



ERDENE RESOURCE DEVELOPMENT CORPORATION

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ANNUAL INFORMATION FORM

**For the Fiscal Year ended
December 31, 2019**

March 23, 2020

**ERDENE RESOURCE DEVELOPMENT CORPORATION
ANNUAL INFORMATION FORM**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “planned”, “expect”, “project”, “predict”, “potential”, “targeting”, “intends”, “believe”, and similar expressions, or describes a “goal”, or variation of such words and phrases or states that certain actions, events or results “may”, “should”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made, including among other things, the future prices of gold, copper, silver and other metals, the price of other commodities such as coal, fuel and electricity, currency exchange rates and interest rates; favourable operating conditions, the potential impact of COVID-19 on the business; political stability, timely receipt of governmental approvals, licenses and permits (and renewals thereof); access to necessary financing; stability of labour markets and in market conditions in general; availability of equipment; the accuracy of mineral resource estimates, and of any metallurgical testing completed to date; estimates of costs and expenditures to complete our programs and goals and the speculative nature of mineral exploration and development in general, including the risk of diminishing quantities or grades of mineralization. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Erdene Resource Development Corp. (“**Erdene**” or the “**Corporation**”) and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Forward-looking information and forward-looking statements herein includes, but is not limited to: statements or information concerning the future financial or operating performance of Erdene and its business, operations, properties and condition, resource potential, including the potential quantity and/or grade of minerals, or the potential size of a mineralized zone, potential expansion of mineralization, the timing and results of future resource estimates, the timing of other exploration and development plans at Erdene’s mineral project interests, the amenability of mineralization to produce a saleable concentrate of sufficiently high enough grade and quality to be economic; changes in project parameters as plans continue to be refined; illustrative mine lives of the Corporation’s various mineral project interests, the proposed timing and amount of estimated future production.

Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Erdene to be materially different from any future results, performance or achievements expressed or implied. Such factors include, among others: the speculative nature of mineral exploration and development; liquidity concerns and the ability of Erdene to secure additional financing; changes to the Mongolian legal environment; the inability to obtain or renew licenses, leases or permits; the lack of infrastructure in the areas where the Corporation operates; liability for accidents, pollution and other hazards for which the Corporation is unable to obtain insurance; public health crises such as COVID-19; conflicts of interest between the interests of the Corporation’s directors and officers and the Corporation; changes in the exchange rates between the local currency of Mongolia, the U.S. dollar, and the Canadian dollar; changes in the market price for metals; evolving environmental and regulatory requirements; the loss of or inability to recruit key personnel; changes in Mongolian and Canadian political conditions; increased competition for mineral development properties; and the inherent risks involved in the exploration, development and mining business in general.

Although the Corporation has attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward-looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended. Further details relating to many of these factors is discussed in the section entitled “Risk Factors” in this AIF.

Forward-looking statements and forward-looking information contained herein are made as of the date of this AIF and the Corporation disclaims any obligation to update or revise any forward-looking statements or forward-looking information,

whether as a result of new information, future events, or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

Information in this AIF, including any information incorporated by reference, and disclosure documents of Erdene that are filed with Canadian securities regulatory authorities concerning mineral properties have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws.

Without limiting the foregoing, these documents use the terms “measured resources”, “indicated resources” and “inferred resources”. Shareholders in the United States are advised that, while such terms are defined in and required by Canadian securities laws, the United States Securities and Exchange Commission (the “SEC”) does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration; however, there is no certainty that these inferred mineral resources will be converted into mineral reserves, once economic considerations are applied. Under Canadian rules inferred mineral resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under National Instrument 43-101. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in these documents may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

PRELIMINARY NOTES

Throughout this Annual Information Form (“AIF”) Erdene Resource Development Corporation is referred to as “Erdene”, the “Corporation” or the “Company”. All information is given as at December 31, 2019, unless stated otherwise.

Currency and Exchange Rates

All currency references in this AIF are in Canadian dollars unless otherwise indicated. Reference to “United States dollars” or “U.S. dollars” or the use of the symbol “US\$” refer to United States dollars. The closing rate of exchange reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars on March 20, 2020 was \$1.00 = US\$0.6977 (US\$1.00 = Cdn\$1.4332) and on December 31, 2019 was \$1.00 = US\$0.7699 (US\$1.00 = Cdn\$1.2988).

Measurements and Frequently Used Abbreviations and Acronyms

Amounts in this AIF are generally in metric units. Conversion rates from Imperial measure to metric, and from metric to Imperial are provided below:

Imperial Measure	=	Metric Unit	Metric Measure	=	Imperial Unit
2.47 acres		1 hectare ("ha")	0.4047 hectares		1 acre
3.28 feet		1 metre ("m")	0.3048 metres		1 foot
0.62 miles		1 kilometre ("km")	1.609 kilometres		1 mile
35.315 cubic feet		1 cubic metre	0.0283 cubic metres		1 cubic foot
0.032 ounces (troy)		1 gram ("g")	31.103 grams		1 ounce (troy)
1.102 tons (short)		1 tonne ("t")	0.907 tonnes		1 ton

All ounces are troy ounces. 14.58 troy ounces equal one pound (containing 16 Imperial ounces). Measurements and amounts in this AIF have been rounded to the nearest two decimal places.

Financial Statements and Management Discussion and Analysis

This AIF should be read in conjunction with the audited consolidated financial statements of Erdene for the year ended December 31, 2019 (the “**Audited Financial Statements**”), and the accompanying management’s discussion and analysis (“**MD&A**”) for that year. Unless otherwise indicated, financial information contained in this AIF is presented in accordance with International Financial Reporting Standards (“**IFRS**”). The Audited Financial Statements and MD&A are available at www.erdene.com and on SEDAR at www.sedar.com.

Standard Resource and Reserve Reporting System

National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, Companion Policy 43-101CP and Form 43-101F1 (collectively, “**NI 43-101**”) are a set of rules developed by the Canadian Securities Administrators, which has established standards for all public disclosure an issuer makes of “scientific and technical information” concerning mineral projects (“**Technical Information**”). Unless otherwise indicated, all Technical Information, including resource estimates and reserves attributable to Erdene’s property interests contained in this AIF, and including any information contained in certain documents referenced in this AIF, has been prepared in accordance with NI 43-101, and applicable standards of the Canadian Institute of Mining, Metallurgy and Petroleum Standing Committee on Reserve Definitions (the “**CIM Standards**”).

Material Property Interest

As at December 31, 2019 and March 23, 2020, the Corporation holds interests in two mineral properties considered to be material within the meaning of applicable Canadian securities laws:

Property Name	Ownership Entity	% Interest
Altan Nar	Erdene Mongol LLC	100%
Bayan Khundii	Erdene Mongol LLC	100%

Erdene intends to develop these properties concurrently, and throughout this AIF, will refer to the combined properties as the “Khundii Gold Project”. See the discussion in this AIF under the heading “Mineral Properties - Khundii Gold Project” for a summary of, and Technical Information for, these properties.

Technical Disclosure

Unless otherwise indicated, Erdene has prepared the Technical Information in this AIF based on information contained in the technical reports and news releases (collectively the “**Disclosure Documents**”) available under Erdene’s company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Each of the Corporation's Disclosure Documents was prepared by or under the supervision of a Qualified Person. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information.

The following document is incorporated by reference into this AIF:

- "Khundii Gold Project NI 43-101 Technical Report" dated December 4, 2019, prepared by Maurie Phifer, P. Eng., Tetra Tech Canada Inc., Cameron Norton, P. Geo., Tetra Tech Canada Inc., Jeremy Clark, P. Geo., RPMGlobal Asia Ltd; Andrew Kelly, P.Eng., Blue Coast Research Ltd., Hassan Ghaffari, P. Eng., Tetra Tech Canada Inc., Mark Horan, P. Eng., Tetra Tech Canada Inc., and Mike Fawcett, MAusIMM, Coffey Services Australia (the "Khundii Gold Project Technical Report")

With the exception of the deposits listed immediately below, any inferences disclosed in the AIF of potential quantity and grade at Erdene's exploration property interests are conceptual in nature, and there has been insufficient exploration to date to define a mineral resource:

- Altan Nar gold-polymetallic deposit ("Altan Nar") in southwest Mongolia;
- Bayan Khundii gold deposit ("Bayan Khundii") in southwest Mongolia; and
- Khundii Gold Project (aggregate of the Altan Nar and Bayan Khundii deposits)

It is uncertain if further exploration will result in other targets at these projects, or any of the Corporation's other mineral property interests, being delineated as a mineral resource.

Mineral resource estimates contained herein are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by drilling results and the difference may be material. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mr. Peter Dalton, P. Geo., Senior Geologist Erdene, and a Qualified Person, has reviewed and approved the Technical Information in this AIF.

CORPORATE STRUCTURE

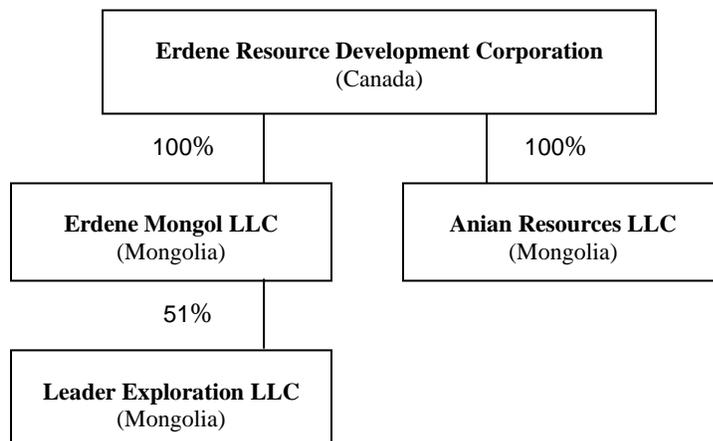
Name, Incorporation and Office

The Corporation was incorporated under the *Canada Business Corporations Act* on June 27, 2000, as "3779751 Canada Inc." On February 18, 2003, the Corporation changed its name to "Erdene Gold Inc." and on May 29, 2008, the Corporation changed its name to "Erdene Resource Development Corporation".

The Corporation's head office is located at 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, Canada B3A 4S5, and its registered office is located at 1300 – 1969 Upper Water Street, Halifax, Nova Scotia, Canada B3J 2V1. The Corporation also has an office in Ulaanbaatar, Mongolia.

Intercorporate Relationships

The following chart depicts the corporate structure of the Corporation as at December 31, 2019 and March 23, 2020, together with the jurisdiction of incorporation of each of the Corporation's subsidiaries and the percentage of the votes attached to all voting securities of the subsidiary beneficially owned by the Corporation.



GENERAL DEVELOPMENT OF THE BUSINESS

General

The Corporation was incorporated in 2000 to explore for gold in Nova Scotia, Canada. In 2002 the name was changed to Erdene and the Corporation began to focus on the exploration and development of gold, copper, molybdenum, uranium and coal deposits in Mongolia. The Corporation commenced trading on the TSX Venture Exchange on March 16, 2004 and on December 14, 2005, Erdene was granted a senior listing and began trading on the Toronto Stock Exchange (“**TSX**”) (TSX - ERD). On June 19, 2018, Erdene commenced trading on the Mongolian Stock Exchange, becoming the first cross-listed company.

The Corporation currently holds three mineral exploration licenses (Khundii, Burgast and Ulaan) covering 4,842 hectares and three mining licenses (Bayan Khundii, Tsenker Nomin and Khuvyn Khar) covering 13,019 hectares. All of the Corporation’s licenses are registered in the name of the Corporation’s subsidiaries (Erdene Mongol LLC, Anian Resources LLC and Leader Exploration LLC). The Corporation holds a 100% interest in the Tsenkher Nomin, Khundii, Burgast and Khuvyn Khar licenses and a 51% interest in the Ulaan exploration license, with the right to acquire the remaining 49%. The Corporation's principal projects are the Bayan Khundii Gold Project (located on the Khundii license) and the Altan Nar Gold-Polymetallic Project (located on the Tsenkher Nomin license), which together form the Khundii Gold Project.

The following is a summarized history of the development of the business over the past three years.

Khundii Gold Project

Erdene’s primary focus is the Khundii Gold Project, comprised of the high-grade Bayan Khundii and Altan Nar deposits, located 16 kilometres apart. On May 10, 2018, Erdene released an updated mineral resource estimate for the Altan Nar deposit. The technical report titled “Altan Nar Gold Project National Instrument 43-101 Mineral Resource Technical Report” was prepared by RPMGlobal Asia Ltd. (“**RPM**”) and dated June 22, 2018. The Corporation reported an Indicated Resource of 317,700 oz of gold averaging 2.0 g/t gold and Inferred Resource of 185,700 oz gold averaging 1.7 g/t gold, within a total resource of 5.0 million tonnes (“Mt”) Indicated and 3.4 Mt Inferred.

On September 18, 2018, a maiden resource estimate was announced for the Bayan Khundii Gold Project. The technical report titled “Bayan Khundii Gold Project National Instrument 43-101 Mineral Resource Technical Report”, was prepared by RPM and dated November 1, 2018. The Corporation reported a total Measured and Indicated Resource of 433,000 oz

of gold at an average grade of 2.6 g/t gold and an Inferred Resource of 105,000 oz gold at an average grade of 1.9 g/t gold within a resource totaling 5.1 Mt Measured and Indicated and 1.8 Mt Inferred.

Aggregate resources for the Khundii Gold Project total 751,000 ounces gold at an average grade of 2.3 g/t gold, Measured and Indicated and 291,000 ounces gold at an average grade of 1.8 g/t gold, Inferred, within a resource totaling 10.1 Mt Measured and Indicated and 5.2 Mt Inferred.

On February 2019, Erdene filed a positive Preliminary Economic Assessment (“**PEA**”) Study for the Khundii Gold Project. The technical report titled “NI 43-101 Technical Report for the Preliminary Economic Assessment of the Khundii Gold Project” was prepared by RPM and dated February 4, 2019. Highlights of the PEA are as follows:

- After-tax Net Present Value at a 5% discount rate (“NPV5%”) and a US\$1,200/ounce (“oz”) gold price of US\$99 million and Internal Rate of Return (“IRR”) of 56%
- Pre-tax NPV5% of US\$135 million and IRR of 70%
- Initial capital expenditure of US\$32 million, using a contract mining fleet
- All-in sustaining cash cost (“AISC”) of US\$714/oz of gold recovered
- Life of mine (“LOM”) head grade of 3.42 g/t gold
- Average annual gold production of 51,200 oz and total LOM production of 412,000 oz
- Mine life of eight years plus one-year pre-production and two-year mine closure periods
- A payback of two years

Erdene proceeded immediately to a NI 43-101 Pre-Feasibility Study (“**PFS**”) for Bayan Khundii and an updated PEA for Altan Nar, led by Tetra Tech Inc. (“**Tetra Tech**”), and announced results of these studies on October 21, 2019. Incorporating an updated Bayan Khundii resource, an initial Reserve Estimate for Bayan Khundii, and independent quotes for most major cost centres, Tetra Tech confirmed the high return, low capital and operating cost potential of the Khundii Gold Project. Highlight of the technical report, prepared using a \$1,300/oz gold price, are as follows:

- After-tax NPV5% of US\$97 million and a 42% IRR for the Bayan Khundii PFS
- After-tax NPV5% and IRR of US\$24 million and 92%, respectively, for the updated Altan Nar PEA, reflecting the second phase of the development utilizing Bayan Khundii infrastructure
- Bayan Khundii LOM Earnings Before Interest, Taxes and Depreciation of US\$211 million
- Bayan Khundii Measured and Indicated Resources of 520,700 ounces gold at an average grade of 3.16 g/t gold, a 20% increase from the September 2018 resource estimate
- Bayan Khundii Proven and Probable Reserves of 422,000 ounces gold at an average grade of 3.7 g/t gold
- LOM head grade of 3.73 g/t gold for the BK PFS and 3.46 g/t gold for the updated Altan Nar PEA
- Project life of 11 years, comprised of a one year pre-production period, six-year operating life for Bayan Khundii, three-year operating life for Altan Nar, and one year mine closure.
- Average annual gold production of 61,000 ounces in the Bayan Khundii PFS and 45,300 ounces of gold and 205,000 ounces of silver in the updated Altan Nar PEA
- AISC of US\$746/ounce of gold recovered for the Bayan Khundii PFS and for the updated Altan Nar PEA, US\$931/ounce of gold equivalent (“AuEq”; see definition in Technical Report)
- Bayan Khundii PFS Initial Capital US\$40 million and US\$2 million incremental capital for Altan Nar PEA
- Payback period of less than 2 years for Bayan Khundii PFS
- Significant benefits to Mongolia, including royalties and taxes of US\$82 million and 300 local jobs

In late December 2019, Erdene launched the Front-End Engineering and Design (“**FEED**”) and the Bankable Feasibility Study (“**BFS**”) required for permitting, project finance, and board approval to construct the Bayan Khundii Gold Project. These studies will be delivered by a consortium of international and Mongolian consultants and will incorporate an updated mine design study, FEED for the processing plant and associated infrastructure, a hydrogeological study, detailed waste management plans, and an updated economic model. The Company expects to deliver the BFS in mid-2020.

Concurrently, the Bayan Khundii Environmental and Social Impact Assessment (“**ESIA**”), led by Sustainability East Asia, LLC has been mostly completed. Given the Project’s modest initial scale and commitment to industry leading avoidance and mitigation measures, the Project’s benefits are expected to outweigh the low and moderate residual anticipated impacts from the operations. The Mongolian statutory Detailed Environmental Impact Assessment (“**DEIA**”) for Bayan Khundii,

built upon the ESIA, is largely complete in advance of public consultation, which is scheduled to take place in the first half of 2020.

The December 2019 Khundii Gold Project Technical Report is incorporated into this AIF by reference.

Ulaan Project Option Agreement

On August 30, 2017 the Corporation acquired a 51% interest in the 1,780 hectare Ulaan exploration license (“**Ulaan Property**”), situated immediately adjacent its Khundii license, held by Leader Exploration LLC for US\$750,000. Provided the Corporation spends a minimum of US\$600,000 on work expenditures on the Ulaan Property over a three-year period, it has the right to acquire the remaining 49% of the shares of Leader or, at the Corporation’s option, a portion of the Ulaan Property, for the then fair market value of the Ulaan Property or the portion to be acquired. As at December 31, 2019, the Corporation has incurred the minimum work expenditures to acquire the remaining shares; however, Erdene may extend the option indefinitely by spending a minimum of US\$100,000 per annum.

Sandstorm Gold Ltd.

On April 21, 2016 the Corporation closed concurrent transactions with Sandstorm Gold Ltd. (“**Sandstorm**”) for total consideration of \$2,500,000. In the first transaction Sandstorm was granted a 2% net smelter returns royalty (“**NSR Royalty**”) on Erdene’s Altan Nar and Khundii licenses in exchange for 321,888 shares of Sandstorm with a value of \$1,500,000. The second transaction was the issuance of 5 million Common Shares from Erdene’s treasury to Sandstorm at \$0.20 per share for \$1,000,000 in cash consideration. The Common Shares issued to Sandstorm were subject to an 18-month hold period that expired October 14, 2017. On April 12, 2019, Erdene repurchased 50% of the NSR Royalty for \$1.2 million, reducing the NSR Royalty to 1%. Sandstorm has been given a right of first refusal on future stream or royalty financings related to the Khundii and Altan Nar licenses.

Financing

The Corporation's activities have been financed through the issuance and sale of securities of the Corporation by way of private placement, asset sale, royalty sale, investments, its initial public offering in March 2004, joint venture funding, and a convertible debenture issuance.

On June 14, 2018, Erdene launched a secondary listing of its Common Shares on the Mongolian Stock Exchange (“**MSE**”) and closed an associated offering of 4,000,000 Common Shares to Mongolian residents, becoming the first company cross-listed on the Toronto and Mongolian stock exchanges.

On October 11, 2019, Erdene executed a US\$5 million (C\$6.6 million) Convertible Loan (“**Loan**”) with the European Bank for Reconstruction and Development (“**EBRD**”). The Loan was funded by way of an initial advance of US\$2.5 million on November 4, 2019, and a second advance of US\$2.5 million on November 25, 2019. Key terms of the Loan include:

- Principal amount of US\$5.0 million
- Coupon rate of 10% payable in cash, or capitalized, at the Corporation’s option, annually
- The Loan matures in October 2022
- The Loan is convertible in whole or in part at the election of the EBRD into common shares of the Corporation at a conversion price (in respect of the principal amount drawn down under the Loan) of C\$0.20 per share, subject to a conversion premium of 10%, 20% or 30%, respectively, if EBRD exercises its conversion option prior to or on the first, second, or third anniversary, respectively, of the date of the Loan Agreement, provided that certain other conditions have been met.
- Any capitalized interest on the date of the conversion will be payable, at EBRD’s option, in cash or shares of the Corporation at the prevailing market price of the common shares of the Corporation (5-day Volume Weighted Average Price)
- The Loan can be prepaid at the Corporation’s option following the earliest of 24 months from the date of the initial advance, delivery of a NI 43-101 Bankable Feasibility Study, or a change of control of Erdene, subject to payment of a premium of 25% of the principle amount.

Expected Changes to the Business

As of the date of this AIF, management of the Corporation do not expect any material changes to the business; however, as is typical of the mineral exploration and development industry, from time to time Erdene reviews potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Furthermore, there can be no assurance that the results of exploration or development programs planned or underway will not result in material changes to the scientific and technical information contained herein. Accordingly, readers of this AIF are urged to read the press releases issued by Erdene once they become available on SEDAR, for full and up-to-date information concerning the Corporation's business and its material exploration property interests.

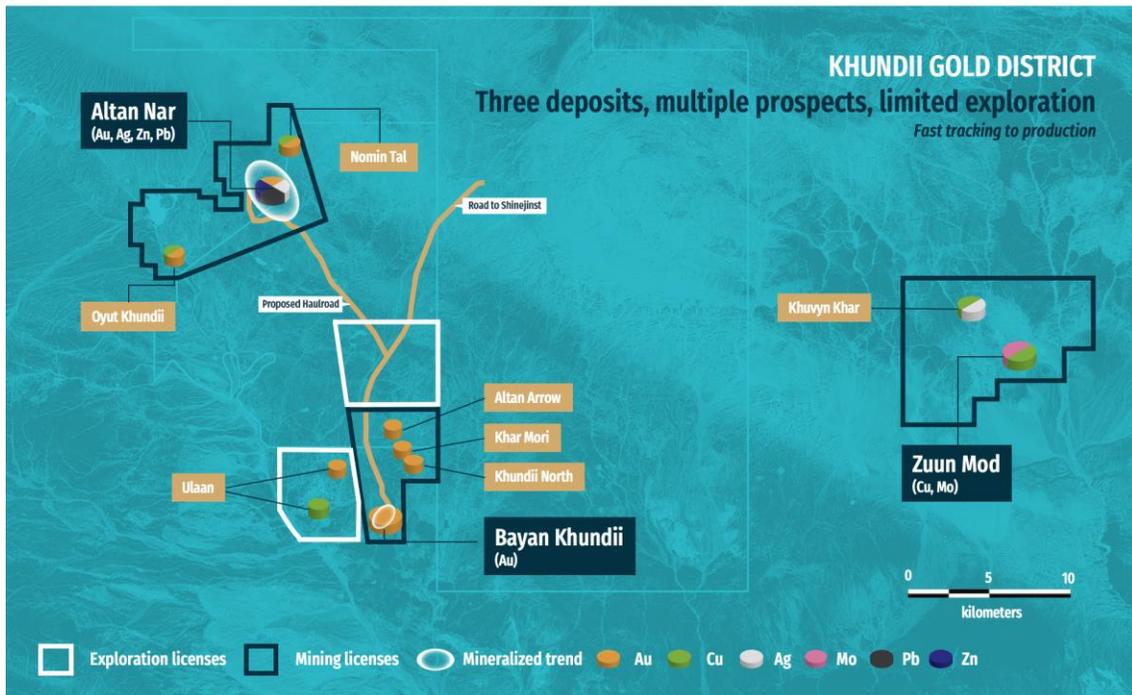
Significant Acquisitions

Erdene did not make any significant acquisitions during the financial year ended December 31, 2019 that would require the Corporation to file a Form 51-102F4 Business Acquisition Report under Part 8 of National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102").

DESCRIPTION OF THE BUSINESS

The primary business of the Corporation is the acquisition, exploration and development of precious and base mineral deposits in underexplored and highly prospective Mongolia.

Erdene's deposits are located in the Edren Terrane, within the Central Asian Orogenic Belt ("CAOB"), 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, 33 kilometres to the east.



In October 2019, Erdene announced the positive results of a NI 43-101 PFS for Bayan Khundii and an updated PEA for Altan Nar. Prepared by Tetra Tech, this independent study confirmed the high-return, low-capital and low-operating potential of the project, that will form the cornerstone development in the emerging Khundii Gold District. Details of the Bayan Khundii PFS and updated Altan Nar PEA are included in the October 2019 Khundii Gold Project Technical Report.

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.

THE CORPORATION'S OBJECTIVES AND STRATEGY

Erdene is focused on creating shareholder value through the discovery, acquisition and development of high-quality, base and precious metal projects in regions where the Company has a competitive advantage. The following forms the basis of the Corporation's strategy:

Geographic and Commodity Focus

- The CAOB contains highly prospective terranes for the discovery of base and precious metal deposits. The CAOB trends across the southern portion of Mongolia.
- Due to its relative isolation prior to 1990, Mongolia did not receive significant modern exploration, particularly in the remote southern part of the country, which has the potential for the discovery of world-class deposits.
- Over the past 20 years, economic growth in China and the related interest in resource development has fueled mineral exploration and development in southern Mongolia leading to a build-up of infrastructure in the southern part of the country.
- Mongolia hosts the world-class Oyu Tolgoi gold-copper deposit. This project is now in production along with several other precious, base metal and coal deposits, resulting in the development of an experienced workforce and significant upgrade of local infrastructure.
- Erdene's founders and executive were members of the first western-financed team to carry out regional exploration in Mongolia during the mid to late 1990's.
- The Corporation has an experienced in-country management team with strong working relationships at all levels in Mongolia, and a proven ability to discover precious and base metal deposits in the region.
- Precious metals (gold and silver) are priority commodities for the Corporation based on opportunities in the region and supply and demand factors which support future price increases:
 - Central bank precious metal purchases historically increase in periods of economic uncertainty and rising sovereign debt levels;
 - Individual investor demand is influenced by geopolitical and economic instability, population growth and urbanization and wealth creation in the largest gold consuming regions; and
 - Gold production is plateauing as the discovery of large deposits becomes increasingly difficult and those that are found are of rapidly declining grade.
- The Corporation's precious metals exploration is focused on large, high-grade bulk tonnage, open-pit mineable resources with modest processing costs.
- Copper remains the Corporation's highest priority industrial metal due to supply issues facing the sector and increasing demand resulting from the urbanization of the world's population.

Project and Corporate Plans

The Corporation has defined a new gold district and is advancing its exploration and development projects in the region through the technical, environmental and socio-economic studies required for production. Concurrently, Erdene continues to explore gold and copper prospects in the region to create additional stakeholder value.

The Corporation is focused on the following near and long-term goals:

- Complete a Bankable Feasibility Study on the Bayan Khundii Gold Project to confirm the viability of the Project, and obtain the permits and licenses for development;
- Develop the Bayan Khundii Gold Project and produce at least 60,000 ounces per year;
- Expand production at the Khundii Gold Project to more than 150,000 ounces per year with the identification of additional on-license resources focusing on the areas of Khar Mori, prospects adjacent to the Bayan Khundii deposit, and Altan Nar;
- Carry out exploration on the Ulaan license to determine the mineralization potential of this property;
- Participate in tenders for high priority targets released by Mongolia's Ministry of Mining and Heavy Industry;
- Maintain a pipeline of opportunities by exploring current properties and acquiring new projects;
- Continue to develop management, technical, administrative and community development teams; and
- Secure a partner for the Zuun Mod Molybdenum-Copper Project with the financial and technical capability to move towards development.

Social and Environmental Policies

Erdene is committed to improving the lives of those who work for, partner with and host the Corporation in their communities. The Corporation prioritizes hiring locally and supports local community development projects.

Erdene's sustainable development program is driven by a philosophy of capacity building, particularly in rural southwest Mongolia. The Corporation prioritizes funding for education, health and secure livelihoods. Erdene employs a full-time representative to work directly with local government officials, community members, school and hospital officials.

Mongolia has a well-preserved and unique ecology and the Corporation is committed to the highest standards of environmental stewardship. While the Corporation does not currently have mining operations in Mongolia, its objective is to minimize its environmental footprint. The Corporation files an environmental protection and reclamation plan with the Governor of each district in which it operates and works to ensure those plans exceed requirements.

In February 2016, the Corporation joined seven other mining and exploration companies working in Mongolia in signing a voluntary Code of Practice related to water management practices, facilitated by the International Finance Corporation. The initiative was supported by the Government of Canada, the 2030 Water Resources Group, the European Bank for Reconstruction and Development, and the International Council on Mining and Metals. The Code of Practice requires mining companies to publicly report water risks and management practices, support training and awareness-raising on groundwater protection, and involve impacted communities in monitoring a mining company's water performance.

As part of its Bayan Khundii Gold Project development, Erdene has engaged Sustainability East Asia, LLC to prepare an Environmental and Social Impact Assessment ("ESIA"). The ESIA is mostly complete and has concluded that given the Project's modest initial scale and commitment to industry leading avoidance and mitigation measures, the Project's benefits are expected to outweigh the low and moderate residual anticipated impacts from the operations. The Mongolian statutory Detailed Environmental Impact Assessment ("DEIA") for Bayan Khundii, built upon the ESIA, is also largely complete in advance of public consultation, which is scheduled to take place in H1 2020.

Competitive Conditions

The Corporation's business is intensely competitive, and the Corporation competes with other exploration, development, and mining companies, many of which have greater resources and experience. As described in this AIF, under "Risk Factors", competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and operated economically and the capital for the purpose of financing development of desired properties.

In addition, this competition may impact the Corporation's ability to recruit or retain qualified employees with the technical expertise to find, develop, or operate such properties. Erdene believes that its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to the precious metals exploration business. The Corporation believes it has adequate personnel with the specialized skills required to successfully carry out its operations.

Employees

The Corporation employed six (full and part-time) Canadian employees at the end of 2019, with three of these employees splitting time between Canada and Mongolia. The Corporation had a further 20 (full and part-time) employees in Mongolia at the end of 2019.

RISK FACTORS

An investment in securities of the Corporation involves a significant degree of risk and must be considered highly speculative due to the nature of the Corporation's business and the present stage of exploration and development of its mineral property interests. There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Erdene and could cause the Corporation's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Corporation.

The risks set out below are not the only risks facing the Corporation. There are widespread risks associated with any form of business and specific risks associated with Erdene's business and its involvement in the gold exploration and development industry.

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity or quality to return a profit from production. **Shareholders of Erdene may lose their entire investment.**

In addition to the other information set forth elsewhere in this AIF, the following risk factors should be carefully reviewed by prospective investors. These risks may not be the only risks faced by Erdene. Risks and uncertainties not presently known by Erdene or which are presently considered immaterial may also adversely affect Erdene's business, properties, results of operations and/or condition (financial or otherwise). **If any of the following risks actually occur, Erdene business, financial condition, results and prospects could be adversely affected.**

Additional risks and uncertainties not presently known to Erdene or those that are currently deemed immaterial may also impair the Corporation's business operations. If any such risks actually occur, the business, financial condition and operating results of the Corporation could be materially harmed. All references to "Erdene" or the "Corporation" in this section entitled "Risk Factors" include Erdene and its subsidiaries and joint ventures, except where the context otherwise requires. Before making an investment decision, prospective investors should carefully consider the risks and uncertainties herein, as well as the other information contained in the Corporation's public filings.

Mongolia is still considered to be an emerging market. Many of the Risk Factors identified in this AIF reflect risks and characteristics unique to operating in an emerging market.

Speculative Nature of Mineral Exploration and Development

Development of the Corporation's mineral exploration properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when an issuer's properties are in the exploration phase as opposed to the development phase. There is no assurance that commercial quantities of ore will be discovered on any of the Corporation's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production.

The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years may elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Corporation.

Liquidity Concerns and Future Financings

The further development and exploration of the various mineral properties in which the Corporation holds interests depends upon the Corporation's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that the Corporation will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Corporation to obtain debt financing or equity financing on favourable terms or at all. Some of the Corporation's operations are in a region of the world that is prone to economic and political upheaval, which may make it more difficult for the Corporation to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone any development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

Mongolian Legal Environment

Since 1990, Mongolia has been in transition from state socialism and a planned economy to a political democracy and a free market economy. Much progress has been made in this transition, but much progress remains to be made, particularly with respect to the rule of law. Many laws have been enacted, but in many instances, they are not well understood or enforced. For decades Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively interpret the law. This situation is gradually changing but at a relatively slow pace. Laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.

As a sign of improving legal environment for investment, Canada and Mongolia signed the Canada-Mongolia Foreign Investment Promotion and Protection Agreement (FIPA) on September 8, 2016, which will provide a more transparent and predictable regulatory environment for Canadian investors in Mongolia. On March 7, 2017, Canada's Minister of International Trade, François-Philippe Champagne, officially announced the entry into force of the FIPA.

The ability of the Corporation to conduct mining operations or exploration and development activities in Mongolia is subject to changes in legislation or government regulations or shifts in political attitudes beyond its control.

Due to inconsistencies between Mongolian and Canadian Securities Laws, in the event of a take-over bid the Corporation shall observe Canadian Law, whereby if 90% or more of the outstanding shares are taken up, the acquirer can squeeze-out the minority and force the remaining shares to be sold. Certain other major M&A transactions can be implemented with approval of two-thirds of the shares voted on the transaction, subject to minority shareholder approval requirements if it's a related party transaction.

Licenses, Leases and Permits

The Corporation has investigated its rights to explore and exploit its various properties and, to the best of its knowledge, those rights are in good standing but no assurance can be given that such rights will not be revoked, or significantly altered, to the detriment of the Corporation. There can also be no assurance that the Corporation's rights will not be challenged or impugned by third parties.

The Corporation's exploration licenses are subject to periodic renewal. While the Corporation anticipates that renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. The Corporation's business objectives may also be impeded by the costs of holding its mineral licenses. License fees in Mongolia for mineral exploration licenses increase substantially upon renewal. The Corporation will need to continually assess the potential of each mineral exploration license, particularly when it must be renewed, to determine if the costs of maintaining the mineral exploration license are justified by the exploration results to date, and will likely need to let some of its mineral exploration licenses lapse.

Lack of Infrastructure

The Corporation's Mongolian exploration properties are located in remote areas which lack basic infrastructure, including sources of power, water, housing, food and transport. The Corporation will need to hire personnel, establish facilities and otherwise establish an exploitation infrastructure before it can commence operations. The Corporation will also need to engage expatriate workers where there is a shortage of locally trained personnel. In addition, the Corporation will need to establish the facilities and material necessary to support operations in the remote locations in which the Corporation's exploration properties are situated. The inability to make suitable arrangements may delay the conduct of the Corporation's exploration/exploitation program and prevent the Corporation from meeting its stated business objectives. The remoteness of certain of the Corporation's exploration properties will also affect the potential viability of mining operations, as the Corporation will also need to establish substantially greater sources of power, water, physical plant and transport infrastructure in the area before it could conduct mining. The unavailability of such sources may adversely affect mining feasibility and will, in any event, require the Corporation to arrange significant financing, locate adequate supplies and obtain necessary approvals from national, provincial and regional governments, none of which can be assured.

Uninsurable Risks

The Corporation may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits. The impact of any uninsured liabilities would likely have a material adverse effect on the financial position of the Corporation.

Conflict of Interest

Certain of the directors and officers of the Corporation are directors or officers of, or have significant shareholdings in, other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with the Corporation for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director or officer who has such a conflict is required to disclose the conflict to a meeting of the directors of the Corporation and, if the conflict involves a director, the director is required to abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

Currency Risk

The Corporation's operations incur most expenditures in the local currency of Mongolia ("MNT") and in U.S. dollars, while most of the funds it raises are Canadian dollars. This renders the Corporation subject to foreign currency fluctuations which may materially affect its financial position and operating results.

Volatile Metals Prices

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metals prices will be such that the Corporation's properties can be mined at a profit. Factors beyond the control of the Corporation may affect the marketability of any minerals discovered. Metals prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, the Corporation's principal exploration targets, precious and base metals, is affected by various factors, including political events, economic conditions and production costs.

Environmental and Regulatory Requirements

The Corporation's operations are subject to environmental regulations in the various jurisdictions in which it operates. 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Government approvals and permits are required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or require abandonment or delays in development of new mining properties.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Corporation's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Political Instability

The Corporation holds mineral interests in Mongolia that may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Mongolia. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business. The Corporation's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on the mining industry generally, production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The Corporation's operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression or adventurism, civil unrest, crime, extreme fluctuations in currency exchange rates and high inflation.

Inherent Risks

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Corporation's operations and its financial results.

Competition

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Corporation may be unable to acquire rights to explore additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Corporation will acquire any additional exploration properties.

Public health crises, including the COVID-19 Pandemic

The Corporation's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises.

The current COVID-19 (coronavirus) global health pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included a slowdown in economic activity and extreme volatility in commodity prices (including gold and silver) and financial markets, raising the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of mining projects is being impacted. To date, a number of mining projects have been suspended as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. If the operation or development of one or more of Erdene's properties is suspended, it may have a material adverse impact on the Corporation's results of operations, financial condition and the trading price of Erdene's securities. The broader impact of the COVID-19 pandemic on investors, businesses, the global economy or financial and commodity markets may also have a material adverse impact on the Corporation's results of operations, financial conditions and the trading price of Erdene's securities.

MINERAL PROPERTIES

The Corporation is involved in mineral exploration in Mongolia where it holds several projects at various stages of exploration. Two of the Corporation's projects are considered material properties to the Corporation; the Bayan Khundii Gold Project and the Altan Nar Gold-Polymetallic Project – together the Khundii Gold Project. This project is described below. The remaining properties of the Corporation are in a relatively early stage of development or are not material.

Khundii Gold Project

Except as otherwise stated herein, the following disclosure relating to the Khundii Gold Project is based on information derived from, or extracted from, the technical report prepared by Tetra Tech for the Khundii Gold Project entitled "Khundii Gold Project NI 43-101 Technical Report", dated October 15, 2019, and released December 4, 2019, prepared in accordance with NI 43-101. The authors of the December 2019 Khundii Gold Project Technical Report are independent of Erdene and are independent "Qualified Persons" (as defined by NI 43-101). See in this AIF, "Interests of Experts".

Readers are directed to and encouraged to review the December 2019 Khundii Gold Project Technical Report, which can be reviewed in its entirety under the Corporation's profile on SEDAR at www.sedar.com and which qualifies the following disclosure. The following summary is not exhaustive. The December 2019 Khundii Gold Project Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The December 2019 Khundii Gold Project Technical Report contains the expression of the professional opinion of the Qualified Persons based upon information available at the time of preparation of the December 2019 Khundii Gold Project Technical Report. The following disclosure, which is derived from the December 2019 Khundii Gold Project Technical Report, is subject to the assumptions and qualifications contained in such report.

The executive summary section of the December 2019 Khundii Gold Project Technical Report is reproduced below. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described in the summary. Reference should be made to the full text of the December 2019 Khundii Gold Project Technical Report, which is incorporated by reference herein. All capitalized terms used in the summary below that are not otherwise defined shall have the meanings ascribed thereto in the December 2019 Khundii Gold Project Technical Report.

EXECUTIVE SUMMARY

1.1 Introduction

Erdene Resource Development Corporation (Erdene, or the Company) retained Tetra Tech Canada Inc. (Tetra Tech) to prepare a National Instrument 43-101 (NI 43-101) Technical Report for the Khundii Gold project (the Technical Report), located in Bayankhongor Aimag, Southwest Mongolia. This Technical Report published on December 4, 2019 has the following effective dates: the effective date of the Bayan Khundii Mineral Resource Estimate is October 1, 2019 and the effective date of the Bayan Khundii Mineral Reserve Estimate is October 15, 2019.

Erdene's Khundii Gold Project (KGP, the Property, or the Project) involves the development of two gold deposits (Bayan Khundii and Altan Nar) located 16km apart in southwestern Mongolia, approximately 980 km from the capital Ulaanbaatar. This report encompasses two studies: a Preliminary Feasibility Study (PFS) for the Bayan Khundii deposit and a Preliminary Economic Assessment (PEA) for the Altan Nar (AN) deposit. It is expected that ore from both of these deposits will be processed sequentially in the same processing facility location next to the Bayan Khundii deposit.

1.2 Preliminary Feasibility Study

A PFS level study has been prepared by Tetra Tech for Erdene. The results of the study are documented in the Technical Report in accordance with NI 43-101 reporting standards and focus on the Bayan Khundii deposit and surrounding infrastructure.

The Bayan Khundii PFS envisages a conventional open-pit mining operation scheduled to operate for seven years exclusive of pre-production construction activities. Ore delivery to the processing plant is designed to be maintained at an average of 600 Kt/year, or 1,800 t/day, following commissioning of the processing plant. Over the life of mine, ore will be processed via conventional cyanide leaching and electrowinning to retrieve the contained gold. Initial smelting into doré bars will be completed on site with subsequent transport offsite via the main access road.

Capital and operating costs for the Bayan Khundii PFS have been estimated according to the Association for the Advancement of Cost Engineer's (AACE) Class Four estimate of a +/- 25% level of accuracy. All dollar figures presented in this report are stated in United States dollars unless otherwise specified.

1.3 Preliminary Economic Assessment

An updated PEA level study has been prepared for Tetra Tech for Erdene (AN PEA). The results of the study are documented in Section 24 – Other Relevant Data of the Technical Report in accordance with NI 43-101 reporting standards. The Altan Nar PEA report focusses on the Altan Nar deposit and surrounding infrastructure.

Mine design, cost estimation and processing work completed for the Altan Nar PEA is contingent on the establishment of the Bayan Khundii mine and infrastructure. It has been assumed that the Altan Nar property is designed as an addition to the existing operations at Bayan Khundii and will utilise the Bayan Khundii processing plant, accommodation and infrastructure.

The Altan Nar PEA focusses on the design of a conventional open pit mining operation for the Altan Nar deposit including mine and infrastructure design, scheduling and financial analysis. The operation is designed with a life of four years excluding pre-development construction activities. The mining schedule at Altan Nar is designed to maintain the nameplate capacity at the Bayan Khundii processing plant of 600kt/year.

Capital and operating costs for the Altan Nar PEA have been estimated according to the AACE Class Five standards, with an expected accuracy range of +/- 30%. All dollar figures reported in Chapter 24 are stated in United States dollars unless otherwise specified.

1.4 Key Study Outcomes

This section presents the outcomes of the mine plan and economic analysis completed for the Bayan Khundii PFS and Altan Nar PEA. These economic analyses represent forward-looking information that is subject to a number of known and unknown risks, uncertainties and other modifying factors that may cause actual results to differ materially from those presented. The material factors or assumptions used in the economic analyses and associated risks or uncertainties are fully described in Chapter 15, 21 and 25 for the Bayan Khundii PFS, and Chapter 24 for the Altan Nar PEA.

Mineral resources used in mine design for the Altan Nar PEA include Inferred Mineral Resources, which are considered too speculative geologically to have the economic considerations applied to enable the resources to be categorized as Mineral Reserves and there is no certainty that the Altan Nar PEA plans will be realized. Due to the conceptual nature of the Altan Nar PEA, the Mineral Resources in the Altan Nar PEA have not been converted to Mineral Reserves and therefore do not have demonstrated economic viability.

1.4.1 *Key Bayan Khundii PFS Study Outcomes*

The key study outcomes for the projected mine plan and economic results are presented in Table 1-1 below.

Table 1-1 Bayan Khundii PFS Study Outcomes

Parameter	Unit	Value
Metal Price		
Gold	US\$/oz	1,300
Exchange Rates		
CAD	CAD:USD	1.33
MNT	MNT:USD	2,645
Cost Summary (LOM)		
Operating Costs	US\$/oz Au	741
Total Cost (All-In Sustaining Cost)	US\$/oz Au	746
Initial Capital Expenditure	US\$ Million	39.9
Sustaining Capital Expenditure	US\$ Million	1.2
Unit Operating Cost	US\$/tonne milled	72
Pre Tax Results		
Net Cash Flow	US\$ Million	168.8
Net Present Value (NPV) at 5% Discount Rate	US\$ Million	124.5
Internal Rate of Return (IRR)	%	48
Payback Period	Years	1.7
Post Tax Results		
Net Cash Flow	US\$ Million	133.0
Net Present Value (NPV) at 5% Discount Rate	US\$ Million	96.9
Internal Rate of Return (IRR)	%	42
Payback Period	Years	1.84

1.4.2 Key Altan Nar PEA Study Outcomes

The key study outcomes for the projected mine plan and economic results are presented in Table 1-2 below.

Table 1-2 Altan Nar PEA Study Outcomes

Parameter	Unit	Value
Metal Price		
Gold	US\$/oz	1,300
Exchange Rates		
CAD	CAD:USD	1.33
MNT	MNT:USD	2,645
Cost Summary (LOM)		
Operating Costs	US\$/oz Au	929
Total Cost (All-In Sustaining Cost)	US\$/oz Au	931
Initial Capital Expenditure	US\$ Million	2.5
Sustaining Capital Expenditure	US\$ Million	0
Unit Operating Cost	US\$/tonne milled	68
Pre Tax Results		
Net Cash Flow	US\$ Million	48.9
Net Present Value (NPV) at 5% Discount Rate	US\$ Million	30.5
Internal Rate of Return (IRR)	%	110
Payback Period	Years	0.99
Post Tax Results		

Net Cash Flow	US\$ Million	39.0
Net Present Value (NPV) at 5% Discount Rate	US\$ Million	24.2
Internal Rate of Return (IRR)	%	92
Payback Period	Years	1.07

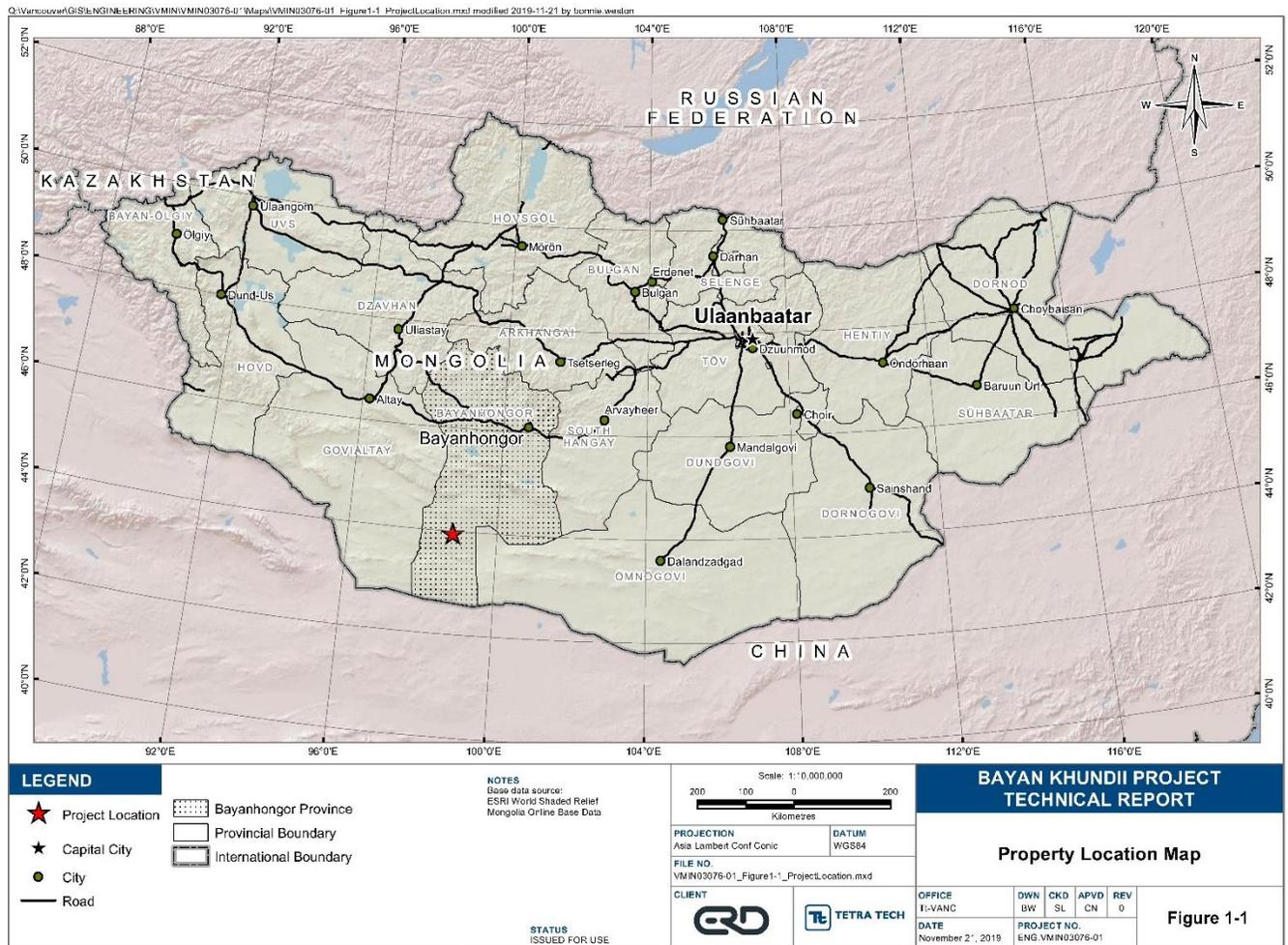
1.5 Property Description and Location

The Property is located in south western Mongolia in the Bayankhongor province and is situated approximately 980 kilometres southwest of the Mongolian capital Ulaanbaatar, and approximately 150 km north of the Chinese border. The Property currently includes the Khundii Exploration License (XV-015569; 2,205.71 ha), the Khundii Mining License (MV-021444, 2,308.62 ha) and the Tsenkher Nomin Exploration License (XV-016956; 4,668.64 ha). The Bayan Khundii deposit is located on the Khundii Mining license and the Altan Nar deposit is located on the Tsenkher Nomin exploration license. These licenses are 100% held by Erdene Mongol LLC, a wholly owned subsidiary of Erdene.

Vehicle access to the property is via paved roads from Ulaanbaatar to Bayankhongor (630 km), followed by regional gravel roads from Bayankhongor to Shinejinst (310 km), then another 90 km to site via dirt road. A small airstrip is located on site which is capable of accommodating light air craft. Private airline service is available from Ulaanbaatar and a one-way trip takes approximately 3 hours.

The Khundii Gold Project hosts the Bayan Khundii low sulphidation gold vein system, along with the Altan Nar polymetallic gold system.

Figure 1-1: Property Location



1.6 Environmental Considerations

Erdene has completed the following studies and executed the listed agreements for the Khundii Gold Project which comply with the Ministry of Environment and Tourism of Mongolia regulations:

- General Environmental Impact Assessment
- Detailed Environmental Impact Assessment and Management Plan
- Local Cooperation Agreement pursuant to Article 42 of the Law on Minerals of Mongolia

The above studies and agreements act as the basis for issuing operating permissions for the Khundii Gold Project.

Baseline studies undertaken cover potential impact to the environment including these areas: hydrology and hydrogeology, erosion profiles, climate, dust and air quality, noise, flora and fauna, and social impact. Management plans have been created for each of the areas of potential impact.

Groundwater is proposed as the primary water supply for the Bayan Khundii and Altan Nar operations, with no permanent surface water sources in the site area. Potential contamination of surface water was investigated in the event of runoff, with naturally occurring arsenic, molybdenum and copper discovered. Subsequent analysis of water and soil heavy metal content is required prior to commissioning of the mine. The proposed process plant has been designed to optimize water recovery and recycling through the thickening and filtration of tailings. Monitoring of the site wells and surface water drainage design and erosion control techniques are proposed to be implemented to minimize the impact on the local water supply.

Due to the arid climate and strong winds, soil present in the region are significantly eroded; however, the land at the Project site has not been significantly degraded by human settlement or technical operations to date. Ambient dust levels are anticipated to increase with the introduction of mining operations and heavy vehicle traffic, with subsequent plans for control and mitigation proposed for mining operations, haul roads and waste and ore stockpiles.

Given the remote location of the project, approximately 70 km from the nearest town, it is expected that vibration levels from blasting activities and day-to-day mining operations will be within a natural range. Noise attenuation will be provided to meet the relevant project and Mongolian Standards for occupational health and safety requirements.

Impact to vegetation is considered low due to the limited number of species present in the desert region where the Khundii Gold Project will be located. The fauna of the Project area is diverse, with the southern Gobi region of Mongolia a region of interest for fauna conservation.

Social impacts were evaluated in detail with respect to prioritising the employment of local residents from Shinejinst and Bayan-Undur areas, as well as from the wider Bayankhongor region. Local recruitment and training will be included in the Human Resources Management Plan for the project. Community development activities will also be undertaken with respect to local skills development. Monitoring of pasture use will be undertaken throughout the life of the project.

Mine closure plans are based on progressive rehabilitation throughout the life of mine, with the aim of the majority of reclamation earthworks completed by the time mining and processing activities cease. Containment of process tailings and mined waste rock within an integrated waste facility is proposed to reduce the footprint and potential impact of this material on the site and surrounding areas. The remainder of the operations infrastructure and buildings will be removed following mine closure, with subsequent rehabilitation of any impacted areas completed over one season.

1.7 Geology

1.7.1 *Bayan Khundii*

The Bayan Khundii deposit is hosted within the Trans Altai Terrane (“TAT”). The TAT forms part of the western end of the large, composite, arcuate-shaped Carboniferous-Permian New Kazak-Mongol Arc terrain (“NKMA”) and consists mostly of Middle Paleozoic volcanic, sedimentary and meta-sedimentary rocks that were intruded by Middle Paleozoic calc-alkaline plutons.

Locally, the bedrock geology of the Bayan Khundii license area is dominated by a sequence of Devonian and/or Carboniferous volcanic (andesite, andesite porphyry) and pyroclastic rocks (ash, lapilli, and block and ash tuffs).

These were intruded by Carboniferous intrusions, with these rocks unconformably overlain by Jurassic volcanic and sedimentary units. All rocks in the region are overlain by unconsolidated sediments of Quaternary or Recent age.

The overall structural model for Bayan Khundii consists of a series of tilted, extensional, domino-style fault blocks with northeast-trending, southeast-verging extensional faults. The main north-northeast trending mineralized zone, comprised of the Striker-Midfield-North Midfield zones, is interpreted as a 'relay ramp' whereby stress is transferred from the ends ('tip points') of adjacent northeast-trending, southeast-verging extensional faults via a series of north-east trending parallel structures.

Bayan Khundii is categorized as a low sulphidation epithermal gold deposit. Mineralization consists of gold ± silver veins within northwest-southeast trending, moderately-dipping (~45°) zones that range in width from 4 to 149 m. These zones are likely hosted within the hypothesized relay ramps. Visible gold is abundant at Bayan Khundii, being observed in approximately 30% of all holes drilled.

Prior to Erdene's initial work programs in 2010, no previous exploration work has been conducted on the Property.

Since 2015, five phases of drilling have been conducted at Bayan Khundii, encompassing 266 drill holes totaling 44,859 m. The primary focus of this drilling has been the Striker, Striker West, Midfield, and Midfield North gold zones. At Altan Nar, 125 drill holes have been completed since 2011, totaling 19,491 m of drilling along with the completion of 42 trenches. Eight of the drill holes were completed on Erdene's neighbouring Nomin Tal prospect, and the remaining targeted Altan Nar.

1.7.2 Altan Nar

The Altan Nar deposit is also hosted within the Trans Altai Terrane.

The geology on the Tsenkher Nomin license consists of a package of predominantly andesite flows (referred to as 'Sequence A') dominate the eastern part of the license area. These volcanic rocks have pronounced NW-SE trending linear features that are evident on satellite images. These rocks are interpreted to be a steeply dipping volcanic sequence that was intruded by sub-parallel, NW-trending granite porphyry and fine-grained granite intrusions interpreted to be sills, or possibly laccoliths. Widespread development of hornfels textures was noted in the andesite rocks, presumably resulting from contact metamorphism related to the large granite sills or laccoliths.

The geology of the central and western portion of the Tsenkher Nomin license area consists mostly of a sequence of volcanic flows and tuffaceous rocks of andesite composition (referred to as 'Sequence B'), with subordinate rhyolite, rhyodacite, andesite tuff, and green-coloured andesite. Drilling indicates these volcanic units strike to the northwest and dip at approximately 20-30° to the northeast.

The Altan Nar deposit is hosted in the Sequence B volcanic units and consists of gold, silver, zinc, and lead within sub-vertically dipping epithermal quartz veins. Altan Nar is characterized as an intermediate sulphidation epithermal polymetallic gold deposit.

1.8 Mineral Resource Statement

The Mineral Resources presented herein are reported in accordance with the Canadian Securities Administrators National Instrument 43-101 and have been estimated in conformity with generally accepted Canadian Institute of Mining and Petroleum (CIM) "Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines". Mineral resources are not mineral reserves and have not demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into mineral reserves.

The mineral resources for Bayan Khundii were estimated independently by Mr. Cameron Norton of Tetra Tech based on data collected as of May 14, 2019. The Mineral Resource Estimate for the Altan Nar deposit was developed in 2018 by RPM Global Asia Limited (RPM) with an effective date of May 7, 2018. The QP for the Altan Nar Mineral Resource Estimate is Jeremy Clark, Principal Geologist for RPM.

The combined estimate of Khundii Gold Project mineral resources is presented in Table 1-3. The effective date of the Bayan Khundii mineral resource estimate is October 1, 2019, and the effective date of the Altan Nar mineral resource estimate is May 7, 2018. Results of the individual mineral resource estimates for Bayan Khundii and Altan Nar are presented separately in Tables 1-4 and 1-5, respectively.

Table 1-3: Khundii Gold Project Combined Mineral Resources⁽¹⁾

Resource Classification	Quantity (Million tonnes)	Grade Au g/t	Gold oz
Measured	1.40	3.77	171
Indicated	8.70	2.39	668
Measured & Indicated	10.10	2.59	839
Inferred	4.30	2.10	289

Notes:

1. The Bayan Khundii mineral resource estimate is effective October 1, 2019, and the Altan Nar mineral resource estimate is effective May 7, 2018.
2. Cut-off grades for Altan Nar are based on a AuEq grade; cut-off grade for Bayan Khundii is based on Au only.
3. Tetra Tech recommended cut-off grade for Bayan Khundii is 0.55 g/t Au.
4. Cut-off grade for Bayan Khundii have been calculated using a gold price of \$1,350 /ounce, milling costs of \$3.0 / tonne, mining and G&A costs of \$16.0 / tonne, and an assumed gold recovery of 95%. Mineral resources contained within Bayan Khundii have been constrained to a preliminary pit shell to constrain blocks which are considered reasonable prospects for eventual economic extraction.
5. RPM recommended cut-off grade for Altan Nar is 0.7 g/t AuEq above a pit and 1.4 g/t AuEq below the same pit shell and incorporates mineralization from the oxide and sulphide domains.
6. Gold Equivalent (AuEq) for Altan Nar was calculated using long term 2023 - 2027 "Energy & Metals Consensus Forecasts" March 19, 2018 with an average of US\$1310/oz for Au, US\$17.91/oz for Ag, US\$1.07/pound for Pb and US\$1.42/pound for Zn. Adjustment has been made for metallurgical recovery and is based on the Company's preliminary testwork results which used flotation to separate concentrates including a pyrite concentrate with credits only for Au and Ag. Based on grades and contained metal for Au, Ag, Pb and Zn, it is assumed that all commodities have reasonable potential to be economically extractable.
 - a. The formula used for Au equivalent grade is: $AuEq\ g/t = Au\ g/t + Ag\ g/t * 0.0124 + Pb\ % * 0.509 + Zn\ % * 0.578$ with metallurgical recovery of 88.8% Au, 80.6% Ag, 80.4% Pb and 69.1% Zn.
 - b. Au equivalent ounces are calculated by multiplying mineral resource tonnage by Au equivalent grade and converting for ounces. The formula used for Au equivalent ounces is: $AuEq\ Oz = [Tonnage\ x\ AuEq\ grade\ (g/t)] / 31.1035$.
7. Only the gold ounces from Altan Nar have been combined with the Bayan Khundii gold ounces in the table above.
8. Numbers may not be exact due to rounding
9. Mineral resources, which are not mineral reserves, have not demonstrated to have economic viability.
10. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category

1.8.1 Bayan Khundii

The results of the Mineral Resource Estimate for the Bayan Khundii deposit, presented in Table 1-4, have been constrained to a conceptual pit shell and are reported at a 0.55 g/t Au cut-off. The mineral resource estimate is based on the combination of geological modeling, geostatistics, and conventional block modeling using the Ordinary Kriging method of grade interpolation. The mineral resources were estimated using a block model with parent blocks of 5 m x 5 m x 5 m with 5 sub-cells allowed in each direction. Estimation of the blocks was completed on the parent blocks and the grades assigned to the sub-cell blocks. The QA/QC protocols and corresponding sample preparation and shipment procedures have been reviewed by Tetra Tech.

The cut-off grade assumes an open pit mining scenario with a gold price of \$1,350 / ounce, a milling cost of \$3.0 / tonne, mining and G&A costs of \$16.0 / tonne, and a gold recovery of 95%.

Table 1-4: Mineral Resource Estimate for Bayan Khundii, Effective October 1, 2019

Cut-off Grade ⁽¹⁾ (Au g/t)	Resource Classification	Quantity (tonnes)	Grade Au g/t	Gold oz
0.4	Measured	1,737,000	3.15	176,000
	Indicated	4,616,000	2.45	363,700
	Measured & Indicated	6,353,000	2.64	539,700
	Inferred	1,062,000	3.10	105,800
0.55	Measured	1,410,000	3.77	171,000
	Indicated	3,710,000	2.93	349,700
	Measured & Indicated	5,120,000	3.16	520,700
	Inferred	868,000	3.68	102,800

1	Measured	652,000	7.31	153,300
	Indicated	1,696,000	5.56	303,500
	Measured & Indicated	2,348,000	6.05	456,700
	Inferred	421,000	6.83	92,500
1.4	Measured	506,000	9.09	147,800
	Indicated	1,427,000	6.40	293,600
	Measured & Indicated	1,933,000	7.10	441,400
	Inferred	371,000	7.61	90,800

Notes:

1. Cut-off grades have been calculated using a gold price of \$1,350/ounce, milling costs of \$3.0/tonne, mining and G&A costs of \$16.0/tonne, and an assumed gold recovery of 95%.
2. Bulk density of 2.66 for mineralized domains.
3. All figures are rounded to reflect the relative accuracy of the estimate. Numbers may not add exactly due to rounding.
4. Conforms to NI 43-101, Companion Policy 43-101CP, and the CIM Definition Standards for Mineral Resources and Mineral Reserves.
5. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

1.8.2 Altan Nar

The Mineral Resource Estimate for the Altan Nar deposit was stated in 2018 by RPM with an effective date of May 7, 2018 and documented in the report titled “NI 43-101 Technical Report for the Preliminary Economic Assessment of the Khundii Gold Project” dated February 4, 2019 and available on SEDAR under the Company’s profile. There has been no further work conducted on this deposit area since the effective date, and the Mineral Resource Estimate remains current.

The results of the Mineral Resource Estimate for the Altan Nar deposit are presented in Table 1-5. RPM has reported the Mineral Resources using a 0.7 g/t AuEq above pit and 1.4 g/t AuEq below the pit shell as a reporting cut-off based on a mining / process and cost parameters for the Project.

Table 1-5: Mineral Resource Estimate for Altan Nar, Effective May 7, 2018

Type	Indicated Mineral Resource										
	Quantity	Au	Ag	Zn	Pb	AuEq ⁽³⁾	Au	Ag	Zn	Pb	AuEq ⁽³⁾
	Mt	g/t	g/t	%	%	g/t	Koz	Koz	Kt	Kt	Koz
Oxide	0.6	2.0	12.7	0.6	1.0	3.1	39.3	244.3	3.8	6.3	59.6
Fresh	4.4	2.0	15.0	0.6	0.5	2.8	278.4	2,105.4	27.8	22.7	393.4
Total	5.0	2.0	14.8	0.6	0.6	2.8	317.7	2,349.7	31.6	29.0	453.0
Type	Inferred Mineral Resource										
	Quantity	Au	Ag	Zn	Pb	AuEq ⁽³⁾	Au	Ag	Zn	Pb	AuEq ⁽³⁾
	Mt	g/t	g/t	%	%	g/t	Koz	Koz	Kt	Kt	Koz
Oxide	0.8	1.8	7.5	0.6	0.9	2.6	43.3	183.7	4.3	6.5	64.2
Fresh	2.7	1.7	8.0	0.7	0.6	2.5	142.4	682.1	19.4	15.8	212.8
Total	3.4	1.7	7.9	0.7	0.7	2.5	185.7	865.8	23.7	22.3	277.1

Notes:

1. The Statement of Estimates of Mineral Resources has been compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
2. All Mineral Resources figures reported in the table above represent estimates based on drilling completed up to 7th May 2018. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. *Au Equivalent (AuEq) calculated using long term 2023 - 2027 "Energy & Metals Consensus Forecasts" March 19, 2018 average of US\$1,310/oz for Au, US\$17.91/oz for Ag, US\$1.07/pound for Pb and US\$1.42/pound for Zn. Adjustment has been made for metallurgical recovery and is based company's preliminary testwork results which used flotation to separate concentrates including a pyrite concentrate with credits only for Au and Ag. Based on grades and contained metal for Au, Ag, Pb and Zn, it is assumed that all commodities have reasonable potential to be economically extractable.

- a. The formula used for Au equivalent grade is: $AuEq\ g/t = Au\ g/t + Ag\ g/t * 0.0124 + Pb\ % * 0.509 + Zn\ % * 0.578$ with metallurgical recovery of 88.8% Au, 80.6% Ag, 80.4% Pb and 69.1% Zn.
 - b. Au equivalent ounces are calculated by multiplying Mineral Resource tonnage by Au equivalent grade and converting for ounces. The formula used for Au equivalent ounces is: $AuEq\ Oz = [Tonnage\ x\ AuEq\ grade\ (g/t)] / 31.1035$.
4. Mineral Resources are reported on a dry in-situ basis.
 5. Reported at a 0.7 g/t AuEq cut-off above pit shell and 1.4g/t AuEq below the pit shell. Cut-off parameters were selected based on an RPM internal cut-off calculator, which indicated that a break-even cut-off grade of 0.7g/t Au Equivalent above pit and 1.4g/t AuEq below pit, assuming a gold price of US\$1310 per ounce, an open mining cost of US\$6 per tonne and a processing cost of US\$20 per tonne milled and processing recovery of 88.8% Au, 80.6% Ag, 80.4% Pb and 69.1% Zn.
 6. Mineral Resources referred to above, have not been subject to detailed economic analysis and therefore, have not been demonstrated to have actual economic viability.

1.9 Mineral Reserve Statement

Mineral Reserves estimated for the Bayan Khundii deposit are based on Measured and Indicated Resources and use PFS level engineering designs for the pit and associated operating parameters and infrastructure. Reserve calculations are valid at the time of estimation and use cut-off grade assumptions which were made prior to finalization of the economic model. The Mineral Reserve estimates are based on a mine plan and open pit design developed using modifying parameters including metal price, metal recovery based on performance of the processing plant, and operating cost estimates.

Waste to ore open pit cut-off grades and recoveries were determined using a gold price of \$1,267 / ounce. Open-pit Mineral Reserves were calculated using Tetra Tech’s pit designs and the 2019 updated Mineral Resource model. These calculations include mining losses of 5% and estimated average internal dilution of 9% over the life of mine. A summary of the Mineral Reserves estimated for the Bayan Khundii deposit as of October 15, 2019 can be found in Table 1-6 below.

Table 1-6: Mineral Reserve Statement for Bayan Khundii Deposit, Effective October 15th, 2019

Reserve Category	Quantity (M tonnes)	Average Grade (Au g/t)	Contained Metal (000 Oz)
Proven	1.1	4.4	165
Probable	2.4	3.4	256
Total Proven and Probable	3.5	3.7	422

Notes:

1. The effective date of the Mineral Reserve estimate is October 15th, 2019. The QP for the estimate is Ms. Maurie Phifer, P.Eng. of Tetra Tech
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
3. Reserves estimated assuming open pit mining methods
4. Reserves are reported on a dry in-situ basis
5. Waste to ore cut-offs were determined using an NSR value for each block in the model. NSR is calculated using prices and process recoveries for each metal accounting for all off-site losses, transportation, smelting and refining charges. NSR cut-off was calculated to be \$22.93, and includes 5% royalty deduction
6. Reserves are based on a gold price of \$1267/oz, mining cost of \$2.5/tonne, milling costs of \$16.46/tonne feed, G&A costs of \$6.58/tonne
7. Mineral Reserves include dilution of 9% and losses of 5%.

1.10 Development and Operations

1.10.1 Mining Methods

Mining operations designed as part of this Technical Report focus on the Bayan Khundii open-pit and surrounding infrastructure. The Bayan Khundii site is comprised of the open-pit mine, processing plant and integrated waste rock and tailings storage facility. Additional infrastructure for maintenance facilities and a contractor camp are included. The proposed mine uses conventional open-pit truck and shovel methods for ore extraction.

Initial evaluation of Whittle™ pit shells was completed based on geotechnical and economic parameters to determine potentially economically minable material. Geotechnical investigations were conducted to assess the expected rock quality at Bayan Khundii. Characterization of structural domains was completed for slope stability and pit design considerations. Geotechnical analysis provided recommendations for bench parameters and overall slope angles to maintain a safe and efficient pit design. A selective open-pit mining method was determined as the most efficient method for extraction of the mineralised material due to the shallow placement and structurally controlled nature of the orebody. The final pit design was based on the Whittle™ shell which presented the lowest risk and highest economic viability of the reviewed pit shells.

Tetra Tech proposes a production schedule based on an annualized 1,800 t/d mill feed rate. Mining is planned to take place over six years, inclusive of a one-year commissioning ramp up for the processing plant until nameplate capacity is achieved. One year of predevelopment construction activities is expected.

An overall mining rate of 9.0 Mt/year is proposed for the first four years of the life of mine, with a planned ramp-down in the final two years whilst stockpiled ore is processed at the plant to maintain capacity. The Bayan Khundii open pit will be mined from south to north within two pushbacks and a final ultimate pit, with a minimum mining width of 30 m used based on equipment specifications. Vertical advancement of 60 m per year has been proposed, with designed benches at 5 m high for eventual 15 m high benches in the ultimate pit. A summary of the life of mine operating schedule is presented in Table 1-7 below.

Table 1-7: Bayan Khundii Life of Mine Operating Schedule

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Material Mined (tonnes)	8,749,766	8,773,739	8,749,768	8,735,384	3,499,983	876,811	-
Strip Ratio	9.9	11.3	22.3	22.5	3.0	1.3	-
Plant Feed (tonnes)	449,680	601,338	599,695	599,695	599,695	601,338	69,011
Plant Feed from Pits (tonnes)	449,680	601,338	375,850	371,828	599,695	378,218	-
Plant Feed from Stockpile (tonnes)	-	-	223,845	227,867	-	223,120	69,011
Gold Grade (grams/tonne)	3.91	4.16	3.14	3.40	3.59	4.22	3.66
Gold to Plant (ounces)	56,525	80,462	60,463	65,549	69,233	81,625	8,113
Non-Metal Leaching (tonnes)	1,910,147	4,266,532	1,266,598	597,325	325,703	57,099	-
Metal Leaching (tonnes)	6,040,525	3,796,081	7,107,320	7,766,230	2,289,942	441,495	-
Stockpile Balance at Year End (tonnes)	349,414	459,201	235,356	7,489	292,132	69,011	-

Core mining equipment selected for operations at Bayan Khundii have been chosen based on maintaining productivity and selectivity whilst reducing capital costs. Separate ore and waste equipment are proposed. Additional core equipment including drills and waste dozers are included and summarized in Table 1-8 below. Auxiliary equipment selected includes haul road, pit and waste dump maintenance equipment and mobile equipment support vehicles.

Mining is expected to be undertaken by a contractor, with permanent positions for supervisory and geological technical staff.

Table 1-8: Core and Auxiliary Equipment Selected for Bayan Khundii Open Pit Mine

Core Equipment	Equipment Model	Equipment Class	Number Required
Ore Drill	PowerROC D60	110-178mm hole diameter	2
Waste Drill	FlexiROC D60	110-178mm hole diameter	3
Ore Loader	CAT 349F	311 kW	1
Waste Loader	CAT 6015B	606 kW	1
Ore Truck	CAT 740B	365 kW	2
Waste Truck	CAT 773D	509 kW	9
Waste Dozer	CAT D9	310 kW	1

Auxiliary Equipment	Equipment Model	Equipment Class	Number Required
Wheel Loader	CAT 988K	310 kW	2
Grader	CAT 14M3	178 kW	1
Vibratory Compactor	CAT CS74B	129 kW	1
Water Truck	CAT 773WT	-	1
Support Loader (Mill Rehandle)	CAT 966K	-	1
Fuel and Lube Truck	-	-	1
Maintenance Trucks	-	-	2
Low Bed Truck	-	-	1
Pickup Trucks	-	-	5

1.10.2 Project Infrastructure

Project infrastructure for the Bayan Khundii pit is designed to support efficient day-to-day operations and includes the processing plant, integrated waste and tailings storage facility, maintenance and administration buildings, emergency facilities, site haul roads and accommodation camp.

Infrastructure placement and design was sited with consideration of the prevailing winds on site to mitigate dust formation, areas of light and heavy vehicle interaction on haul roads and drainage and catchment areas to mitigate potential flooding.

An on-site power plant is proposed to meet reliability and anticipated power requirements, with a combined solar-diesel generation method. Average load demand of approximately 4 MW is expected with distribution on site transmitted at 6.6 kV via substations at areas with major power requirements.

Site water supply is expected to be aquifer-sourced from bore fields located approximately 2 km southwest of the Bayan Khundii pit. An aboveground pipeline is proposed to transport water from the bore field to a raw water tank adjacent to the processing plant for desalination and water hardness treatment. Expected water requirements at the processing plant amount to 15 m³/hour or 4.2 L/second. Secondary water requirements at the accommodation camp and other buildings or site facilities will be treated further to allow a potable water source for drinking water and safety showers.

1.10.3 Integrated Waste Facility and Stockpiles

Mined waste rock and processed tailings will be contained within an Integrated Waste Facility (IWF) as a single above-ground structure located directly east of the Bayan Khundii pit. The IWF will consist of a core of mixed tailings and waste rock encapsulated within an environmentally benign and durable erosion-resistant cover.

Within the IWF, low-grade material, defined as above 0.2 g/t and lower than the process plant feed grade, will be placed in a discreet section of the IWF and integrated into the overall structure. Low-grade material can therefore be reclaimed and processed should it become economically viable.

Provision for a separate run-of-mine (ROM) stockpile has been included in infrastructure considerations in order to accommodate periods where the mining rate exceeds the processing plant capacity. The ROM stockpile will be located adjacent to and directly west of the processing plant and is designed to accommodate the maximum planned stockpiled ore from the mine schedule.

1.11 Mineral Processing and Metallurgical Testing

1.11.1 Metallurgical Testwork

Metallurgical testwork for the Bayan Khundii PFS is largely based on work conducted at Blue Coast Research Ltd. in 2019 and is designed to expand the metallurgical database and build on past work conducted at Blue Coast in 2016 and 2017. The 2019 test program included an expanded cyanidation program, variability tests, a gravity concentration study and a comminution test program.

Metallurgical tests to date include:

- Gravity concentration and cyanidation response tests on composite samples, conducted in 2016 to assess potential recovery rates of Bayan Khundii ore.
- Comminution testwork, cyanide optimisation and cyanide variability programs on composite samples, conducted in 2017 to investigate grinding requirements for maximization of gold recovery.
- Grindability testing for material hardness properties, conducted in 2019.
- Gravity concentration studies to assess the gravity recovery response from average grade material, conducted in 2019.
- Cyanide optimization testwork evaluating the effect of primary grind size, cyanide concentration, lead nitrate and oxygen additions on recovery rates conducted in 2019. An additional variability study was conducted to investigate the head grade to recovery relationships within the deposit.

Composites selected for testing were designed to reflect the variability of different properties of the Bayan Khundii deposit and provide a global estimate of average grades and investigate potential recovery rates. Samples were combined from higher and lower grade areas and from each geological unit present with additional consideration for samples from both fresh and oxidised material.

Results from the metallurgical tests described above indicate a relationship between head grade and recovery. High grade material which will comprise early mill feed in the life of mine showed increased recovery rates when finer primary grinding was used. Additions of lead nitrate and oxygen were not recommended as an overall improvement in recovery was limited with these methods.

Variability testing indicated that recovery from the Striker Zone is highest within the Bayan Khundii deposit, with no clear difference in gold recovery between oxide and fresh rock. Additional testwork is recommended to improve and refine estimates from each area of the deposit and to optimize processing equipment sizes for carbon leaching and adsorption activities.

1.11.2 Mineral Processing and Recovery Methods

Mill feed from the Bayan Khundii pit to the processing plant is expected to average 3.7 g/t gold with minimal additional silver content. Testwork conducted concludes that the ore is amenable to conventional cyanide leaching with recoveries reaching 95% using this method. The correlation between recovery versus grind size shows improved recovery down to 60-micron size, implying very fine-grained gold mineralogy. A final grind size of 60-micron was confirmed. In addition, a relationship between head grade and recovery was found, with higher recoveries expected from higher-grade material.

Gravity recovery testing did show some promise, however, this requires grinding down to the 70-micron size and so does not imply the recovery of nuggets via a gravity circuit, merely a potential ability to reduce the load to the leach and CIP (Carbon-In-Pulp) circuits by removing more of the gold and silver from any high grade feeds. In addition, the capital and operating cost of including a gravity circuit were investigated and did not justify the cost saving gained through reduced load to the leach and CIP circuits. Testing also showed conventional cyanide leaching recovered the same amount of gold as a combined gravity-cyanide leach circuit.

The proposed conventional cyanide leaching process is designed to produce gold doré bars for transport off site for further refining.

The simplified gold recovery process is as follows:

- Comminution
- Cyanide Leaching
- Carbon-in-Pulp Adsorption
- Elution
- Electrowinning
- Carbon Regeneration

- Tailings Treatment

The process plant will consist of secondary crushing, primary grinding via a SAG (Semi-Autogenous Grinding) mill, cyanide leaching, adsorption via carbon-in-pulp methods, elution via the AAL method (Anglo American Laboratories), electrowinning and furnace smelting to produce doré bars. Subsequent carbon regeneration will be conducted in a diesel-fired kiln before replacement in the CIP tanks.

Tailings will be thickened following cyanide detoxification and filtered to a dry cake before disposal alongside waste rock in the integrated waste facility.

1.12 Capital and Operating Cost Estimation

1.12.1 *Capital Cost Estimates*

Capital costs for the Bayan Khundii operations were estimated according to the Association of Advancement of Cost Engineers (AACE) Class 4 estimate with an expected accuracy range of +/- 25%. All currencies are in United States Dollars unless otherwise specified.

The total estimated initial capital costs for the Bayan Khundii operation is US\$39.9M. This capital cost estimate is based on a contractor mining scenario and was established using a hierarchical work breakdown structure as detailed in Table 1-9 below.

Table 1-9: Capital Cost Estimates for Bayan Khundii Operation

Area		Cost (US\$ million)
Direct Costs		
2000	Mine	1.9
3000	Process Plant	12.1
4000	Project Services	2.2
5000	Project Infrastructure	3.9
6000	Permanent Accommodation	1.4
Direct Cost Subtotal		21.7
Indirect Costs		
7000	Site Establishment & Early Works	3.0
8000	Management, Engineering, EPCM Services	4.3
9000	Pre-Production Cost	10.9
Indirect Cost Subtotal		18.2
Total		39.9

Note: Rounding may cause some computational discrepancies.

This capital cost estimate includes only initial capital and excludes all costs related to financing, currency fluctuations, lost time, additional inventories, reclamation and closure costs, future studies and community relations. There is no cost allocated for mining equipment as this is assumed as provided by the mining contractor. Mining capital costs relate to mine site infrastructure, utilities and haul roads only.

1.12.2 *Sustaining Capital Cost Estimates*

Sustaining capital cost estimates included for the Bayan Khundii project relate to the processing plant, as sustaining capital for mining equipment and infrastructure is included within the contractor margin or not required due to the short mine life. Sustaining capital estimated for the processing plant and associated facilities is calculated as 2.5% of the total initial capital costs from years two through five of the life of mine and includes provision for replacement or repair of major processing equipment components, site service and utility repair and replacement and process-related mobile equipment repair and replacement.

1.12.3 Operating Cost Estimates

Operating costs for the Bayan Khundii operations were estimated according to the Association of Advancement of Cost Engineers (AACE) Class 4 estimate with an expected accuracy range of +/- 25%. All currencies are in United States Dollars unless otherwise specified.

The life of mine average operating cost for the Bayan Khundii operations is estimated at US\$71.93/t milled at the nominal process rate of 1,800 t/day or 600 kt/year. This operating cost excludes any initial or sustaining capital and excludes pre-production costs. The operating costs for mining, processing and general and administrative costs are summarized in Table 1-10 below.

Table 1-10: Operating Cost Distribution by Operating Area at Bayan Khundii Mine

Operating Cost Summary	Total Cost (LOM Millions)	Cost \$/t Milled (LOM Average)
Mining Costs	124.9	35.49
Processing Costs	112.8	32.06
General and Administrative Costs	15.4	4.39
Total Operating Cost	237.8	71.93

Note: Rounding may cause some computational discrepancies.

Power will be supplied from an on-site power plant located to the southeast of the processing plant. The power plant will supply 6.6 kV power to the process plant and other mine infrastructure through a combination of solar and diesel power generation. Fuel costs will therefore indirectly comprise a portion of the power cost for both mining and processing activities.

1.13 Economic Analysis

An economic evaluation of the Bayan Khundii operation was undertaken based on a pre-tax financial model created for the Bayan Khundii PFS. The estimates included within the financial model are estimated within +/- 25% accuracy. For the seven-year total life-of-mine (including pre-production development) and 3.52 Mt Mineral Reserve, the following pre-tax financial parameters were calculated:

- 48.5% IRR
- 1.70-year payback period on US\$39.9M initial capital expenditure
- US\$124.5M NPV at a 5% discount rate

Subsequently, a post-tax financial model was created resulting in the following financial parameters:

- 42.1% IRR
- 1.84-year payback period on US\$39.9M initial capital expenditure
- US\$96.9M NPV at a 5% discount rate

A summary of the results of the Bayan Khundii economic analysis are presented in Table 1-11 below.

Table 1-11: Financial Results from Bayan Khundii Economic Model

Financial results	Units	Value	\$/tonne
Tonnes Milled	tonnes	3,520,452	
Gold Head Grade	g/t	3.73	
<u>Dore production</u>			
Gold Ounces Produced	'000 oz	382	
Total Project Revenue	Million US\$	\$494	\$140
Operating Costs	Million US\$	\$253	\$72
Royalties	Million US\$	\$30	\$8
Operating earnings	Million US\$	\$211	\$60
Initial Capital Expenditure	Million US\$	\$40	\$11
Sustaining Capital Expenditure and Other	Million US\$	\$3	\$1
Pre-tax Cash Flow	Million US\$	\$169	
Taxes	Million US\$	\$36	
Post-tax Cash Flow	Million US\$	\$133	
Post-tax NPV at 5% Discount Rate	Million US\$	\$97	
IRR	%	42%	
Payback Period	Years	1.8	

Sensitivity analyses were carried out on the post-tax financial model NPV and IRR results with respect to key project variables including gold prices, LOM capital and operating costs and the Mongolian to United States exchange rate. Both the project NPV and IRR are most sensitive to fluctuations in the gold price and operating costs and least sensitive to capital costs and the exchange rate.

The results of the sensitivity analyses are presented in Figures 1-2 and 1-3 below.

Figure 1-2: Post-Tax NPV Sensitivity of Key Project Metrics

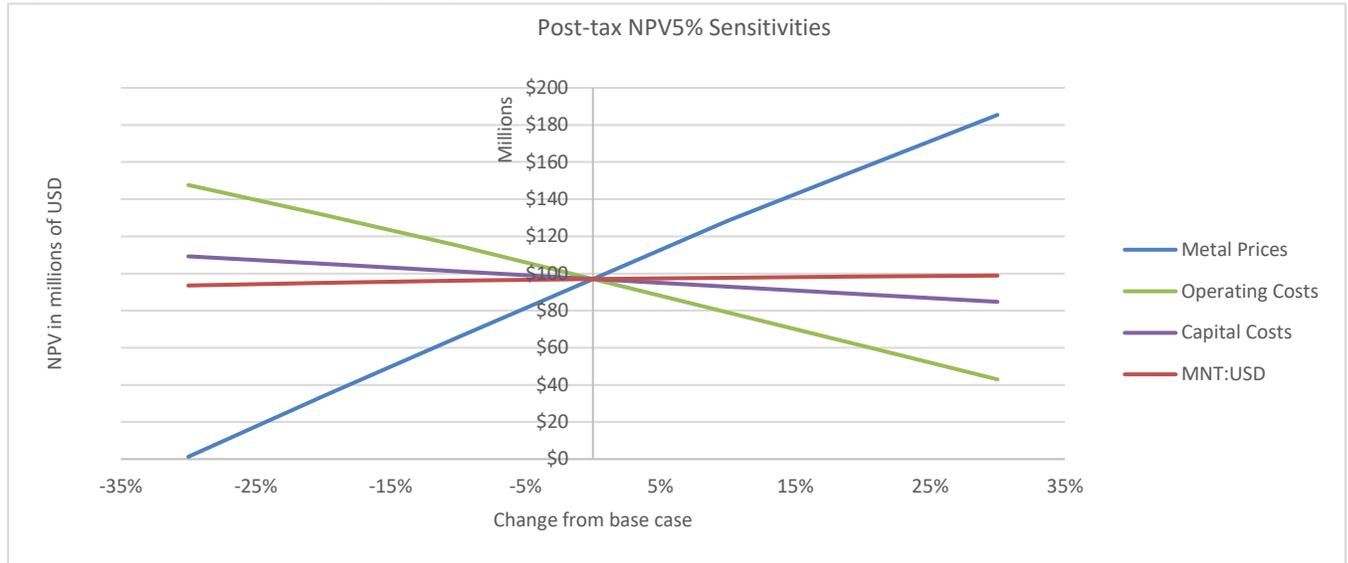
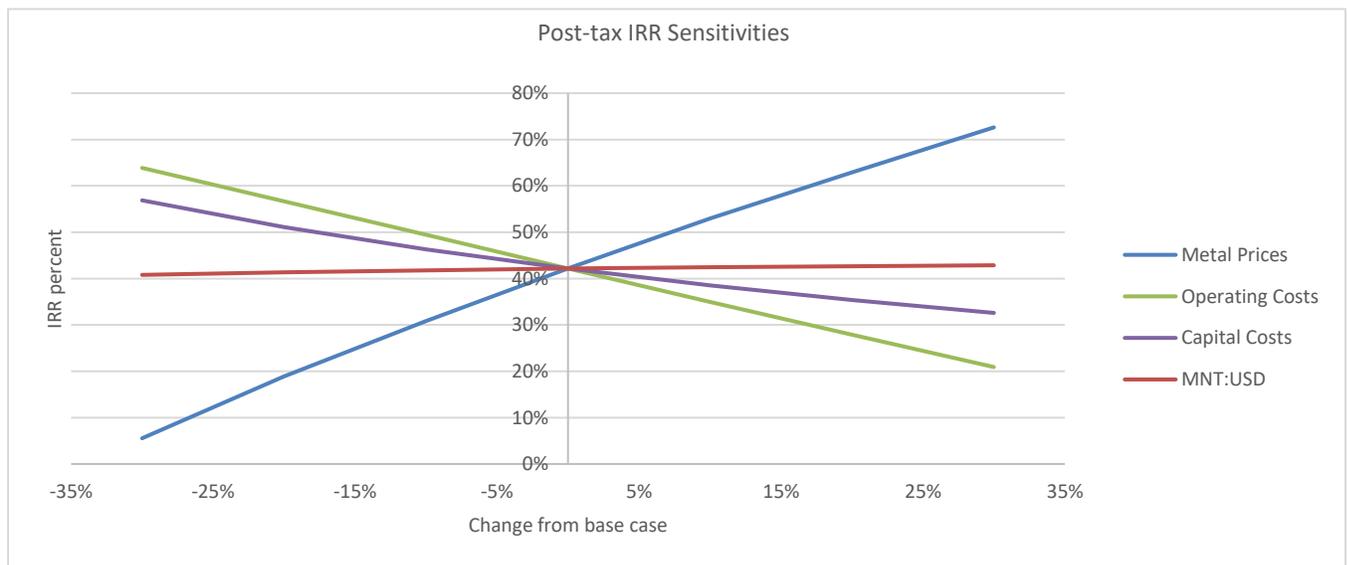


Figure 1-3: Post-Tax IRR Sensitivity of Key Project Metrics



Tetra Tech confirmed that there were no periods of negative cash flow following project start-up and that overall project economics are favorable at both the US\$1,300/oz price used for modelling and at a three-year moving average gold price of \$1,267/oz.

1.14 Preliminary Economic Assessment of the Altan Nar Project

Tetra Tech was commissioned by Erdene Resource Development Corp (ERD) to complete an updated Preliminary Economic Assessment (PEA) for the Altan Nar (AN) deposit as part of the Khundii Gold Project (KGP) in Mongolia. Previous work was completed by RPM with a PEA released in February 2019.

Technical work completed by Tetra Tech pertains to an updated mine and infrastructure design, schedule and financial analysis of the Altan Nar property to an accuracy of +/- 30%. Tetra Tech relied upon geological and geotechnical data provided by ERD and the previous resource estimate completed by RPM Global and used in the February 2019 PEA.

The Altan Nar PEA is preliminary in nature and contains the results of work completed based on inferred mineral resources which are considered too speculative geologically to enable categorization as reserves. There is no certainty that the proposed operations indicated in the Altan Nar PEA will be realised. All technical work completed for the Altan Nar deposit as a mining operation is contingent on the establishment of the Bayan Khundii mine and infrastructure and Altan Nar is designed as an addition to existing operations at Bayan Khundii as opposed to a standalone operation.

1.14.1 Mineral Processing and Metallurgical Testwork

Metallurgical testwork for the Altan Nar study is based on six test programs conducted between 2012 and 2019 at ALS Ammetc (Perth, Western Australia), Actlabs Asia LLC. (Mongolia), and Blue Coast Research Ltd. (Parksville, BC) and SGS Canada Inc. (Burnaby, BC). Metallurgical tests to date include:

- Gold deportment study conducted in 2012 by ALS Ammetc on one sample from Discovery Zone South.
- Cyanidation tests conducted in 2013 and 2015 by Actlabs Asia LLC. on samples from Discovery Zone North, Discovery Zone South and Union North areas of the deposit. This study found higher gold recoveries in samples with lower arsenic content with maximum gold recovery achieved after 24 hours.
- Heavy liquid separation, gravity testwork, cyanidation, flotation and grindability tests conducted by Blue Coast Research Ltd. In 2015 and 2018. This work focussed on the impact of finer grind sizes and higher cyanide concentrations on overall recovery and found that finer primary grinds resulted in limited impact to overall gold recovery, with flotation and/or oxidative pre-treatment favoured for optimizing gold recovery from areas of the deposit with higher arsenic content. Gravity testwork concluded that a portion of the gold at Altan Nar is amenable to recovery by gravity methods. The results of the heavy liquid separation testwork found pre-concentration of Discovery Zone North material would not be appropriate to improve recovery due to losses in base and precious metals during the process. Flotation was also excluded from the flowsheet due to suboptimal responses from Discovery Zone South and Union North ore.
- Grindability testwork completed in 2015 and 2019 by SGS Canada Inc. The results suggested that material from the Altan Nar deposit is moderately hard to hard. In addition, it was found that material from the Discovery Zone was abrasive, while material from Union North was moderately abrasive.

Gold recovery projections are based on a whole ore cyanidation process, with a relationship between arsenic quantity and recovery expected. As arsenic content increases, overall gold recovery decreases. It was found that the high arsenic zone present in the Altan Nar deposit constitutes 11% of the total mineralized material in the orebody. Selective mining to exclude the high arsenic zone is proposed to reduce the arsenic content of processed ore, with gold recovery of material with an arsenic content of less than 0.16% averaging 88%.

1.14.2 Recovery Methods

Recovery methods for Altan Nar ore are based on the same recovery methodology as Bayan Khundii ore. Mill feed from the Altan Nar pits to the processing plant is expected to average 3.46 g/t gold with additional silver content. It is expected gold and silver will be recovered from Altan Nar ore via conventional cyanidation and Carbon-In-Pulp (CIP) methods with plant tailings being co-disposed with waste rock material in an Integrated Waste Facility (IWF) situated at the Altan Nar site.

The proposed conventional cyanide leaching process is designed to produce gold doré bars for transport off site for further refining.

The simplified gold recovery process is as follows:

- Comminution
- Cyanide Leaching
- Carbon-in-Pulp Adsorption
- Elution
- Electrowinning
- Carbon Regeneration
- Tailings Treatment

Additional provision for increased cyanide requirements when recovering metal from ore with a high silver content (>20 g/t) is included in the process plant setup, with intermittent periods where two carbon elutions per day will be required. Size of rectifier equipment will also be increased to accommodate the additional load of high-grade silver ore. Tailings will be handled through a thickening and filtration process to reduce cyanide content and condense the material for impoundment within the Altan Nar IWF.

1.14.3 Development and Operations

The Altan Nar project consists of seven small satellite pits with ore material being trucked to the mill at the Bayan Khundii operation using 38 tonne road trucks over a length of 21 kilometers. Additional Altan Nar infrastructure includes an Integrated Waste Facility for combined storage of waste rock material and process plant tailings. The Altan Nar operation is designed to integrate with the existing Bayan Khundii open pit mine to the south, and utilize the currently planned processing plant, maintenance workshop, warehouse, refuel facilities, contractor camp and explosive storage area.

Mine planning work is based on the Indicated and Inferred resources defined for the Altan Nar deposit, and additionally on previous work conducted by RPM included within the February 2019 Preliminary Economic Assessment. Other information considered and used for mine planning and design include base economic parameters, metal prices, mining cost data derived from current Bayan Khundii PFS estimates or Tetra Tech’s internal database and projected metallurgical recoveries, processing costs and throughput rates.

Pit optimization was conducted using Whittle™ software, using key inputs for metal prices, recoveries and operating costs alongside the Mineral Resource block model. Slope parameters are based on the available geotechnical information presented in the February 2019 PEA completed by RPM Global. A pit shell was chosen with the lowest possible strip ratio whilst maintaining NPV to reduce overall waste material mined.

Mineralisation at Altan Nar is hosted within multiple orebodies separated by barren host rock and as such, multiple smaller pits were proposed to target each orebody whilst reducing waste material mined. A selective mining method was chosen for Altan Nar pit designs, with smaller equipment and 5m bench sizes for greater ore to waste boundary control. The Altan Nar operation is expected to have a life of mine of just over four years.

The Altan Nar operation is designed with a schedule which maintains the 1,800 t/d capacity of the Bayan Khundii processing plant, based on a conventional open-pit truck and shovel mining method. An average mining rate of 4.0 Mt per year is proposed for the first three years, with 3.5 Mt mined in the fourth year of the project LOM. One year of scheduled pre-stripping and development is included in the Altan Nar mine plan. A summary of the proposed LOM plan is displayed in Table 1-12 below.

Table 1-12: Altan Nar LOM Operating Schedule

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Material Mined (tonnes)	3,999,665	4,010,624	3,999,666	3,527,432	1,501
Strip Ratio	10.2	8.6	7.9	5.0	11.3
Plant Feed (tonnes)	-	601,338	599,695	599,695	13,281
Plant Feed from Pits (tonnes)	-	417,554	448,933	590,110	123
Plant Feed from Stockpile (tonnes)	-	183,784	150,762	9,585	13,159
Gold Grade to the Plant (grams/tonne)	-	3.90	3.11	3.35	4.46
Gold to Plant (ounces)	-	75,437	59,950	64,535	1,902
End-of-Year Stockpile Tonnes Balance	357,290	173,506	22,744	13,159	-

Equipment selection for the Altan Nar site is based on the currently recommended fleet for use at Bayan Khundii. A reduction in the total equipment required occurs due to the shorter life of mine and lower mining rate relative to the Bayan Khundii operations. A summary of the equipment fleet selected is provided in Table 1-13 below.

Table 1-13: Altan Nar Equipment Selection

Core Equipment	Equipment Model	Equipment Class	Total Required
Ore Drill	PowerROC D60	110-178 mm hole diameter	1
Waste Drill	FlexiRoc D60	110-178 mm hole diameter	2
Ore Loader	CAT 349F	311 kW	1
Waste Loader	CAT 6015B	606 kW	2
Ore Truck	CAT 740B	365 kW	3
Waste Truck	CAT 773D	509 kW	3
Waste Dozer	CAT D9	310 kW	2

Auxiliary Equipment	Equipment Model	Equipment Class	Total Required
Grader	CAT 14M3	178 kW	1
Vibratory Compactor	CAT CS74B	129 kW	1
Water Truck	CAT 773WT	-	1
Support Loader (Mill Rehandle)	CAT 966K	-	1
Fuel and Lube Truck	-	-	1
Low Bed Truck	-	-	1
Pickups	-	-	1
Forklift	-	-	1
Maintenance Truck	-	-	2

The workforce build up for Altan Nar was based on the core equipment requirements with supervisory and support roles added based on the relative scale of the project. A reduced workforce compared to the Bayan Khundii operations is anticipated to reduce labour operating costs. Mining activities are proposed to be undertaken by a contractor, with managerial positions and geological technical staff included as permanent positions.

1.14.4 Infrastructure Requirements

The majority of the infrastructure required for the Altan Nar operation will already be established for the Bayan Khundii mine. This infrastructure is predominantly located close to the Bayan Khundii pit, including the processing plant, warehouse and admin buildings and maintenance workshop. The accommodation village is located approximately 12 km southeast of the proposed Altan Nar open pit development. Additions to infrastructure include security and fencing for the Altan Nar site, a potential satellite office and portable ablutions and a haul road upgrade prior to first production.

Existing power facilities at Bayan Khundii will be used, with potential additional power required for the electrowinning circuit to recover the silver present in Altan Nar ore. An upgrade to the existing power station is not required for the Altan Nar operation. Water supply and distribution infrastructure is also expected to remain unchanged from currently proposed Bayan Khundii infrastructure, with haul road maintenance and other activities at Altan Nar which require water to be facilitated with the use of water trucks.

Process tailings and waste rock material mined at Altan Nar will be co-disposed in a single above-ground Integrated Waste Facility (IWF). This facility will be located adjacent to the Altan Nar open pits and will be constructed using the same design criteria as the proposed IWF at the Bayan Khundii site.

1.14.5 Capital and Operating Costs

Capital and operating costs for the Altan Nar operations are estimated to AACE Class 5 standards, with an expected accuracy range of +/- 30%. All costs are based on the equivalent estimates for the Bayan Khundii PFS study with adjustments made for modifying factors specific to the Altan Nar property.

Capital costs estimates for Altan Nar are based on additional infrastructure, upgrades or repair required to establish the Altan Nar site to complement operations at Bayan Khundii towards the end of the LOM. The total initial capital cost for Altan Nar is expected at US\$2.2M. The majority of capital costs for the Altan Nar operation surrounds the construction of the haul road network between the Altan Nar mine site and existing Bayan Khundii processing plant. Additional costs have been included for desorption and gold room facilities at the processing plant to meet Altan Nar ore processing requirements. Sustaining capital costs have not been included in the Altan Nar cost estimation due to the short life of mine and expected contract mining arrangement. A summary of the expected capital costs is provided in Table 1-14 below.

Table 1-14: Capital Cost Summary for Altan Nar

Area		Cost (US\$ M)
Direct Costs		
2000	Mine (Haul Roads)	1.30
3000	Process Plant	0.05
Direct Cost Subtotal		1.35
Indirect Costs		
7000	Site Establishment & Early Works	0.29
8000	Management, Engineering, EPCM Services	0.005
9000	Pre-Production Cost	0.54
Indirect Cost Subtotal		0.84
Total		2.20

Operating costs include mining, processing, tailings and waste rock storage, water treatment and general and administrative expenses. The LOM average operating cost for Altan Nar is estimated at US\$68/t milled. Fuel costs are estimated to indirectly comprise a portion of the power cost for both mining and processing activities as the power plant is designed with a hybrid fuel/solar power generation system. A summary of the operating costs for Altan Nar is provided in Table 1-15 below.

Table 1-15: Operating Cost Distribution by Operating Area at Altan Nar Mine

Operating Cost Summary	Total Cost (LOM \$M)	Cost \$/t Milled (LOM Average)
Mining Costs	58.5	32.24
Processing Costs	55.9	30.81
General and Administrative Costs	8.4	4.60
Total Operating Cost	122.8	71.93

1.14.6 Economic Analysis

An economic evaluation of the Altan Nar project was completed based on a pre-tax financial model. For the four-year total life of mine, the following financial parameters were estimated:

- 110.1% IRR
- 0.99-year payback period on US\$2.5M initial capital expenditure
- US\$30.5M NPV at a 5% discount rate

Subsequently, a post-tax financial model was created, resulting in the following financial parameters:

- 42.1% IRR
- 1.07-year payback period on US\$2.5M initial capital expenditure
- US\$24.1M NPV at a 5% discount rate

A summary of the results of the financial analysis is provided in Table 1-16 below.

Table 1-16: Financial Results from Altan Nar Economic Model

Financial results	Units	Value	\$/tonne
Tonnes Milled	tonnes	1,814,009	
Gold Head Grade	g/t	3.46	
<u>Dore production</u>			
Gold Ounces Produced	'000 oz	136	
Total Project Revenue	Million US\$	\$186	\$102
Operating Costs	Million US\$	\$123	\$68
Royalties	Million US\$	\$11	\$6
Operating earnings	Million US\$	\$52	\$29
Initial Capital Expenditure	Million US\$	\$2.5	\$1.4
Pre-tax Cash Flow	Million US\$	\$49	
Taxes	Million US\$	\$10	
Post-tax Cash Flow	Million US\$	\$39	
Post-tax NPV at 5% Discount Rate	Million US\$	\$24.1	
IRR	%	92%	
Payback Period	Years	1.07	

A sensitivity analysis was conducted to assess the impact of key project variables on the Altan Nar project's NPV and IRR values. The sensitivity analysis was performed on the gold price, capital costs and operating costs for AN. This analysis is presented graphically in Figures 1-4 and 1-5 below.

Figure 1-4: Post-Tax NPV5% Sensitivities for Altan Nar

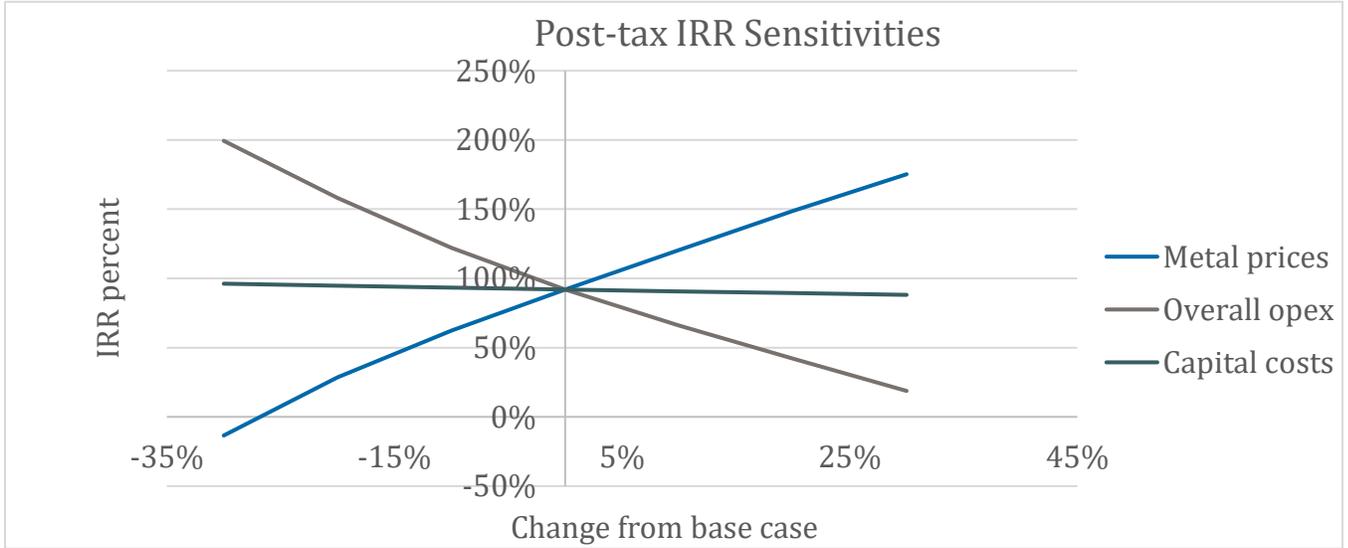
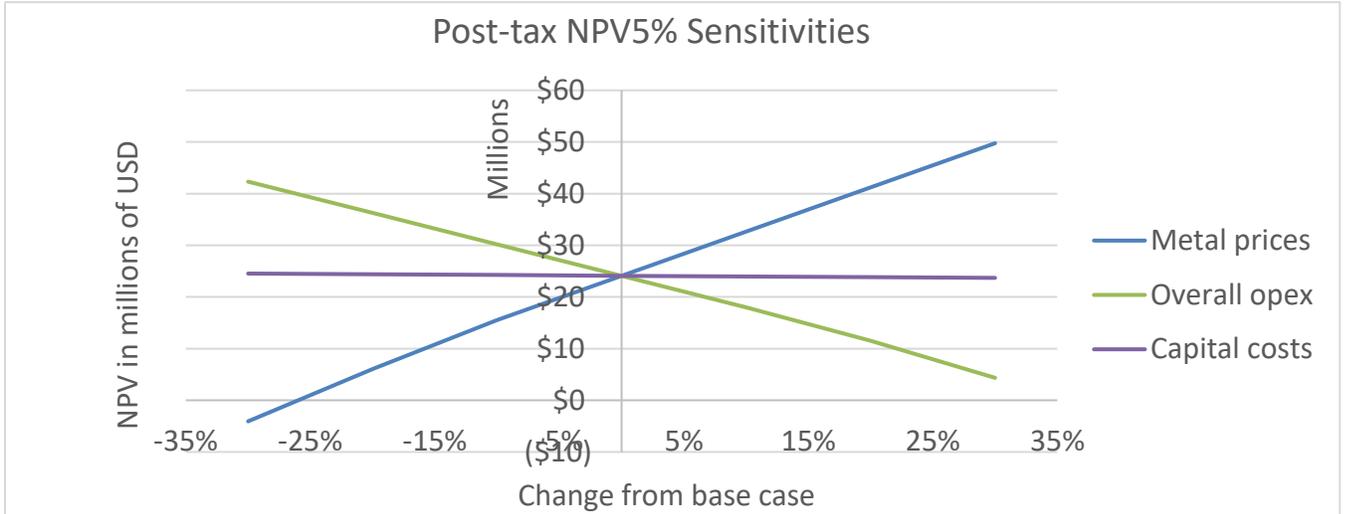


Figure 1-5: Post Tax IRR Sensitivities for Altan Nar



1.15 Conclusions

1.15.1 *Bayan Khundii Prefeasibility Study*

1.15.1.1 *Geology*

At a cut-off grade of 0.55 g/t Au, Bayan Khundii has been estimated with a Measured Resource of 1.41 Mt at an average grade 3.77 g/t Au, an estimated Indicated Resource of 3.71 Mt at an average grade of 2.93 g/t Au, and an estimated Inferred Resource of 0.868 Mt at an average grade of 3.68 g/t Au.

Altan Nar Mineral Resource has been estimated with Indicated Resource of 5.0 Mt at 2.0 g/t Au and Inferred Resource of 3.4 Mt at 1.7 g/t Au. The Altan Nar project Mineral Resources were reported in the NI 43-101 Report titled "NI 43-101 Technical Report for the Preliminary Economic Assessment of the Khundii Gold Project" dated February 4, 2019.

1.15.1.2 *Metallurgical Testwork*

Metallurgical testwork completed has confirmed the parameters for the major aspects of the design of the processing plant with tests on the effects of grade versus recovery and grind size versus recovery contributing to the optimization of the proposed grinding and leaching circuit.

1.15.1.3 *Mineral Reserve Estimate*

A Mineral Reserve has been developed for Bayan Khundii based on Measured and Indicated resources according to the definitions set by National Instrument 43-101 and the CIM standards on Mineral Resources and Reserve Definitions and Guidelines (2014). Using an NSR cut-off of US\$22.93, a combined Proven and Probable Reserve of 3.5 Mt at an average grade of 3.7g/t was defined with total contained gold of 422k oz.

1.15.1.4 *Mining and Processing Operations*

Following pit optimization and mine design, Tetra Tech designed a final pit with dimensions of approximately 850 m x 400 m with a depth to 145 m. A production schedule was created with a six-year life of mine, producing a total of 3.5 Mt mineralized material at an average grade of 3.7 g/t, with an additional 35.8 Mt waste rock. The life of mine strip ratio is 11.7:1.

The processing plant has been designed with a conventional cyanide leaching and CIP recovery circuit. The mine will provide ore to the process plant at a nominal rate of 600 kt/year. A total of 422 k oz is expected to be produced over the life of mine.

1.15.1.5 *Cost Estimation and Economic Analysis*

Capital and operating cost estimates for the Bayan Khundii operation have been completed to an AACE Class 4 standard, with an expected accuracy range of +/- 25%. All costs stated are reported in United States dollars. Capital cost estimates are based on a contractor mining scenario and include costs for essential infrastructure, utilities and haul roads, excluding provision for mobile mining equipment. Total initial capital costs are estimated at US\$39.9M. Sustaining capital costs are estimated at US\$1.2M over the life of mine. Operating costs including mining, processing and general and administrative costs are estimated at US\$71.9/t milled at the nominal processing rate of 600 kt/year.

Financial evaluation of the project confirmed favorable economics based on the recommended life of mine plan at both the initially modelled US\$1,300/oz and a three-year trailing average gold price of US\$1,267/oz. Post-tax financial results determined include an NPV of US\$96.9M, an IRR of 42.1% and a 1.84 year payback period on initial capital expenditure of US\$39.9M. Sensitivity analysis of key project variables showed a sensitivity to the gold price and operating costs, with little impact seen in fluctuations of the exchange rate or initial capital cost estimates.

1.15.2 *Altan Nar Preliminary Economic Assessment*

The Altan Nar deposit has the potential to be developed as a profitable series of open pit mines in conjunction with the proposed processing facility at the Bayan Khundii operation. The open pit mine will utilize a conventional open-pit truck and shovel mining method with a life of mine of four years inclusive of one year of waste stripping activity. Over the life of mine, the pit will produce 1.8Mt of mineralized material and 13.7 Mt of waste rock with an average ore grade of 3.46 g/t. Waste rock and tailings is anticipated to be stored in a single integrated waste facility to provide

long term storage with minimal environmental impact. AN ore is expected to be recovered using conventional cyanide leaching and carbon-in-pulp methods, with additional elution circuit and cyanidation cycles to recover silver content.

Total initial capital cost for Altan Nar is expected at US\$2.2M. The Altan Nar project has a pre-tax internal rate of return (IRR) of 110.1% and a pre-tax net present value (NPV) at a 5% discount rate of US\$30.5M with recovery of initial capital in 0.99 years.

1.16 Recommendations

1.16.1 *Bayan Khundii Prefeasibility Study*

1.16.1.1 *Geology*

At Bayan Khundii, optional additional drilling can be undertaken with a specific focus on expanding and infilling the mineralization at Striker West, along with infill drilling at Striker, Midfield, and Midfield North in order to gain further confidence in the high-grade mineralization present. Further exploration style drilling could also be undertaken to the north-east, south-west of the currently modeled gold mineralization, along with step out style extensional drilling to the east of Bayan Khundii. As drilling continues, and the project continues to progress towards the mining phase, ongoing detailed studies should continue which monitor the variability of gold grades.

It's further recommended that Erdene insert both a higher-grade gold standard and lower grade gold standard into their data QA/QC protocols in order to better reflect the gold grades encountered at Bayan Khundii.

1.16.1.2 *Mining*

Tetra Tech recommends a feasibility level study be completed for the Bayan Khundii project, with the following detailed design and estimation elements included:

A dedicated geotechnical site investigation is recommended for the feasibility study to collect additional detailed geotechnical and hydrogeological information. The site investigation should consist of oriented, triple-tubed diamond drilling with associated geotechnical logging, hydrogeological packer testing, installation of vibrating wire piezometers, and laboratory strength testing of core samples.

Tetra Tech recommends a detailed dilution study, encompassing investigation into parameters controlling both internal and external dilution. Remodelling of the Mineral Resource model on a bench by bench basis with a smaller block size and selective mining unit is recommended to further define areas of ore and waste within the orebody to aid internal dilution control. Following this, ore control with respect to pit and blast design is recommended to efficiently recover material from smaller bench sizes and blasted areas to aid in efficient material recovery whilst maintaining the selectivity of the mining method.

Greater detail in scheduling the removal and stockpiling of waste types (Non-Metal Leaching, Metal Leaching) is necessary to maintain the correct mixture and delivery timing of waste materials in the IWF.

A desktop study related to how to access and mine the Striker West mineralisation, likely through an underground portal, in the latter years of the mine life is recommended. Striker West represents a significant opportunity to improve the economic qualities of the project such as total recovered gold and mine life. Desktop studies to understand the project timing, mining equipment purchases, mining method, mine schedule, and how to incorporate additional plant and IWF inputs are necessary to realise the potential value of Striker West.

1.16.1.3 *Mineral Processing and Metallurgical Testing*

Future phases of testwork are recommended to improve potential recovery rates and optimize processing equipment sizes to reduce initial capital costs. These items include:

- Grindability testing encompassing a JK Drop Weight test, Crusher Work Index test, Variability Bond Ball Work Index tests covering each area of the deposit and a SAG Mill Comminution test covering each area of the deposit at varying depths.
- Expansion of the metallurgical database through additional variability testwork on samples across the deposit, specifically within the 1.0 g/t to 5.0 g/t grade range.

- Carbon adsorption testwork including adsorption isotherms and carbon triple contact tests to determine the carbon loading parameters for detailed design of CIP circuits.
- Conduct leach and carbon adsorption testwork at a variety of densities to understand the options for optimising the equipment sizing in these areas.
- Complete dewatering testwork to determine thickener parameters (i.e., final tails).
- Conduct a cyanide detox testwork program to determine reagent demands and retention time requirements to meet cyanide limits for tailings disposal.

1.16.1.4 Further Study Cost Estimation

Table 1-17 Estimated Budget for Recommended Further Study

Task	Cost (CAD)
Drilling: In-fill, Twinning, and Extensional - 7,500m	\$1,500,000
Update of Geological and Resource Model	\$35,000
Dilution Modelling and Detailed Blast Design	\$25,000
Full Geotechnical Review	\$110,000
Underground Study and Design	\$80,000
Equipment Selection Review	\$8,000
Bayan Khundii Metallurgical Testing	\$130,000

1.16.2 Altan Nar Preliminary Economic Assessment

1.16.2.1 Geology and Mineral Resources

Approximately 30% of the Altan Nar Project has been classified as Inferred Mineral Resource. It’s recommended that additional drilling occur to increase confidence in the existing Inferred Mineral Resource, focusing on the highest-grade portions as well as additional extensional exploration drilling in the Discovery Zone and Union North areas of the deposit.

It’s recommended that Erdene continue recording density measurements, ensuring that measurements cover a variety of Fe grades to further refine the regression equation. Erdene should undertake a bulk density program using the remaining Altan Nar core. This should include up to 200 samples focusing on a range of grades (low to high) with each sample having a density determination as well as assays for Au, Pb, Zn and S.

1.16.2.2 Mining

Tetra Tech recommends that the Altan Nar project proceeds to a pre-feasibility stage study with a detailed mine design and production schedule. Additional geotechnical work is proposed to more accurately define the appropriate pit slope angles and design parameters for the pit, stockpile and waste storage facility.

Geochemical characterization of waste lithologies is recommended in order to identify potential sources of clean construction material for the Integrated Waste Facility. In addition, mine closure planning should be progressed with design optimization of the IWF a priority.

Comminution parameters, in particular primary grind size, should be confirmed to ensure the ability of the currently proposed Bayan Khundii processing plant to recover gold and silver from Altan Nar ore to reduce potential capital expenditure during the construction phases of the Altan Nar project. Further investigation into calculating elution and electrowinning parameters for the silver content of Altan Nar ore is recommended in order to confirm the sizing of CIP, elution, carbon regeneration and electrowinning circuit equipment for increased accuracy in cost estimation.

1.16.2.3 Further Study Cost Estimation

Table 26-2 Estimated Budget for Recommended Further Study for Altan Nar

Task	Cost (CAD)
Drilling: In-fill, Exploration - 2,500m	\$500,000
Update of Geological and Resource Model	\$35,000
Geotechnical Review	\$100,000
Waste Rock Characterization	\$30,000
Mine Closure Planning	\$15,000
AN Metallurgical Testing	\$100,000

DIVIDENDS

The Corporation has not paid any dividends to date on its Common Shares. It is not contemplated that any dividends will be paid on any shares of the Corporation in the immediate future, as it is anticipated that all available funds will be invested to finance the growth of the Corporation's business. Any decision to pay dividends on Common Shares in the future will be made by the board of directors of the Corporation on the basis of the earnings, financial requirements and other conditions existing at such time.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation has an unlimited number of authorized Common Shares. As of December 31, 2019, it had 191,068,490 Common Shares issued and outstanding, and as March 23, 2020, it has 191,644,558 Common Shares issued and outstanding. Each Common Share is entitled to one vote at meetings of shareholders, to receive dividends if, as and when declared by the board of directors, and to receive the remaining property upon dissolution, liquidation or winding-up of the Corporation as is distributable to the holders of the Common Shares.

Shareholder Rights Plan

The board of directors of the Corporation adopted a shareholder rights plan as of March 14, 2008, which was amended and restated by an amended and restated shareholder rights plan agreement dated June 14, 2017, a copy of which is available on SEDAR at www.sedar.com. See "Material Contracts".

Stock Options

As of December 31, 2019, the corporation had 12,305,000 outstanding stock options issued, and 12,355,000 outstanding stock options issued as of March 23, 2020, under its incentive stock option plan. Currently all options are exercisable for one Common Share of the Corporation.

Warrants

As of December 31, 2019, the Corporation had 30,252,744 warrants outstanding and 30,252,744 warrants are outstanding as of March 23, 2020. 11,314,580 warrants outstanding as of March 23, 2020 are exercisable at \$0.60 per Common Share until December 8, 2020. 11,284,614 warrants are exercisable at \$0.40 per Common Share until February 28, 2020 and at \$0.50 thereafter until February 28, 2021. 5,112,550 warrants are exercisable at \$0.30 per Common Share until July 9, 2021. 1,906,000 warrants are exercisable at \$0.30 per Common Share until October 25, 2021. The remaining 635,000 warrants are exercisable at \$0.30 per Common Share until November 29, 2021.

Deferred Stock Units

The Corporation's board of directors adopted a Deferred Stock Unit Plan (the "DSU Plan"). The DSU Plan was approved by the shareholders at the Corporation's Special Meeting of Shareholders on October 26, 2012 and the DSU Plan received regulatory approval from the TSX on November 7, 2012. The DSU Plan was established to assist the Corporation in attracting and retaining talented employees and directors and to promote a greater alignment of interests between the directors, employees and the Corporation's shareholders. The DSU Plan was amended at the Annual and Special Meeting of Shareholders held on June 4, 2015 increasing the maximum number of Common Shares reserved for issuance under the DSU Plan from 2,500,000 to 5,000,000. The DSU Plan was further amended at the Annual and Special Meeting of Shareholders held on June 20, 2019, such that the DSU Plan was changed to an "evergreen" plan, such that any DSUs that are redeemed, surrendered, forfeited, waived or cancelled are added back to the plan limit of 5,000,000, and will again be available for future grant.

As of December 31, 2019, the corporation had an aggregate of 4,636,850 DSUs outstanding - that were granted to certain officers, directors and employees of the Corporation. At March 23, 2020 the corporation had an aggregate of 4,060,782 DSUs outstanding.

MARKET FOR SECURITIES

The Corporation first traded its Common Shares on the TSX Venture Exchange under the symbol "ERD" on March 16, 2004. On December 14, 2005, the Corporation graduated to the Toronto Stock Exchange. The monthly price ranges and volume of the Common Shares on the TSX for the financial year ended December 31, 2019, are as follows:

	High	Low	Volume
January	0.27	0.21	1,102,443
February	0.24	0.21	787,334
March	0.23	0.21	1,250,102
April	0.22	0.19	1,959,338
May	0.26	0.18	3,242,239
June	0.21	0.18	2,011,046
July	0.25	0.16	4,365,991
August	0.25	0.22	2,659,591
September	0.25	0.18	3,125,396
October	0.21	0.18	487,750
November	0.19	0.18	1,201,087
December	0.20	0.16	1,348,966

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the knowledge of the Corporation, no securities are held in escrow or are subject to contractual restrictions on transfer as of March 23, 2020.

DIRECTORS AND OFFICERS

The management of the Corporation consists of seven directors and two executive officers. All of the directors were elected at the Corporation's annual meeting of shareholders on June 20, 2019. The term of office of each director is until the next annual meeting of shareholders of the Corporation or until the position is otherwise vacated. The table below provides the names and related information concerning each director and executive officer of the Corporation.

Name, Province and Country of Residence	Principal Occupation ⁽¹⁾	Position(s) with the Corporation	Director/Officer Since
Peter C. Akerley ⁽²⁾⁽⁶⁾ Nova Scotia, Canada	President and CEO, Erdene Resource Development Corp.	President, Chief Executive Officer and Director, and Managing Director of Erdene's Subsidiaries	February 25, 2003
Dr. Anna G Biolik ⁽³⁾⁽⁴⁾ British Columbia, Canada	Chief Executive Officer, Allam Advisory Group (a global business strategy and commercial diplomacy consulting firm)	Director	June 14, 2016

Name, Province and Country of Residence	Principal Occupation⁽¹⁾	Position(s) with the Corporation	Director/Officer Since
John P. Byrne ⁽³⁾⁽⁴⁾ Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd. (an oil production company) and President, Petroleum Corporation of Canada Limited (an investment holding company)	Director	August 25, 2004
T. Layton Croft ⁽³⁾⁽⁴⁾ South Carolina, USA	President and CEO, Pancontinental Gold Corporation (A Canadian-based mining company operating in southeastern U.S.)	Director	July 2, 2015
Robert Jenkins ⁽²⁾	Chief Financial Officer, Erdene Resource Development Corp.	Chief Financial Officer	May 1, 2019
Kenneth W. MacDonald Nova Scotia, Canada	President and owner of Fisher Transport Limited (a specialty transport company)	Director Executive Vice President and Chief Financial Officer (to May 1, 2019)	February 25, 2003
Cameron McRae ⁽⁵⁾⁽⁶⁾ Ulaanbaatar, Mongolia	Executive Director of Tarva Investment & Advisory (a broad-based consultancy firm)	Director	March 14, 2018
David V. Mosher ⁽⁵⁾⁽⁶⁾ Nova Scotia, Canada	Retired; Independent director of five public companies	Director	June 14, 2016
Hedley Widdup ⁽⁶⁾ Melbourne, Australia	Executive Director of Lion Selection (Mining focused investment company)	Director	September 30, 2019

Notes:

- (1) See biographical summaries below for descriptions of the occupations of the above noted individuals within the past five years and for prior periods.
- (2) Member of the Pre-Clearance Committee.
- (3) Member of the Corporate Governance and Disclosure Policy Committee.
- (4) Member of the Audit and Risk Committee.
- (5) Member of the Compensation Committee.
- (6) Member of the Technical Committee.

As of March 23, 2020, all directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 12,742,605 Common Shares of the Corporation, representing 6.6% of the Corporation's outstanding Common Shares.

Peter C. Akerley – Mr. Akerley has 30 years of experience in mineral exploration, corporate financing, project development and management of publicly listed resource companies. He is one of the founders and principals of Erdene and has held the position of President and Chief Executive Officer of the Corporation since March 2003. Mr. Akerley is a geologist who has worked extensively in foreign jurisdictions throughout his career, predominately in North and South America and Asia, with a focus on Mongolia, where he has led the technical team through the confirmation of a major molybdenum and copper deposit, the discovery and definition of the Altan Nar gold deposit and the discovery of the Bayan Khundii gold project. He has extensive experience in corporate M&A, joint venture arrangements and financings, leading the Corporation through more than 20 such business arrangements since taking the Corporation public in 2004. Mr. Akerley served on the Board and Special Committee of Temex Resources Corp. advising on the sale of the company to Lake Shore Gold Corp. and was previously chairman of the TSX-V listed Morien Resources Corp., where he was involved in the sale of the Donkin Coal and Black Point Aggregate projects, converting those interests into royalties. He also pioneered the company's involvement as the founding and lead sponsor of the very successful Catapult leadership program in Nova Scotia. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax, specializing in geology, and completed the Institute of Corporate Directors Audit Committee Effectiveness course in December 2012.

Dr. Anna G. Biolik – Dr. Biolik has over 30 years of public and private sector experience and is one of the foremost Canadian experts on Central Asian business and diplomacy. From 2010 to 2012, Dr. Biolik occupied the position of Regional Director, Pacific Region, Foreign Affairs and International Trade Canada. In 2012, Dr. Biolik retired from the federal public service. Since 2014, she has been working as independent consultant and Vice-President and Chief Executive Officer of Allam Advisory Group, a global business strategy and commercial diplomacy consulting firm. She was Canada's first resident Ambassador in Mongolia where she opened a full-fledged Canadian Embassy in 2008. Dr. Biolik previously served as Ambassador of Canada to Kazakhstan, Kyrgyzstan and Tajikistan as well as Consul General of Canada in St. Petersburg, Russian Federation. She also served as Senior Advisor for international relations and parliamentary affairs to the Governor General of Canada and as European Marketing Manager for Canada Post, Senior Manager at Investment Partnerships Canada and Director of the International Business Opportunities Centre. Dr. Biolik has extensive expertise in international commerce and has worked closely with Canadian companies in emerging markets. Dr. Biolik currently serves as external member of the Program and Research Council at Royal Roads University in Victoria, BC. Dr. Biolik is also a member of the Institute of Public Administration of Canada. She holds a Ph.D. from the University of Montreal and is fluent in English, French, Russian and Polish.

John P. Byrne – Mr. Byrne has more than 30 years of investment banking and corporate finance experience. He is President of Petroleum Corporation of Canada Exploration Limited ("Petrex"), an oil and gas exploration and development company, and has held that position since 1976. Petrex helped establish and finance Enerplus Energy Services Limited for which Mr. Byrne served as Vice-Chairman (1986-2000). He also served in senior executive roles with Levesque Beaubien Geoffrion Inc. (now National Bank Financial), A.E. Ames & Company Ltd./Dominion Securities Ames Ltd. and The First Boston Corporation. Mr. Byrne graduated from McGill University with a BA and from the University of Toronto Law School with an LLB. He is also a Chartered Financial Analyst. Mr. Byrne is also currently a director of Morien Resources Corp. (TSX-V).

T. Layton Croft – Layton Croft was appointed director of the Board in July 2015. Mr. Croft is a corporate executive with more than 25 years of diversified management and resource industry experience, including deep Mongolia expertise. Mr. Croft is President and CEO of Pancontinental Resources Corporation (TSX-V:PUC), a battery metals and gold exploration company with projects in Canada and the United States. Mr. Croft's Mongolia experience has included roles as Country Representative for The Asia Foundation, Executive Vice President for Oyu Tolgoi, and Vice President for Peabody Energy. Mr. Croft is a founding director of the Business Council of Mongolia, a lifetime honorary director of the Mongolian National Mining Association, and a founding director of the American University of Mongolia. Currently based in the United States, Mr. Croft has lived and worked in Mongolia, Hong Kong, Singapore, South Korea and Indonesia. He has worked for Rio Tinto, Ivanhoe Mines, Duke Energy and Atrium Health. Mr. Croft holds degrees from the University of North Carolina at Chapel Hill, the School for International Training in Vermont, and the Fletcher School of Law and Diplomacy at Tufts University in Massachusetts.

Robert Jenkins – Mr. Jenkins was appointed Chief Financial Officer on May 1, 2019. He joined Erdene as Vice President Business Strategy in 2018, with responsibility for strategic and financial planning. From 2010 to 2017, Mr. Jenkins held a series of progressive finance and operational roles with one of Canada's largest asset management firm.

Mr. Jenkins began his career in the assurance and consulting practices at one of the big-four accounting firms. Mr. Jenkins graduated with a Bachelor of Commerce from St. Mary's University in 2003 and received the Chartered Professional Accountant designation in 2006.

Kenneth W. MacDonald – Mr. MacDonald was appointed director of the Board in June 2019. Until May 2019, Mr. MacDonald served as Executive Vice President of Erdene, a position he held from 2016. Additionally, Mr. MacDonald served as Chief Financial Officer of Erdene from March 2003 to May 2019. From September 1992, Mr. MacDonald has also been the President and owner of Fisher Transport Limited, a specialized transport company. In addition, he was the Vice President of Finance for Kaoclay Resources Inc. from 1996 to June 2006. Prior to 1985, Mr. MacDonald, a chartered professional accountant, was a senior manager with one of Canada's major accounting firms. From 1985 to September 1992, he was vice president finance with public and private corporations in the resource sector. Mr. MacDonald graduated from St. Mary's University in 1977 with a BCom and received his chartered accountant designation in 1980.

Cameron McRae – Mr. McRae was appointed director of the Board in March 2018. Mr. McRae is a seasoned CEO, having led mining organizations through the full mining development cycle in four countries and across three continents. Cameron served a 28-year career with Rio Tinto, and in Mongolia was President of Oyu Tolgoi LLC and Rio Tinto's country director for Mongolia. In that role he led the construction and start-up of the US\$6 billion Oyu Tolgoi copper-gold mine, ahead of schedule, which at peak of construction had over 15,000 people employed on site. Cameron has led successful greenfield and brownfield construction projects, overarching business transformations and business improvement projects, and at the corporate level has deep commercial/M&A experience. Prior to Oyu Tolgoi, Cameron was CEO of Richards Bay Minerals in South Africa (2008-10), Managing Director of Murowa Diamonds in Zimbabwe (2006-07) and Project Director for the Hail Creek Coking Coal Expansion project in Australia. Prior to 2004, Cameron held commercial and project leadership roles, both at Corporate and Business Unit levels. In 1995, he was a key team member responsible for the A\$29 billion merger of CRA and RTZ into the dual listed Rio Tinto (which was the world's largest merger at the time). Mr. McRae is the founder of Tarva Investment & Advisory, a broad-based consultancy firm. Tarva has also acted as strategic advisor to Erdene's Mongol, Mongolia's state-owned asset management firm, on the resolution of the Oyu Tolgoi dispute between Rio Tinto and the Government of Mongolia. Cameron remains active in Mongolian public life, as an executive director of the Business Council of Mongolia, as a trustee of the Arts Council and founder of the Institute of National Strategy. Cameron was schooled in Australia and Africa and holds a commercial degree and an MBA (Monash Mount Eliza, 1991).

David V. Mosher – Mr. Mosher is a mining executive with over thirty-five years of international experience. From 1992 to 2008, David was President and CEO of High River Gold Mines Ltd., a TSX listed company involved in the exploration, development and production of gold in Canada, Africa and Russia. In that role, he negotiated the acquisition of two producing Russian gold mines, completed mining investment agreements with the government of Burkina Faso, raised over \$300 million to support the company's growth, and supervised the development of two open pit gold mines (the Taparko gold mine in Burkina Faso, and the Berezitovy gold mine in Russia). He has served on many boards including Cambior Inc. and earlier in his career was project manager for Pancontinental Mining Limited, where he and his team discovered and outlined the largest uranium deposit in the world at that time (the Jabiluka deposits in northern Australia). Over the past decade, Mr. Mosher has been active in the restructuring and refinancing of a number of junior resource companies, both private and public, and currently serves as a director of several mining and exploration companies, including Pancontinental Resources Corporation (TSX-V) and Pelangio Exploration Inc. (TSX-V). Mr. Mosher received his B.Sc. degree in geology from Acadia University.

Hedley Widdup – Mr. Widdup is a geologist, with almost 20 years experience in mining, geology and mining investment. Hedley was part of the mine geology teams at the Mt Keith Nickel Mine (WA), Olympic Dam Copper-Uranium Mine (SA), Black Star Open cut zinc project, which is a part of the Mt Isa Mining complex (Qld), and St Ives Gold Mine (WA). He joined the investment team at Lion Selection Group in 2007 and has worked across the investment and investor relations functions. Lion Selection Group is a development-oriented mining fund based in Melbourne, Australia, and has held a shareholding in Erdene for a number of years. Hedley was educated in Australia, receiving a Degree in Geology with first class honours from the University of Melbourne (2000) before completing a Graduate Diploma in Applied Finance (2011). He is a shareholder and executive director of Lion Manager Pty Ltd the entity which provides investment services to Lion Selection Group.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Corporation is, as of the date of this AIF or within ten years prior to the date of this AIF has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, and was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (i) is, or within ten years prior to the date of this AIF has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer, or principal shareholder of the Corporation and no associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction in which the Corporation has participated within the three most recently completed financial years or during the current financial year, which has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Corporation is Computershare Investor Services Inc. at its offices in Montreal, Quebec and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into by the Corporation, other than a contract entered into in the ordinary course of business, that is material to the Corporation and that was entered into within the most recently completed financial year, or since January 1, 2002 but is still in effect, are as follows:

1. An amended and restated shareholder rights plan agreement with Computershare Investor Services Inc., as rights agent, dated June 14, 2017 (the "Rights Plan). The Rights Plan was adopted to ensure the fair treatment of shareholders in connection with any take-over offer for the Corporation and is not intended to prevent take-over bids that treat shareholders fairly. Under the Rights Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be "Permitted Bids". In the event a take-over bid does not meet the Permitted Bid requirements of the Rights Plan, the rights will entitle shareholders, other than any shareholder or shareholders making the take-over bid, to purchase additional Common Shares of the Corporation at a substantial discount to the market value at the time. The continued operation and amendment and restatement of the Rights Plan was most recently approved by the shareholders at the Corporation's Annual and Special Meeting of Shareholders on June 14, 2017. A copy of the Rights Plan has been filed by the Corporation on SEDAR at www.sedar.com.
2. A loan agreement with the European Bank for Reconstruction and Development, dated October 11, 2019 (the "Loan Agreement"). The Loan Agreement was signed in connection with a US\$5 million convertible loan issuance by the Corporation to the European Bank for Reconstruction and Development. A copy of the Loan Agreement has been filed by the Corporation on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Auditor

The auditor of the Corporation is KPMG LLP, Chartered Accountants, Halifax, Nova Scotia. The Corporation's annual consolidated financial statements for the year ended December 31, 2019, filed under NI 51-102, contain the auditor's report prepared by KPMG LLP. KPMG LLP has confirmed to the Corporation that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Nova Scotia.

Other Experts

The December 2019 Khundii Gold Project Technical Report was prepared by Cameron Norton (P.Geo., BC), Michael Fawcett (MAusIMM), Mark Horan (PEng, BC), Maureen Phifer (PEng, BC), Hassan Ghaffari (P.Eng., BC), Andrew Kelly (PEng, BC and ON) and Jeremy Clark (MAIG). Messrs and Messieurs Norton, Fawcett, Horan, Phifer, Ghaffari, Clark and Kelly are "qualified persons" as that term is defined in NI 43-101. They are also independent of the Corporation. Messrs and Messieurs Norton, Fawcett, Horan, Phifer, Ghaffari, Clark and Kelly did not have any interest, direct or indirect, in any securities or other properties of the Corporation or its associates or affiliates at the time they prepared the December 2019 Khundii Gold Project Technical Report. In addition, no such securities or properties were received or are to be received from the Corporation by Messrs and Messieurs Norton, Fawcett, Horan, Phifer, Ghaffari, Clark and Kelly.

The February 2019 Khundii Gold Project PEA Report was prepared by Igor Bojanic (FAusIMM), Jeremy Clark (MAIG), Tony Cameron (FAusIMM), Richard Addison (PEng, Nevada) and Andrew Kelly (PEng, BC and ON). Messrs Bojanic, Clark, Cameron, Addison and Kelly are "qualified persons" as that term is defined in NI 43-101. They are also independent of the Corporation. Messrs Bojanic, Clark, Cameron, Addison and Kelly did not have any interest, direct or indirect, in any securities or other properties of the Corporation or its associates or affiliates at the time they prepared the February 2019 Khundii Gold Project PEA Report. In addition, no such securities or properties were received or are to be received from the Corporation by Messrs Bojanic, Clark, Cameron, Addison and Kelly.

The technical report titled "Bayan Khundii Gold Project National Instrument 43-101 Mineral Resource Technical Report" and dated November 2, 2018 was prepared by Jeremy Clark (MAIG) and Tony Cameron (FAusIMM). Messrs

Clark and Cameron are "qualified persons" as that term is defined in NI 43-101. They are also independent of the Corporation. Messrs Clark and Cameron did not have any interest, direct or indirect, in any securities or other properties of the Corporation or its associates or affiliates at the time they prepared such technical report. In addition, no such securities or properties were received or are to be received from the Corporation by Messrs Clark and Cameron.

The technical report titled "Altan Nar Gold Project National Instrument 43-101 Mineral Resource Technical Report" and dated June 22, 2018 was prepared by Jeremy Clark (MAIG), Dr. Andrew James Newell (CP(Met), CP(Eng)) and Tony Cameron (FAusIMM). Messrs Clark and Cameron and Dr. Newell are "qualified persons" as that term is defined in NI 43-101. They are also independent of the Corporation. Messrs Clark and Cameron and Dr. Newell did not have any interest, direct or indirect, in any securities or other properties of the Corporation or its associates or affiliates at the time they prepared such technical report. In addition, no such securities or properties were received or are to be received from the Corporation by Messrs Clark and Cameron or Dr. Newell.

AUDIT & RISK COMMITTEE

Audit & Risk Committee Charter

The charter of the Corporation's Audit & Risk Committee is attached to this AIF as an Appendix.

Composition of Audit & Risk Committee & Relevant Education and Experience

The members of the Audit & Risk Committee are John P. Byrne (Chair), Dr. Anna G. Biolik and T. Layton Croft. Each of the foregoing is independent and financially literate within the meaning of National Instrument 52-110. The education and experience of each Audit & Risk Committee member are described in this AIF under the section entitled "*Directors and Officers*".

Audit & Risk Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit & Risk Committee respecting the appointment and/or compensation of the Corporation's external auditor not been adopted by the Board of Directors.

Pre-Approval Policies and Procedures

In April 2005, the Audit and Risk Committee adopted the following schedule of pre-approved fees to KPMG LLP for non-audit services:

<u>Fee Amount</u>	<u>Authorization Required</u>
Up to \$7,000	Chief Financial Officer
\$7,001 – 10,000	Chairman of the Audit & Risk Committee
\$10,000+	Audit & Risk Committee

External Auditor Service Fees

The fees charged to the Corporation by its external auditor in each of the last two financial years are as follows:

	Financial Year 2018	Financial Year 2019
Audit Fees	\$65,700	\$72,450
Audit-Related Fees ⁽¹⁾	\$0	\$0
Tax Fees ⁽²⁾	\$4,950	\$5,000
All Other Fees ⁽³⁾	\$0	\$0

Notes:

- (1) Audit-related fees comprise fees for assurance and related services that are reasonably related to the performance of the audit or review and are not reported in Audit Fees.
- (2) Tax fees compromise fees for tax compliance, tax advice and tax planning services.
- (3) All other fees compromise fees for other services not captured elsewhere.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. In particular, the Corporation's most recent Management Information Circular located on SEDAR contains additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans. Additional financial information is provided in the Corporation's audited consolidated annual financial statements and management's discussion and analysis for the financial year ended December 31, 2019, both of which are also available on SEDAR.

APPENDIX

ERDENE RESOURCE DEVELOPMENT CORP. ("Company")

AUDIT & RISK COMMITTEE CHARTER

I. Purpose

The Audit & Risk Committee ("Committee") is a standing committee of the Board of Directors ("Board") charged with assisting the Board in fulfilling its responsibility to the shareholders and investment community. Its role is to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Review and appraise the audit efforts of the Company's external auditors.
- Provide an open avenue of communication among the external auditors, financial and senior management and the Board.

II. Authority

The Board authorizes the Committee, within the scope of its responsibilities, to:

- Seek any information it requires from any employee (and all employees are directed to co-operate with any request made by the Committee).
- Engage independent counsel and other advisors as it determines necessary to carry out its duties.
- Set and pay the compensation for any advisors employed by the Committee.
- Communicate directly with the internal and external auditors.

III. Composition

The Committee will be comprised of at least three directors. Each Committee member will be independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members shall be financially literate in finance and accounting practices or become financially literate within a reasonable period of time after his or her appointment.

The Committee members shall be elected annually.

IV. Responsibilities

Responsibilities of the Committee include:

- Review and assess the adequacy of this Mandate annually.
- Make recommendations to the Board regarding the selection and compensation of the external auditor to be engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Company. The external auditor shall be accountable to the Board and the Committee.

- Meet with the external auditor and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be used and oversee the work of the external auditor engaged to prepare or issue an auditor's report or perform other audit, review or attest services for the Company, including the resolution of any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all non-audit services to be provided to the Company or any of its subsidiaries by the Company's external auditor.
- Obtain a written statement from the external auditors annually disclosing all relationships that the auditors have with the Company. Discuss with the external auditors any relationships or services disclosed that may impact their objectivity and independence. Recommend that the Board take action, where appropriate, to satisfy itself of the external auditors' independence.
- Review the performance of the external auditors.
- Review with management and the external auditors:
 - The Company's audited financial statements and footnotes, MD&A and any annual or interim earnings press releases before the Company publicly discloses this information.
 - Any significant changes required in the external auditors' audit plan and any serious difficulties or disputes with management encountered during the course of the audit.
 - Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- Make a recommendation to the Board concerning the inclusion of the audited financial statements in the Company's Annual Report.
- Review with the external auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.
- Review with the external auditors and management the quality of the Company's accounting principles as applied in its financial reporting process and any proposed changes in accounting principles.
- Inquire of management and the external auditors about significant risks or exposures and assess the steps taken by management to minimize such risks to the Company.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

V. Meetings

The Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than once a quarter. Special meetings may be held at any time deemed appropriate by any member of the Committee.

These meetings may be with representatives of the external auditors and appropriate officers or members of management, either individually or collectively as may be required by the Chairman of the Committee.

The external auditors will have access to the Committee at their own initiative.

The Chairman of the Committee will report periodically its findings and recommendations to the Board.

As amended June, 2009.