Of the four holders who converted their Notes one is a Director of the Company.

On October 25, 2011, the Company announced that four of the holders of the Convertible Notes originally issued on January 26, 2010, exercised their conversion options. The Company issued 10,500,000 shares for the conversion of \$105,000 Convertible Notes. The Company will also issue a total of 10,507,338 shares to

settle \$105,073 interest owing and outstanding on the Convertible Notes. The interest shares are issued at a value of \$0.01 per share.

On November 14, 2011, upon completion of the amalgamation the demand loan between Wedge Energy International Inc. and Undur Tolgoi Minerals Inc. has become effectively extinguished.

On November 14, 2011, the Company redeemed \$ 910,000 of Convertible Notes, all of the outstanding Wedge shares were consolidated on a 20:1 basis pursuant to the plan of arrangement approved by the security holders at the Meeting on October 21, 2011.

Effective of November 14, 2011, the Company also redeemed all 70,000 preferred shares at par value for \$350,000.

On November 15, the Company announced that it had raised a total of \$ 5,997,100 CAD through the sale of common shares in the first tranche of the private placement approved as part of the special meeting of the shareholders. The Company issued 29,985,500 shares which were sold at \$0.20 per share. The Company will pay a Finder's Fee in cash equal to 7% of the proceeds in connection with proceeds received by the Corporation from the sale of common shares to certain subscribers. The Company incurred finder's fees of \$ 50,138 in closing the first tranche of the private placement.

On November 16, 2011, the Company paid SMDD Capital Limited ("SMDD") a bonus of US \$660,000 per the existing agreement between SMDD and UTMI, in which SMDD is entitled to the bonus upon completion of an RTO transaction and acceptance of conditional listing of UTMI shares on a recognized stock exchange.

The Company's use of cash, at present occurs and in the future will occur principally in two areas, namely funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the cash components of the cost of acquiring and exploring mineral properties. Currently the Company's monthly cash operating costs are approximately \$15,500 excluding non-recurring items for working capital related expenses. The Company is not currently subject to any option payments and no exploration is required on any properties. The Company has not budgeted for any capital expenditures as it is in the process of reviewing the acquisition of potential mineral exploration projects.

While Management has been successful in obtaining sufficient funding for its operating and capital requirements since the inception of the Company, to date there is however, no assurance that additional future funding will be available to the Company, or that, when it is required it will be available on terms which are acceptable to Management and the Board of Directors of the Company.

### **Capital management**

The Company's objectives when managing capital are:

- To safeguard its ability to continue as a going concern.
- To maintain appropriate cash on hand to meet ongoing operating costs.
- To obtain sufficient funds to acquire and develop mineral claims.
- To invest cash on hand in liquid and highly rated financial instruments.

The Company has been funded by the following forms of capital:

	November 25 (UTMI) 2011	September 30 (Wedge) 2011	December 31 (Wedge) 2010
Common Share capital	\$ 10,770,576	\$ 7,573,948	\$ 7,481,834
Preferred shares	-	350,000	350,000
Warrants	-	65,244	259,122
Demand loan	-	161,194	-
Convertible debt (total principal)	-	1,120,000	1,170,000
	<b>\$ 10,770,576</b>	<b>\$ 9,270,386</b>	<b>\$ 9,260,956</b>

Share capital as at November 25, 2011, is composed of 53,852,883 common shares outstanding. The Company currently has no stock options or warrants outstanding.

The Company manages the capital structure and makes adjustments, in light of changes in economic conditions and the risk characteristics of the underlying assets, in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing through convertible debenture issuances, refinancing current debt, issuing other financial or equity based instruments such as stock options and warrants, adjusting capital spending, or disposing of assets.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's Management to sustain future development of the business. There were no changes in the Company's approach to capital management as at November 25, 2011. The Company is not subject to externally imposed capital requirements.

The capital structure is reviewed by Management and the Board on an ongoing basis.

### Outstanding Share Data

Information with respect to outstanding common shares, warrants, and stock options as at November 25, 2011, September 30, 2011, and December 31, 2010, is as follows:

	November 25 (UTMI) 2011	September 30 (Wedge) 2011	December 31 (Wedge) 2010
Common shares	53,852,883	44,244,392	39,139,138
Preferred shares	-	70,000	70,000
Warrants	-	28,425,000	30,805,000
Stock options	-	830,000	830,000
	<b>53,852,883</b>	<b>73,569,392</b>	<b>70,844,138</b>

### Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

#### Transactions with key management personnel

Key Management of the company includes the members of the Board of Directors, the Chief Executive Officer, and the Chief Financial Officer. Key Management remuneration includes the following:

	September 30, 2011	December 31, 2010
Short-term employee benefits Compensation (1)(2)	\$ 117,000	\$ 108,121
Long-term employee benefits Share based payments (1)	-	5,510
Total remuneration	\$ 117,000	\$ 113,631

During the nine month period ending September 30, 2011, key Management was not granted any share options. During 2011 key Management did not exercise any shares options, which were granted to them as part of the company's stock option plan in prior periods.

1. The Company has no employees. Key Management remuneration includes the Chief Executive and Chief Financial Officers management fees. The Board of Directors does not have employment or service contracts with the Company. They are entitled to stock options for their services.
2. The Company has a consulting contract with Sabino Di Paola, the CFO of Wedge Energy International Inc., whereby the company pays hourly compensation of \$100/hour for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to \$ 27,000.

#### Transactions with related companies

The Company has a management contract with Primary Venture Corporation, a company associated with Don Padgett, a Director and CEO of the Company whereby the Company pays up to \$10,000 per month for management and advisory services.

For the nine month period ended September 30, 2011, the Company paid Primary Venture Corporation cash of \$90,000 (December 2010 - \$ 55,000). The Company has a payable to the Primary Venture Corporation as at September 30, 2011, of \$ NIL (December 2010 – \$ NIL).

During 2011 the Company had a common Chief Financial Officer with Desiree Resources Inc., Pueblo Lithium Inc, Red Ore Gold Inc. and Galahad Metals Inc. As at August 1, 2011 the Chief Financial officer of Desiree Resources Inc. and Pueblo lithium Inc. resigned from those respective companies and as a result Wedge Energy International Inc. is no longer related to Pueblo Lithium Inc and Desiree Resources Inc.

The Company shares office space with Desiree Resources Inc., Pueblo Lithium Inc., Red Ore Gold and Galahad Metals Inc. The Company has signed an agreement in which all shared costs are evenly allocated between the companies. For the nine month period ended September 30, 2011, the Company incurred shared costs of \$ 15,456 (December 31, 2010 - \$ NIL). At September 30, 2011, the Company has no receivable or payable with Desiree Resources Inc., Red Ore Gold Inc., or Pueblo Lithium Inc. for shared costs (December 2010 – payable \$ NIL) and a payable from Galahad Metals Inc. of \$ 15,456 (December 2010 – receivable of \$ 2,654).

Firebird Global Master Fund Ltd. and Firebird Global Master Fund II Ltd. (together as "Firebird") are related parties based on their joint ownership of over 10% of the Company's common shares. In January 2010, the Company issued \$770,000 of Convertible Notes, which mature on January 26, 2011, (the "January 2010 Notes") of which \$450,000 were issued to Firebird Global Master Funds (refer to note 8 for more details on the Convertible Notes).

On January 26, 2011, the holders of the January 2010 Convertible Notes agreed to extend the term of the notes for a period of six months past the maturity date (July 26, 2011). As part of the extension of the holders were granted an increase in the interest rate of 2.5% for the six month extension period. This brings the interest rate on the extension period to 12.5% per annum (not compounded). The interest on the extension is payable on the new maturity date of July 26, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original Convertible Note have remained unchanged.

On July 14, 2011, the holders of the January 2010 Notes agreed to a further five month extension on the maturity of the Notes. The second extension did not include a further increase in interest. Interest on the first and second extension is payable on the new maturity date of December 31, 2011. All other provisions in the original Notes remained unchanged.

In July 2010, the Company issued \$400,000 of Convertible Notes, which mature on November 30, 2010 (the "July 2010 Notes"). The July 2010 Notes are convertible into 8,000,000 common shares at a conversion price of \$0.05 per share. All of which were issued to Firebird Global Master Funds (refer to note 8 for more details on the Convertible Notes).

On May 30, 2011, the holders of the July 2010 Convertible Notes agreed to extend the term of the Notes for a period of six months past the maturity date (November 30, 2011). As part of the extension of the holders were granted an increase in the interest rate of 0.5% for the six month extension period. This brings the interest rate on the extension period to 13% per annum (not compounded). The interest on the first and second extension is payable on the new maturity date of November 30, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original Convertible Note have remained unchanged.

On November 14, 2011, the Company redeemed \$ 850,000 of Convertible Notes previously issued to Firebird Global Master Funds. Also effective of November 14, 2011, the Company redeemed all 70,000 preferred shares issued to Firebird Global Master Funds at par value for \$350,000.

#### **Neo Exploration Inc. legal claim**

The Company has been in litigation with Neo Exploration, a former joint venture partner, on the Montana property licensed by the joint venture in 2007. In June 2007, Wedge Energy International Inc. advised Neo Exploration that Wedge was no longer interested in pursuing any further expenditures on the jointly held Montana property and that the joint venture would be wound up. Wedge asked Neo to settle the outstanding issue of repayment of the \$22,758 cash call paid by Wedge in March of 2007, as at December 31, 2010, Neo has not made any repayment of the outstanding cash call.

On February 4, 2011, the Board of Directors accepted a proposal from Neo Exploration to settle the June 2007 claim. Neo Exploration paid Wedge a cash settlement of \$11,379 (half of the amount of the civil claim filed with the Provincial Court of Alberta) in exchange for a Full Release and Settlement of This and All Matters between Wedge and Neo Exploration.

#### **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 Company that are not otherwise disclosed herein.

#### **Critical Accounting Estimates**

Preparing financial statements in conformity with IFRS requires the Corporation to select from possible alternative accounting principles. Estimates also affect classification and reported amounts for various assets, liabilities, equity balances, revenues and expenses. Prior estimates are revised as new information is obtained and are subject to change in future periods. Management believes the accounting policies and estimates used in preparing the consolidated financial statements are considered appropriate in the circumstances but are subject to numerous judgments and uncertainties inherent in the financial reporting process.

Exploration and evaluation costs – Exploration and evaluation costs of mineral exploration properties together with direct exploration and development expenditures are only capitalized when the Board of Directors is convinced that the Company has an economically feasible mineral reserve located on one of its

exploration properties. Until that point all exploration and evaluation costs are considered impaired and the Company records a valuation allowance against costs incurred until an economically feasible reserve is identified. When an economically feasible reserve is identified the allowance will be reversed to the extent that the Company expects to recover past exploration costs. When production is attained, these costs will be amortized. If properties are abandoned they are written off at that time. If properties are considered to be impaired in value, the costs of the properties and related deferred expenditures will be written down to their estimated fair value at the time. Management uses its best estimates for determining the fair value of mineral properties based on expenditures incurred, the results of any exploration conducted, prevailing market conditions and future plans for the projects.

Income taxes - The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities based on the Corporation's current understanding of tax laws as applied to the Corporation's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Stock option valuation - Issuances and grants of share options are valued using the fair value method. Management uses the Black-Scholes valuation model to estimate the fair value of options determined at the grant date. Grants of options result in non-cash charges to expense or development property and a corresponding credit to share-based payment reserves. Charges associated with granted options are recorded over the vesting period. Significant assumptions affecting valuation of options include the trading value of the Corporation's shares at the date of grant, the exercise price, the term allowed for exercise, a volatility factor relating to the Corporation's historical share price, forfeiture rates, dividend yield and the risk-free interest rate.

#### **Off-Balance Sheet Arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations or with respect to any obligations under a variable interest entity arrangement.

#### **Contractual Obligations**

The Company does not have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments except for those related to property option agreements. Any commitments under exploration property option agreements are cancellable at the Company's option but would result in forfeiture of rights under those agreements. During the period ending March 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.

#### **Financial Instruments and other Instruments**

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. 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 Canadian dollar and major purchases are transacted in Canadian dollars. Exposure to currency exchange rates arises from the company's foreign borrowings denominated in the United States dollars. The Company also holds a bank account in US dollars.

To mitigate the exposure to foreign currency risk the Company typically holds funds in US dollars for short term expenditures. When operations require significant payment in USD the company will usually purchase the required US currency the same day it makes the payment to the vendor.

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 September 30, 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 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 and cash equivalents 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 Wedge considers all of the above 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, Wedge 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.

The Company maintains cash to meet its liquidity requirements for a 30 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 amounts receivable currently do not meet the current cash outflow requirements. The company is at risk of being a going concern if Management is unable to raise the appropriate funds prior to the maturity of the financial liabilities. Appropriate going concern disclosure will be made available in the financial statements.

#### Fair value of financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and convertible debt. At September 30, 2011 and December 31, 2010 there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

#### **Risks and Uncertainties**

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. Wedge 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.

### **International Financial Reporting Standards (“IFRS”)**

In February 2008, the Accounting Standards Board of the CICA confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for the fiscal years beginning on or after January 1, 2011. As a result, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2011 for which current comparative information will be prepared on an IFRS basis.

The condensed unaudited interim consolidated financial statements for the nine months ending September 30, 2011, have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS. These are Wedge Energy International Inc.'s first financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously the Company prepared its annual and interim financial statements in accordance with Canadian GAAP.

The preparation of these condensed unaudited interim consolidated financial statements resulted in changes to the accounting policies compared with the most recent annual financial statements prepared under Canadian GAAP.

For a reconciliation of the September 30, 2010, as well as the December 31, 2010, statement of financial position, and income statement from Canadian GAAP to IFRS please refer to Note 18 of the September 30, 2011 interim consolidated financial statements.

### Post-Implementation

Post-implementation Management has been involved in continuous monitoring of changes in IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that have been selected. In particular, there may be additional new or revised IFRSs or IFRICs in relation to consolidation, joint ventures, financial instruments, hedge accounting, discontinued operations, revenue recognition and stripping costs in the production phase of a surface mine, etc. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

## **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 Information**

Undur Tolgoi Minerals Inc. (formerly Wedge Energy International Inc.)

### ***Directors and Officers***

James Passin – Director and Chairman of the Board of Directors

Don Padgett – Director, President and CEO

Paul S. Rapello – Director

Orgilmaa Siizkhuu – Director

Larry Van Hatten – Director and Chairman of the Audit Committee

Sabino Di Paola – Chief Financial Officer and Corporate Secretary

Jimmie Wilde – Chief Operating Officer, Mining Operations

Batbaatar Badan – Senior VP, Operations

### ***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

### **Website**

[www.undurtolgoi.com](http://www.undurtolgoi.com)

### ***Trading Symbol***

CNSX: UTM

### ***Independent Auditor***

Raymond Chabot Grant Thornton LLP

### ***Financial Institution***

Royal Bank of Canada

### ***Transfer Agent***

Equity Transfer & Trust Company, Toronto