



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021, and 2020

(Canadian dollars)
(Unaudited)

Prepared by management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice to this effect. These unaudited condensed consolidated interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed consolidated interim statements of financial position of Erdene Resource Development Corporation as at September 30, 2021, and December 31, 2020, and the unaudited condensed consolidated interim statements of comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2021, and 2020. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2021, and 2020 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

	Notes	September 30, 2021	December 31, 2020
Assets			
Cash and cash equivalents		\$ 4,759,760	\$ 12,800,728
Receivables		42,104	89,344
Prepays		899,331	212,479
Current assets		5,701,195	13,102,551
Exploration and evaluation assets	4	36,223,563	29,364,155
Right-of-use asset	5	85,665	107,693
Property, plant and equipment		308,244	239,431
Non-current assets		36,617,472	29,711,279
Total Assets		\$ 42,318,667	\$ 42,813,830
Liabilities and Equity			
Trade and other payables		\$ 894,580	\$ 582,356
Lease liability	5	29,481	27,853
Current liabilities		924,061	610,209
Lease liability	5	63,380	85,699
Non-current liabilities		63,380	85,699
Total Liabilities		987,441	695,908
Shareholders' Equity			
Share capital	8	\$ 138,986,768	\$ 136,618,086
Contributed surplus		26,617,048	25,937,667
Accumulated other comprehensive loss		(2,968,021)	(2,964,666)
Deficit		(121,304,569)	(117,473,165)
Total Shareholders' Equity		41,331,226	42,117,922
Total Liabilities and Equity		\$ 42,318,667	\$ 42,813,830

Commitments (Note 6)

Subsequent Events (Note 13)

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

Approved on behalf of the Board:

Signed "John P. Byrne"

Director

Signed "T. Layton Croft"

Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Loss

(Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2021	2020	2021	2020
Operating Expenses					
Exploration and evaluation	9	\$ 1,365,839	\$ 787,182	\$ 2,248,744	\$ 1,098,423
Corporate and administration	10	565,092	869,876	1,594,223	1,595,933
Loss from operating activities		1,930,931	1,657,058	3,842,967	2,694,356
Finance income		(10,957)	(18,940)	(47,565)	(36,279)
Interest expense		1,602	498,035	5,200	1,612,296
Change in fair value of financial instrument	7	-	2,030,963	-	7,595,661
Foreign exchange loss (gain)		14,222	(295,776)	30,802	(274,720)
Net Loss		\$ 1,935,798	\$ 3,871,340	\$ 3,831,404	\$ 11,591,314
Other comprehensive loss (income):					
Foreign currency translation difference					
arising on translation of foreign subsidiaries		(452,098)	481,603	3,355	355,110
Other comprehensive loss (income)		(452,098)	481,603	3,355	355,110
Total comprehensive loss		\$ 1,483,700	\$ 4,352,943	\$ 3,834,759	\$ 11,946,424
Basic and diluted loss per share		\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.06
Basic weighted average number of shares outstanding		274,300,800	216,697,893	270,627,645	200,219,907

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity (Canadian dollars)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2020		191,068,490	\$ 109,466,565	\$ 16,829,920	\$ (1,958,616)	\$ (104,356,807)	\$ 19,981,062
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(11,591,314)	(11,591,314)
Other comprehensive income		-	-	-	(355,110)	-	(355,110)
Private placements, net of share issue costs		44,444,441	10,729,388	8,206,644	-	-	18,936,032
Options exercised		1,520,000	359,010	(119,510)			239,500
Issue of shares from DSU plan		719,212	132,964	(132,964)			-
Share-based compensation		-	-	1,130,758			1,130,758
Total transactions with owners		46,683,653	11,221,362	9,084,928	-	-	20,306,290
Balance at September 30, 2020		237,752,143	\$ 120,687,927	\$ 25,914,848	\$ (2,313,726)	\$ (115,948,121)	\$ 28,340,928
Balance at January 1, 2021		268,450,433	\$ 136,618,086	\$ 25,937,667	\$ (2,964,666)	\$ (117,473,165)	\$ 42,117,922
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(3,831,404)	(3,831,404)
Other comprehensive loss		-	-	-	(3,355)	-	(3,355)
Options exercised	8	900,000	492,275	(173,875)			318,400
Warrants exercised	8	5,803,750	1,876,407	(135,282)			1,741,125
Share-based compensation	8	-	-	988,538	-	-	988,538
Total transactions with owners		6,703,750	2,368,682	679,381	-	-	3,048,063
Balance at September 30, 2021		275,154,183	\$ 138,986,768	\$ 26,617,048	\$ (2,968,021)	\$ (121,304,569)	\$ 41,331,226

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

		For the three months ended		For the nine months ended	
		September 30,		September 30,	
	Notes	2021	2020	2021	2020
Cash flows from operating activities:					
Net loss		\$ (1,935,798)	\$ (3,871,340)	(3,831,404)	\$ (11,591,314)
Items not involving cash:					
Depreciation and amortization		17,904	12,571	51,618	38,540
Share-based compensation		298,375	933,071	988,538	1,130,758
Finance income		(10,957)	(18,940)	(47,565)	(36,279)
Interest expense capitalized	7	-	495,906	-	1,605,512
Foreign exchange not related to cash		14,222	(178,355)	30,802	(230,182)
Fair value change on convertible loan	7	-	1,913,542	-	7,551,123
Change in non-cash working capital		(138,892)	(82,814)	(328,935)	383,057
Cash flows from operating activities		(1,755,146)	(796,359)	(3,136,946)	(1,148,785)
Cash flows from financing activities:					
Issue of common shares, net of issue costs		-	18,936,032	-	18,936,032
Proceeds on exercise of stock options		-	67,000	318,400	239,500
Proceeds on exercise of warrants		1,222,875	-	1,741,125	-
Repayment of lease liability		(7,029)	(6,492)	(20,691)	(19,066)
Cash flows from financing activities		1,215,846	18,996,540	2,038,834	19,156,466
Cash flows from investing activities:					
Expenditures on exploration and evaluation assets	4	(2,135,342)	(2,760,039)	(6,871,310)	(5,997,230)
Expenditures on property, plant and equipment (Net)		(63,486)	(161,073)	(99,127)	(165,192)
Interest received		10,957	18,940	47,565	36,279
Cash flows from investing activities		(2,187,871)	(2,902,172)	(6,922,872)	(6,126,143)
Effect of exchange rate changes on cash balances		(12,545)	(5,547)	(19,984)	219,414
Decrease in cash and cash equivalents		(2,739,716)	15,292,462	(8,040,968)	12,100,952
Cash and cash equivalents, beginning of period		7,499,476	1,915,353	12,800,728	5,106,863
Cash and cash equivalents, end of period		\$ 4,759,760	\$ 17,207,815	4,759,760	\$ 17,207,815

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

1. Nature of operations:

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

Erdene is a late exploration stage business focusing on the acquisition, exploration and development of gold and other precious and base metal properties in southwest Mongolia. Currently, the Corporation’s principal development is the Bayan Khundii Gold Project, located in Bayankhongor province in Mongolia.

In August 2020, Erdene completed a Feasibility Study for its Bayan Khundii Gold Project, titled “Bayan Khundii Gold Project Feasibility Study, NI 43-101 Technical Report”. The continued operations of the Corporation and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of one or more of the properties.

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and efforts to contain it have had a significant effect on commodity prices and global capital markets. The Corporation adopted certain operating and preventative procedures in response to COVID-19, and associated restrictions implemented by the Government of Mongolia, including remote working, travel restrictions, and increased sanitation. As a result, the Corporation has been able to continue operating safely during the pandemic. Notwithstanding the proactive and considered actions taken to maintain a safe workplace, it is possible that in the future there will be negative impacts on operations that could have a material adverse effect on the Corporation’s results of operations and financial position. The Corporation had \$4,777,134 in working capital at September 30, 2021, which along with the proceeds of the recently closed Mongolian Stock Exchange financing (see note 13), is sufficient to meet to meet the Corporation’s minimum obligations for a period of at least 12 months from the balance sheet date.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 (the “Interim Financial Statements”) have been prepared in accordance with IAS 34 – Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements were authorized for issue on behalf of the Board of Directors on November 9, 2021.

3. Seasonality

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

4. Exploration and evaluation assets

	Bayan Khundii	Altan Nar	Zuun Mod	Ulaan & Other	Total
Balance, January 1, 2020	\$ 16,164,725	\$ 3,561,166	\$ 828,799	\$ 928,827	\$ 21,483,517
Additions	7,436,420	391,875	64,512	980,554	8,873,361
Effect of movements in exchange rates	(750,939)	(125,774)	(55,030)	(60,980)	(992,723)
Balance, December 31, 2020	\$ 22,850,206	\$ 3,827,267	\$ 838,281	\$ 1,848,401	\$ 29,364,155
Balance, January 1, 2021	\$ 22,850,206	\$ 3,827,267	\$ 838,281	\$ 1,848,401	\$ 29,364,155
Additions	6,371,969	385,029	105,693	8,619	6,871,310
Effect of movements in exchange rates	(9,418)	(1,358)	(521)	(605)	(11,902)
Balance, September 30, 2021	\$ 29,212,757	\$ 4,210,938	\$ 943,453	\$ 1,856,415	\$ 36,223,563

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

Bayan Khundii Gold Project

The Bayan Khundii Gold Project is located in Bayankhongor province in Mongolia and is comprised of the 2,309 hectare Khundii mining license, issued in August 2019, from the Mineral Resource and Petroleum Authority of Mongolia, through the conversion of a portion of its legacy Khundii exploration license. The Khundii mining license includes the Bayan Khundii Resources and Reserves reported in "Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report", dated August 31, 2020, and prepared by Roma Oil and Mining Associates Limited. The Corporation is currently completing construction readiness activities on the project in advance of a decision to proceed to construction, anticipated in early 2022.

Additionally, the mining license includes Erdene's highly prospective Altan Arrow, Dark Horse, Khundii North and Khundii West targets. On July 1, 2016, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy.

Altan Nar Gold Project

The Altan Nar Gold Project is located in Bayankhongor province in Mongolia, approximately 16km north of Erdene's Bayan Khundii Gold Project. Erdene received the 4,669 hectare Altan Nar mining license including the Altan Nar gold, silver, lead and zinc resource, on March 5, 2020, from the Mineral Resource and Petroleum Authority of Mongolia, through the conversion of its legacy Tsenkher Nomin exploration license. On January 1, 2015, having received the initial resource estimate for the Altan Nar prospect, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to 2015, the Corporation only capitalized licensing costs associated with Altan Nar.

Zuun Mod Copper & Molybdenum Resource

The Zuun Mod property is located in Bayankhongor province in Mongolia and is comprised of a 6,041 hectare molybdenum-copper Mining License. The mining license was issued in 2011. The Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. The Corporation will continue to evaluate its options in light of technological and market factors.

Ulaan & Other

The Ulaan exploration license covers an area of approximately 1,780 hectares, situated immediately adjacent to the Khundii mining license. The exploration license is in its seventh year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

4. Exploration and evaluation assets (continued)

prescribed under the Minerals Law of Mongolia. On August 30, 2017, Erdene acquired 51% of the outstanding shares of Leader Exploration LLC, a private Mongolian company that holds the license. Erdene evaluated the acquisition considering IFRS 3, Business Combinations, and concluded that the transaction constituted the acquisition of a collection of assets, not a business. On December 10, 2020, Erdene acquired a 100% interest in the Ulaan exploration license with the purchase of the remaining 49% interest in Leader Exploration LLC for US\$750,000.

The Corporation maintains an exploration license for 2,205 hectares of the legacy Khundii exploration license that were not converted to a mining license in 2019. This exploration license is in its twelfth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia.

5. Leases

The Company entered a five-year lease for its head office, with an effective date of September 1, 2019. The lease is reflected on the balance sheet as a right-of-use asset, with an associated lease liability. The discount rate applied to the lease is 7%.

Additional information on the right-of-use asset is as follows:

Balance, January 1, 2020	\$	137,064
Additions		-
Depreciation		(29,371)
Balance, December 31, 2020	\$	107,693
Balance, January 1, 2021	\$	107,693
Additions		-
Depreciation		(22,028)
Balance, September 30, 2021	\$	85,665

The maturity analysis of the office lease liability at September 30, 2021, is as follows:

	Within 1 year	1 - 2 years	2 - 3 years	Total
Lease payments	\$ 34,564	\$ 35,037	\$ 32,117	\$ 101,718
Finance charges	(5,083)	(2,952)	(822)	(8,857)
Total Lease liability	\$ 29,481	\$ 32,085	\$ 31,295	\$ 92,861

The Corporation also has leases for office space and staff accommodation in Mongolia that expire within the next 12 months. The Corporation has elected not to apply the requirements of IFRS 16 to these payments and the Corporation expenses lease payments for these facilities as incurred.

6. Commitments

Sandstorm Gold Ltd. ("Sandstorm") holds a 1% net smelter returns royalty ("NSR Royalty") on Erdene's Altan Nar, Khundii and Ulaan licenses. Sandstorm has been given a right of first refusal on future stream or royalty financings related to these licenses.

The Zuun Mod License is subject to a 1.5% NSR Royalty. Erdene has the option to buy down a portion of the royalty if certain production milestones are achieved.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

7. Convertible Loan

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.

On October 9, 2020, the EBRD exercised its conversion option in respect of the entire principal amount of the Convertible Loan, receiving 30,043,290 common shares of the Corporation. Additionally, the Corporation paid cash interest of US\$457,639 to the EBRD, accrued to the date of extinguishment of the Loan. The carrying amount of the host liability of \$5,429,703 and the fair value of the conversion option of \$10,339,232, at the conversion date, were recorded as additions to share capital with the extinguishment of the liabilities.

Key terms of the Loan included:

- Principal amount of US\$5.0 million
- Coupon rate of 10% payable in cash, or capitalized, at the Corporation’s option, annually
- The Loan was 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 exercised its conversion option prior to or on the first, second, or third anniversary, respectively, of the date of the Loan Agreement
- Any capitalized interest on the date of the conversion was 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)

For accounting purposes, the Loan represented a hybrid financial instrument, consisting of a host loan obligation, and embedded derivative instruments comprised of the conversion and prepayment features of the Loan. The Corporation accounted for the host loan obligation at amortized cost, accreted to maturity over the term of the Loan. The embedded conversion and prepayment options were accounted for as financial liabilities measured at fair value through profit or loss.

At the dates of issue, the Loan and its components were measured at fair value as follows:

Host liability	\$	4,505,902
Conversion and prepayment options		2,106,123
Financing costs		(254,262)
Net proceeds from issue	\$	6,357,763

The following table summarizes the continuity of the host liability component of the loan for the nine months ended September 30, 2021, and 2020:

	2021		2020
Balance, January 1	\$	-	\$ 4,333,370
Interest expense, capitalized		-	845,166
Accretion of discount		-	760,346
Effect of movement in exchange rates		-	51,456
Balance, September 30	\$	-	\$ 5,990,338

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

7. Convertible Loan (continued)

The following table summarizes the continuity of the conversion option component of the loan for the nine months ended September 30, 2021, and 2020:

	2021		2020	
Balance, January 1	\$	-	\$	1,927,151
Fair value adjustment		-		7,499,666
Balance, September 30	\$	-	\$	9,426,817

The fair value of the conversion option was determined using a binomial option valuation model, using the following key assumptions:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Expected volatility	n/a	75%
Risk-free interest rate	n/a	0.3%
Conversion option term	n/a	2.0 years
Credit spread	n/a	24.8%
Underlying share price	n/a	\$ 0.460
Exchange rate (C\$:US\$)	n/a	0.752

8. Share Capital and Contributed Surplus

Authorized

An unlimited number of common shares with no par value.

Deferred Share Units

In 2013, the Corporation adopted a deferred share unit ("DSU") plan to align the long-term incentive compensation of certain officers, directors and employees with the drivers of long-term shareholder value. Under the Erdene DSU plan, the Corporation may grant DSUs to eligible plan members in such number and at such times as is determined by the Board of Directors as a bonus or in respect of services rendered by the plan member or otherwise as compensation. On the grant date, DSUs vest immediately and plan members are credited with the DSUs granted to them. Upon termination or death of the plan member, the Corporation pays the then market value of the plan member's shares either in cash or in shares, at the sole discretion of the Corporation. Since the type of payout is at the discretion of the Corporation, and the Corporation does not intend to cash settle awards under the plan, the plan is accounted for as an equity settled plan.

During the nine months ended September 30, 2021, the Corporation granted 893,504 DSUs with an average fair value of \$0.38 per DSU (2020 – 991,950 DSUs with fair value of \$0.33 per DSU). The fair value of \$339,664 (2020 – \$328,708) was charged to share based compensation included in exploration expenses and corporate and administration expenses.

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Five day volume weighted average price at grant date	\$ 0.38	\$ 0.33

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

8. Share Capital and Contributed Surplus (continued)

The following table summarizes the continuity of DSUs for the nine months ended September 30, 2021, and 2020:

	2021	2020
	Number of DSUs	Number of DSUs
Outstanding at January 1	5,032,836	4,636,850
Granted	893,504	991,950
Issued	-	(719,212)
Outstanding at September 30	5,926,340	4,909,588

Warrants

The following table summarizes the continuity of warrants for the nine months ended September 30, 2021, and 2020:

	2021		2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at January 1	75,097,796	\$ 0.55	30,252,744	\$ 0.49
Issued	-	-	44,845,052	0.60
Exercised	(5,803,750)	0.30	-	-
Expired	(22,707,994)	0.55	-	-
Outstanding at September 30	46,586,052	\$ 0.59	75,097,796	\$ 0.55
Exercisable at September 30	46,586,052	\$ 0.59	75,097,796	\$ 0.55

The remaining contractual lives of warrants outstanding at September 30, 2021, are as follows:

Exercise price	Number of warrants outstanding	Weighted average remaining contractual life (years)
\$0.30	1,741,000	0.10
\$0.60	44,845,052	0.86
	46,586,052	0.83

Stock options

The Corporation has a rolling 10% incentive stock option plan (the "Plan") under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. Under the Plan, the terms and conditions of each grant of options are determined by the Board of Directors. If there are no terms specified upon grant, options vest immediately on the grant date. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

8. Share Capital and Contributed Surplus (continued)

During the nine months ended September 30, 2021, 3,825,000 options were granted at a weighted average exercise price of \$0.38.

The changes in stock options during the nine months ended September 30, 2021, and 2020 were as follows:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	13,790,000	\$ 0.46	12,305,000	\$ 0.41
Granted	3,825,000	0.38	550,000	0.22
Expired/Surrendered	(960,000)	0.36	(250,000)	0.20
Exercised	(900,000)	0.35	(1,150,000)	0.15
Outstanding at September 30	15,755,000	\$ 0.45	11,455,000	\$ 0.43
Exercisable at September 30	15,755,000	\$ 0.45	11,455,000	\$ 0.43

The remaining contractual lives of options outstanding at September 30, 2021, are as follows:

Range of prices	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price of exercisable options
\$0.18 - \$0.24	2,845,000	2.91	\$ 0.20
\$0.25 - \$0.49	10,265,000	3.57	0.42
\$0.50 - \$0.89	2,645,000	0.53	0.86
	15,755,000	2.94	\$ 0.45

Share-Based Compensation

For the nine months ended September 30, 2021, the Corporation charged a total of \$988,538 of stock-based compensation expense to the statements of comprehensive loss (2020 – \$1,130,758) of which \$419,635 is attributable to exploration expenses (2020 – \$515,398).

9. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the three and nine months ended September 30, 2021, and 2020:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Depreciation & amortization	\$ 8,540	\$ 3,196	\$ 23,709	\$ 10,577
Direct costs	1,028,533	177,045	1,473,168	325,967
Employee compensation costs	198,901	112,441	332,232	246,481
Share-based compensation	129,865	494,500	419,635	515,398
	\$ 1,365,839	\$ 787,182	\$ 2,248,744	\$ 1,098,423

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

10. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three and nine months ended September 30, 2021, and 2020.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Administrative services	\$ 209,109	\$ 179,446	\$ 412,938	\$ 360,339
Depreciation and amortization	9,369	9,139	27,905	27,716
Directors fees and expenses	29,458	1,180	80,381	45,763
Investor relations and marketing	54,702	59,959	169,176	146,358
Office and sundry	22,570	21,662	70,218	62,067
Professional fees	57,172	138,412	184,492	246,269
Regulatory compliance	12,925	19,986	77,622	84,373
Share-based compensation	168,510	438,571	568,903	615,360
Travel and accommodations	1,277	1,521	2,588	7,688
	\$ 565,092	\$ 869,876	\$ 1,594,223	\$ 1,595,933

11. Financial instruments

Credit Risk:

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

	Carrying Amount	
	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 4,759,760	\$ 12,800,728
Receivables	42,104	89,344
	\$ 4,801,864	\$ 12,890,072

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. At September 30, 2021, \$492,090 or 10% of the balance of cash was held in banks outside Canada (December 31, 2020 - \$133,130 or 1%).

Liquidity Risk:

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

Market Risk:

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

11. Financial instruments (continued)

a) Interest rate risk

As of September 30, 2021, the Corporation has no interest-bearing debt and is therefore not exposed to significant interest rate risk.

b) Foreign currency risk

The functional currency of the Corporation is the Canadian dollar, and the functional currency of the Corporation's subsidiaries is the Mongolian tugrik. Additionally, the Corporation incurs expenses and has received financing in US dollars. Consequently, fluctuations of the Canadian dollar in relation to other currencies impacts the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash, accounts payable and accrued liabilities, as well as Mongolian tugrik denominated cash, accounts payable and accrued liabilities. The Corporation maintains Canadian and US dollar bank accounts in Canada.

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 500,421	\$ 292,895
Trade and other payables	(222,102)	(223,503)
	\$ 278,319	\$ 69,392

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by approximately \$27,800 (December 31, 2020 - \$6,900).

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 43,620	\$ 889
Trade and other receivables	9,909	5,460
Trade and other payables	(398,300)	(87,043)
	\$ (344,771)	\$ (80,694)

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss and deficit by approximately \$34,500 (December 31, 2020 - \$8,100).

c) Price risk

The Corporation's financial instruments are not exposed to direct price risk other than that associated with commodity price fluctuations impacting the mineral exploration and mining industries as the Corporation has no significant revenues.

Fair Value:

Assets and liabilities measured at fair value in the consolidated statements of financial position, or disclosed in the notes to the financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2021, and 2020

11. Financial instruments (continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:						
Cash and cash equivalents	\$ 4,759,760	\$ -	\$ -	\$ 12,800,728	\$ -	\$ -
Receivables	-	42,104	-	-	89,344	-

12. Related Parties

The Corporation has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors was as follows:

	Nine months ended September 30,	
	2021	2020
Directors' fees	\$ 92,663	\$ 39,699
Share-based compensation to directors	247,000	408,600
Executive compensation and benefits	989,498	903,022
Share-based compensation to key management	270,869	370,956
	\$ 1,600,030	\$ 1,722,277

13. Subsequent Events

On October 12, 2021, Erdene closed an over-subscribed private placement offering of Common Shares on the Mongolia Stock Exchange ("MSE") for gross proceeds of approximately US\$5 million from 1,867 institutional and private Mongolian investors. Pursuant to the offering, the Company issued 17,484,662 common shares at a price of MNT815 (C\$0.36) per share. The Company paid a cash commission of 7% of the gross proceeds to the underwriters of the offering.

Subsequent to period end, 1,593,500 warrants were exercised for proceeds \$478,050.



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2021, and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three and nine months ended September 30, 2021

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This Management Discussion and Analysis (“MD&A”), dated November 9, 2021, relates to the operating results and financial condition of Erdene Resource Development Corporation (“Erdene” or the “Company” or the “Corporation”) and should be read in conjunction with the Corporation’s unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020, audited consolidated financial statements for the years ended December 31, 2020 and 2019, and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”).

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

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under “Risk Factors” in the Corporation’s latest Annual Information Form, a copy of which is available on the Corporation’s SEDAR document page at www.sedar.com.

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

Company Overview

Erdene Resource Development Corporation is a Canadian based resource company focused on the acquisition, exploration, and development of high-grade, near surface, precious and base metals deposits in underexplored and highly prospective Mongolia. The Company has interests in three mining licenses and two exploration licenses in southwest Mongolia, where exploration success has led to the discovery of the Khundii Gold District. The Company is focused on advancing its high-grade, open-pit Bayan Khundii gold project (“Bayan Khundii” or “BK”) to production, while expanding resources in the Khundii Gold District. Erdene is listed on the Toronto Stock Exchange (TSX: ERD) and Mongolian Stock Exchange (MSE: ERDN).

Erdene’s deposits are located in the Edren Terrane within the Central Asian Orogenic Belt, host to some of the world’s largest gold and copper-gold deposits. Although epithermal gold and porphyry copper-gold deposits are well documented in China and along the Belt’s western trend, exploration in Mongolia was limited until the mid-1990’s, when the country opened to foreign investment. Since that time, the Oyu Tolgoi copper-gold deposit has been developed in Southeast Mongolia, and Erdene has discovered the Khundii Gold District in the country’s southwest. Within the Khundii Gold District (“KGD”), the Company has discovered multiple high-grade gold and base metal prospects, two of which are being developed: Bayan Khundii and Altan Nar (“AN”). In addition, the Company holds a large molybdenum-copper resource at its 100% owned Zuun Mod project, 33 kilometres east of Bayan Khundii.

Erdene is advancing BK towards construction and gold production. On July 20, 2020, the Company announced results of an independent Bankable Feasibility Study (“BFS”), incorporating detailed mine design and scheduling, front-end engineering design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation.

Concurrently, the Company completed an Environmental and Social Impact Assessment (“ESIA”) for the Project. In July 2021 the Company entered a Local Cooperation Agreement (“LCA”) with the Bayankhongor Provincial Government, the host community for the BK Gold Project. Key terms of the LCA include milestone-based community investments tied to permitting, construction and first production, as well as training, employment and local procurement commitments. Additionally, in early October 2021, the Mongolian Ministry of Environment and Tourism accepted Erdene’s statutory Detailed Environmental Impact Assessment (“DEIA”). Final DEIA documentation is pending, but is anticipated in the coming weeks.

In October 2020, the Company executed a mandate letter with Export Development Canada (“EDC”) for an up to US\$55 million senior secured debt facility to develop BK. Due diligence for this loan is largely complete, but is progressing much slower than anticipated due primarily to the impact of COVID-19. In early October 2021, the Company closed an oversubscribed US\$5 million offering on the MSE to fund early works and further exploration. Erdene is currently in discussions with local and international financiers to secure the balance of capital required for development.

Erdene is completing detailed design and permitting and undertaking construction readiness activities for BK in advance of a formal construction decision. Additionally, the Company has placed orders for the comminution and elution circuits, critical long lead time items. The Company intends to commence preparatory works in Q4 2021, with full construction ramping up in early 2022. However, the Company is monitoring the impact of COVID-19 on the availability and costs of key inputs and will provide a more fulsome update on schedule and budget in the coming months.

While focused on development of the Bayan Khundii Gold Project, Erdene continues to explore the broader KGD. The KGD 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. In late 2020, Erdene intersected high-grade gold in multiple holes at its Dark Horse prospect, located 3.5 km north of Bayan Khundii. Since that time, the Company has defined a 1.4 km mineralized trend at Dark Horse that remains open along strike and at depth. Additionally, drilling in the unexplored southern portion of the Company’s Ulaan license in mid-2021 confirmed a new discovery with subsequent drilling returning the thickest intervals of gold mineralization intercepted in the KGD to date, including exceptionally high-grade zones, and remains open at depth and to the west.

Ulaan is part of a very large gold-bearing hydrothermal alteration system underlying the Khundii and Ulaan licenses that shows the potential to host a multimillion-ounce gold deposit. Based on recent on-license exploration results, Erdene is targeting total resources of over 2 million gold equivalent ounces by the end of 2022. Furthermore, management sees the potential to add resources beyond this target through further discoveries in this unexplored portion of the prolific gold and copper producing Central Asian Orogenic Belt.

COVID-19

In late January 2020, the Government of Mongolia instituted limitations on public gatherings, suspended in-person classroom learning, and implemented international border controls in response to COVID-19. The Canadian Government adopted similar measures in March 2020, as did most governments globally during 2020. With the first confirmed cases of community transmission of COVID-19 in November 2020, the Government of Mongolia further restricted the movement of people and the delivery of goods and services. While restrictions were eased in early 2021, precautionary measures were subsequently reintroduced in late Q1 2021 following an increase in the number of reported cases in Mongolia.

In March 2021, Bayankhongor Province, where Erdene's projects are located, reported its first confirmed case of community transmission of COVID-19, leading to the imposition of restrictions on the movement of people within and to/from the province. Furthermore, in late June 2021, Bayankhongor province and the sub-province of Shinejinst, the communities in which Erdene operates, imposed states of emergency due to worsening community spread of COVID-19 in the area. Although the Company temporarily halted field work in late June in response, Company staff and contractors returned to site in early August 2021 to commence follow-up exploration work, which has continued without interruption since this date. Additionally, Canadian and International staff and consultants resumed travel to Mongolia in Q3 2021.

Mongolia continues to experience a significant number of COVID-19 cases, which has led to disruptions at the Country's land borders with China. Such closures have impacted the availability and prices of industrial and consumer goods required for the construction of the Bayan Khundii Gold Project. Although the impact of COVID-19 on the Company's operations has been modest to date, COVID-19 has the potential to delay or increase the costs of the Bayan Khundii Development. The Company is monitoring the situation and assessing the impact on the Bayan Khundii Gold Project construction schedule and budget. Erdene does not intend to ramp up to full construction until there is certainty that people can freely travel and supplies can readily be imported to Mongolia. The Company will provide further details on the impact of COVID-19 on its operations and the Bayan Khundii Gold Project as they become available.

All Erdene employees have received at least two doses of a COVID-19 vaccine and many staff have received a third booster shot. Erdene is working with Mongolian and Canadian authorities to maintain control measures to protect the health and well-being of its workers as well as the communities in which the Company operates.

Highlights and Significant Subsequent Events

Bayan Khundii Gold Project – 100% Erdene

- Progressed construction readiness activities for the Bayan Khundii Gold Project
 - Detailed design and engineering for process and non-process infrastructure (“NPI”) 90% complete
 - Regulatory review of detailed drawings well advanced, with eight facilities fully approved, including those planned during the site establishment and initial construction
 - Baseline scheduling and procurement advanced ahead of expected commencement of preparatory works in Q4 2021
- Advanced regulatory approvals required for mine development
 - Project DEIA accepted by Ministry of Environment and Tourism on October 5, 2021 – receipt of final documentation pending
- Continued to carry out local community programs
 - Implemented initial community initiatives under LCA, focused on COVID-19 response measures
 - Completed heavy equipment operation and mine construction training for 11 local residents

Exploration

- Expanded new gold discovery at South Ulaan, 300 metres west of the Bayan Khundii deposit
 - Intersected some of the thickest intervals of gold in Erdene's KGD to date including:
 - UDH-10 – 258 metres of 0.98 g/t gold beginning at 92 metres downhole, including 3.77 g/t gold over 40 metres, starting at 99 metres downhole
 - UDH-14 – 217 metres of 1.07 g/t gold beginning 188 metres downhole, including 3.55 g/t gold over 53 metres
 - UDH-15 – 364 metres of 0.79 g/t gold beginning 97 metres downhole, including 1.98 g/t gold over 91 metres
 - UDH-19 – 190 metres of 0.73 g/t gold beginning 82 metres downhole, including 12.52 g/t gold over 5 metres
 - UDH-21 – 77 metres of 3.19 g/t gold beginning 115 metres downhole, including 8.74 g/t gold over 27 metres
 - UDH-22 – 152 metres of 1.71 g/t gold beginning 85 metres downhole, including 3.11 g/t gold over 65 metres
 - Follow-up drill program totaling approximately 3,000 metres scheduled in Q4 2021
- Completed follow-up exploration work at the Dark Horse prospect, 3.5 km north of Bayan Khundii
 - Drilled 34 holes and two hole extensions totaling 2,286 metres during the third quarter – samples are at the SGS lab in Ulaanbaatar with assay results expected by mid-November
 - Continued evaluation and interpretation program including geophysics, clay mineral analysis, petrography, mineralogy, fluid inclusion work and 3-D modelling

Corporate

- Closed US\$5 million Mongolian Stock Exchange offering on October 8
 - Received subscriptions from 1,867 institutional and retail Mongolian investors
 - Offering was 46% over-subscribed and filled pro-rata to orders as is required in Mongolia
- Progressed due diligence for the Bayan Khundii Project Finance with EDC and Mongolian financiers
 - EDC mandate letter contemplates a senior secured debt facility of up to US\$55 million
 - Site visits completed in Q1 2021, and draft technical, and environmental and social diligence reports received
 - Legal term sheet drafted that will form the basis of the EDC loan document
 - Due diligence is proceeding in parallel with Mongolian financial institutions on sub-ordinated debt
- Advanced technical and strategic review of the Zuun Mod/Khuvyn Khar molybdenum-copper project
 - RPMGlobal scheduled to deliver updated technical and economic analysis by mid-November
 - Strategic discussions ongoing to optimize the Project's value, through options including sale, joint venture partnership, or spinout
- Recorded a net loss of \$1,935,798 for the three months ended September 30, 2021, compared to a net loss of \$3,871,340 for the three months ended September 30, 2020
 - Exploration and evaluation expenditures, including capitalized expenditures, totaled \$3,501,181 for the three months ended September 30, 2021, compared to \$3,547,222 for the period ended September 30, 2020, as a modest reduction in exploration activity and lower non-cash share based compensation expenses due to the timing of performance grants were partially offset by increased Mining studies costs due to additional engineering effort for Bayan Khundii and greater Stakeholder relations costs following the signing of a Local Cooperation Agreement in July 2021
 - Corporate and administrative expenses totaled \$565,092 for the three months ended September 30, 2021, compared to \$869,876 for the three months ended September 30, 2020, primarily due to lower non-cash share based compensation expenses due to the timing of performance grants

Strategy and Outlook

Erdene is focused on two strategic priorities – advancing the Bayan Khundii Gold Project to production and expanding precious and base metal resources in the Khundii Gold District through exploration and acquisition.

In July 2020, Erdene announced positive results of an independent BFS for the Bayan Khundii Gold Project. The Study envisions a high-grade, open-pit mine, beginning at surface in the southern portion of the Bayan Khundii deposit (Striker and Gold Hill), and expanding northward into adjacent zones at Midfield and Midfield NE. The development incorporates conventional crushing and grinding, leach and a Carbon in Pulp (“CIP”) plant with processing capacity of 1,800 tonnes per day. The Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report, dated August 31, 2020, was filed on SEDAR on September 1, 2020.

In June 2020, the Company completed an independent ESIA in accordance with the Performance Requirements of the EBRD. The study was led by Sustainability East Asia LLC, in consortium with Eco Trade LLC and Ramboll Australia Pty Ltd. The EBRD disclosed the ESIA for public comment on June 12, 2020, and on August 12, 2020, the disclosure period concluded. More recently, EDC disclosed the Project’s ESIA in early June 2021, as part of its public consultation process.

Concurrently, the Mongolian statutory DEIA for the Project has been prepared by Eco Trade LLC in accordance with the applicable national standards. Local stakeholder consultations on the DEIA were completed in late June 2021, and the Company executed a Local Cooperation Agreement with the Bayankhongor Provincial Government in late July 2021. On October 5, 2021, the Ministry of Environment and Tourism of Mongolia completed its technical review of the Project’s DEIA. Formal Ministry approval of the DEIA has been impacted by COVID-19, but is anticipated in the coming weeks.

Erdene has obtained many of the key permits required to construct the Bayan Khundii Gold Project over the past eighteen months. Erdene received Mining License MV-021444 for its Bayan Khundii resource on August 5, 2019, from the Mineral Resource and Petroleum Authority of Mongolia (“MRPAM”). The Khundii mining license covers 2,309 hectares, including the Bayan Khundii Reserve, the Dark Horse Prospect and the highly prospective Altan Arrow, Khundii North and Khundii South targets. The mining license is valid for an initial term of 30 years with the ability to extend to 70 years. On November 1, 2019, MRPAM council approved Erdene’s Altan Nar resource registration application and the Company received the Altan Nar mining license on March 5, 2020. Mongolian mining licenses are valid for an initial term of 30 years with the ability to extend to 70 years.

The Company’s Statutory Technical and Economic Assessment (“Mongolian Feasibility Study”) was approved by the Mineral Resource and Petroleum Authority in early 2020. The Mongolian Ministry of Environment and Tourism approved a water reserve and flow rate to be utilized for the planned processing plant and infrastructure of the Bayan Khundii Gold Project. Additionally, the Project’s Land Arrangement Plan and associated land use permissions have been approved by the local government, granting access to the 100-hectare area required to construct the BK open-pit and associated surface infrastructure.

Detailed design and engineering for the Carbon-in-Pulp (“CIP”) Leach processing plant was completed in Q1 2021 and design work for the mine support infrastructure is progressing on schedule, with approximately 90% of the detailed design completed to date. In March 2021, the Company contracted with CITIC for the comminution circuit for the Project’s processing plant and Erdene selected COMO to provide the processing plant’s elution circuit in early Q4 2021.

The general arrangement for the site has gone through regulatory review, alongside which the detailed drawings for key mine support facilities, including offices, mine dry, security guard house, workshop, warehouse, and permanent camp, have been submitted for approval. The balance of the technical drawings are expected to be submitted in the coming months, allowing for construction ramp up. Concurrently, constructability, value engineering, and HAZOPS review are underway, and tender and contracting for critical facilities and services has begun.

The Company engaged HCF International to act as Project Finance advisor, with primary responsibility for securing debt. Erdene executed a project finance mandate letter with EDC on November 4, 2020, for senior secured debt financing of up to US\$55 million. EDC’s financing is conditional upon the satisfactory completion of due diligence, which is largely complete, but has been slowed by COVID-19. Concurrently, the Company is working with Mongolian and international financiers to secure the remaining capital required for development.

During the first half of 2021, Erdene drilled 69 holes totaling 7,736 metres at Dark Horse tracing gold mineralization along the 1.4 km N-S trending Dark Horse Mane structure, that remains open along strike

and at depth. During Q3 2021, Erdene completed 2,286 metres of follow up drilling at Dark Horse, the results from which are expected to be announced in mid-November.

In late June 2021, the Company completed its maiden drill program at the Ulaan Gold prospect, due west of the Bayan Khundii deposit, establishing a significant new discovery just 300 metres from the BK deposit. The 3,204 metre follow-up program completed in Q3 2021 returned the thickest intervals of gold mineralization intercepted in the KGD to date, including exceptionally high-grade zones, and remains open at depth and to the west.

Exploration results to date suggest the greater Khundii-Ulaan alteration zone, including the Bayan Khundii Deposit, Dark Horse prospect and Ulaan discovery, are part of the same, large, gold-bearing hydrothermal system, that shows the potential to host a multimillion-ounce gold deposit. Exploration planning is currently underway to test multiple high-priority geological, geochemical and geophysical targets across the Khundii-Ulaan target area.

Erdene continues to evaluate acquisition opportunities throughout the Khundii Gold District. Over the past decade Erdene has developed the largest proprietary geologic database of Southwest Mongolia's mineralization that has led to the identification of more than 20 high-priority targets for acquisition.

Development and Exploration Projects

NI 43-101 Technical Reports – Resources and Reserves

On September 15, 2018, the Company announced a resource estimate for the Bayan Khundii and Altan Nar deposits. On October 21, 2019, Erdene announced an updated Bayan Khundii Resource as well as a Bayan Khundii Mineral Reserve, as part of a Prefeasibility Study ("PFS") prepared by Tetra Tech, Inc. The reserve announced October 21, 2019, has been superseded by a Mineral Reserve estimate, dated July 1, 2020, prepared by Auralia Mining Consulting. In conjunction with the Company's MD&A for the three and six months ended June 30, 2021, and 2020, the Company announced an updated mineral resource estimate for the Bayan Khundii deposit with an effective date of June 17, 2021 prepared by Tetra Tech.

Apart from Zuun Mod, the Company's other targets are early stage and do not contain any mineral resource estimates, as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Except for those deposits already delineated, potential quantities and grades disclosed in this MD&A are conceptual in nature, and there has been insufficient exploration to define a mineral resource estimate for other targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource. Additional information about our projects is also summarized in our AIF and the respective NI 43-101 Technical Reports and can be viewed under the Company's issuer profile on SEDAR at www.sedar.com.

Khundii Gold District



The Khundii Gold District includes the Company’s high-grade, near-surface Bayan Khundii and Altan Nar deposits. The Bayan Khundii gold project is located on Erdene’s 100%-owned, 2,309 hectare Khundii mining license. The Khundii mining license includes the Bayan Khundii mineral resources reported in “Khundii Gold Project NI 43-101 Technical Report”, dated December 4, 2019, and prepared by Tetra Tech, Inc., and an updated Mineral Reserve estimate, dated July 1, 2020, prepared by Auralia Mining Consulting and reported in “Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report”, dated August 31, 2020. In addition, the Khundii mining license hosts Erdene’s highly prospective Dark Horse, Altan Arrow and Khundii North targets.

Bayan Khundii

The Bayan Khundii deposit was discovered in Q2 2015, with initial drill results reported in Q4 2015; the first hole returned 7 metres of 27.5 g/t gold at 14 metres depth. Definition drill programs completed in 2016 through 2018 identified three main areas over an 800-metre strike length and within 150 metres of surface. These areas of very high-grade gold mineralization over significant widths include: Striker Zone, where mineralization starts from surface, and Midfield and North Midfield Zones that extend to the northeast under younger, post-mineralization cover. The Midfield and North Midfield Zones have returned some of the highest grades and widest mineralized intervals at Bayan Khundii. BKD-98 returned 80 metres of 6.0 g/t gold from 42 metres depth and BKD-261 returned 112 metres of 5.9 g/t gold, both in the Midfield Zone, and BKD-231 in North Midfield, returned 14 metres of 158 g/t gold, including one metre of 2,200 g/t gold.

Bayan Khundii is the highest priority project for the Corporation based on its grade, proximity to surface, and favorable metallurgy. The Corporation has completed 55,691 metres of diamond drilling at Bayan Khundii over a series of 350 diamond drill holes and advanced the project through independent studies to the bankable feasibility stage.

In June 2020, the Company completed a 925-metre drill program in near-surface areas of the Midfield SE and Striker SW zones of the Bayan Khundii deposit. This program was designed to test for mineralization in zones otherwise classified as waste or low-grade stockpile material with the potential to add significant

value at the earliest stages of mining. Results from this program were very positive. Highlights of the program include the intersection of 5.5 metres of 125.9 g/t gold, including 1 metre of 581.6 g/t gold, in BKD-288, beginning 11.5 metres down hole, 15 metres of 25.6 g/t gold including 1 metre of 338 g/t gold beginning at 14.9 metres in BKD-274, and BKD-292 intersected 15 metres of 29 g/t gold beginning 0.9 metres from drill collar, including one metre of 353 g/t gold.

In August 2020, the Company launched a follow up Bayan Khundii program utilizing two rigs. In total, the follow up program comprised 9,346 metres over 54 holes (including four extension holes), in areas peripheral to the Bayan Khundii economic pit. Drilling at the North Midfield and Striker West zones included several high-grade intersections outside the current BK economic pit that have the potential to meaningfully add to Project resources. Highlighted intersections from 2020 drilling include:

- 3.9 g/t gold over 22.4 metres, including 2 metres of 27.5 g/t gold beginning 127 metres down hole (vertical 115m) in BKD-302 (North Midfield);
- 3.9 g/t gold over 12 metres, including 1 metre of 38.9 g/t gold beginning 206 metres down hole (vertical 144m) in BKD-304 (North Midfield);
- 4.0 g/t gold over 10 metres, including 1 metre of 24.5 g/t gold beginning 14 metres down hole in BKD-310 (Striker SW);
- 44 metres of 1.0 g/t gold, including 1 metre of 16.2 g/t starting 64 metres down hole in BKD-312 (Striker SW);
- 28 metres of 2.5 g/t gold, including 1 metre of 36.9 g/t gold within 14 metres of 4.5 g/t gold starting 122 metres downhole in hole BKD-334 (Striker West);
- 38 metres of 1.8 g/t gold, including 1 metre of 23.3 g/t gold within 9 metres of 5.5 g/t gold starting 108 metres downhole in hole BKD-338 (Striker West); and
- 54 metres of 1.2 g/t gold, including 1 metre of 13.1 g/t gold starting 129 metres downhole in hole BKD-339 (Striker West).

With the conclusion of this program, no further drilling is planned in the immediate vicinity of the Bayan Khundii gold deposit at this time.

Dark Horse

In early Q4 2019 Erdene discovered the Dark Horse prospect area, 3.5 km north of the BK deposit, on a previously underexplored portion of the Khundii Mining License. Surface exploration in late 2019, including detailed geologic mapping and geochemical sampling (rock chip and soil) identified multiple samples grading over 5 g/t gold, including an 87.8 g/t gold rock chip sample hosted within comb quartz-adularia veins. In June 2020, the Company trenched new gold zones at Dark Horse, with assays returning 6 metres grading 8.8 g/t gold, including 1 metre of 50.8 g/t gold, and 4 metres of 14 g/t gold, including 1 metre of 45.3 g/t gold.

Initial drilling at the Dark Horse prospect, consisting of 25 holes totaling 4,660 metres, was completed in the second half of 2020. Results from the exploration program defined a N-S trending, 1.4 km long mineralized structure. Highlight intersections from the drill campaign along this trend include:

- 16 metres of 0.6 g/t gold beginning 52 metres downhole, and 48 metres of 1.2 g/t gold beginning 194 metres downhole, including 30 metres of 1.7 g/t gold in hole AAD-57;
- 45 metres of 5.97 g/t gold, beginning 10 metres downhole, including 1 metre of 82.5 g/t gold within 8 metres of 27.1 g/t gold in hole AAD-58; and
- 130 metres of 0.53 g/t gold beginning 10 metres downhole in hole AAD-61.

During the first half of 2021, Erdene drilled 69 holes totaling 7,736 metres at Dark Horse, confirming the prospect as the most significant zone of gold mineralization in Erdene's Khundii District, since the discovery of Bayan Khundii. The Dark Horse Mane remains open along strike and at depth with the intersection of high-grade mineralization in multiple holes in the southern portion of the Dark Horse Mane prospect. Highlights of Dark Horse drilling, announced since Q1 2021, include:

- AAD-81 – 35 metres of 2.67 g/t gold, beginning 4 metres from surface, including 12 metres of 5.1 g/t gold, including metre intervals of 14 and 19 g/t gold
- AAD-123 – 30 metres of 2.86 g/t gold, beginning 58 metres downhole, including 11 of 7.03 g/t gold over 11 metres, starting 61 metres downhole
- AAD-124 – 27 metres of 5.86 g/t gold, beginning 24 metres downhole, including three metres of 17.41 g/t gold, starting 28 metres downhole

- AAD-126 – 30 metres of 5.63 g/t gold, beginning 10 metres downhole, including six metres of 24.12 g/t gold, starting 26 metres downhole

In Q3, a geophysical survey was completed that will assist with 3D modelling and drill planning, including deeper drill targets at Dark Horse. A follow-up drilling program was also completed to confirm shallow oxide zones with high-grade, potentially enriched, gold mineralization. This drilling program consisted of 34 new holes and two hole-extensions totaling 2,286 metres. All samples have been submitted to SGS in Ulaanbaatar for analysis with results pending.

South Ulaan

In June 2021, the Company completed the maiden gold exploration program in the southern portion of the Ulaan license, reporting a significant new gold discovery just 300 metres west of the Bayan Khundii Deposit. Highlight intersections from the maiden Ulaan gold drilling program include:

- UDH-07 – 100 metres of 0.63 g/t gold, beginning 85 metres down hole
- UDH-10 – 40 metres of 3.77 g/t within 258 metres of 0.98 g/t gold, beginning 92 metres downhole

A successful follow-up drill program was conducted in mid-August 2021, expanding the discovery to the west, with multiple thick gold mineralized zones with high-grade intersections. Highlight intercepts include:

- UDH-19 – 190 metres of 0.73 g/t gold, beginning 82 metres downhole, including five metres of 12.52 g/t gold
- UDH-21 – 77 metres of 3.19 g/t gold, beginning 115 metres downhole, including 27 metres of 8.74 g/t gold
- UDH-22 – 152 metres of 1.71 g/t gold, beginning 85 metres downhole, including 65 metres of 3.11 g/t gold

Together with the Bayan Khundii deposit and Dark Horse Prospects, these results demonstrate the potential scale of mineralization within the nearly 4,000 hectare Khundii-Ulaan Hydrothermal system, which extends from Ulaan over 10 kilometres to the northeast onto the Khundii license.

Altan Nar

The 100%-owned Altan Nar deposits are located on the Corporation's 4,669 hectare Altan Nar mining license, 16 kilometres northwest of Bayan Khundii. The AN mining license was received on March 5, 2020, and is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms. The license hosts 18 mineralized (gold, silver, lead, zinc) target areas within a 5.6 by 1.5 kilometre mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), host wide zones of high-grade, near-surface mineralization, and are the focus of a Resource Estimate released in Q2 2018.

Altan Nar is an intermediate sulphidation, carbonate-base metal gold ("CBMG") deposit, with similarities to prolific gold deposits such as Barrick Gold's Porgera mine (Papua New Guinea), Rio Tinto's formerly producing Kelian mine (Indonesia), Lundin Gold's Fruta Del Norte deposit (Ecuador), and Continental Gold's Buritica project (Colombia). CBMG deposits generally occur above porphyry intrusions in arc settings and may extend for more than 500 metres vertically.

Altan Nar received limited exploration over the past two years as the Company's resources were focused on the Bayan Khundii discovery. In late Q4 2019, the Company drilled five holes totaling 667 metres in DZ. Four holes tested the high-grade core area of the Discovery Zone, over a 130-metre strike length, 70 metres of which remains untested by drilling ("Gap Zone"). The fifth hole tested the southern extension of the deposit. Results from the 2019 program, including the intersection of 45.7 g/t gold, 93.4 g/t silver, 1.54% lead and 3.40% zinc over 7 metres beginning at approximately 70 metres vertical depth, within 23 metres grading 17 g/t gold, are amongst the strongest to date. Many of the 2019 high-grade intersections are locally outside or in areas of previously low-grade resource blocks and therefore expand the DZ high-grade core indicating consistency in high-grade mineralization within the identified ore horizon. These results are expected to positively impact the resource at Altan Nar and open the way for further expansion along strike and elsewhere in the district. The program also demonstrated continuity of anomalous gold and base metals along the structural corridor to the south of the DZ, which will be tested further in upcoming programs.

To date, Indicated Mineral Resources have been established for the Discovery Zone and Union North prospects. The remaining 16 targets at Altan Nar appear very prospective and the Company intends to complete further drilling on the license to increase its understanding of the system.

Mineral Resources and Reserves

Khundii Gold District

The total Khundii Gold District resource is calculated by adding the resource from both the Bayan Khundii and Altan Nar deposits and calculating the weighted average grades. The Bayan Khundii Mineral Resource Estimate, prepared by Tetra Tech, has an effective date of June 17, 2021. The Altan Nar Mineral Resource Estimate, prepared by RPMGlobal, has an effective date of May 7, 2018.

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

Cut-Off Grade ^(1,2)	Resource Classification	Quantity (Mt)	Grade (Au g/t)	Gold (Koz)
Recommended⁽³⁾	Measured & Indicated	13.3	2.12	903
	Inferred	3.9	1.76	222
1.0	Measured & Indicated	6.3	3.77	768
	Inferred	3.3	1.99	211
1.4	Measured & Indicated	5.2	4.42	738
	Inferred	3.0	2.12	204

Notes:

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

(2) Cut-off grades for Altan Nar are AuEq2 and for Bayan Khundii are gold only. For the AN resource estimate, Gold Equivalent ("AuEq2") calculations assume metal prices of US \$1,310 per ounce gold, US \$18 per ounce silver, and US \$2,400 per tonne lead and US \$3,100 per tonne zinc.

(3) Tetra Tech recommended cut-off grade for Bayan Khundii is 0.40 g/t gold and RPM recommended cut-off grade for Altan Nar is 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.

Bayan Khundii Gold Deposit

Resource

The 2021 Bayan Khundii Mineral Resource Estimate, prepared by Tetra Tech, is based on the combination of geological modeling, geostatistics, and conventional block modeling using the Ordinary Kriging method of grade interpolation in Datamine Studio RM™ software. The QAQC sampling protocols and corresponding sample preparation and shipment procedures have been reviewed by Tetra Tech.

The Mineral Resource Estimate has been constrained to a conceptual pit shell and is reported at a recommended cut-off grade of 0.40 g/t gold. The assumptions and parameters utilized to establish the cut-off grade and pit shell are reported in notes following the table below and support reasonable prospects for eventual economic extraction. Mineral Resources are inclusive of Mineral Reserves (reported below). For further details on the updated Bayan Khundii mineral resource estimate, please see the Company's Q2 MD&A dated August 12, 2021.

Cut-off Grade (1)	Resource Classification	Quantity (tonnes)	Grade Au g/t	Gold oz
0.4 g/t Au	Measured	3,031,000	2.39	232,700
	Indicated	5,269,000	2.08	352,400
	Measured & Indicated	8,301,000	2.19	585,100
	Inferred	512,000	2.18	35,900

Notes:

(1) Cut-off grades have been calculated using a gold price of \$1,600 /ounce, milling and G&A costs of \$16.0 / tonne, and mining costs of \$3.0 / tonne, and an assumed gold recovery of 95%.

(2) Bulk density of 2.66 for mineralized domains.

(3) 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. All figures are rounded to reflect the relative accuracy of the estimate.

Reserves

The total Bayan Khundii Mineral Reserve is shown below, as reported in Erdene's press release dated July 20, 2020. The Bayan Khundii July 1, 2020, BFS Mineral Reserve has been estimated by Qualified Person, Mr. Anthony Keers, Director, Auralia Mining Consulting, using the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves to conform to the Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects. The Mineral Reserve is based on the October 1, 2019, mineral resource estimate. The Mineral Reserve includes both Proven and Probable Mineral Reserves that were converted from Measured and Indicated mineral resources. Tonnes and grades were calculated for the mining blocks, and allowances for dilution and mining recovery were applied to estimate the Mineral Reserve Statement. The effective date of the Mineral Reserve statement is July 1, 2020.

	Tonnage (Mt)	Grade (g/t Au)	Contained Au (Koz)
Proven Mineral Reserves	1.2	4.2	166
Probable Mineral Reserves	2.2	3.5	244
Mineral Reserve	3.4	3.7	409

Notes:

- (1) The effective date of the Mineral Reserve estimate is July 1, 2020. The QP for the estimate is Mr. Anthony Keers of Auralia Mining Consulting
- (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) Waste to ore cut-offs were determined using a NSR 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.
- (5) Reserves are based on a gold price of \$1400/oz.
- (6) Mineral Reserves were calculated from a diluted "mining" block model which included average dilution of 9% and losses of 1%.
- (7) The Mineral Reserve is based on the October 1, 2019, mineral resource estimate.

Altan Nar Gold-Polymetallic Deposit

RPMGlobal calculated the mineral resource estimate for Altan Nar in May 2018 at a number of gold cut-offs, however, RPM recommends reporting the Altan Nar mineral resource at cut-off of 0.7 g/t AuEq2 (see definition for AuEq2 in note 8 below) above a pit and 1.4 g/t AuEq2 below the same pit shell. For further details on the Altan Nar mineral resource estimate, please see the Company's Altan Nar Gold-Polymetallic Project NI 43-101 Technical Report dated March 29, 2021.

Cut-off AuEq2 g/t	Resource Classi- fication	Quantity (Mt)	Grade					Contained Metal				
			Au g/t	Ag g/t	Zn g/t	Pb g/t	AuEq2 g/t	Au Koz	Ag Koz	Zn Kt	Pb Kt	AuEq2 Koz
0.7	Indicated	5.0	2.0	14.8	0.6	0.6	2.8	318	2,350	31.6	29.0	453
	Inferred	3.4	1.7	7.9	0.7	0.7	2.5	186	866	23.7	22.3	277

Notes:

- (1) The Mineral Resources have been constrained by topography and a cut-off of 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.
- (2) The Mineral Resource Estimate Summary was 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.
- (3) All Mineral Resource figures reported in the table above represent estimates as at May 7, 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.
- (4) Mineral Resource grades are reported in accordance with the CIM Standards.
- (5) Mineral Resources reported on a dry in-situ basis.
- (6) No dilution or ore loss factors have been applied to the reported Resource Estimate
- (7) No allowances have been made for recovery losses that may occur should mining eventually result.
- (8) For the AN resource estimate Gold Equivalent ("AuEq2") calculations assume metal prices of US \$1,310 per ounce gold, US \$18 per ounce silver, and US \$2,400 per tonne lead and US \$3,100 per tonne zinc.

Economic Studies

On July 20, 2020, Erdene announced the results of an independent Bankable Feasibility Study for the Bayan Khundii gold deposit. The report, titled “Bayan Khundii Gold Project Feasibility Study, NI 43-101 Technical Report”, dated August 31, 2020, was prepared by international and Mongolian firms with significant experience operating in Mongolia. The study incorporates detailed mine design and scheduling, front-end engineering and design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation, and an updated economic model.

The BFS envisions a high-grade, open-pit mine beginning at surface in the southern portion of the BK deposit (Striker and Gold Hill), expanding northward into adjacent zones at Midfield and North Midfield. The Project incorporates conventional crushing and grinding, leach and a Carbon in Pulp plant with processing capacity of 1,800 tonnes per day. The BFS includes 3.4 million mineable tonnes from the BK resource at an average diluted head grade of 3.7 g/t gold, all of which are Proven and Probable Reserves.

Project highlights are presented in the table below (results at US\$1,400/oz gold price, unless noted):

Production Profile		
Average Head Grade Over Life of Mine ¹	g/t gold	3.7
Project Life ²	years	8
Operating Life	years	6
Target Production Rate Per Day ³	tpd	1,800
Average Annual Saleable Gold ⁴	oz	63,500
Peak Annual Saleable Gold ⁴	oz	79,100
Average Gold Recovery Rate Over Life of Mine	%	93%
Strip Ratio	t:t	9.1
Operating Costs		
Life of Mine (“LOM”) Average Cash Cost ⁵	US\$/oz	731
LOM Cash Cost plus Sustaining Cost (AISC) ⁵	US\$/oz	733
Pre-Tax Net Present Value		
5% discount rate	US\$M	145
7.5% discount rate	US\$M	126
10% discount rate	US\$M	109
After-Tax Net Present Value		
5% discount rate	US\$M	100
7.5% discount rate	US\$M	86
10% discount rate	US\$M	73
Internal Rate of Return and Payback		
Pre-Tax Internal Rate of Return	%	55%
After-Tax Internal Rate of Return	%	42%
Payback Period Post-Construction (After-Tax) ⁵	years	1.9
Capital Requirements		
Pre-production Capital Cost, including contingency	US\$M	59
LOM Sustaining Capital Cost	US\$M	5

Notes:

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

(2) Project life comprising one year pre-production period, approximately nine years operating life and one year mine closure.

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

(4) Reported numbers for saleable gold for Bayan Khundii.

(5) Operating costs reported in terms of saleable gold ounces includes Royalty and Charges of US\$77/oz.

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

Technical Report Sensitivities – After-Tax Gold Price Sensitivity Analysis – BK BFS

Price Sensitivity Analysis	Units	US\$1,200	US\$1,400	US\$1,600	US\$1,800	US\$2,000
NPV (5% discount rate)	US\$M	43	100	158	216	274
NPV (7.5% discount rate)	US\$M	33	86	138	190	242
NPV (10% discount rate)	US\$M	25	73	120	168	215
IRR	%	22%	42%	60%	77%	93%

The BK BFS is based on an open-pit mining operation targeting 600,000 tonnes per year of feed material for the processing plant. The total mineable mineralized plant feed is 3.4 million tonnes at an average diluted head grade of 3.7 g/t gold and average strip ratio of 9.1:1 (waste tonne: plant feed tonne). Mineralization starts at surface, with the majority of the deposit contained within the top 100 metres. The deposit structure, grades and depth suggest selective open cut mining will be utilized. Mining will use hydraulic excavators in backhoe configuration. Drilled and blasted material will be loaded into haul trucks, with waste rock deposited in an engineered Integrated Waste Facility ("IWF") adjacent to the pit, and ore hauled to a crusher or run-of-mine ("ROM") pad adjacent to the processing plant.

The BK BFS has assumed contract mining based on methodology and costing contained in proposals received from contractors with suitable experience in Mongolia in similar open-pit mining environments. In this scenario the contractor provides the full fleet and personnel to operate the project on a schedule of rates (US\$/tonne material moved) basis. The contractor is proposing a total of 4 x excavators (2 x ore, 2 x waste), 10 x 55t payload trucks, 3 x blasthole drills and a fleet of ancillary and support equipment to deliver the required material movement. The contractor's workforce peaks at approximately 190 personnel to deliver the required schedule of production.

The BK BFS assumes processing of ROM material via a conventional crush and grind circuit and a carbon in pulp plant. Plant design by 360-Global has been based on testing at Blue Coast Research which has established optimal processing parameters, including; grind size of 80% passing 60 microns; design inputs for comminution circuit, low cyanide concentration in leach circuit (0.5 g/litre sodium cyanide); 36 hour retention time; carbon adsorption parameters and detoxification reagent dosages. The process circuit has been designed to maximize water recovery with the most efficient dewatering process (ceramic disc filters) to achieve targeted 15% moisture in tailings, minimize chemical and reagent usage and minimize environmental impact.

The ore-processing plant will be located adjacent to the Bayan Khundii open pit and throughput will target 600,000 ore-tonnes per year, nominally 1,800 tonnes per day. Total mineralized material from BK, processed in the plant over the course of the mine life, is 3.4 million tonnes at an average diluted head grade of 3.7 g/t gold. Using an estimated mill recovery of 93.1%, total recovered gold over the life of the Bayan Khundii deposit is 381,700 ounces.

Operating costs are based on the mining and processing scenarios outlined above and assumes contract mining. Power for operations will be generated through a hybrid diesel and solar generation solution, provided under a power purchase agreement for the duration of the Project. All other activities are assumed to be owner operated. The AISC for Bayan Khundii is estimated at \$733/oz.

Bayan Khundii BFS			
	LOM (US\$M)	US\$/oz	US\$/tonne
Mine Operating Cost	133	350	39
Processing Cost	96	252	28
G&A	13	33	4
Total Site Operating Costs	242	635	71
Royalty and Charges	32	86	10
Sustaining Capital & Closure Costs	5	12	1
All-In Sustaining Cost	279	733	82

Construction costs (Year 0), primarily comprising the process plant and supporting infrastructure, accommodation village, and associated engineering and indirect costs is estimated at US\$46 million. Pre-production costs, including construction readiness, mobile site equipment and pre-strip total \$8M. The

capital cost estimate includes a 10% contingency. Sustaining capital of US\$4 million has been included in the mine plan and net mine closure costs are estimated at US\$1 million, including salvage values. Total life of mine capital expenditures for the Bayan Khundii Gold Project are estimated at US\$64 million.

	BK BFS (US\$M)
Process Plant	24
Non-Process Infrastructure	10
Accommodation Village	2
Construction Indirects	6
Engineering & Support	4
Construction Costs	46
Pre-Production Costs	8
Contingency	5
Subtotal Plant and Infrastructure	59
Sustaining Capital	4
Reclamation and Mine Closure	3
Salvage	(2)
Total	64

The Company sees the following opportunities to enhance value at the Khundii Gold District:

- Additional Resources at Bayan Khundii:
 - The updated Bayan Khundii Resource includes Measured and Indicated resources of 585,100 ounces at an average grade of 2.19 g/t gold, and an additional 35,900 ounces at a grade of 2.18 g/t gold of Inferred Resources which could potentially be added to reserves through both additional drilling and rising gold prices.
 - Very high gold grades observed in drilling in the Striker West portion of the deposit have the potential to add high-grade resources should closer spaced drilling improve continuity.
 - The reported resource is constrained based on multiple parameters including a US\$1,600/oz gold price. Multiple high-grade intersections outside the pit provide expansion targets requiring additional drilling in a rising gold price environment.
- Exploration: The Bayan Khundii deposit is situated in a highly prospective region that has received minimal historical exploration. On the Bayan Khundii property, multiple high-grade targets have been established through limited shallow drilling and surface sampling within 4 kilometres of the deposit, including the Dark Horse prospect identified in late 2019. In Q2 2021, drilling on the Ulaan license, 300 metres west of Bayan Khundii, identified a new gold discovery that has the potential to be incorporated into the Bayan Khundii mine plan.
- Recoveries: Although a 93% gold recovery has been utilized for the BFS, testing of a recent master composite sample, representative of the BK ore, with a head grade of 3.6 g/t gold, returned recoveries averaging 95% indicating an opportunity for increased recoveries in the plant.
- Higher Grade Upside: The very high-grade nature of the Bayan Khundii deposit provides upside should continuity of the ultra-high-grade zones (greater than 20 g/t gold) be established during mining.
- Underground Potential: Further underground mining potential has been identified in conceptual studies for Midfield North and Striker West which, if proven economical through further studies, could lead to a further increase in the economic reserve of the Bayan Khundii Project.
- Additional Resources at Altan Nar: Erdene's Altan Nar deposit, located approximately 16km north of Bayan Khundii, has an established Indicated Resource of 5.0 Mt grading 2.0 g/t gold (318,000 ounces of contained gold) and an Inferred Resource of 3.4 Mt grading 1.7 g/t gold (186,000 ounces of contained gold). Approximately 250,000 ounces of the current Altan Nar resource could potentially be processed by the Bayan Khundii Project processing facility at modest incremental capital cost (see "KGP 2019 Technical Report"). A number of development options for Altan Nar are under consideration.

District Scale Exploration

Results from recent exploration confirm that the Khundii Gold District hosts multiple zones of epithermal gold mineralization over a wide area. The Khundii mining license and adjoining Ulaan exploration license cover nearly 4,000 hectares of the Khundii-Ulaan hydrothermal alteration zone, which extends from Ulaan over 10 kilometres to the northeast. This alteration trend has a central zone of intense secondary silica with a peripheral halo of sericite alteration, and an outer zone of white mica and sericite, which hosts the Bayan Khundii gold deposit. This northeast trending alteration area, which incorporates the Ulaan, Bayan Khundii, Dark Horse and other mineralized targets in the area, is associated with a regional structural dilational jog and associated major volcano-plutonic centre, along a northeast trending transform fault. The various styles of alteration and mineralization within the Khundii-Ulaan target area are consistent with a fertile magmatic island arc, with evidence for possible arc migration, and overlapping or telescoped mineralization along major structures.

Exploration results to date suggest the greater Khundii-Ulaan alteration zone and known gold occurrences are part of the same, large, gold-bearing hydrothermal system which remains largely under-explored. Gold mineralization identified to date is hosted within an expansive, white mica and silica altered tuffaceous sequence exposed around the periphery of the Khundii-Ulaan hydrothermal alteration system. Quartz vein textures and clay alteration compositions indicate a large-scale epithermal type gold mineralizing environment existed within the Khundii-Ulaan system with the tuffaceous lithologies acting as preferred hosts for gold mineralization. Exploration planning is currently underway to test multiple high-priority geological, geochemical and geophysical targets across the Khundii-Ulaan target area.

Regional drilling has been restricted to shallow targets with average drill depths of about 100 metres with approximately 70% of regional drill holes having intersected anomalous gold mineralization (defined as >0.1 g/t gold). Success has been driven by the abundance of untested, near surface geochemical and geophysical targets in a region that has had no previous modern exploration. Recent exploration successes testing shallow targets, and the definition of three deposits, exposed at surface, are testament to the discovery potential of this new district.

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

Altan Arrow Gold Target

The Altan Arrow target is located 4 kilometres north of the Bayan Khundii gold deposit, along a gold bearing structure in the central portion of the Khundii mining license. Drilling has concentrated in an area along and south of the main structure, where several high-grade zones have been intersected, including 39 g/t gold over 1 metre and 24 g/t gold and 70 g/t gold over 2 metres. Overall, 77% of the 21 holes (2,605 metres) drilled at Altan Arrow have intersected anomalous gold.

Drill testing of the main mineralized structure indicates a broad corridor of anomalous gold over a 1.2 kilometre trend (open along strike) and up to 400 metres south of the main structure in what is interpreted as secondary structural splays. In addition, drill testing of these structural splays, south of the main zone, returned multiple intersects at deeper levels than typically tested (approximately 100 metres vertical depth) with gold grades ranging from 0.2 to 2.6 g/t with anomalous silver, molybdenum, lead, zinc and antimony (AAD-25). Exploration results suggest gold mineralization within the district is controlled by a structure associated with zones of major dilatancy and structural intersections. Such zones commonly have associated alteration events that are magnetite destructive, resulting in zones of low magnetic response. In advance of future drilling the Corporation will complete a comprehensive geophysical interpretation of the Altan Arrow prospect, including high resolution magnetics, IP dipole-dipole and gravity datasets.

Khundii North Gold Target

The Khundii North target is located 4 kilometres northeast of the Bayan Khundii gold deposit, on the Khundii mining license, and was initially drill tested in 2018. The area was identified through surface exploration in late 2017, when sampling of quartz vein material returned high grade gold mineralization of up to 22 g/t gold from a structurally controlled quartz vein stockwork and breccia zone traced over a 1,500 metre strike length. Six holes, totaling 970 metres and averaging 93 metres vertical depth have now tested the stockwork-breccia body, comprised of three collars in the south and two in the north, separated by approximately 500 metres. Although the northern holes returned only minor levels of anomalous gold, the southern holes intersected wide zones of intense multi-phase epithermal quartz stockwork and breccia at depth within an altered monzonite. These stockwork zones are continuous, with up to 35-metre widths

(AAD-29) and have associated anomalous gold, locally up to 2.1 g/t over one metre intervals (AAD-30) and locally anomalous copper (>500ppm). In Q3 2019, a single 253 metre drill hole (AAD-38) was completed to test the Khundii North quartz breccia body at depth. Assay results from the drill hole returned modest but anomalous gold values of up to 0.25 g/t gold over 2 metres. Gold anomalism appears to be associated within intervals of quartz stockwork veins intersected throughout the drill hole.

Ulaan Copper-Gold Porphyry Target

On August 30, 2017, the Corporation acquired a 51% interest in the 1,780-hectare Ulaan exploration license ("Ulaan Property"), immediately west of its high-grade Bayan Khundii deposit. In December 2020, Erdene acquired the remaining 49% interest in the property. The exploration license is in its sixth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia.

In addition to the Ulaan South gold discovery in Q2 2021, the Ulaan license hosts a porphyry copper prospect primarily based on the broad (5km by 4km) zone of phyllic (quartz-sericite-pyrite) alteration at surface, with characteristics thought to be related to a porphyry intrusion at depth. Rock chip and stream sediment geochemical sampling identified anomalous concentrations of gold, copper and molybdenum in the surrounding area, and recently completed geophysical surveys have produced a number of follow-up targets.

Three wide spaced holes were drilled in 2018, totaling 1,050 metres over a 1.3 kilometre area in the central portion of the license. These holes intersected volcanic to sub-volcanic rocks exhibiting propylitic to phyllic quartz-sericite-pyrite ("QSP") alteration with varying concentrations of pyrite and locally low-level copper mineralization (100 to 300 ppm over 60 metres).

A 700-metre, three-hole drilling program was completed in 2019 to test the alteration system at depth (to 650 metres), by extending a previous drill hole, and to investigate two shallower moderate IP chargeability targets (to 200 metres). The extension hole showed continuity at depth of the phyllic style alteration and ended within elevated copper, averaging 130 ppm over 22 metres. The entire second hole exhibited sericite alteration and pyrite mineralization with localized zones of tourmaline alteration and quartz veining within an andesite host, however no anomalous geochemistry was encountered. The final hole intersected a broad zone of intense tourmaline-silica-sericite alteration which hosts localized gold bearing quartz-tourmaline breccia and breccia veins from 140 to 202 metres (end of hole). Anomalous gold bearing intervals include: 2 metres of 1.3 g/t gold, 4 metres of 0.29 g/t gold, 2 metres of 0.5 g/t gold and 2 metres of 0.23 g/t gold or 40 metres of 0.15 g/t gold average grade. Anomalous copper, exceeding 400 ppm, was also intersected within the anomalous zone. The Erdene technical team is reviewing these results along with associated geology, geochemistry and geophysics to establish the basis for future drill testing of the Ulaan Copper-Gold Porphyry target.

Zuun Mod Molybdenum-Copper Project

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

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

The Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. Market demand for molybdenum has recently improved, with the price of molybdenum oxide currently trading at approximately US\$20.00 per pound, compared to approximately US\$7.25 per pound in 2017, and US\$12.00 per pound at December 31, 2020. In light of the recent rise in Molybdenum and Copper prices, Erdene has engaged RPMGlobal to undertake an updated technical analysis of the project, and the broader Khuvyn Khar license. The results of this study are expected to be announced in Q4 2021.

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

Khuvyn Khar Copper-Silver Project

The Khuvyn Khar copper-silver project is located on Khuvyn Khar license, approximately 2.2 kilometres north of the Zuun Mod molybdenum-copper porphyry deposit. Exploration work at Khuvyn Khar has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys, and wide spaced drilling. Previous drilling intersected 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (ZMD-121). The Project has a very large copper mineralized zone trending over 900 metres with multiple zones in three drill holes returning assays in excess of 0.2% copper over significant widths (12 to 42 metres). As noted above, RPMGlobal has been engaged to undertake a technical and economic study of the Zuun Mod Molybdenum-Copper project, including a high-level analysis of the prospectivity of the broader Khuvyn Khar license.

Acquisitions

Mongolia's Ministry of Mining and Heavy Industry periodically issues areas for exploration. Erdene has established the largest proprietary geologic database of Southwest Mongolia with a priority list of acquisition targets. The Company will participate in the tendering process as its priority targets are opened for tender. The Company has also been evaluating privately held licenses for acquisition.

Discussion of Operations

Three months ended September 30, 2021, and 2020

The tables below detail exploration and evaluation expenditures for the three months ended September 30, 2021, and 2020. The Bayan Khundii Gold Project was the focus of the Corporation's efforts during these periods.

Quarter ended September 30, 2021	Bayan Khundii	Altan Nar	Zuun Mod, Ulaan & Other	General & Admin	Total
E&E expenditures					
Exploration and field support	\$ 1,176,932	\$ 17,220	\$ 756,056	\$ 268,318	\$ 2,218,526
Mining studies and permitting	721,829	(51,536)	55,744	(1,573)	724,464
Mongolian office costs	-	-	-	177,318	177,318
Share-based compensation	-	-	-	129,865	129,865
Stakeholder relations	98,448	103,564	34,952	4,482	241,446
Travel and other	11,983	-	79	(2,500)	9,562
Total exploration expenditures	2,009,192	69,248	846,831	575,910	3,501,181
Capitalized expenditures	(2,009,192)	(69,248)	(49,999)	(6,903)	(2,135,342)
Expensed exploration costs 2021	\$ -	\$ -	\$ 796,832	\$ 569,007	\$ 1,365,839
E&E assets, July 1, 2021					
	\$ 26,858,037	\$ 4,089,009	\$ 874,149	\$ 1,825,867	\$ 33,647,062
Additions	2,009,192	69,248	49,999	6,903	2,135,342
Effect of movements in exchange rates	345,528	52,681	19,305	23,645	441,159
E&E assets, September 30, 2021	\$ 29,212,757	\$ 4,210,938	\$ 943,453	\$ 1,856,415	\$ 36,223,563

Quarter ended September 30, 2020	Bayan Khundii	Altan Nar	Zuun Mod, Ulaan & Other	General & Admin	Total
E&E expenditures					
Exploration and field support	\$ 2,039,213	\$ 35,332	\$ 25,830	\$ 148,630	\$ 2,249,005
Mining studies and permitting	562,660	4,402	735	-	567,797
Mongolian office costs	-	-	-	135,457	135,457
Share-based compensation	-	-	-	494,500	494,500
Stakeholder relations	86,442	29,526	-	(8,874)	107,094
Travel and other	1,972	493	-	(9,096)	(6,631)
Total exploration expenditures	2,690,287	69,753	26,565	760,617	3,547,222
Capitalized expenditures	(2,690,287)	(69,753)	-	-	(2,760,040)
Expensed exploration costs 2020	\$ -	\$ -	\$ 26,565	\$ 760,617	\$ 787,182
E&E assets, July 1, 2020					
	\$ 19,201,375	\$ 3,823,973	\$ 901,760	\$ 921,417	\$ 24,848,525
Additions	2,690,287	69,753	-	-	2,760,040
Effect of movements in exchange rates	(362,523)	(66,363)	(28,290)	(15,183)	(472,359)
E&E assets, September 30, 2020	\$ 21,529,139	\$ 3,827,363	\$ 873,470	\$ 906,234	\$ 27,136,206

Exploration and evaluation expenditures, including capitalized expenditures, totaled \$3,501,181 for the three months ended September 30, 2021, compared to \$3,547,222 for the three months ended September 30, 2020. Erdene drilled 6,278 metres in the quarter ended September 30, 2021, compared to 10,010 metres during the quarter ended September 30, 2020.

Exploration and field support expenses of \$2,218,526 in Q3 2021 were largely consistent with the prior year quarter expenses as increases in camp costs due to the expansion of the facility in advance of construction, higher salaries due to cost of living wage adjustments and additional geophysical studies largely offset savings attributable to a 3,700 metre reduction in drilling.

Mining studies and permitting costs for the three months ended September 30, 2021 were \$156,667 more than for the three months ended September 30, 2020, as expenditures on the Bayan Khundii Gold Project Construction Readiness and Detailed Engineering & Design were greater than the costs associated with the finalization of the Bayan Khundii Gold Project Feasibility Study work during the third quarter of 2020.

Mongolian office costs for the three months ended September 30, 2021 were \$41,861 higher than the comparative prior year quarter primarily due to an increase in legal fees associated with long-lead procurement and incremental administrative staffing and office expenses, as the Company builds its team in advance of construction.

Stakeholder relations costs for the three months ended September 30, 2021 were \$134,352 greater than for the three months ended September 30, 2020, primarily due to the expenditures associated with the employment readiness training programs undertaken in the Q3 2021 as well as payments made under a Local Cooperation Agreement executed in August 2021.

Non-cash share-based compensation costs were \$364,635 less in the current year quarter than the prior year quarter due to the timing of stock option grants which were awarded in June 2021 and August 2020, respectively.

Erdene began capitalizing exploration costs for its Altan Nar Project in 2015 and commenced capitalizing costs for its Bayan Khundii Gold Project in 2016. For the three months ended September 30, 2021, and 2020, Erdene has capitalized all exploration costs associated with these projects. Exploration costs relating to the Company's Ulaan license were not capitalized during the period, consistent with Erdene's accounting policy.

The following table summarizes corporate and administration expenses for the three months ended September 30, 2021, and 2020.

For the three months ended September 30,

	2021	2020	Change
Administrative services	\$ 209,109	\$ 179,446	\$ 29,663
Depreciation and amortization	9,369	9,139	230
Directors fees and expenses	29,458	1,180	28,278
Investor relations and marketing	54,702	59,959	(5,257)
Office and sundry	22,570	21,662	908
Professional fees	57,172	138,412	(81,240)
Regulatory compliance	12,925	19,986	(7,061)
Share-based compensation	168,510	438,571	(270,061)
Travel and accommodations	1,277	1,521	(244)
	\$ 565,092	\$ 869,876	\$ (304,784)

Corporate and administrative expenses totaled \$565,092 for the three months ended September 30, 2021, compared to \$869,876 for the three months ended September 30, 2020.

Administrative services expenses for the three months ended September 30, 2021 were \$29,663 greater than the prior year due to the recruitment of an internal IR resource, cost of living salary increases and the establishment of an employee share sale plan in late 2020.

Director's fees and expenses for the three months ended September 30, 2021, were \$28,278 higher than the prior year comparative period, as compensation was paid in cash in the current period but was paid in Deferred Share Units during Q3 2020, which is reported as share-based compensation.

Investor relations and marketing expenses for the three months ended September 30, 2021, were \$5,527 less than the three months ended September 30, 2020, as the recruitment of an internal IR resource reduced spend on IR consultants compared to the prior year quarter.

Professional fees of \$57,172 for the three months ended September 30, 2021, were \$81,240 less than the prior year as financial advisory services expenses have been capitalized during the current year quarter.

Non-cash share-based compensation for the third quarter of 2021 was \$270,061 lower than the previous year due to the timing of stock option grants, which were awarded in June 2021 and August 2020, respectively, partially offset by a reduction in DSU expenses, as a portion of directors fees were paid in cash during the current quarter as noted above.

Depreciation and amortization, Office and sundry, Regulatory Compliance and Travel and accommodations expenditures for the quarter ended September 30, 2021, were not material or significantly different from those incurred in the prior year comparative period.

Nine months ended September 30, 2021, and 2020

The tables below detail exploration and evaluation expenditures for the nine months ended September 30, 2021, and 2020. The Bayan Khundii Gold Project was the focus of the Corporation's efforts during these periods.

Period ended September 30, 2021	Bayan Khundii	Altan Nar	Zuun Mod, Ulaan & Other	General & Admin	Total
E&E expenditures					
Exploration and field support	\$ 3,292,780	\$ 206,640	\$ 1,061,694	\$ 395,442	\$ 4,956,556
Mining studies and permitting	2,843,687	41,347	83,744	-	2,968,778
Mongolian office costs	-	-	-	368,528	368,528
Share-based compensation	-	-	-	419,635	419,635
Stakeholder relations	223,772	137,042	34,979	7,891	403,684
Travel and other	11,730	-	79	(8,936)	2,873
Total exploration expenditures	6,371,969	385,029	1,180,496	1,182,560	9,120,054
Capitalized expenditures	(6,371,969)	(385,029)	(105,693)	(8,619)	(6,871,310)
Expensed exploration costs 2021	\$ -	\$ -	\$ 1,074,803	\$ 1,173,941	\$ 2,248,744

E&E assets, January 1, 2021	\$ 22,850,206	\$ 3,827,267	\$ 838,281	\$ 1,848,401	\$ 29,364,155
Additions	6,371,969	385,029	105,693	8,619	6,871,310
Effect of movements in exchange rates	(9,418)	(1,358)	(521)	(605)	(11,902)
E&E assets, September 30, 2021	\$ 29,212,757	\$ 4,210,938	\$ 943,453	\$ 1,856,415	\$ 36,223,563

Period ended September 30, 2020	Bayan Khundii	Altan Nar	Zuun Mod, Ulaan & Other	General & Admin	Total
E&E expenditures					
Exploration and field support	\$ 2,888,348	\$ 222,273	\$ 137,570	\$ 194,562	\$ 3,442,753
Mining studies and permitting	2,603,541	52,858	9,335	-	2,665,734
Mongolian office costs	-	-	-	302,891	302,891
Share-based compensation	-	-	-	515,398	515,398
Stakeholder relations	111,173	33,882	92	4,827	149,974
Travel and other	27,962	4,488	1,117	(14,664)	18,903
Total exploration expenditures	5,631,024	313,501	148,114	1,003,014	7,095,653
Capitalized expenditures	(5,631,024)	(313,501)	(64,512)	11,807	(5,997,230)
Expensed exploration costs 2020	\$ -	\$ -	\$ 83,602	\$ 1,014,821	\$ 1,098,423

E&E assets, January 1, 2020	\$ 16,164,725	\$ 3,561,166	\$ 828,799	\$ 928,827	\$ 21,483,517
Additions	5,631,024	313,501	64,512	(11,807)	5,997,230
Effect of movements in exchange rates	(266,610)	(47,304)	(19,841)	(10,786)	(344,541)
E&E assets, September 30, 2020	\$ 21,529,139	\$ 3,827,363	\$ 873,470	\$ 906,234	\$ 27,136,206

	For the nine months ended September 30,		
	2021	2020	Change
Administrative services	\$ 412,938	\$ 360,339	\$ 52,599
Depreciation and amortization	27,905	27,716	189
Directors fees and expenses	80,381	45,763	34,618
Investor relations and marketing	169,176	146,358	22,818
Office and sundry	70,218	62,067	8,151
Professional fees	184,492	246,269	(61,777)
Regulatory compliance	77,622	84,373	(6,751)
Share-based compensation	568,903	615,360	(46,457)
Travel and accommodations	2,588	7,688	(5,100)
	\$ 1,594,223	\$ 1,595,933	\$ (1,710)

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2021				Fiscal 2020		Fiscal 2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec
Net loss	\$1,935	\$1,279	\$617	\$1,525	\$3,871	\$6,678	\$1,042	\$773
Basic loss per share	\$0.01	\$0.00	\$0.00	\$0.00	\$0.02	\$0.03	\$0.01	\$0.01
Total assets	\$42,319	\$42,411	\$42,454	\$42,814	\$44,918	\$27,155	\$27,826	\$26,973

For the three months ended September 30, 2021, the Corporation recognized a net loss of \$1,935,798 compared to a net loss of \$3,871,340 for the comparative period in 2020. The decrease in the net loss in the current quarter compared to Q3-2020 is primarily attributable to reduced interest expenses and fair value adjustments on the convertible loan, which was extinguished in late 2020, partially offset by higher exploration expenses in the current year quarter, as exploration expenditures related to the Company's Ulaan license in Q3-2021 are not capitalized.

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

Liquidity and Capital Resources

At the date of this MD&A, the Corporation had approximately \$9.5 million in working capital.

Funds raised have been used to advance the Corporation's projects in Mongolia and to meet administrative costs in support of those programs (see Development and Exploration Projects and Discussion of Operations). The ability of the Corporation to continue with its exploration and development programs beyond this point is contingent upon securing additional funds through asset sales, formation of alliances, option and/or joint venture agreements, equity financing and/or expenditure reductions. The timing and availability of additional financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs and development plans.

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

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

Outstanding Share Data

Authorized

An unlimited number of common shares with no par value.

Issued and Outstanding Share Capital

	November 9, 2021	December 31, 2020
Common shares issued and outstanding	294,232,345	268,450,433
Options outstanding	15,855,000	13,790,000
Warrants outstanding	44,992,552	75,097,796
DSU's outstanding	5,926,340	5,032,836
Total instruments outstanding at end of period	361,006,237	362,371,065

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at September 30, 2021:

	Total	Less than one year	1 - 3 years	4 - 5 years	More than 5 years
Office leases	\$ 101,723	\$ 34,564	\$ 67,159	\$ -	\$ -
Accounts payable and accrued liabilities	894,580	894,580	-	-	-
	\$ 996,303	\$ 929,144	\$ 67,159	\$ -	\$ -

Other Financing Arrangements and Commitments

Sandstorm Gold Ltd. Royalty Agreement

Sandstorm Gold Ltd. ("Sandstorm") holds a 1% net smelter returns royalty ("NSR Royalty") on Erdene's Altan Nar, Khundii and Ulaan licenses. Sandstorm has been given a right of first refusal on future stream or royalty financings related to these licenses.

Other

The Zuun Mod License is subject to a 1.5% NSR Royalty. Erdene has the option to buy down a portion of the Royalty if certain production milestones are achieved.

Off-Balance Sheet Arrangements

As at September 30, 2021, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risks to the Corporation.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires Erdene to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

A detailed summary of all of the Corporation's significant accounting policies and the key sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next twelve months are included in Note 2 to the consolidated financial statements for the year ended December 31, 2020. While all of the key sources are important to the Corporation's consolidated financial statements, the following key sources have been identified as being critical:

- Recoverability of exploration and evaluation assets; and
- Share-based compensation.

Recoverability of exploration and evaluation assets

In accordance with the Corporation's accounting policy, at the end of each reporting period, the Corporation assesses its exploration and evaluation assets to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the greater of the fair value less cost of disposal and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital expenditures, exploration potential and operating costs. Fair value of exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks to the asset. If the Corporation does not have sufficient

information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.

Share-based payments

Equity-settled share-based payments issued to employees and directors are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured. The Corporation charged a total of \$988,538 of non-cash share-based compensation to the statement of comprehensive loss for the nine months ended September 30, 2021 (2020 - \$1,130,758).

Financial Instruments and Other Risks

Financial Instruments

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

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Fair Value

During the nine months ended September 30, 2021, and during the year ended December 31, 2020, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The following table provides the disclosures of the fair value of financial assets and liabilities which are recorded at fair value through profit and loss, and the level in the hierarchy.

	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:						
Cash and cash equivalents	\$ 4,759,760	\$ -	\$ -	\$ 12,800,728	\$ -	\$ -
Receivables	-	42,104	-	-	89,344	-

Credit Risk

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with reputable financial institutions in Canada, where management believes the risk of loss to be low. At September 30, 2021, \$492,090 or 10% of the balance of cash was held in banks outside Canada (December 31, 2020 – \$133,130 or 1%).

Liquidity Risk

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

Market Risk

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

Interest rate risk

As of September 30, 2021, the Corporation has no interest-bearing debt and is not exposed to any significant interest rate risk.

Foreign Currency Risk

The functional currency of the Corporation is the Canadian dollar, and the functional currency of the Corporation's subsidiaries is the Mongolian tugrik. Additionally, the Corporation incurs expenses and has received financing in US dollars. Consequently, fluctuations of the Canadian dollar in relation to other currencies impacts the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash, accounts payable and accrued liabilities, as well as Mongolian tugrik denominated cash, accounts payable and accrued liabilities. The Corporation maintains Canadian and US dollar bank accounts in Canada.

The Corporation's exposure to US dollar currency risk was \$278,319 as at September 30, 2021 (December 31, 2020 - \$69,392). A 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$27,800 (December 31, 2020 - \$6,900).

The Corporation's exposure to Mongolian Tugrik currency risk was (\$344,771) as at September 30, 2021 (December 31, 2020 – (\$80,694)). A 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$34,500 (December 31, 2020 - \$8,100).

Price Risk

The Corporation's financial instruments are not exposed to direct price risk other than that associated with commodity price fluctuations impacting the mineral exploration and mining industries as the Corporation has no significant revenues.

Other Risks

In conducting its business, the principal risks and uncertainties faced by the Corporation relate primarily to exploration results, permitting, financing and, to a lesser extent, metal and commodity prices and delays and inflation due to COVID-19. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Corporation's control. In addition to the normal and usual risks of exploration and mining, the Corporation works in remote locations that lack the benefit of infrastructure and easy access. More information on risks is available in the Corporation's Annual Information Form available on SEDAR at www.sedar.com.

Disclosure Controls and Internal Controls over Financial Reporting

Erdene has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Erdene's disclosure controls and procedures as of September 30, 2021 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Erdene and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

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

Management evaluated the design and effectiveness of Erdene's internal controls over financial reporting as of September 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion.

Based on management's evaluation, the CEO and the CFO have concluded that as of September 30, 2021, Erdene's internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

Qualified Person

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

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

The information in this MD&A that relates to the financial models for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Kenny Li, CFA, who is an employee of ROMA Group Ltd. The information in this MD&A that relates to the capital and operating cost estimation for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Julien Lawrence, who is a FAusIMM and the Director of O2 Mining Ltd. The information in this MD&A that relates to the process design and recovery methods for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Jeffrey Jardine, who is a FAusIMM and is engaged through O2 Mining Ltd. The information in this MD&A that relates to the Bayan Khundii reserve estimate is based on information compiled and reviewed by Mr. Anthony Keers, who is an MAusIMM (CP Mining) and a Director, Auralia Mining Consulting. Each of Mr. Li, Mr. Lawrence, Mr. Jardine and Mr. Keers has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they have undertaken to qualify as a Qualified Person, as that term is defined by National Instrument 43-101. Each of Mr. Li, Mr. Lawrence, Mr. Jardine and Mr. Keers is not aware of any potential for a conflict of interest in relation to this work with Erdene.

Other Information

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