



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

(Canadian dollars)
(Unaudited)

Prepared by management – See Notice to Reader

NOTICE TO READER

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 to this effect. These unaudited condensed consolidated interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed consolidated interim statements of financial position of Erdene Resource Development Corporation as at March 31, 2019 and December 31, 2018 and the unaudited condensed consolidated interim statements of comprehensive loss, changes in equity and cash flows for the three months ended March 31, 2019 and 2018. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2019 and 2018 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	March 31, 2019	December 31, 2018
Assets			
Cash		\$ 3,060,317	\$ 1,748,249
Receivables		138,095	113,412
Prepaid expenses		45,826	34,633
		3,244,238	1,896,294
Exploration and evaluation assets	6	16,262,898	15,687,348
Property, plant and equipment		124,370	125,277
		16,387,268	15,812,625
Total Assets		\$ 19,631,506	\$ 17,708,919
Liabilities and Equity			
Trade and other payables		\$ 335,913	\$ 224,387
Total Liabilities		\$ 335,913	\$ 224,387
Shareholders' Equity			
Share capital	8	\$ 106,305,751	\$ 104,003,644
Contributed surplus		16,325,754	16,110,116
Accumulated other comprehensive loss		(1,145,710)	(955,713)
Deficit		(102,190,202)	(101,673,515)
Total Shareholders' Equity		19,295,593	17,484,532
Total Liabilities and Equity		\$ 19,631,506	\$ 17,708,919

Commitments and Subsequent Event (Note 7)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

Signed "John P. Byrne"

Director

Signed "T. Layton Croft"

Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Loss

(Canadian dollars)

(Unaudited)

		For the three months ended	
		March 31,	
	Notes	2019	2018
Operating Expenses			
Exploration and evaluation	9	\$ 177,550	\$ 226,587
Corporate and administration	10	346,316	486,608
Loss from operating activities		523,866	713,195
Finance income		(10,232)	(11,810)
Foreign exchange loss		3,053	278
Net Loss		\$ 516,687	\$ 701,663
Other comprehensive loss (income):			
Foreign currency translation difference			
arising on translation of foreign subsidiaries		189,997	(384,449)
Other comprehensive loss (income)		189,997	(384,449)
Total comprehensive loss		\$ 706,684	\$ 317,214
Basic loss per share		\$ 0.00	\$ 0.00
Basic weighted average number of shares outstanding		166,699,545	146,036,264

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2018		145,963,086	\$ 99,890,270	\$ 13,775,386	\$ (894,855)	\$ (98,016,525)	\$ 14,754,276
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(701,663)	(701,663)
Other comprehensive income		-	-	-	384,449	-	384,449
Options exercised		437,500	169,825	(60,450)			109,375
Share-based compensation		-	-	115,346			115,346
Total transactions with owners		437,500	169,825	54,896	-	-	224,721
Balance at March 31, 2018		146,400,586	\$ 100,060,095	\$ 13,830,282	\$ (510,406)	\$ (98,718,188)	\$ 14,661,783
Balance at January 1, 2019		162,426,416	\$ 104,003,644	\$ 16,110,116	\$ (955,713)	\$ (101,673,515)	\$ 17,484,532
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(516,687)	(516,687)
Other comprehensive loss		-	-	-	(189,997)	-	(189,997)
Private placements, net of share issue costs	8	11,014,544	2,194,102	225,692			2,419,794
Options exercised	8	325,000	78,000	(32,500)			45,500
Issue of shares from DSU plan	8	175,069	30,005	(30,005)			-
Share-based compensation	8	-	-	52,451			52,451
Total transactions with owners		11,514,613	2,302,107	215,638	-	-	2,517,745
Balance at March 31, 2019		173,941,029	\$ 106,305,751	\$ 16,325,754	\$ (1,145,710)	\$ (102,190,202)	\$ 19,295,593

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the three months ended March 31,	
	Notes	2019	2018
Cash flows from operating activities:			
Net loss		\$ (516,687)	\$ (701,663)
Items not involving cash:			
Depreciation and amortization		5,513	5,042
Share-based compensation		52,451	115,346
Finance income		(10,232)	(11,810)
Foreign exchange not related to cash		3,053	278
Change in non-cash working capital		75,339	(5,631)
Cash flows from operating activities		(390,563)	(598,438)
Cash flows from financing activities:			
Issue of common shares, net of issue costs	8	2,419,794	-
Proceeds on exercise of stock options	8	45,500	109,375
Cash flows from financing activities		2,465,294	109,375
Cash flows from investing activities:			
Expenditures on exploration and evaluation assets		(763,533)	(491,319)
Expenditures on property, plant and equipment		(6,270)	(8,301)
Interest received		10,232	11,810
Cash flows from investing activities		(759,571)	(487,810)
Effect of exchange rate changes		(3,092)	3,355
Increase (decrease) in cash and cash equivalents		1,312,068	(973,518)
Cash and cash equivalents, beginning of period		1,748,249	3,225,202
Cash and cash equivalents, end of period		\$ 3,060,317	\$ 2,251,684

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

1. Nature of operations

Erdene Resource Development Corporation ("Erdene" or the "Corporation") is a Canadian based resource company focused on the exploration of precious and base metal deposits in Mongolia. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "ERD" and the Mongolian Stock Exchange under the symbol "ERDN". The address of the Corporation's registered office is 1300-1969 Upper Water Street, Halifax, Nova Scotia, B3J 2V1.

The Corporation has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Corporation and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. Going concern

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. However, in making its assessment, management is aware of material uncertainties related to events or conditions that cast significant doubt upon the Corporation's ability to continue as a going concern, as described in the following paragraphs.

The Corporation experienced significant losses and negative cash flows from operations for the interim period ended March 31, 2019 and for the years ended December 31, 2018 and 2017 and had a deficit of \$102,190,202 at March 31, 2019. The Corporation had working capital of \$2,908,325 at March 31, 2019, compared to \$1,671,907 at December 31, 2018, representing a \$1,236,418 increase. Management estimates current working capital is sufficient to fund the Corporation's planned expenditures into early Q3 2019. The ability of the Corporation to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing equity or other forms of financing, entering joint venture agreements or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs. There is no certainty that the Corporation will be able to raise funds as they are required in the future.

These condensed consolidated interim financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate, then adjustments would be necessary to the carrying amounts of the assets, the reported revenues and expenses, and the statement of financial position classifications used.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)
(Unaudited)

For the three months ended March 31, 2019 and 2018

3. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 (the "Interim Financial Statements") have been prepared in accordance with IAS 34 - Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018 ("Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements were authorized for issue on behalf of the Board of Directors on May 7, 2019.

4. Changes in Accounting Policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 – Leases

The Corporation adopted IFRS 16 Leases with a date of initial application of January 1, 2019 using the modified retrospective approach. Accordingly, the information presented for 2018 has not been restated and is presented, as previously reported, under IAS 17 and related interpretations.

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance.

As the Corporation's current office space and staff accommodation leases have terms of less than 12 months, there is no impact to the Corporation.

5. Seasonality

The corporation's business experiences a seasonal pattern in which exploration expenditures and investments in exploration and evaluation assets are concentrated in the second and third quarters of the year due to weather conditions in Mongolia.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

6. Exploration and evaluation assets

	Khundii Gold Project	Zuun Mod Moly/Copper	Ulaan & Other	Total
Balance, January 1, 2018	\$ 9,700,832	\$ 765,795	\$ 928,216	\$ 11,394,843
Additions	4,291,555	70,074	1,388	4,363,017
Effect of movements in exchange rates	(62,077)	(4,143)	(4,292)	(70,512)
Balance, December 31, 2018	\$ 13,930,310	\$ 831,726	\$ 925,312	\$ 15,687,348
Balance, January 1, 2019	\$ 13,930,310	\$ 831,726	\$ 925,312	\$ 15,687,348
Additions	762,243	-	1,290	763,533
Effect of movements in exchange rates	(164,372)	(13,234)	(10,377)	(187,983)
Balance, March 31, 2019	\$ 14,528,181	\$ 818,492	\$ 916,225	\$ 16,262,898

The Corporation's mineral exploration and mining licenses in Mongolia are held by its subsidiaries, Erdene Mongol LLC, Anian Resources LLC and Leader Exploration LLC. Mineral exploration licenses are valid for a period of three years and, through renewals, can be extended to a maximum of twelve years, subject to minimum work requirements. Mining licenses are issued for an initial term of 30 years with two 20-year extensions possible. These rights are held in good standing through the payment of an annual license fee.

Khundii Gold Project

The Khundii Gold Project is located in Bayankhongor province in Mongolia, and is comprised of the 4,514 hectare Khundii license, including the Bayan Khundii and Altan Arrow gold prospects, and the 4,669 hectare Tsenkher Nomin license including the Altan Nar gold, silver, lead, zinc prospect. Prior to December 31, 2018, Exploration and evaluation expenditures on the Khundii license and the Tsenkher Nomin license were disclosed separately. Erdene made the decision in late 2018 to develop these licenses concurrently and has aggregated associated exploration and evaluation assets and expenditures.

The Khundii license is in its tenth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On July 1, 2016, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to this, the Corporation only capitalized the license costs associated with Khundii.

The Tsenkher Nomin exploration license is in its tenth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On January 1, 2015, having received the initial resource estimate for the Altan Nar prospect, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to 2015, the Corporation only capitalized the license costs associated with Altan Nar.

Zuun Mod/Khuvyn Khar

The property is located in Bayankhongor Province in Mongolia. The 6,041 hectare Zuun Mod property contains a molybdenum-copper resource. The mining license was issued in 2011 and is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

6. Exploration and evaluation assets (continued)

Ulaan & Other

The Ulaan exploration license covers an area of approximately 1,780 hectares, situated immediately adjacent to the Khundii license. The exploration license is in its fourth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On August 30, 2017, Erdene acquired 51% of the outstanding shares of Leader Exploration LLC, a private Mongolian company that holds the property. Erdene evaluated the acquisition considering IFRS 3, Business Combinations, and concluded that the transaction constituted the acquisition of a collection of assets, not a business.

Provided Erdene spends a minimum of US\$600,000 on work expenditures on the property by August 30, 2020, it has the right to acquire the remaining 49% of the shares of Leader, or at Erdene's option, a portion of the property, for the then fair market value of the property or the portion to be acquired. Erdene may extend the option beyond this date by spending a minimum of US\$100,000 per annum thereafter.

In April 2013, the Corporation entered into an agreement with Teck Resources Limited ("Teck"), to fund and explore the Corporation's mineral tenements in the Trans Altai region of southwest Mongolia. Under the Teck Alliance, two licenses were staked in early 2015, totaling 1,552 hectares. No major exploration work has been completed on these licenses to date.

7. Commitments

Operating commitments are as follows:

	March 31, 2019	December 31, 2018
Less than 1 year	97,269	41,957
Between 1 and 5 years	-	-
Total	\$ 97,269	\$ 41,957

The Corporation has leases for office space in Canada and Mongolia, as well as staff accommodation in Mongolia that expire within the next 12 months.

In 2019, minimum exploration expenditures of USD\$1.50 per hectare are required on the Corporation's Tsenkher Nomin and Khundii licenses (USD\$7,004 and USD\$6,771 respectively).

The Corporation must spend a total of USD\$600,000 over three years to have the right to purchase any (or all) of the remaining 49% of Leader (Ulaan). The Corporation can extend the option period beyond three years by spending an additional USD\$100,000 per year on exploration work (see Note 6).

On April 21, 2016 the Corporation granted Sandstorm Gold Ltd. ("Sandstorm") a 2% net smelter returns royalty ("NSR Royalty") on Erdene's Tsenkher Nomin and Khundii licenses. Subsequent to period end, on April 12, 2019, Erdene repurchased 50% of the NSR Royalty for \$1.2 million, reducing the NSR Royalty to 1%.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

8. Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued

On February 28, 2019 the Corporation closed a non-brokered private placement financing for gross proceeds to the Corporation of \$2,533,345. The Corporation issued an aggregate of 11,014,544 Units of the Corporation at a price of \$0.23 per Unit. Each Unit consists of one common share and one Warrant. Warrants are exercisable by the holder into one common share of the Corporation within two years of the closing date, at a price of \$0.40 if exercised within twelve months of the closing date and at a price of \$0.50 if exercised more than twelve months after the closing date. The Corporation paid finder's fees of \$62,116 and issued 270,070 finder's warrants in connection with the Offering. The finder's warrants are exercisable on the same terms as the unit Warrants. In addition, the Corporation paid \$51,435 in share issue costs on the private placement, resulting in net proceeds of \$2,419,794.

Share-Based Compensation

For the three months ended March 31, 2019, the Corporation charged a total of \$52,451 of share-based compensation expense to the statement of comprehensive loss (2018 – \$115,346) of which \$4,377 is attributable to exploration expenses (2018 – \$9,192).

Stock Options

Options granted under the Corporation's option plan vest immediately and are exercisable over a period of five years. Any consideration paid by the optionee on the exercise of options is recorded in share capital. During the three months ended March 31, 2019, the Corporation issued 325,000 shares on the exercise of options, generating gross proceeds of \$45,500. Option transactions and the number of options outstanding at March 31, 2019 are summarized as follows:

	Number of options	Weighted average exercise price
Outstanding at January 1, 2019	11,335,000	\$ 0.43
Granted	-	-
Expired	-	-
Exercised	(325,000)	0.14
Outstanding at March 31, 2019	11,010,000	\$ 0.44

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model and resulted in a charge of \$0 (2018 – \$74,500) to share based compensation included in exploration expenses and in corporate and administration expenses.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

8. Share Capital (continued)

At March 31, 2019, the Corporation had the following options outstanding:

Range of prices	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price of exercisable options
\$0.15 - \$0.24	3,180,000	1.22	\$ 0.16
\$0.25 - \$0.49	5,010,000	3.44	0.38
\$0.50 - \$0.87	2,820,000	3.03	0.86
	11,010,000	2.69	\$ 0.44

Warrants

During the three months ended March 31, 2019, the Corporation issued 11,014,544 warrants and 270,070 finder's warrants as part of the February 28, 2019 non-brokered private placement financing. The warrants are exercisable by the holder into one common share of the Corporation within two years of the closing date, at a price of \$0.40 if exercised within twelve months of the closing date and at a price of \$0.50 if exercised more than twelve months after the closing date.

Warrant transactions and the number of warrants outstanding at March 31, 2019 are summarized as follows:

	Number of warrants	Weighted average exercise price
Outstanding at January 1, 2019	12,389,904	\$ 0.65
Issued	11,284,614	0.40 - 0.50
Expired	(1,075,324)	1.20
Outstanding at March 31, 2019	22,599,194	\$ 0.53

The remaining contractual lives of warrants outstanding at March 31, 2019, are as follows:

Weighted average exercise price	Number of warrants outstanding	Weighted average remaining contractual life (years)
\$0.40 - \$0.65	22,599,194	1.81
	22,599,194	1.81

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

8. Share Capital (continued)

Deferred Share Units

Deferred Share Units (“DSU”) granted under the Corporation’s plan to directors and employees have no expiration date and are redeemable upon termination of service. During the three months ended March 31, 2019, the Corporation granted 238,412 DSUs with a fair value of \$0.22 per DSU (2018 – 97,254 DSUs with fair value of \$0.42 per DSU). The fair value of \$52,451 (2018 – \$40,847) was charged to share based compensation included in exploration expenses and corporate and administration expenses. Also, during the three months ended March 31, 2019, Erdene issued 175,069 shares from the DSU plan at \$0.17 per DSU (2018 - \$0).

DSU transactions and number of DSUs outstanding at March 31, 2019 are summarized as follows:

	Number of DSUs	Weighted average grant price
Outstanding at January 1, 2019	3,954,118	\$ 0.19
Granted	238,412	0.22
Issued	(175,069)	0.17
Outstanding at March 31, 2019	4,017,461	\$ 0.19

9. Exploration and evaluation expenses

The following table summarizes Exploration and evaluation expenses for the three-month periods ended March 31, 2019 and 2018:

	For the three months ended March 31	
	2019	2018
Depreciation & amortization	\$ 3,606	\$ 3,548
Direct costs	107,058	135,043
Employee compensation costs	62,509	78,804
Share-based compensation	4,377	9,192
	\$ 177,550	\$ 226,587

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

10. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three-month periods ended March 31, 2019 and 2018:

	For the three months ended March 31	
	2019	2018
Administrative services	\$ 109,916	\$ 121,293
Depreciation and amortization	1,912	1,499
Directors fees and expenses	27,918	24,035
Investor relations and marketing	32,223	65,171
Office and sundry	31,918	29,383
Professional fees	31,799	62,302
Regulatory compliance	48,237	60,322
Share-based compensation	48,074	106,154
Travel and accommodations	14,319	16,449
	\$ 346,316	\$ 486,608

11. Financial instruments

Credit Risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	March 31, 2019	December 31, 2018
Cash	\$ 3,060,317	\$ 1,748,249
Receivables	138,095	113,412
	\$ 3,198,412	\$ 1,861,661

The Corporation manages credit risk by holding the majority of its cash with a Canadian Schedule I bank, where management believes the risk of loss to be low. At March 31, 2019, \$79,605 or approximately 3% of the balance of cash was held in banks outside Canada (December 31, 2018 – \$66,342 or 4%).

Liquidity Risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The corporation does not have sufficient working capital to meet budgeted expenditures for 2019 and must obtain additional financing to avoid disruption to its operations (see note 2).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

11. Financial instruments (continued)

Market Risk:

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

a) Interest rate risk

As of March 31, 2019, the Corporation has no interest-bearing debt and is not exposed to significant interest rate risk.

b) Foreign currency risk

The Corporation operates in Mongolia, giving rise to foreign currency risk. To limit the Corporation's exposure to this risk, cash balances are primarily held with Canadian financial institutions. Based on the timing of the Corporation's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favourable rates in line with the Corporation's budgets; otherwise, the Corporation does not use any form of hedging against fluctuations in foreign exchange.

The Corporation's exposure to US dollar currency risk was as follows:

	March 31, 2019	December 31, 2018
Cash	\$ 142,397	\$ 96,157
Trade and other receivables	-	-
Trade and other payables	(10,917)	(24,244)
	\$ 131,480	\$ 71,913

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by approximately \$13,100 (December 31, 2018 - \$7,200).

The Corporation's exposure to Mongolian Tugrik currency risk was as follows:

	March 31, 2019	December 31, 2018
Cash	\$ 12,643	\$ 3,432
Trade and other receivables	6,642	7,218
Trade and other payables	(8,430)	(22,159)
	\$ 10,855	\$ (11,509)

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss and deficit by approximately \$1,100 (December 31, 2018 - \$1,200).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

11. Financial instruments (continued)

c) Price risk

The Corporation's financial instruments are not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Corporation has no significant revenues.

Fair Value:

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statements of financial position or disclosed in the notes to the financial statements are as follows:

	March 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Cash and cash equivalents	\$3,060,317	\$ -	\$ -	\$1,748,249	\$ -	\$ -
Receivables	-	138,095	-	-	113,412	-

12. Related Party Transactions

Key management includes members of the Board, the President & CEO, the Vice-President & CFO, the Vice-President Exploration, the Vice-President Operations and the Vice-President Regulatory Affairs & Strategy. The aggregate total compensation paid to key management for employee services is shown below.

	Three months ended March 31	
	2019	2018
Salaries and other short-term employee benefits	\$ 188,969	\$ 206,762
Share-based payments	11,693	16,297
	\$ 200,662	\$ 223,059



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three months ended March 31, 2019

Contents

	Page No.
Company Overview	3
Highlights and Significant Subsequent Events	3
Strategy and Outlook	4
Development and Exploration Projects	4
Erdene's Khundii Gold District in Southwest Mongolia	4
Khundii Gold Project	5
District Scale Exploration	9
Acquisitions	11
Discussion of Operations	11
Summary of Quarterly Results	13
Liquidity and Capital Resources	13
Outstanding Share Data	14
Contractual Obligations	14
Other Financing Arrangements and Commitments	14
Off-Balance Sheet Arrangements	15
Critical Accounting Estimates	15
Adoption of New Accounting Standards	16
Financial Instruments and Other Risks	16
Disclosure Controls and Internal Controls Over Financial Reporting	18
Qualified Person	18
Other Information	18

This Management Discussion and Analysis ("MD&A"), dated May 8, 2019, relates to the operating results and financial condition of Erdene Resource Development Corporation ("Erdene" or the "Company" or the "Corporation") and should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 and 2018, audited consolidated financial statements for the years ended December 31, 2018 and 2017, and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities, budgeted financial results and events or developments that the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions (including, but not limited to, assumptions in connection with the continuance of the Corporation and its subsidiaries as a going concern, general economic and market conditions, mineral prices, and the accuracy of mineral resource estimate), such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration and evaluation results, continued availability of capital and financing and general economic, market or business conditions.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2018, a copy of which is available on the Corporation's SEDAR document page at www.sedar.com.

Any financial outlook or future-oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of the Corporation as of the date of this MD&A. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this MD&A.

Company Overview

Erdene Resource Development Corporation is a Canadian based resource company focused on the acquisition, exploration, and development of precious and base metal deposits in underexplored and highly prospective Mongolia. The Company has interests in four exploration licenses as well as a mining license in Southwest Mongolia, where exploration success has led to the discovery of the Khundii Gold District. Erdene is listed on the Toronto Stock Exchange (TSX: ERD) and the Mongolian Stock Exchange (MSE: ERDN).

Erdene's deposits are located in the Edren Terrane, within the Central Asian Orogenic Belt, host to some of the world's largest gold and copper-gold deposits. Although epithermal gold and porphyry copper-gold deposits are well documented across the border in China and along the Belt's westward trend, exploration in Mongolia was limited until the mid-1990's, when the country opened to foreign investment. Since that time, exploration in southeast Mongolia led to the discovery of the world-class Oyu Tolgoi gold-copper deposit. Erdene has been the leader in exploration in Mongolia's southwest and is responsible for the discovery of the Khundii Gold District. Within the Khundii Gold District, the Company has discovered multiple high-grade gold and base metal prospects, two of which are being considered for development: Bayan Khundii and Altan Nar. In addition, the Company discovered and defined a large molybdenum-copper resource on its 100% owned Zuun Mod project, 40 kilometres to the east.

In December 2018, Erdene announced a positive Preliminary Economic Assessment ("PEA") study for the Khundii Gold Project, comprised of its Bayan Khundii and Altan Nar deposits. Prepared by RPM Global, this independent study confirmed the high-return, low-capital and low-operating cost potential of the project, that will form the cornerstone development in the emerging Khundii Gold District. Erdene commenced a Pre-Feasibility Study ("PFS") for the Khundii Gold Project in March 2019

While focused on development of the Khundii Gold Project, Erdene continues to explore the broader Khundii Gold District. The region hosts the full spectrum of arc-related base and precious metal systems, including copper-molybdenum porphyries, intermediate sulphidation/carbonate base metal gold deposits, and low sulphidation epithermal gold and gold-silver systems. Exploration of the district remains in the early stages, however, results to date demonstrate the potential for additional discoveries.

Highlights and Significant Subsequent Events

Khundii Gold Project – 100% Erdene

- Commenced a NI 43-101 Pre-Feasibility Study ("PFS") for Khundii Gold Project:
 - Tetra-Tech Inc., a leading global engineering firm will manage the study.
 - Blue Coast Research is performing metallurgical testing to support the PFS.
 - Sustainability East Asia LLC will conduct the Environmental and Social Impact Assessment for the PFS and for Mongolian regulatory purposes.
- Received Mongolian Mineral Council approval for Bayan Khundii resource registration:
 - Bayan Khundii mining license expected to be received by end of June.
 - Altan Nar mining license application is underway.
- Completed an 1,800 metre drill program in April 2019 at Bayan Khundii:
 - Focused on extending the open-pit perimeter, increasing the continuity of the highest-grade zones and expanding the resource.
 - Cores are at the laboratory for analysis with results expected in mid-May.

Corporate

- Raised C\$2.53 million in February 2019 to launch the Khundii Gold Project PFS, mining license applications, the repurchase of the Sandstorm NSR royalty and general working capital:
 - At the date of this MD&A, the Corporation had \$1.1 million in working capital.
- Repurchased 50% of the Khundii NSR Royalty from Sandstorm Gold on April 12, 2019:
 - Fair value of the NSR royalty implied by the Khundii Gold Project PEA was well in excess of the C\$1.2 million repurchase price.

Khundii Gold Project

The Khundii Gold Project is comprised of the Company's high-grade near-surface Bayan Khundii and Altan Nar deposits. The Bayan Khundii ("Rich Valley") gold project is located on Erdene's 100%-owned, 4,514 hectare, Khundii exploration license in southwest Mongolia. The license is in its tenth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia.

The Bayan Khundii prospect was discovered in Q2 2015, with initial drill results reported in Q4 2015; the first hole returned 7 metres of 27.5 g/t gold at 14 metres depth. Bayan Khundii has become the highest priority project for the Corporation based on its high grades, proximity to surface, and favorable metallurgy. The Corporation has completed 42,656 metres of diamond drilling at Bayan Khundii, comprised of 255 diamond drill holes. Drilling has identified three main areas of very high-grade gold mineralization with strong continuity, the Striker Zone, where mineralization starts from surface, and Midfield and North Midfield Zones that extend to the northeast under younger, post-mineralization cover. The high-grade gold zones within these three areas can be very wide, grading in excess of 5 g/t gold over more than 50 metres. Step-out drilling in 2017 indicated that mineralization encountered in the Midfield Zone, located 200 metres northeast from Striker Zone, extends for at least 280 metres further to the northeast under younger cover. The Midfield and North Midfield Zones have returned some of the highest grades and the longest mineralized intervals at Bayan Khundii; BKD-98 returned 80 metres of 6.0 g/t gold from 42 metres depth, and BKD-231 returned 14 metres of 158 g/t gold, including one metre of 2,200 g/t gold.

The 100%-owned Altan Nar ("Golden Sun") deposit is located on the Corporation's 4,669 hectare Tsenkher Nomin exploration license, 16 kilometres northwest of Bayan Khundii. The exploration license is in its tenth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. The license hosts 18 mineralized (gold, silver, lead, zinc) target areas within a 5.6 by 1.5 kilometre mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), are the most advanced targets. These properties host wide zones of high-grade, near-surface mineralization, and were the focus of an updated resource estimate released in Q2 2018, as well as detailed metallurgical processing test-work. Some of the updated mineral resources announced in Q2 2018 were from the remaining 16 targets, however, most of these are still considered early-stage and are interpreted by the Corporation as having good potential for hosting additional resources.

Mineral Resources

Erdene announced the maiden resource estimate for the Khundii Gold Project, dated September 12, 2018, prepared in accordance with NI 43-101 by RPMGlobal Asia Limited ("RPM"). The Khundii Gold Project Resource includes the Maiden Mineral Resource estimate for the Bayan Khundii deposit and incorporates the significant increase in the NI 43-101 Mineral Resource for the Altan Nar deposit reported in May 2018. The Bayan Khundii Mineral Resource incorporates 255 diamond drill holes totaling 42,656 metres, completed between Q4 2015 and Q2 2018. The Mineral Resource is contained within a near-surface, shallow-dipping and strongly gold mineralized system that extends over an area of 1.2 kilometres (NE-SW) by 200 to 400 metres (NW-SE). Grade capping for the purposes of the Bayan Khundii deposit resource estimate averaged 51 g/t gold for high-grade domains (range from 8 g/t to 250 g/t gold) and a maximum of 1.5 g/t gold for the low and medium grade domains.

A summarized sensitivity analysis of the grade and tonnage relationships at various cut-off grades for the Khundii Gold Project is shown in the table below¹:

Cut-Off Grade ²	Resource Classification	Quantity (Mt)	Gold Grade (g/t)	Gold Ounces (000)	AuEq Grade (g/t)	AuEq Ounces (000)
0.2	Measured & Indicated	23.6	1.2	904	1.4	1,046
	Inferred	16.8	0.8	416	1.0	511
0.4	Measured & Indicated	15.1	1.7	824	2.0	965
	Inferred	8.6	1.2	342	1.6	436
0.6 / 0.7 ³	Measured & Indicated	10.1	2.3	751	2.7	886
	Inferred	5.2	1.8	291	2.3	382
1.0	Measured & Indicated	6.8	3.1	678	3.7	803
	Inferred	3.9	2.1	261	2.9	349
1.4	Measured & Indicated	5.5	3.7	642	4.3	755
	Inferred	3.4	2.3	250	3.0	333

(1) Combined resources from Bayan Khundii and Altan Nar.

(2) Cut-off grades for Altan Nar are AuEq and for Bayan Khundii are gold only.

(3) RPM recommended cut-off grade for Bayan Khundii is 0.6 g/t gold and Altan Nar is 0.7 g/t AuEq above a pit and 1.4 g/t AuEq below the same pit shell.

Preliminary Economic Assessment

On December 18, 2018, Erdene announced results of an independent Preliminary Economic Assessment (“PEA”) study for its 100%-owned Khundii Gold Project (the “Project”) in southwest Mongolia. The PEA was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) by RPMGlobal Asia Limited.

The PEA envisions a high-grade, open-pit mine beginning at the Bayan Khundii Striker Zone, expanding into adjacent zones within Bayan Khundii, prior to incorporating resources from the Altan Nar deposit. The development incorporates a conventional gravity separation circuit and a carbon in pulp plant with processing capacity of 1,800 tonnes per day.

The PEA includes 2.7 million minable tonnes from the Bayan Khundii resource at an average head grade of 3.65 g/t gold, of which 98% are Measured and Indicated Resources. The Altan Nar deposit contributes 1.9 million minable tonnes at an average head grade of 3.11 g/t gold, of which 70% are Measured and Indicated Resources.

The PEA is by nature, a preliminary economic study, based in part on Inferred Resources. Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves which is required for a prefeasibility or feasibility study. Mineral resources that are not mineral reserves do not have demonstrated economic viability and there is no certainty that the PEA will be realized.

Key Project metrics are presented in the following table:

Assumptions		
Gold Price	US\$/oz	1,200
Production Profile		
Average Head Grade Over Life of Mine ¹	g/t gold	3.42
Project Life ²	years	11
Operating Life	years	8
Target Production Rate Per Day ³	tpd	1,800
Average Annual Saleable Gold	oz	51,200
Peak Annual Saleable Gold	oz	68,100
Total Gold Production LOM	oz	412,000
Average Gold Recovery Rate Over Life of Mine	%	82%
Strip Ratio	tonne:tonne	10.5:1
LOM Cash Cost plus Sustaining Cost (AISC) ⁴	US\$/oz	714

Project Economics		
Pre-Tax Net Present Value		
5% discount rate	US\$M	135
7.5% discount rate	US\$M	119
10% discount rate	US\$M	105
After-Tax Net Present Value		
5% discount rate	US\$M	99
7.5% discount rate	US\$M	86
10% discount rate	US\$M	76
Internal Rate of Return and Payback		
Pre-Tax Internal Rate of Return	%	70%
After-Tax Internal Rate of Return	%	56%
Payback Period Post-Construction ⁵	years	1.8
Capital Requirements		
Pre-production Capital Cost, including contingency	US\$M	32
LOM Sustaining Capital Cost	US\$M	8

(1) Average diluted head grade of mineralised rock fed to process plant.

(2) Project life includes one year pre-production period, eight year operating life and two year mine closure.

(3) Assumes process plant operates for 8,000 hours per annum to achieve the target production rate of 600 ktpa.

(4) Operating costs reported in terms of saleable gold ounces, including Royalty and Refining Charges of US\$62/oz.

(5) Payback period calculated on an undiscounted, after-tax cash flow basis.

The following table shows the change in the after-tax NPV and IRR over a range of gold prices and discount rates, demonstrating the impact of higher gold prices and the Project's resiliency to lower prices:

Gold Price Sensitivity Analysis	Units	US\$1,150	US\$1,200	US\$1,250	US\$1,300
NPV (5% discount rate)	US\$M	86	99	111	124
NPV (7.5% discount rate)	US\$M	75	86	98	110
NPV (10% discount rate)	US\$M	65	76	86	97
IRR	%	50%	56%	62%	68%

The PEA is based on an open-pit mining operation targeting 600,000 tonnes per year of feed material for the process plant. The total mineable mineralised plant feed is 4.6 million tonnes at an average diluted head grade of 3.42 g/t and strip ratio of 10.5:1 (waste tonne:plant feed tonne).

The PEA study assumes processing of ROM material via a conventional gravity separation circuit and a carbon in pulp plant. The ore-processing plant will be located adjacent to the Bayan Khundii open pit and throughput will target 1,800 tonnes per day. Using an estimated mill recovery of 82%, total recovered gold over the project life is 412,000 ounces.

Operating costs are based on the mining and processing scenario outlined above and assumes contract mining. All other activities are assumed to be owner-operated. The contingency is estimated at 10% and applied to all cost centres except "Royalty and Charges". The all-in sustaining cost (that is, operating cost and sustaining capital cost) is estimated at US\$714/oz.

Cost Centre	Life of Mine		
	(US\$millions)	US\$/oz	US\$/tonne
Mine Operating Cost	134	326	29
Processing Cost	76	183	16
Site G&A	30	73	7
Product Cost	2	6	1
Royalty (5% NSR) and Charges	26	62	6
Contingency	24	58	5
Total Operating Costs	292	708	64
Sustaining Capital	3	6	1
All-In Sustaining Cost	295	714	65

The initial capital cost (Year 0), primarily comprising construction of the process plant and supporting infrastructure, is estimated at US\$32 million. The PEA contemplates a mining contractor utilizing mining equipment which if purchased outright would add \$38 million to capital costs. All major facilities including the process plant are proposed to be located at the Bayan Khundii site. In Year 3 the supporting infrastructure for the Altan Nar site is constructed at an estimated cost of US\$1 million, including the upgrade of the road to Bayan Khundii. The infrastructure and process plant estimates include a 20% contingency.

Sustaining capital of US\$3 million is included in the mine plan and mine closure costs are estimated at US\$4 million. Total capital expenditures over the life of mine are estimated at US\$40 million.

Item	Bayan Khundii (US \$millions)	Altan Nar (US \$millions)	Total (US \$millions)
Process Plant	16	-	16
Site Buildings	3	-	3
Accommodation Village	2	-	2
Airstrip	1	-	1
Roads	1	1	2
Engineering & Support	4	-	4
Engineering Contingency	5	-	5
Subtotal Plant & Infrastructure	32	1	33
Mine Closure	3	1	4
Sustaining Capital	2	1	3
Total	37	3	40

The Company sees the following opportunities to increase value at the Khundii Gold Project:

- Higher Grade Upside: The very high-grade nature of the deposit provides upside, should continuity of the ultra high-grade zones be established during mining. The highest gold values in the block model supporting the PEA are 55 g/t, while more than 40 intersections ranging from 50 g/t to 2,200 g/t gold were encountered during drilling.
- Additional Resources at Bayan Khundii: Approximately 60,000 ounces of Indicated Resources and 70,000 ounces of Inferred Resources grading more than 4 g/t are located outside the mineable open-pit for the PEA. The majority of these resources are contained within the West Striker Area, approximately 100 metres from the ultimate pit wall, situated at around 100 metres depth. Accessing these resources by underground methods will be considered in a future study.
- Additional Resources at Altan Nar: The majority of the resource contained at the Altan Nar Project remains undeveloped in the current PEA. Further drilling and metallurgical work are required to incorporate this material into development scenarios.
- Exploration Potential: The Bayan Khundii and Altan Nar deposits are situated in a highly prospective region that has received minimal historical exploration. The Company, through its proprietary regional database and experience in the region, is well positioned to add resources through exploration.
- Recovery Upside: The Bayan Khundii mineralized material has an average recovery of 92% in the PEA. However, master composite sample testing indicates that recoveries of up to 99% are possible for high-grade material. For Altan Nar material, an average recovery of 62% has been applied due to arsenopyrite content of the ore. Master composite testing of representative samples from the Discovery Zone pit has returned recoveries of up to 88%. Further metallurgical testing could support higher recoveries.
- Mine Planning: The PEA represents the first step toward addressing the viability of a mining operation at the Khundii Gold Project. Further work may identify cost saving opportunities such as improved pit sequencing through pit phasing, waste haul optimization including in-pit dumping, reduced dilution and loss through application of more selective mining techniques and interim pit design targeting improved early grades.
- Mine Equipment Selection: There is opportunity to utilize Tier 2 suppliers for non-critical equipment, reducing capital and operating costs.
- Land Acquisition: The Mongolian Ministry of Mining and Heavy Industry has recently reopened the tender licensing system, and the Company expects prospective licenses to be released in 2019. The Company has identified multiple priority targets surrounding the district and will be an active participant in the tender processes for these properties.

District Scale Exploration

Erdene continues to evaluate opportunities throughout the Edren Terrane, within our licenses and elsewhere in the mineralized belt. This has led to the identification of prospects that are being explored through surface surveys on the company's five licenses, drilling of selected targets and evaluation of acquisition targets on private and government held ground.

Exploration within the licenses has identified significant gold mineralization. Approximately 70% of regional drill holes have intersected anomalous gold mineralization (defined as >0.1 g/t gold), with three holes intersecting greater than 20 g/t gold over 1 to 2 metre intervals. Regional drilling has been restricted to shallow targets with average drill depths of about 100 metres. Success has been driven by the abundance of untested, near surface geochemical and geophysical targets in a region that has had no previous modern exploration. Recent exploration successes testing shallow targets, and the definition of three deposits, exposed at surface, are testament to the discovery potential of this new district.

Altan Arrow Gold Target

The Altan Arrow target is located 3.5 kilometres north of the Bayan Khundii gold deposit, along a gold bearing structure in the central portion of the Bayan Khundii license. Drilling has concentrated in an area along and south of the main structure, where several high-grade zones have been intersected, including 39 g/t over 1m and 24 g/t and 70 g/t over 2 metres. Overall, 85% of the 20 holes (2,552 metres) drilled at Altan Arrow have intersected anomalous gold.

Erdene drilled 10 holes at Altan Arrow in 2018, totaling 1,412 metres, to test extension along trend of the main structure and at depth. This work extended the mineralized structure 500 metres to the west where AAD-18 intersected multiple 2 to 4 metre wide zones of anomalous gold in epithermal quartz adularia veins and stockwork breccias zones containing up to 1.3 g/t gold. Current exploration drill testing of the main mineralized structure indicates a broad corridor of anomalous gold over a 1.2 kilometre trend (open along strike) and up to 400 metres south of the main structure in what is interpreted as secondary structural splays. In addition, drill testing of these structural splays, south of the main zone, returned multiple intersects at deeper levels than typically tested (approximately 100 metres vertical depth) with gold grades ranging from 0.2 to 2.6 g/t with anomalous Ag, Mo, Pb, Zn and Sb (AAD-25). Exploration results suggest gold mineralization within the district is controlled by a structure associated with zones of major dilatancy and structural intersections. Such zones commonly have associated alteration events that are magnetite destructive, resulting in zones of low magnetic response. In advance of future drilling the company has completed a high-resolution magnetic survey to further refine targets within these zones.

Khundii North Gold Target

The Khundii North target is located 4 kilometres northeast of the Bayan Khundii gold deposit, on the Bayan Khundii license, and was drill tested for the first time in 2018. The area was identified in surface exploration mapping in late 2017, when sampling of quartz vein material returned high grade gold mineralization of up to 22 g/t gold from a structurally controlled quartz vein stockwork and breccia zone traced over 650 metres. Five holes, totaling 656 metres and averaging 93 metres vertical depth have now tested the structure, comprised of three in the south and two in the north, separated by approximately 500 metres. Although the northern holes returned only minor levels of anomalous gold, the southern holes intersected wide zones of intense multi-phase epithermal quartz stockwork and breccia at depth within an altered monzonite. These stockwork zones are continuous, with up to 35 metre widths (AAD-29) and have associated anomalous gold, locally up to 2.1 g/t over 1 metre intervals (AAD-30) and locally anomalous copper (>500ppm). The Khundii North target provides a new high priority exploration area.

Central Structure Zone Gold Target

In Q3 2018 the company tested a newly-identified structural target on the Bayan Khundii license, 800 metres northwest of the Bayan Khundii deposit. The Central Structure Zone ("CSZ") target has very limited surface exposure and was identified as a drill target based on similar geophysical features to the Bayan Khundii deposit. Three shallow holes (AAD-31-33) testing an average vertical depth of 75 metres were collared along a 500 metre trend. Although the style of quartz veining and the hematite/specularite veinlets in the volcanic host intersected display similar characteristics to that of the main zones at Bayan Khundii, gold content was not anomalous. A sample of clay alteration in this area contained smectite suggesting the area is marginal to the higher temperature illite bearing gold zones observed at Bayan Khundii. Given this zone is separated from the main Bayan Khundii zone by an unaltered volcanic host, it is possible that CSZ occurs at shallower paleo setting above the higher temperature gold mineralized illite zone. Additional structural, geophysical and spectral mapping is underway to determine whether drilling of deeper targets should be undertaken within the CSZ target.

Ulaan Copper-Gold Porphyry Target

On August 30, 2017 the Corporation acquired a 51% interest in the Ulaan exploration license ("Ulaan Property"), immediately west of its high-grade Bayan Khundii deposit. The Ulaan Property covers approximately 1,780 hectares and hosts a 3-kilometre diameter, intense surface alteration zone with characteristics thought to be related to a porphyry intrusion at depth. The exploration license is in its fourth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. Provided Erdene spends a minimum of US\$600,000 on the Ulaan Property by August 30, 2020, it has the right to acquire the remaining 49% of the property for the then fair market value. Erdene may extend the option beyond this date by spending a minimum of US\$100,000 per annum thereafter.

Rock chip and stream sediment geochemical sampling identified anomalous concentrations of gold, copper and molybdenum in the surrounding area, and recently completed geophysical surveys have produced a number of follow-up targets.

Three wide spaced holes were drilled during Q3 2018, totaling 1,050 metres over a 1.3 kilometre area in the central portion of the license. The holes intersected volcanic to sub-volcanic rocks exhibiting propylitic to phyllic quartz-sericite-pyrite ("QSP") alteration with varying concentrations of pyrite and locally low-level copper mineralization. The most westerly hole tested a positive gravity anomaly and coincident IP chargeability anomaly to 300 metres depth. The two other holes tested coincident moderate to high chargeability and magnetic high signatures associated with high temperature sericite clay alteration. Pyrite mineralization was observed throughout with most intense concentrations coincident with the zones of high chargeability. The most easterly hole, UDH-02 provided the most encouraging results exhibiting sheeted to stockwork quartz-pyrite veining locally, associated with elevated copper values (100 to 300ppm over 60m) relative to the background copper levels established in UDH-01 and UDH-03. UDH-02 also exhibits a distinct zonation from propylitic into phyllic alteration at depth. The phyllic alteration coincides with an increase in pyrite mineralization occurring both as disseminations and veinlets as well as increasing magnetic intensity. Continued work including spectral analysis of clay minerals and age dating is underway. A comprehensive review of all results will be completed prior to decisions on future exploration.

Zuun Mod Molybdenum Project

The Zuun Mod Molybdenum Project is a porphyry molybdenum-copper deposit located in southwest Mongolia on the Company's Khuvyn Khar license. This project is approximately 950 kilometres southwest of Ulaanbaatar and 215 kilometres from railhead on the Mongolia-China border at Ceke. The railhead is located 50 kilometres south of the Nariin Sukhait and Ovoot Tolgoi coal mines. The property consists of a mining license totaling 6,041 hectares. The mining license is registered in the name of Anian Resources LLC, a wholly owned subsidiary of the Corporation, and has an initial term of 30 years. This project was acquired from Gallant Minerals Limited in 2005 and is subject to a net smelter returns royalty ("NSR Royalty") of 1.5%, subject to a buy-down provision.

In Q2 2011, the Corporation released a NI 43-101 compliant resource estimate for Zuun Mod containing a Measured and Indicated Resource of 218 million tonnes ("Mt") at an average grade of 0.057% molybdenum, and 0.069% copper at a cut-off grade ("COG") of 0.04% molybdenum. This equates to 273.5 million pounds ("M lbs") of contained molybdenum metal and 330.7 M lbs of contained copper metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% molybdenum and 0.065% copper, equating to a further 191.8 M lbs of contained molybdenum metal and 240.5 M lbs of contained copper metal.

The Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. Market demand for molybdenum has recently improved, with the price of molybdenum oxide rising to approximately US\$12.00 per pound from approximately US\$7.25 per pound in 2017. The Corporation will continue to evaluate its options in light of technological and market factors. Discovery of additional copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Further details on the Zuun Mod resource can be found in the "Technical Report Zuun Mod Porphyry Molybdenum-Copper Project, South-Western Mongolia, National Instrument 43-101 Independent Technical Report" dated June 2011, filed on SEDAR.

Khuvyn Khar Copper-Silver Project

The Khuvyn Khar copper-silver project is located on the Zuun Mod property, approximately 2.2 kilometres north of the Zuun Mod molybdenum-copper porphyry deposit on the Company's Khuvyn Khar license. Exploration work at Khuvyn Khar has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys, and wide spaced drilling. Previous drilling intersected 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (ZMD-121). The Project has a very large copper mineralized zone trending over 900 metres with multiple zones in three drill holes returning assays in excess of 0.2% copper over significant widths (12 to 42 metres).

Acquisitions

Mongolia's Ministry of Mining and Heavy Industry announced a re-opening of the licensing system during Q3 2018. Erdene has established the largest proprietary geologic database of Southwest Mongolia with a priority list of acquisition targets. The Company will participate in the tendering process as its priority targets are opened for tender. The Company has also been evaluating privately held licenses for acquisition. Erdene's alliance with Teck remains active and the companies continue to work together in Southwest Mongolia.

Discussion of Operations

Three months ended March 31, 2019 and 2018

The tables below detail exploration and evaluation expenditures for the three months ended March 31, 2019 and 2018. The Khundii Gold Project was the focus of the Corporation's efforts during these periods.

Period ended March 31, 2019	Khundii Gold			Total
	Project	Zuun Mod	Ulaan & Other	
Exploration expenditures				
Mining studies and permitting	\$ 493,771	\$ -	\$ -	\$ 493,771
Exploration, camp and field	217,123	10,249	86,760	314,132
Mongolian office costs	-	-	73,270	73,270
Travel and other	19,584	-	1,886	21,470
Stakeholder relations	28,210	-	-	28,210
Share-based compensation	-	-	4,376	4,376
Drilling, trenching, sampling and assaying	3,048	467	542	4,057
License costs	507	-	1,290	1,797
Total exploration expenditures	762,243	10,716	168,124	941,083
Capitalized expenditures	(762,243)	-	(1,290)	(763,533)
Expensed exploration costs 2019	\$ -	\$ 10,716	\$ 166,834	\$ 177,550
E&E assets, January 1, 2019	\$ 13,929,546	\$ 831,726	\$ 926,076	\$ 15,687,348
Additions	762,243	-	1,290	763,533
Effect of movements in exchange rates	(164,372)	(13,234)	(10,377)	(187,983)
E&E assets, March 31, 2019	\$ 14,527,417	\$ 818,492	\$ 916,989	\$ 16,262,898

Period ended March 31, 2018	Khundii Gold			Total
	Project	Zuun Mod	Ulaan & Other	
Exploration expenditures				
Mining studies and permitting	\$ 154,082	\$ -	\$ -	\$ 154,082
Exploration, camp and field	223,887	9,436	95,571	328,894
Mongolian office costs	-	-	97,315	97,315
Travel and other	42,634	-	3,774	46,408
Stakeholder relations	68,182	-	3,702	71,884
Share-based compensation	-	-	9,193	9,193
Drilling, trenching, sampling and assaying	1,146	665	6,931	8,742
License costs	-	-	1,388	1,388
Total exploration expenditures	489,931	10,101	217,874	717,906
Capitalized expenditures	(489,931)	-	(1,388)	(491,319)
Expensed exploration costs 2018	\$ -	\$ 10,101	\$ 216,486	\$ 226,587
E&E assets, January 1, 2018				
	\$ 9,700,832	\$ 765,795	\$ 928,216	\$ 11,394,843
Additions	489,931	-	1,388	491,319
Effect of movements in exchange rates	315,501	30,780	28,780	375,061
E&E assets, March 31, 2018	\$ 10,506,264	\$ 796,575	\$ 958,384	\$ 12,261,223

Exploration expenditures totaled \$941,083 for the three months ended March 31, 2019, compared to \$717,906 for the same period in 2018. Mining studies and permitting costs for the three months ended March 31, 2019 were \$493,771, versus \$154,082 for the three months ended March 31, 2018, as activity increased substantially at the Khundii Gold Project with the finalization of the PEA in February 2019 and the launch of the PFS in March 2019.

Exploration, camp and field costs were \$314,132 for the first three months of 2019, versus \$328,894 for the first quarter of 2018 due to the strengthening of the Canadian dollar compared to the Mongolian Tugrik. Exploration, camp and field costs include salaries for Mongolian technical staff that are paid in Tugrik, and this currency weakened 4% year-over-year compared to the Canadian dollar.

Mongolian office costs of \$73,270 for the three months ended March 31, 2019 were \$24,045 less than the comparative period as the prior year included preparatory costs associated with Erdene's Mongolian Stock Exchange listing, as well as the positive impact of a stronger Canadian dollar.

Stakeholder relations costs of \$28,210 for the three months ended March 31, 2019 were \$43,674 less than for the three months ended March 31, 2018 due to timing of community outreach and reduced advocacy efforts in 2019.

Current period Share-based compensation, Drilling, trenching, sampling and assaying, and License costs were not material or significantly different from those incurred in the prior year's quarter.

Erdene began capitalizing exploration costs for its Khundii Gold Project on January 1, 2015, with the receipt of the initial resource estimate for the Khundii Gold Project's Altan Nar deposit. For the three months ended March 31, 2019 and 2018, Erdene has capitalized all exploration costs associated with this Project.

For the three months ended March 31,			
	2019	2018	Change
Administrative services	\$ 109,916	\$ 121,293	\$ (11,377)
Depreciation and amortization	1,912	1,499	413
Directors fees and expenses	27,918	24,035	3,883
Investor relations and marketing	32,223	65,171	(32,948)
Office and sundry	31,918	29,383	2,535
Professional fees	31,799	62,302	(30,503)
Regulatory compliance	48,237	60,322	(12,085)
Share-based compensation	48,074	106,154	(58,080)
Travel and accommodations	14,319	16,449	(2,130)
	\$ 346,316	\$ 486,608	\$ (140,292)

Corporate and administrative expenses totaled \$346,316 for the three months ended March 31, 2019, compared to \$486,608 for the prior year comparative period. Administrative services of \$109,916 for the three months ended March 31, 2019 were \$11,377 less than the prior year due to staffing changes. Investor relations and marketing expenditures were \$32,948 lower than for the three months ended March 31, 2018 as the corporation participated in fewer conferences during the first quarter of 2019. Professional fees for the current year quarter were \$30,503 less than the prior year's quarter as Erdene incurred legal fees associated with the June 2018 MSE cross-listing in the quarter ended March 31, 2018. Regulatory compliance expenses were \$12,085 less than the prior year quarter due to lower TSX filing fees as a result of changes in the Corporation's market capitalization. Non-cash share-based compensation was \$58,080 higher in the prior year's quarter as there was a special option grant in this period to two individuals appointed to the Corporation's Board of Directors.

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2019		Fiscal 2018		Fiscal 2017			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun
Net loss	\$517	\$772	\$744	\$1,439	\$702	\$649	\$713	\$2,069
Basic loss per share	\$0.00	\$0.01	\$0.00	\$0.01	\$0.00	\$0.00	\$0.01	\$0.02
Total assets	\$19,632	\$17,709	\$18,136	\$19,500	\$14,879	\$14,946	\$15,592	\$16,730

For the three months ended March 31, 2019, the Corporation recognized a net loss of \$516,687 compared to a net loss of \$701,663 for the same period in 2018.

The Corporation's expenditures vary from quarter to quarter, largely due to the timing of its Mongolian exploration and evaluation programs. The Corporation is not aware of any other specific trends which account for fluctuations in financial results from period to period.

Liquidity and Capital Resources

At the date of this MD&A, the Corporation had approximately \$1.1 million in working capital.

Funds raised have been used to advance the Corporation's projects in Mongolia and to meet administrative costs in support of those programs (see Development and Exploration Projects and Discussion of Operations).

With the receipt of Private Placement gross proceeds of \$2.53M on February 28, 2019, management estimates current working capital is sufficient to fund the Corporation's planned expenditures into early Q3 2019. The ability of the Corporation to continue with its exploration and development programs beyond this point is contingent upon securing additional funds through asset sales, formation of alliances, option, and/or joint venture agreements, equity financing and/or expenditure reductions. The timing and

availability of additional equity financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs.

The Corporation has minimal sources of income. It is therefore difficult to identify any meaningful trends or develop an analysis from the Corporation's cash flows. The Corporation is dependent primarily on the issuance of share capital to finance its exploration and development programs.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Corporation's liquidity and capital resources will be substantially determined by the success or failure of the Corporation's Mongolian exploration and development programs and its ability to obtain sufficient equity financing.

Outstanding Share Data

Authorized

An unlimited number of common shares with no par value.

Issued and Outstanding Share Capital

	May 7, 2019	December 31, 2018
Common shares issued and outstanding	173,941,029	162,426,416
Options outstanding	11,010,000	11,335,000
Warrants outstanding	22,599,194	12,389,904
DSU's outstanding	4,017,461	3,954,118
Total instruments outstanding at end of period	211,567,684	190,105,438

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at March 31, 2019:

	Total	Less than one year	1 - 3 years	4 - 5 years	More than 5 years
Office leases	\$97,269	\$97,269	\$0	\$0	\$0
Accounts payable and accrued liabilities	335,913	335,913	-	-	-
	\$433,182	\$433,182	\$0	\$0	\$0

Other Financing Arrangements and Commitments

Sandstorm Gold Ltd. Royalty Agreement

On April 14, 2016 the Corporation granted Sandstorm Gold Ltd. ("Sandstorm") a 2% NSR Royalty on Erdene's Tsenkher Nomin (Altan Nar) and Khundii (Bayan Khundii) licenses. Additionally, Sandstorm was given a right of first refusal on future stream and/or royalty financings related to the Khundii and Tsenkher Nomin licenses. On April 12, 2019, Erdene exercised its option to repurchase 50% of the NSR Royalty for C\$1.2 million, reducing Sandstorm's NSR Royalty to 1%.

Alliance with Teck Resources Limited

In April 2013, an alliance was formed with Teck Resources to explore Erdene's mineral tenements in the Trans Altai region of southwest Mongolia. Under the terms of the alliance, Teck agreed to invest \$3 million or acquire 19.9% of the outstanding shares of the Corporation, with eighty-five percent of the proceeds committed to exploration work. In return, Erdene granted Teck the option to acquire up to 75% interest in designated projects through a two-stage option process by funding additional expenditures.

Between Q2 2013 and Q1 2017, Teck invested \$3 million, fulfilling its commitment under the Alliance. During this period, Teck did not elect to acquire direct interests in any Erdene projects explored.

However, Teck maintains the right through to Q1 2020, to enter into joint venture agreements on certain properties explored under the Alliance.

Other

Gallant Minerals Limited is entitled to a 1.5% NSR Royalty on the Zuun Mod License, subject to a buy-down provision. There are no minimum exploration work commitments for the Zuun Mod mining license.

In 2018, minimum exploration expenditures of USD\$1.50 per hectare were required on the Corporation's Tsenkher Nomin and Khundii licenses (USD\$7,004 and USD\$6,771 respectively).

The Corporation must spend a total of USD\$600,000 by August 30, 2020 to have the right to purchase any (or all) of the remaining 49% of Leader Exploration LLC (Ulaan license). The Corporation can extend the option period beyond three years by incurring an additional USD\$100,000 per year on exploration work. If Erdene fails to incur the minimum expenditures, its 51% ownership interest will revert to Leader Exploration LLC.

Off-Balance Sheet Arrangements

As at March 31, 2019, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risks to the Corporation.

Critical Accounting Estimates

Estimate of recoverability for non-financial assets

Events or changes in circumstances, may give rise to significant impairment charges or reversals of impairment in a particular year.

In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), resources, operating costs, restoration and rehabilitation costs and future capital expenditures. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

Share-based payments

Equity-settled share-based payments issued to employees and directors are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured. The Corporation recognized a total of \$52,451 in non-cash share-based compensation in the three months ended March 31, 2019 (2018 - \$115,346).

Taxation

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax

assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditures, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

No changes have been made the Corporation's critical accounting estimates in the past two years.

Adoption of New Accounting Standards

Erdene adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with applicable transitional provisions.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019.

The Corporation adopted IFRS 16 Leases with a date of initial application of January 1, 2019 using the modified retrospective approach. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 17 and related interpretations.

As the Corporation's only current leases, for its head office spaces and staff accommodations, have terms of less than 12 months, there is no impact to the Corporation.

Financial Instruments and Other Risks

Financial Instruments

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

Fair Value

During the periods ended March 31, 2019 and December 31, 2018, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	March 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	\$ 3,060,317	\$ -	\$ -	\$ 1,748,249	\$ -	\$ -
Receivables	-	138,095	-	-	113,412	-

Risks

In conducting its business, the principal risks and uncertainties faced by the Corporation relate primarily to exploration results and, to a lesser extent, metal and commodity prices. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Corporation's control. In addition to the normal and usual risks of exploration and mining, the Corporation works in remote locations that lack the benefit of infrastructure and easy access. More information on risks is available in the Corporation's Annual Information Form available on SEDAR at www.sedar.com.

Credit Risk

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with a Canadian Schedule I bank, where management believes the risk of loss to be low. At March 31, 2019, \$79,605 or 3% of the balance of cash and cash equivalents was held in banks outside Canada (December 31, 2018 - \$66,342 or 4%).

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of March 31, 2019, the Corporation had a cash and cash equivalents balance of \$3,060,317 (December 31, 2018 - \$1,748,249) to settle current liabilities of \$335,913 (December 31, 2018 - \$224,387).

The Corporation is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully advance the projects and continue as a going concern.

Foreign Currency Risk

The Corporation operates in Mongolia, giving rise to foreign currency risk. To limit the Corporation's exposure to this risk, cash and cash equivalents are primarily held with high quality financial institutions in Canada. Based on the timing of the Corporation's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favorable rates in line with the Corporation's budgets, otherwise the Corporation does not use any form of hedging against fluctuations in foreign exchange.

The Corporation's exposure to US dollar currency risk was \$131,480 as at March 31, 2019 (December 31, 2018 - \$71,913). A 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$13,100 (December 31, 2018 - \$7,200).

The Corporation's exposure to Mongolian Tugrik currency risk was \$10,855 as at March 31, 2019 (December 31, 2018 - (\$11,509)). A 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$1,100 (December 31, 2018 - \$1,200).

Price Risk

The Corporation's financial instruments are not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Corporation has no significant revenues.

Disclosure Controls and Internal Controls over Financial Reporting

Erdene has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have evaluated the design and effectiveness of Erdene’s disclosure controls and procedures as of March 31, 2019 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Erdene and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management of Erdene, with the participation of the CEO and CFO (collectively “Management”), is responsible for establishing and maintaining adequate internal controls over financial reporting. Erdene’s internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with IFRS.

Management evaluated the design and effectiveness of Erdene’s internal controls over financial reporting as of March 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report “Internal Control – Integrated Framework (2013)”. This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion.

Based on management’s evaluation, the CEO and the CFO have concluded that as of March 31, 2019, Erdene’s internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

However, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Person

Michael A. MacDonald, P. Geo. (Nova Scotia) is a qualified person under NI 43-101 and supervises all of the Corporation’s exploration programs. Samples are assayed at SGS Laboratory in Ulaanbaatar, Mongolia or Tianjin China, Central Geological Laboratory in Ulaanbaatar, Blue Coast Research Ltd in Parksdale British Columbia, Canada, or ALS Chemex in Vancouver, Canada. In addition to internal checks by SGS Laboratory, Central Geological Laboratory and ALS Chemex, the Corporation incorporates a QA/QC sample protocol utilizing prepared standards, field and laboratory splits, and blanks.

The disclosure in this MD&A of scientific or technical information about mineral projects on the Corporation’s properties has been reviewed and approved by Michael A. MacDonald, P. Geo, who is not independent of the Corporation.

Other Information

Additional information regarding the Corporation, including the Corporation’s Annual Information Form, is available on SEDAR at www.sedar.com and on the Corporation’s website at www.erdene.com.