Unaudited Condensed Consolidated Interim Financial Statements
[Expressed in United States dollars]

Undur Tolgoi Minerals Inc.

For the three and nine months ended September 30, 2013 and 2012

Unaudited Condensed Consolidated Interim Financial Statements

Undur Tolgoi Minerals Inc.

For the three and nine months ended September 30, 2013 and 2012

Table of contents

Management's Responsibility for Financial Reporting

The condensed consolidated interim financial statements of Undur Tolgoi Minerals Inc. have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to shareholders.

"Donald Padgett"
President and Chief Executive Officer

"Sabino Di Paola"
Chief Financial Officer

November 22, 2013

Notice of no review or audit

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review or audit of these condensed consolidated interim financial statements.

Undur Tolgoi Minerals Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

(expressed in United States dollars)

	Notes	As at September 30, 2013 2013	As at December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	5	**$ 1,969,088**	$ 2,789,956
Accounts receivable		**175,297**	242,950
Prepayment		**19,324**	48,686
Total current assets		**2,163,709**	3,081,592
Non-current assets			
Property, plant and equipment		**74**	346
Investments	7	**125,000**	-
Exploration and evaluation assets	6	**-**	539,413
Total non-current assets		**125,074**	539,759
Total assets		**$ 2,288,783**	$ 3,621,351
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 74,174**	$ 239,421
Shareholders' equity			
Share capital	8	**7,894,609**	7,894,609
Other reserves	8	**882,708**	872,924
Deficit		**(6,562,708)**	(5,385,603)
Shareholders' equity		**2,214,609**	3,381,930
Total liabilities and shareholders' equity		**$ 2,288,783**	$ 3,621,351
Contingencies	10		

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 22, 2013, and are signed on its behalf by:

signed "James Passin"
Director

signed "Don Padgett"
Director

Undur Tolgoi Minerals Inc.

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

(expressed in United States dollars)

	Notes	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
Expenses					
Management fees	9	$ 29,250	$ 29,652	$ 88,342	$ 89,422
Promotion & investor conference		4,014	37,289	143,613	79,265
Regulatory, exchange, AGM, press release and transfer agent fees		2,838	3,666	14,959	20,984
Professional fees		17,510	36,508	94,632	211,034
Finance costs		885	(70)	2,039	2,723
Depreciation		89	86	267	264
Write-off of exploration and evaluation assets	6	(83,980)	-	490,859	-
Other expenses		134,002	41,852	236,055	143,813
		104,608	148,983	1,070,766	547,505
Interest income/(expense)		5,269	(398)	17,307	(193)
Foreign exchange (loss)/gain		43,839	59,927	(123,646)	63,713
		49,108	59,529	(106,339)	63,520
Loss before income tax		55,500	89,454	1,177,105	483,985
Income tax expense		-	-	-	-
Loss after income tax expense		55,500	89,454	1,177,105	483,985
Consolidated loss after income tax expense		$ 55,500	$ 89,454	$ 1,177,105	$ 483,985
Other comprehensive loss		(17,092)	(1,640)	(9,784)	(440)
Total comprehensive loss for the year		$ 38,408	$ 87,814	$ 1,167,321	$ 483,545
Loss per common share:					
Basic and diluted		$ (0.00)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding:					
Basic and diluted		58,987,848	58,987,848	58,987,848	58,987,848

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements

Undur Tolgoi Minerals Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

(expressed in United States dollars)

				Other reserves						
	Number of common shares (#)		Share Capital		Foreign currency translation reserve		Share based payment reserve		Deficit	Shareholders' equity
Balance at December 31, 2012	**58,987,848**	**$**	**7,894,609**	**$**	**(39,048)**	**$**	**911,972**	**$**	**(5,385,603)**	**$ 3,381,930**
Net loss	-		-		-		-		(1,177,105)	(1,177,105)
Cumulative translation adjustment	-		-		9,784		-		-	9,784
Balance at September 30, 2013	**58,987,848**	**$**	**7,894,609**	**$**	**(29,264)**	**$**	**911,972**	**$**	**(6,562,708)**	**$ 2,214,609**
Balance at December 31, 2011	**58,987,848**	**$**	**7,894,609**	**$**	**(5,015)**	**$**	**911,972**	**$**	**(4,599,944)**	**$ 4,201,622**
Net loss and total comprehensive loss for the period	-		-		-		-		(483,985)	(483,985)
Cumulative translation adjustment	-		-		(440)		-		-	(440)
Balance at September 30, 2012	**58,987,848**	**$**	**7,894,609**	**$**	**(5,455)**	**$**	**911,972**	**$**	**(5,083,929)**	**$ 3,717,197**

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Undur Tolgoi Minerals Inc.

Consolidated Statements of Cash Flow

(expressed in United States dollars)		Nine months ended September 30 2013		Nine months ended September 30 2012
Cash flow from operating activities				
Loss for the year	**$**	**(1,177,105)**	$	(483,985)
Adjustments to reconcile loss to net cash used in operating activities:				
Unrealized foreign exchange		**74,910**		(101,962)
Write-off of exploration and evaluation assets		**490,859**		-
Depreciation		**267**		264
Change in non-cash working capital balances:				
Accounts receivable		**67,653**		(87,233)
Accounts payable and accrued liabilities		**(165,247)**		(222,323)
Prepaids		**29,362**		(4,794)
Cash used in operations		**(679,301)**		(900,033)
Income tax paid		**-**		-
Total cash used in operating activities	**$**	**(679,301)**	$	(900,033)
Cash flows from investing activities				
Acquisition of interest in Anya-1	**$**	**(125,000)**	**$**	**-**
Investment in exploration and evaluation assets		**(60,900)**		(490,093)
Total cash (used in)/generated from investing activities	**$**	**(185,900)**	$	(490,093)
Cash flows from financing activities				
Due to related party	**$**	**-**	$	(45,939)
Total cash (used in)/generated from financing activities	**$**	**-**	$	(45,939)
Effect of foreign exchange on cash	**$**	**44,333**	$	38,251
Total (decrease)/increase in cash during the year	**$**	**(820,869)**	$	(1,397,814)
Cash and cash equivalents - Beginning of year		**2,789,956**		4,525,437
Cash and cash equivalents - End of year	**$**	**1,969,088**	$	3,127,623

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

UNDUR TOLGOI MINERALS INC.

NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in United States dollars]

1. CORPORATE INFORMATION

Undur Tolgoi Minerals Inc. ["Undur Tolgoi" or "UTMI" or the "Company"] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company. Undur Tolgoi is in the business of acquiring and exploring mineral properties with a focus on Mongolia.

On November 14, 2011, Undur Tolgoi Minerals Inc. completed an arrangement agreement and subsequent amalgamation with Wedge Energy International Inc. ("WEG") 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 issued 19,975,647 common shares to the pre-amalgamated shareholders of UTMI.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The registered office of Undur Tolgoi is Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

Undur Tolgoi has a 100% interest in Natalya-1 S. à r. l. ["Natalya-1"], Novametal Resources LLC ["Novametal"], Jucca Holdings Limited ["Jucca"], and Wishland Properties Limited ["Wishland"].

---

2. BASIS OF PREPARATION

Statement of compliance

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of September 30, 2013. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2012. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2013, could result in restatement of these unaudited condensed consolidated interim financial statements.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 22, 2013.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's IFRS annual financial statements for the year ended December 31, 2012.

Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for the available-for-sale financial instruments and financial assets at fair value through profit or loss which are measured at fair value, and are expressed in United States dollars, which is the Company's functional and presentation currency. The functional currency for each consolidated entity is determined by the currency of the primary economic environment in which it operates.

Going concern assumption

These unaudited condensed consolidated interim financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

As at September 30, 2013, the Company had a working capital surplus of $2,089,535 (December 31, 2012 - $2,842,171), including $1,969,088 (December 31, 2012 – 2,789,956) in cash.

The Company anticipates having sufficient funds to discharge its current liabilities and meet its corporate administrative expenses for at least twelve months. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program on its properties and/or to acquire additional exploration properties and to meet its entire general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

---

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. Undur Tolgoi Minerals Inc. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity, and generally exists where more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full on consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, total comprehensive losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

An associate is an entity in which the Company or its subsidiaries have significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at June 30, 2013, the Company does not have any associates.

The subsidiaries of the Company at September 30, 2013, are described below:

Natalya-1 S. à r. l. ["Natalya-1"], a company existing under the laws of Luxemburg;
Jucca Holdings Limited ["Jucca"], a company existing under the laws of the British Virgin Islands;
Wishland Properties Limited ["Wishland"], a company existing under the laws of the British Virgin Islands;
Novametal Resources LLC ["Novametal"], a company existing under the laws of Mongolia.

Standards, amendments and interpretations not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the consolidated financial statements are listed below, none of which have been early adopted by the Company. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

<u>IFRS 9, "Financial Instruments"</u>

This new standard is part of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement and provides guidance on the classification and measurement of financial assets, financial liabilities, hedge accounting and derecognition. This standard is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

---

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. The most significant items requiring the use of management estimates and valuation assumptions are related to the application of the Company's exploration and evaluation expenditure policy, recoverable value of mining assets (mineral exploration properties and exploration and evaluation assets), rehabilitation and environmental obligations, the valuation of stock-based compensation, and assessment of contingencies.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves or resources. The determination of a resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: determining if the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcomes of future events.

[Expressed in United States dollars]

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	September 30, 2013 $	December 31, 2012 $
Cash in banks	**1,969,088**	2,789,956

As at September 30, 2013, Canadian Dollars, CAD$1,889,224 (CAD$2,460,836 – December 31, 2012), and Mongolian Tugrik, MNT 26,024,781 (MNT 326,961,690 – December 31, 2012) was included in the cash of the Company. This amount has been translated into USD $ using the closing exchange rates on September 30, 2013.

Cash earns interest at floating rates based on the daily bank deposit rates.

6. EXPLORATION AND EVALUATION ASSETS

Ulaanbaatar, Mongolia

The Company, through its wholly owned subsidiary Novametal, owns a 100% interest in the Undur Tolgoi license granted by the Minerals Resources Authority of Mongolia ("ARAM"). The license was granted in October 2004 and transferred to Novametal in May 2010; it expired October 13, 2013. The Company has requested a pre-mining contract, which will provide an additional term of three years. The request is currently being reviewed by the ARAM. The Company is in compliance with annual minimum expenditure requirements and has no outstanding obligations under Mongolian minerals law. The license is in the final year of the current term.

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 is exploring for gold and copper mineralization.

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

Exploration and evaluation assets consist of the following:

	Total $
Balance, January 1, 2012	**80,830**
Exploration costs incurred in the year	457,620
Effect of changes in foreign exchange rates	963
Balance, December 31, 2012	**539,413**

[Expressed in United States dollars]

	Total $
Balance, January 1, 2013	**539,413**
Exploration costs incurred in the year	**60,900**
Write-off of exploration costs	**(490,859)**
Effect of changes in foreign exchange rates	**(109,454)**
Balance, September 30, 2013	**-**

On June 30, 2013, the Company made the decision to suspend further exploration on the Undur Tolgoi license. Due to the current economic conditions as well as the recent decrease in gold prices, the Company, has decided that at this time it would no longer be funding exploration on this project. As at September 30, 2013, the Company recorded an impairment of $490,859 (December 31, 2012 - $ NIL) on the Undur Tolgoi property.

7. INVESTMENTS

On May 31, 2013, the Company announced it has reached a definitive agreement to subscribe for 75,950 common shares representing 5.05% of Anya-2 Sarl ("Anya"), a private Luxembourg company for a total consideration of US$125,000. Under this agreement, UTM shall be entitled to subscribe for additional shares of Anya, so that its aggregate shareholding in Anya may reach 30.25%. Anya is a wholly owned subsidiary of Hulaan Coal Corporation ("Hulaan"), a private Canadian company. Anya in turn, owns 66% of Western Minex LLC ("WM"), a private Mongolian company, which owns the Ochiriin Bulag Gold Prospect (the "Project" or "OB").

As of September 30, 2013, the Company has not made any further acquisitions in Anya-2.

Investments:

	September 30, 2013 $	December 31, 2012 $
Anya-2 Sarl	**125,000**	-

8. SHARE CAPITAL

Authorized share 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 (if any) which are declared from time to time, and are entitled to one vote per share at Undur Tolgoi’s meetings. All shares are ranked equally with regards to the Company's residual assets.

Issued share capital

At September 30, 2013, and December 31, 2012, there were 58,987,848 common shares outstanding.

[Expressed in United States dollars]

Common share issuances

Fiscal 2013

There were no common shares issued during the three and nine months ending September 30, 2013.

Fiscal 2012

There were no common shares issued during the year ending December 31, 2012.

Stock options

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price equal to the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The following table provides detailed information about stock options outstanding as at September 30, 2013.

Expiry Date	Exercise Price	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
December 6, 2016	$ 0.25	4,525,000	3.19	4,525,000	-

The Company records a charge to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

Stock option activity is as follows:

	Number	Weighted- Average exercise price	Expiry
Outstanding, December 31, 2011	4,975,000	0.25	December 6, 2016
Forfeited	(450,000)	0.25	December 6, 2016
Outstanding, December 31, 2012	4,525,000	0.25	December 6, 2016
Granted/Forfeited/exercised	-	-	
Outstanding, September 30, 2013	4,525,000	0.25	December 6, 2016

[Expressed in United States dollars]

No stock options had been granted, exercised or expired during the three and nine months ended September 30, 2013.

Share based payment reserve

Amounts recorded in share based payment reserve in shareholders' equity relate to the fair value of stock options.

Activity with respect to the share based payment reserve is summarized as follows:

	As at September 30, 2013 $	As at December 31, 2012 $
Balance, beginning of year	**911,972**	911,972
Stock-based compensation	**-**	-
Balance, end of the period	**911,972**	911,972

9. 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 are members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and Vice President of Exploration. Key management remuneration includes the following:

	September 30, 2013		September 30, 2012	
Short-term Key management benefits				
Compensation including bonuses	**$**	**69,560**	$	81,382
Long-term Key management benefits				
Share based payments		**-**		-
Total remuneration	**$**	**69,560**	$	81,382

1) Management fees include $44,256 ($44,711 – 2012) paid to Primary Venture Corporation, a Company which is associated with the Company's Chief Executive Officer. The Company has a consulting contract with Primary Venture Corp. whereby the company pays CND$10,000 a month for management fees. As at September 30, 2013, no accounts payable were due to Primary Venture Corporation.

2) Professional fees include $25,304 ($36,671 – 2012) paid to Sabino Di Paola the Company's current Chief Financial Officer and Corporate Secretary. The Company has a consulting contract with Sabino Di Paola whereby the company pays CND$100/hour for services rendered. As at September 30, 2013, accounts payable of $685 ($NIL – 2012) were due to Sabino Di Paola.

[Expressed in United States dollars]

Transactions with related companies

As at September 30, 2013, receivables include $147,018 (December 31, 2012 - $227,528) receivable from entities with common directors in respect of reimbursement of costs. As at September 30, 2013, accounts payable of $NIL (December 31, 2012 - $16,866) were due to the related company.

All related party transactions were within the normal course of operations and have been recorded at amounts agreed to by the transacting parties.

10. CONTINGENCIES

The Company has agreed to pay a bonus of $1,000,000 to SMDD, a shareholder of the Company if Novametal's exploration license is converted to a 30-year mining license. This bonus is contingent consideration for the transfer of the licence to Novametal.

Under a share subscription agreement entered into between SMDD and the Company, the Company agreed to grant SMDD additional shares at a price of US$0.50 per share, having an aggregate value not exceeding US$ 2,000,000 and up to an amount of 4,000,000 shares if a JORC compliant resource report is issued, indicating that the proven recoverable copper reserves exceeds 25,250,000 pounds. This share issuance is contingent consideration for the proven recoverable copper reserves on the licensed property held in Novametal.

The above amounts have not been recognized in the consolidated financial statements as there is not sufficient certainty that the qualifying transactions will take place.

11. SEGMENT REPORTING

The Company has one reportable operating segment, being that of acquisition and exploration and evaluation activities. All of the Company's non-current assets are located in Mongolia and Luxembourg.

The Company has the following noncurrent assets located in Mongolia

	September 30, 2013	December 31, 2012
Property, plant and equipment	**$ 74**	$ 346
Exploration and evaluation assets	**-**	539,413
Total	**$ 74**	$ 539,759

The Company has the following noncurrent assets located in Luxembourg

	September 30, 2013	December 31, 2012
Investment in Anya-2	**$ 125,000**	$ -

[Expressed in United States dollars]

12. CAPITAL MANAGEMENT

The Company’s capital structure has been defined by Management as being comprised of shareholders' equity, which comprises share capital and other components of equity and accumulated deficit, which at September 30, 2013, totals $ 2,214,609 (December 2012 - $ 3,381,930). The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs. This is achieved by the Board of Directors’ review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, exploration budgets and targets for the year.

The Company currently has no source of revenues; as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company to maintain flexibility while achieving the objectives stated above as well as support future business opportunities. To manage the capital structure the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares.

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 for the three and nine months ended September 30, 2013, and the year ended December 31, 2012. The Company is not subject to externally imposed capital requirements or covenants.

13. FINANCIAL RISK MANAGEMENT

The carrying values of the Company’s financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	September 30, 2013 $	December 31, 2012 $
Loans and receivables [2]	**2,121,458**	3,017,993
Other financial liabilities [1]	**(74,174)**	(239,421)

[1] accounts payable and accrued liabilities and due to related parties
[2] cash and accounts receivable, excluding sales tax receivable

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. These financial instruments are short-term in nature and therefore fair values approximate their carrying values. The fair values of the Company's financial instruments are not materially different from their carrying values.

The three levels of the fair value hierarchy are:

[i] Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
[ii] Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly
[iii] Level 3 – Inputs that are not based on observable market data

As at September 30, 2013, and December 31, 2012, the Company's financial instruments which are measured at fair value on a recurring basis was cash. This financial instrument was classified as Level 1 financial instrument.

The investment in Anya-2 is an investment in the common shares of a private company and as a result there was no quoted price in active markets. The investment was measured against the net assets of the Company as at September 30, 2013, and as a result has been classified as a level 2.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk, liquidity risk and commodity price risk. Reflecting the current stage of development of the Company's various projects, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of the finance function. Material risks are identified and monitored and are discussed by senior management and with the Audit Committee and the Board of Directors.

Interest rate risk

The Company does not have any debt obligations which expose it to interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of accounts receivable.

The Company's cash and cash equivalents are predominantly held through large reputable Canadian financial institutions and management believes the risk of loss is remote.

The company has assessed the recoverability of the accounts receivable and the balance is deemed recoverable.

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. At September 30, 2013, the Company had a working capital of $2,089,535 [December 31, 2012 - 2,842,171]. Payables are due and payable within 30 days. Accordingly, the Company is able to meet its current obligations.

Foreign exchange risk

The Company conducts operations in Mongolia where many of its transactions are denominated in the Mongolian Tugrik. Accordingly the results of operations and financial position of the Company are subject to changes in the exchange rate between the US dollar (“USD”) and the Mongolian tugrik. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Certain of the Company’s cash and cash equivalents, amounts receivable and accounts payable are held in Canadian dollars (“CAD”); therefore, CAD amounts are subject to fluctuation against the USD.

The Company is not significantly exposed to a fluctuation of foreign exchange, interest, or credit risk.

Assuming that all other variables remain constant, a 10% appreciation or depreciation of the MNT or CAD against the USD would not have a significant impact on net loss.

14. EVENTS AFTER THE REPORTING DATE

On November 7, 2013 the Company announced that it has entered into an agreement to acquire, through its wholly owned British Virgin Island-registered subsidiary, Jucca Holdings Ltd., a 100% interest in Great Hoard Holdings SARL, a Luxembourg entity that holds a 75% of the share capital of Ashid Munkhiin Zam LLC (“AMZ”), a Mongolian company, in an exchange for 5,363,636 newly issued shares of UTM. AMZ holds road construction, repair and maintenance permits.

UNDUR TOLGOI MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

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. ("UTM" or the "Company"), is prepared as of November 22, 2013, and should be read together with the unaudited condensed consolidated interim financial statements dated September 30, 2013, as well as the audited consolidated financial statements for the year ended December 31, 2012, and related notes. All financial amounts are stated in United States dollars unless otherwise indicated.

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

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

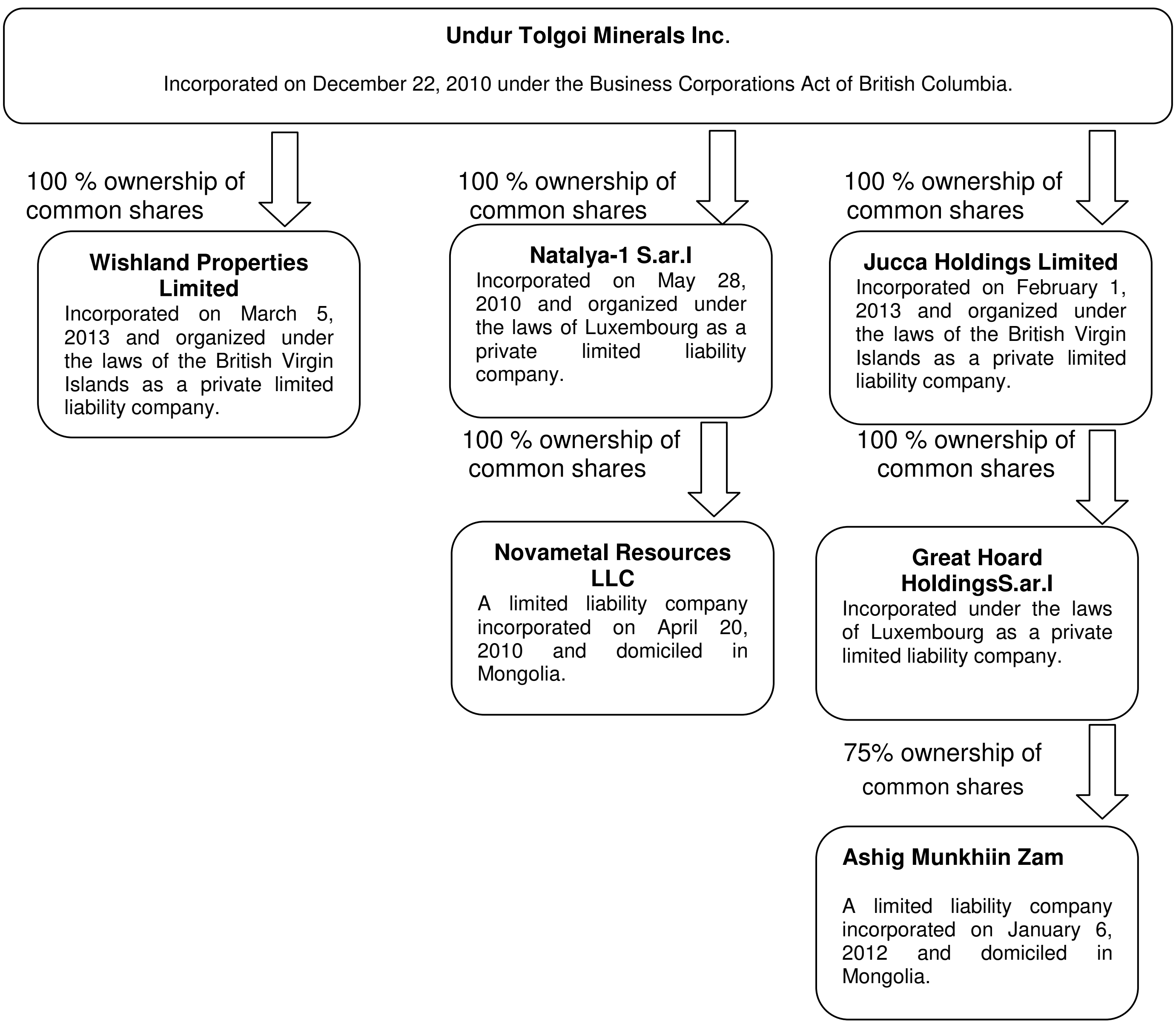
All amounts in this MD&A are expressed in United States dollars ("US$"), unless otherwise noted.

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 four wholly owned subsidiaries: Natalya-1 S.à.r.l. (“Natalya-1”), a private limited liability corporation existing under the laws of Luxembourg; Novametal Resources LLC (“Novametal”), a limited liability corporation existing under the laws of Mongolia; Wishland Properties Limited a private limited liability corporation existing under the laws of the British Virgin Islands; and Jucca Holdings Limited a private limited liability corporation existing under the laws of the British Virgin Islands.

The registered office of the Company is Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

GROUP STRUCTURE



OVERALL OBJECTIVE

The Company's overall object is to acquire mineral properties and discover economically viable mineral deposits. UTM is currently looking at non-exploration opportunities in Mongolia to increase the Company's position in Mongolia's developing markets.

ASHIG MUNKHIIN ZAM LLC TRANSACTION

On November 7, 2013, the Company announced that it has acquired, through its wholly owned British Virgin Island-registered subsidiary, Jucca Holdings Ltd., a 100% interest in Great Hoard Holdings SARL, a Luxembourg entity that holds a 75% of the share capital of Ashid Munkhiin Zam LLC ("AMZ"), a Mongolian company, in an exchange for 5,363,636 newly issued shares of UTM. AMZ holds road construction, repair and maintenance permits. AMZ intends to seek road construction contracts and tenders in Mongolia.

Road construction is one of the fastest growing industries in Mongolia. The government intends to build over 10,000 kilometers of paved road in the next 10 years. As part of its goal, the government passed a law in 2012 mandating paved roads between Ulaanbaatar and each of the country's 21 province centers by 2016.

Last year Mongolia raised USD$1.8 billion in its first ever bond offering. Shortly afterward the government announced that most of the bond money would be spend on development of infrastructure and allocated USD$335 million to the road budget.

Mongolia's roads officially total 49,294 km, but only about 25% of the roads are currently paved. Most roads are little more than dirt tracks, which are usually dusty and occasionally muddy. By undertaking straightforward grading work, the roads would be quite similar to those servicing many of the mining and outback communities in Australia.

UTM's CEO, Donald Padgett, stated, "UTM is grateful for the support of its largest shareholder, Firebird Management, and its affiliated team in Mongolia, in assisting the company in the identification and incubation of new venture opportunities in Mongolia."

James Passin, UTM's Chairman, commented, "We are excited to enter the road construction industry in Mongolia. For the benefit of its shareholders, we are committed to building UTM into a significant and successful Mongolian-focused public company. Following a strategic review of the company, the Board of Directors is refocusing the company away from mineral exploration in order to participate in Mongolia's massive infrastructure growth potential."

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, Share Based Payments. Consideration consisted entirely of shares of the Company which were measured at the fair value of net assets acquired. The non-controlling interest in Ashid Munkhiin Zam LLC. was measured as 25% of the fair value of net assets acquired.

The Minister of Road, Transportation, Construction and Urban Development, granted AMZ a special permit (No. 345) for constructing and maintaining auto car roads, affiliated under Sukhbaatar District of Ulaanbaatar city, with State Registration No. 9019065099 and registration number 5548349. The permit includes the following: construct paved roads, construct roads paved with gravel, repair/maintain paved roads and roads paved with gravel, repair/maintain concrete, steel, and wooden bridges, and to build/maintain road related facilities.

The permit was issued for three years starting on April 18, 2012.

ANYA-2 SARL TRANSACTION

On May 31, 2013, the Company announced it has reached a definitive agreement to subscribe for 75,950 common shares representing 5.05% of Anya-2 Sarl ("Anya"), a private Luxembourg company for a total consideration of US$125,000. Under this agreement, UTM shall be entitled to subscribe for additional shares of Anya, so that its aggregate shareholding in Anya may reach 30.25%. Anya is a wholly owned subsidiary of Hulaan Coal Corporation ("Hulaan"), a private Canadian company. Anya in turn, owns 66% of Western Minex LLC ("WM"), a private Mongolian company, which owns the Ochiriin Bulag Gold Prospect (the "Project" or "OB").

As of September 30, 2013, the Company has not made any further acquisitions in Anya-2.

HIGHLIGHTS

Highlights for the three and nine months ended September 30, 2013 to the date of the MD&A, include:

1) Acquisition of Great Hoard Holding;
2) Acquisition of initial interest in Western Minex LLC;
3) Incorporation of wholly owned BVI subsidiaries Wishland Properties Limited and Jucca Holding Limited; and
4) Termination of exploration activity on the Undur Tolgoi License.

ON-GOING PROJECTS

Listed below is a summary of the Undur Tolgoi project and its status:

Country	Project	Commodity	Status at September 30, 2013	Future Plans	Company Ownership	Company held in
Mongolia	Undur Tolgoi	Gold and Copper	Suspension of exploration on the license.	Consider further exploration should market conditions improve.	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 September 30, 2013.

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 is in the final year of the current term. The Company plans to request a pre mining contract, which will allow an additional term of three years.

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.

Location

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

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

Geology

The 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.

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 Occurences

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.

These mineral occurences 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.

Recent exploration work

During Q4-2012 the Company undertook a field mapping exercise to geologically map the contact between the granitic pluton and the calcareous host rocks. This was previously identified as being anomalous in Pb, Zn, Ag, and Au in a soil sampling program as well as identify zones of alteration and mineralization.

During the field program 58 rock samples were taken over areas of interesting boundaries, alterations, mineralisation and lithologies. The samples were sent to ALS in Ulaanbaatar for 44 element and gold assay. The table below shows the most promising assay results.

SAMPLE	Ag ppm	Pb ppm	Zn ppm
UTMRS01	5.8	175	35
UTMRS02	4.9	1930	179
UTMRS04	6.4	1865	543
UTMRS06	14.1	7110	2020

Conclusion of the 2012 Exploration

The mapping project that was carried out in Q4 indicated that UTM and the surrounding area has undergone significant plastic and brittle deformation, resulting in many generations of folds and faults.

Sampling work carried out to date indicates that there are many areas that have anomalous base metal (Cu, Pb, Zn Ag) and gold signatures throughout the tenement. All of the encountered anomalous metal results from rock chips, have been discovered in and around quartz/calcite veins which indicated that there has been mineral rich fluids at UTM.

It is recommended that an IP program be carried out over the NW anomalous magnetic/gravity anomaly to test for sulphides hosted in quartzveins.

On June 30, 2013, the Company made the decision to suspend further exploration on the Undur Tolgoi license. Due to the current economic conditions as well as the recent decrease in gold prices, the Company, has decided that at this time it would no longer be funding exploration on this project. As at June 30, 2013, the Company recorded an impairment of $490,859 on the Undur Tolgoi property.

The Company will continue to monitor changes in the current market as well as fluctuations in gold price to determine if a future exploration program will be carried out on the Undur Tolgoi license.

SELECTED FINANCIAL INFORMATION

The following tables provide selected annual and quarterly financial information in accordance with IFRS for the Company's quarter ended September 30, 2013. In the quarter ended September 30, 2013, the Company has not generated any revenue or incurred any loss from discontinued operations or extraordinary items.

Three Months Ended	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$
March 31, 2012	(186,138)	(104,946)	(0.00)	-	-
June 30, 2012	(212,387)	(290,825)	(0.00)	-	-
September 30, 2012	(148,983)	(89,453)	(0.00)	-	-
December 31, 2012	(320,495)	(300,435)	(0.00)	-	-
March 31, 2013	(136,605)	(208,740)	(0.00)	-	-
June 30, 2013	(829,550)	(912,862)	(0.02)	-	-
September 30, 2013	(104,608)	(55,500)	(0.00)	-	-

RESULTS OF OPERATION FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

The loss for the nine months ended September 30, 2013, was $1,177,105 compared to $483,985 in the prior year.

Significant variances

The Company incurred promotional costs of $143,613 ($79,265 – prior year) during the year. A significant portion of these costs relates to the Company's participation in the Hong Kong resource show ($69,700) in April 2013, Investor relations ($34,800). In the second quarter 2012 the Company also hired an investor relations firm in which it pays $7,500 per month. The Company has since terminated all investor relation agreements.

The Company incurred professional fees of $94,623 ($211,034 – prior year). The professional fees relate to amounts paid to the Company's Chief Financial Officer, as well as audit and legal fees. The legal fees in the prior year were higher primarily due to the work performed by the lawyers in preparation of the TSX listing application and communication with the TSX.

The Company recorded a write-off of exploration and evaluation assets of $490,859 ($NIL – prior year) which relate to costs incurred on the Undur Tolgoi license. There were no such impairments in 2012.

The Company incurred other expenses of $236,055 ($143,813 – prior year). The increase is primarily due to an increase in administrative and consulting expenses in Novametal.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2013, the Company's working capital, defined as current assets less current liabilities, was $2,089,535. 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:

	September 30, 2013	December 31, 2012
Cash	**$ 1,969,088**	$ 2,789,956
Accounts receivable	**175,297**	242,950
Prepaid expenses	**19,324**	48,686
Accounts payable & accrued liabilities	**(74,174)**	(239,421)
	$ 2,089,535	$ 2,842,171

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 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.

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 maybe 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 September 30, 2013, and December 31, 2012, there were 58,987,848 common shares outstanding.

Common share issuances

There were no common shares issued in the three and nine month period ended September 30, 2013.

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.

<u>Risk management</u>

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.

<u>Foreign currency risk</u>

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. 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.

<u>Commodity and price risk</u>

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.

As at September 30, 2013, and December 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. This may also affect the Company's liquidity and its ability to meet ongoing obligations.

<u>Credit risk</u>

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

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

Key Management of UTM 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, UTM 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 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 September 30, 2013, and December 31, 2012 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 November 22, 2013, September 30, 2013, and December 31, 2012, is as follows:

	November 22 2013	September 30 2013	December 31 2012
Common shares	**64,351,484**	58,987,848	58,987,848
Stock options	**4,525,000**	4,525,000	4,525,000
	68,876,484	63,512,848	63,512,848

On November 7, 2013, UTM completed the acquisition of Great Hoard Holdings in for 5,363,636 common shares.

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.

RELATED PARTY TRANSACTIONS

Key management of the Company are members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and Vice President of Exploration. Key management remuneration includes the following:

1) Management fees include $44,256 ($44,711 – 2012) paid to Primary Venture Corporation, a Company which is associated with the Company's Chief Executive Officer. The Company has a consulting contract with Primary Venture Corp. whereby the company pays CND$10,000 a month for management fees. As at September 30, 2013, no accounts payable were due to Primary Venture Corporation.

2) Professional fees include $25,304 ($36,671 – 2012) paid to Sabino Di Paola the Company's current Chief Financial Officer and Corporate Secretary. The Company has a consulting contract with Sabino Di Paola whereby the company pays CND$100/hour for services rendered. As at September 30, 2013, accounts payable of $685 ($NIL – 2012) were due to Sabino Di Paola.

<u>Transactions with related companies</u>

As at September 30, 2013, receivables include $147,018 (December 31, 2012 - $227,528) receivable from entities with common directors in respect of reimbursement of costs. As at September 30, 2013, accounts payable of $NIL (December 31, 2012 - $16,866) were due to the related company.

All related party transactions were within the normal course of operations and have been recorded at amounts agreed to by the transacting parties.

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. As of September 30, 2013, the Company had a year-to-year agreement for the operating lease for the office premises.

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.

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. UTM competes with many other companies, which may have greater financial resources, for the opportunity to participate in projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Additional Funding and Financing Risk

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

Environmental Risk

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

Uninsured Hazards

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

Conflicts of Interest

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

Permits, Licenses and Approvals

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

Regulatory Matters

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

No source of revenue

As of the date of this MD&A, the Company has no source of income other than interest income earned on cash held in investment accounts. For the nine months ended September 30, 2013, the Company recorded $17,307 (2012 – ($193)) 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 to leverage its unique 100% owned license and local Mongolian infrastructure to create UTM 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.

Corporate Office's

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

Ottawa office
2742 St. Joseph Blvd. Suite 205,
Orleans, Ontario,
K1C 1G5

Mongolia Office
Nature Tour LLC Building
4th Floor, Chinggis Avenue-13
1st Khoroo, Sukhbaatar District
Ulaanbaatar, Mongolia

Website
www.undurtolgoi.com

Trading Symbol
CNSX: UTM

Independent Auditor
Ernst & Young LLP

Financial Institution
Bank of Nova Scotia
Jameson Bank

Transfer Agent
Equity Transfer & Trust Company, Toronto

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS

VENTURE ISSUER BASIC CERTIFICATE

I, Donald Padgett, Chief Executive Officer of Undur Tolgoi Minerals Inc., certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Undur Tolgoi Minerals Inc. (the "issuer") for the interim period ended September 30, 2013.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 22, 2013

Signed "Donald Padgett"

Donald Padgett
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS

VENTURE ISSUER BASIC CERTIFICATE

I, Sabino Di Paola, Chief Financial Officer of Undur Tolgoi Minerals Inc., certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Undur Tolgoi Minerals Inc. (the "issuer") for the interim period ended September 30, 2013.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: November 22, 2013

Signed "Sabino Di Paola"

Sabino Di Paola
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.