



## **NOTICE OF ANNUAL & SPECIAL MEETING OF SHAREHOLDERS AND MANAGEMENT INFORMATION CIRCULAR**



**MEETING DATE: JUNE 22, 2022 AT 10:00 A.M.**

Metropolitan Place  
99 Wyse Road, Suite 1480  
Dartmouth, Nova Scotia  
Canada B3A 4S5

May 19, 2022

## NOTICE OF ANNUAL &amp; SPECIAL MEETING OF SHAREHOLDERS

**Metropolitan Place  
99 Wyse Road, Suite 1480  
Dartmouth NS Canada B3A 4S5**

The annual and special meeting ("**Meeting**") of the shareholders ("**Shareholders**") of Erdene Resource Development Corporation ("**Corporation**") will be held at Metropolitan Place, Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, on June 22, 2022 at 10:00 a.m. (Atlantic Time) for the following purposes:

- (i) to receive the audited financial statements of the Corporation for the year ended December 31, 2021, copies of which were mailed to Shareholders;
- (ii) to elect directors of the Corporation for the forthcoming year;
- (iii) to appoint the auditor of the Corporation for the forthcoming year and to authorize the directors to fix the auditor's remuneration;
- (iv) to approve all unallocated options issuable under the Corporation's incentive stock option plan;
- (v) to approve all unallocated deferred stock units issuable under the Corporation's deferred stock unit plan; and
- (vi) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

Details of the matters proposed to be put before the Meeting are set forth in the management information circular ("**Circular**") accompanying and forming part of this notice of meeting ("**Notice of Meeting**").

Only Shareholders of record as of the close of business on May 18, 2022 are entitled to receive notice of the Meeting and, except as noted in the attached Circular, to vote at the Meeting. To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Investor Services Inc., not later than June 20, 2022 at 10:00 a.m.** (Atlantic Time). A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope;
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

**Non-Registered Shareholders** whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 2 of the attached Circular.

If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your shares are registered in more than one name. To ensure that all of your shares are voted, you must sign and return all proxies and voting instruction forms that you receive.

DATED at Dartmouth, in the Halifax Regional Municipality, Nova Scotia, this 19<sup>th</sup> day of May, 2022.

BY ORDER OF THE BOARD OF DIRECTORS

*(signed) Peter C. Akerley*  
President and Chief Executive Officer

## TABLE OF CONTENTS

INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING .....	1
Solicitation of Proxies .....	1
Appointment and Revocation of Proxies .....	1
Notice-and-Access .....	3
Exercise of Proxies .....	4
Voting Shares .....	4
Principal Shareholders .....	4
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....	4
BUSINESS TO BE TRANSACTED AT THE MEETING .....	5
Presentation of Financial Statements .....	5
Election of Directors .....	5
Appointment of Auditor .....	15
Approval of Unallocated Options under the Corporation's Incentive Stock Option Plan .....	15
Approval of Unallocated Deferred Stock Units under the Corporation's Deferred Stock Unit Plan .....	16
EXECUTIVE COMPENSATION .....	17
Compensation Discussion & Analysis .....	17
Performance Graphs .....	22
Assessment of Risks Associated with the Corporation's Compensation Policies and Practices .....	23
Summary Compensation Table .....	24
Incentive Plan Awards .....	25
Termination and Change of Control Benefits .....	26
Director Compensation .....	27
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS .....	29
Equity Compensation Plans .....	29
Incentive Stock Option Plan .....	30
Deferred Stock Unit Plan .....	32
INDEBTEDNESS OF DIRECTORS AND OFFICERS .....	34
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	34
CORPORATE GOVERNANCE .....	35
Board of Directors .....	35
Board Mandate .....	36
Position Descriptions .....	37
Orientation and Continuing Education .....	37
Ethical Business Conduct .....	37
Nomination of Directors .....	38
Compensation Committee .....	39
Audit and Risk Management Committee .....	40
Pre-Clearance Committee .....	40
Corporate Governance and Disclosure Policy Committee .....	40
Technical Committee .....	40
Other Board Committees .....	40
Assessments .....	40
PROPOSALS BY SHAREHOLDERS .....	41
ADDITIONAL INFORMATION .....	41
APPROVAL OF CIRCULAR .....	41

**ERDENE RESOURCE DEVELOPMENT CORPORATION  
MANAGEMENT INFORMATION CIRCULAR**

As at May 19, 2022, except as indicated

**INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ERDENE RESOURCE DEVELOPMENT CORPORATION ("Corporation" or "Erdene")** for use at the annual and special meeting of shareholders of the Corporation ("**Shareholders**") to be held at Metropolitan Place, Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, on June 22, 2022 at 10:00 a.m. (Atlantic Time), or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

Attendees at the Meeting will be required to comply with any legal restrictions that may be in place at the time of the Meeting in response to the public health impact of COVID-19, which could include, without limitation, masking or social distancing requirements.

**Solicitation of Proxies**

Solicitation of proxies will be primarily by mail but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**").

**Appointment and Revocation of Proxies****General**

Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Corporation ("**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "**Non-Registered Shareholder**". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers and directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one (1) proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

**Registered Shareholders**

Registered Shareholders have two (2) methods by which they can vote their Common Shares at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this management information circular ("**Circular**"). Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. The vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, ("**Computershare**") not later than **June 20, 2022 at 10:00 a.m. (Atlantic Time)**. A Registered Shareholder must return the completed proxy to Computershare as follows:

- (a) by **mail** in the enclosed envelope; or
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such Shareholder must strike out the names of the persons designated on the enclosed instrument appointing a proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) at the registered office of the Corporation, 1300-1969 Upper Water Street, McInnes Cooper Tower, Purdy's Wharf, PO Box 730, Halifax, Nova Scotia B3J 2V1, Attention: D. Suzan Frazer, at any time up to and including the last business day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof; or (ii) with the chair of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

### **Non-Registered Shareholders**

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Corporation are referred to as "**OBOs**".

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice of Meeting, this Circular, a voting instruction form ("**VIF**") or a form of proxy, as applicable (collectively, the "**Meeting Materials**") directly to the NOBOs and, indirectly, through intermediaries, to the OBOs. The Corporation will also pay the fees and costs of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

### **Meeting Materials Received by OBOs from Intermediaries**

The Corporation has distributed copies of the Meeting Materials to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Corporation who have not waived their right to receive these materials, and to seek instructions as to how to vote Common Shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the person named in the form of proxy as the proxy holder and insert the OBOs (or such other person's) name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

### **Meeting Materials Received by NOBOs from the Corporation**

As permitted under NI 54-101, the Corporation has used a NOBO list to send the Meeting Materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Corporation's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Corporation can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available, as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "Registered Shareholders" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not vote the Common Shares registered in the name of his or her broker directly at the Meeting, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

### **Notice-and-Access**

The Corporation is not sending the Meeting Materials to Registered Shareholders or Non-Registered Shareholders using notice-and-access delivery procedures defined under NI 54-101 and National Instrument 51-102 – *Continuous Disclosure Obligations*.

**Exercise of Proxies**

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of management of the Corporation.

**Voting Shares**

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 294,439,845 are issued and outstanding as of the date hereof.

The board of directors of the Corporation ("**Board of Directors**" or "**Board**") has fixed the record date for the Meeting as the close of business on **May 18, 2022** ("**Record Date**"). Only Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting, provided that a Shareholder that produces satisfactory evidence no later than 10 days before the Meeting that such Shareholder owns Common Shares and demands that such Shareholder's name be included on the list of Shareholders entitled to vote at the Meeting shall be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll.

Two or more persons present in person representing at least 5% of the Common Shares entitled to be voted at the Meeting will constitute a quorum at the Meeting.

**Principal Shareholders**

Other than as set out below, as of the date hereof, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Corporation.

Shareholder	Number of Common Shares	Percentage of Common Shares
2176423 Ontario Ltd. (controlled by Eric Sprott)	42,027,833	14.3%
European Bank for Reconstruction and Development	29,666,790	10.1%

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Corporation since January 1, 2021 nor any proposed nominee for election as a director, nor any associate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of the Corporation or otherwise, in matters to be acted upon at the Meeting other than the election of directors.

## BUSINESS TO BE TRANSACTED AT THE MEETING

### Presentation of Financial Statements

The financial statements of the Corporation, the auditor's report thereon and management's discussion and analysis for the financial year ended December 31, 2021 will be presented to the Shareholders at the Meeting.

### Election of Directors

The Articles of Incorporation of the Corporation and applicable laws provide that the size of the Board of Directors must consist of not fewer than three (3) directors and not more than ten (10) directors to be elected annually. The Corporation's by-laws provide that the size of the Board of Directors is to be determined by the Board of Directors. The Board is presently comprised of eight (8) directors. The Board has determined that, in the forthcoming year, the business of the Corporation may be best conducted by a Board of Directors consisting of eight (8) directors and has fixed the size of the Board at eight (8) effective at the close of the Meeting. The Board is authorized to appoint up to one-third (1/3) of the number of directors elected at the previous annual general meeting of Shareholders.

Each of the persons named below is currently a director of the Corporation. All of the proposed nominees are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year and they have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated.

**Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below.** Management does not contemplate that any of these proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by the properly executed proxies given in favour of nominees of management named in the enclosed form of proxy may be voted for another nominee at such proxyholder's discretion.

**Peter C. Akerley**

*President and Chief Executive Officer of the Corporation*



Nova Scotia,  
Canada

Director since:  
February 25, 2003

Chief Executive  
Officer and  
Non-Independent  
Director

Mr. Akerley has 35 years of experience in mineral exploration, corporate financing, project development and management of publicly listed resource companies. He is one of the founders and principals of Erdene and has held the position of President and Chief Executive Officer of the Corporation since March 2003. Mr. Akerley is a geologist who has worked extensively in foreign jurisdictions throughout his career, predominately in North and South America and Asia, with a focus on Mongolia, where he has led the technical team through the confirmation of a major molybdenum and copper deposit, the discovery and definition of the Altan Nar gold deposit and the discovery of the Bayan Khundii gold project. He has extensive experience in corporate M&A, joint venture arrangements and financings, leading the Corporation through more than 20 such business arrangements since taking the Corporation public in 2004. Mr. Akerley served on the Board and Special Committee of Temex Resources Corp. advising on the sale of the company to Lake Shore Gold Corp. and was previously chairman of the TSX-V listed Morien Resources Corp., where he was involved in the sale of the Donkin Coal and Black Point Aggregate projects, converting those interests into royalties. He also pioneered the company's involvement as the founding and lead sponsor of the very successful Catapult leadership program in Nova Scotia. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax, specializing in geology, and completed the Institute of Corporate Directors Audit Committee Effectiveness course in December 2012.

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Technical Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

Morien Resources Corp. (TSX-V)

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	106,055,900	0	106,055,900
% of Votes	100.00%	0.00%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	2,846,849	1,742,052	4,588,901	\$1,766,727
May 19, 2021	2,775,849	1,643,636	4,419,485	\$1,723,599

**Dr. Anna G. Biolik**  
Corporate Director



British Columbia, Canada

Director since: June 14, 2016

Independent Director

Dr. Biolik has over 30 years of public and private sector experience and is one of the foremost Canadian experts on Central Asian business and diplomacy. From 2010 to 2012, Dr. Biolik occupied the position of Regional Director, Pacific Region, Foreign Affairs and International Trade Canada. In 2012, Dr. Biolik retired from the federal public service. From 2014 to 2020, she worked as independent consultant and Vice-President and Chief Executive Advisor of Allam Advisory Group, a global business strategy and commercial diplomacy consulting firm. She was Canada's first resident Ambassador in Mongolia where she opened a full-fledged Canadian Embassy in 2008. Dr. Biolik previously served as Ambassador of Canada to Kazakhstan, Kyrgyzstan and Tajikistan as well as Consul General of Canada in St. Petersburg, Russian Federation. She also served as Senior Advisor for international relations and parliamentary affairs to the Governor General of Canada, as European Marketing Manager for Canada Post, as Senior Manager at Investment Partnerships Canada and as Director of the International Business Opportunities Centre. Dr. Biolik has extensive expertise in international commerce and has worked closely with Canadian companies in emerging markets. From 2013 to 2019, Dr. Biolik served also as external member of the Program and Research Council at Royal Roads University in Victoria, BC. Dr. Biolik is also a member of the Institute of Public Administration of Canada. She holds a Ph.D. from the University of Montreal and is fluent in English, French, Russian and Polish.

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Corporate Governance and Disclosure Policy Committee	1 of 1	100%
Audit and Risk Management Committee	4 of 4	100%

**Other Public Board Membership during the Last Five Years**

None

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	106,055,900	0	106,055,900
% of Votes	100.00%	0.00%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	131,462	345,243	476,705	\$183,531
May 19, 2021	103,962	253,508	357,470	\$139,413

**John P. Byrne**

*President, Petroleum Corporation of Canada Exploration Ltd.*

*President, Petroleum Corporation of Canada Limited*



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

Ontario, Canada

Director since:  
August 25, 2004

Independent  
Director

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Corporate Governance and Disclosure Policy Committee	1 of 1	100%
Audit and Risk Management Committee	4 of 4	100%

**Other Public Board Membership during the Last Five Years**

Morien Resources Corp. (TSX-V)

**Voting Results of the 2021 Annual Meeting of Shareholders**

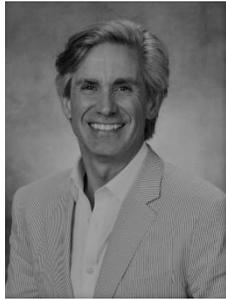
	Votes For	Votes Withheld	Total Votes Cast
# of Votes	105,755,900	300,000	106,055,900
% of Votes	99.72%	0.28%	100.0%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	7,373,290	602,605	7,975,895	\$3,070,720
May 19, 2021	7,123,290	549,268	7,672,558	\$2,992,298

**T. Layton Croft**

President, CEO and Director, Pancontinental Resources Corporation (TSX-V)



North Carolina,  
USA

Director since:  
July 2, 2015

Independent  
Director and  
Chair of the  
Board

Layton Croft has 28 years of executive leadership and management experience in various sectors and around the world, including living and working in Asia for more than 20 years. His deep Mongolia experience and expertise dates back to 1994. Layton has 19 years of experience in the mining industry. He has held executive and advisory roles with Ivanhoe Mines/Oyu Tolgoi LLC, Rio Tinto, Peabody Energy and Duke Energy. He has been an independent director of Erdene since June 2015, and chairman of the board since June 2019. In addition, he is chair of the board's Compensation Committee and a member of the board's Audit and Risk Committee and the Corporate Governance and Disclosure Policy Committee. Since April 2017, Layton has been President, CEO and Director of Pancontinental (Pancon) Resources Corporation, a Canadian junior mining company (TSXV: PUC) focused on exploring the former Brewer Gold Mine property in South Carolina. Layton holds a BA from the University of North Carolina at Chapel Hill, an MA from the School for International Training, and an MA from the Fletcher School of Law and Diplomacy at Tufts University. Layton lives in Charlotte, North Carolina with his wife Jen, sons Chaandmon and Sky, and daughter Claire.

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Corporate Governance and Disclosure Policy Committee	1 of 1	100%
Audit and Risk Management Committee	4 of 4	100%
Compensation Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

Pancontinental (Pancon) Resources Corporation (TSX-V)  
Voltage Metals Corp. (CSE)

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	105,755,900	300,000	106,055,900
% of Votes	99.72%	0.28%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	1,228,478	406,090	1,634,568	\$629,309
May 19, 2021	1,158,478	356,250	1,514,728	\$590,744

**Kenneth W. MacDonald**

*President, Fisher Transport Limited*



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

Nova Scotia,  
Canada

Director since:  
June 20, 2019

Independent  
Director

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Compensation Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

None

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
<b># of Votes</b>	100,091,780	5,964,120	106,055,900
<b>% of Votes</b>	94.38%	5.62%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
<b>May 19, 2022</b>	2,102,781	226,338	2,329,119	\$896,711
<b>May 19, 2021</b>	2,077,781	187,547	2,265,328	\$883,478

**Cameron McRae**

*Executive Director of Tarva Investment & Advisory  
Chairman of Kincora Copper Limited*



New South  
Wales, Australia

Director since:  
March 14, 2018

Independent  
Director

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

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Technical Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

Kincora Copper Limited (TSX-V and ASX)  
TerraCom Limited (ASX)

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	106,048,245	7,655	106,055,900
% of Votes	99.99%	0.01%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	578,111	178,593	756,704	\$291,331
May 19, 2021	578,111	154,348	732,459	\$285,659

**David V. Mosher**  
Corporate Director



Nova Scotia,  
Canada

Director since:  
June 14, 2016

Independent  
Director

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

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Compensation Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

Harvest Gold Corporation (TSX-V)  
Pancontinental (Pancon) Resources Corporation (TSX-V)  
Pelangio Exploration Inc. (TSX-V)  
Roscan Minerals Corporation (NEX)

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	106,055,900	0	106,055,900
% of Votes	100.00%	0.00%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	812,067	393,232	1,205,299	\$464,040
May 19, 2021	712,067	315,800	1,027,867	\$400,868

**Hedley Widdup**

*Investment Manager of Lion Selection*



Mr. Widdup is a geologist, with almost 21 years experience in mining, geology and mining investment. Hedley was part of the mine geology teams at the Mt Keith Nickel Mine (WA), Olympic Dam Copper-Uranium Mine (SA), Black Star Open cut zinc project, which is a part of the Mt Isa Mining complex (Qld), and St Ives Gold Mine (WA). He joined the investment team at Lion Selection Group in 2007 and has worked across the investment and investor relations functions. Lion Selection Group is a development-oriented mining fund based in Melbourne, Australia, and has held a shareholding in Erdene for a number of years. Hedley was educated in Australia, receiving a Degree in Geology with first class honours from the University of Melbourne (2000) before completing a Graduate Diploma in Applied Finance (2011). He is a shareholder and executive director of Lion Manager Pty Ltd the entity which provides investment services to Lion Selection Group.

Melbourne,  
Australia

Director since:  
September 30,  
2019

Independent  
Director

**Board and Committee Attendance during 2021**

Board of Directors	8 of 8	100%
Technical Committee	1 of 1	100%

**Other Public Board Membership during the Last Five Years**

EganStreet Resources (ASX)  
Kasbah Resources Limited (ASX)

**Voting Results of the 2021 Annual Meeting of Shareholders**

	Votes For	Votes Withheld	Total Votes Cast
# of Votes	106,019,900	36,000	106,055,900
% of Votes	99.97%	0.03%	100.00%

**Ownership and Value At-Risk**

As at	Common Shares	Deferred Stock Units	Total Shares/Units	Total Value At-Risk
May 19, 2022	Nil	127,150	127,150	\$48,953
May 19, 2021	Nil	102,905	102,905	\$40,133

Information relating to the Directors Nominated for Election:

1. The information as to the number of Common Shares and Deferred Stock Units ("DSUs") beneficially owned as at May 19, 2022, and May 19, 2021, not being within the knowledge of Erdene, has been furnished by the respective nominees.
2. The value at-risk is presented on the basis of market value. The market value of Common Shares and DSUs is based on a value of \$0.385 with respect to Common Shares and DSUs held at May 19, 2022, and \$0.39 in respect of Common Shares and DSUs held at May 19, 2021, being the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on such dates.

### **Majority Voting Policy**

The Corporation has adopted a majority voting policy (the "**Policy**"). The Policy requires that any nominee for director who receives a greater number of votes "withheld" than "for" his or her election shall promptly tender their resignation to the chair of the Board of Directors following the meeting. The resignation will be effective when accepted by the Board. The Policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. If a director does not tender their resignation in accordance with the Policy, the Board shall not re-nominate that director at the next election.

The Corporate Governance and Disclosure Policy Committee shall consider the offer of resignation in accordance with the Policy and recommend to the Board whether or not to accept it. In its deliberations, the Corporate Governance and Disclosure Policy Committee will consider any stated reasons why shareholders "withheld" votes from the election of that director, the length of service and the qualifications of the director, the director's contributions to the Corporation, the effect such resignation may have on the Corporation's ability to comply with any applicable governance rules and policies and the dynamics of the Board, and any other factors that the Corporate Governance and Disclosure Policy Committee considers relevant.

The Board expects to accept any resignation pursuant to the Policy except in situations where extenuating circumstances would warrant the applicable director to continue to serve on the Board. The Board shall act on the Corporate Governance and Disclosure Policy Committee's recommendation within 90 days of the applicable meeting of Shareholders and announce its decision via news release. If a resignation is accepted, the Board may: (i) leave any resulting vacancy unfilled until the next annual general meeting of Shareholders; (ii) appoint a new director to fill the vacancy created by the resignation; or (iii) call a special meeting of Shareholders at which a management slate to fill the vacant position or positions will be presented. Any director who tenders his or her resignation may not participate in the deliberations of either the Corporate Governance and Disclosure Policy Committee or the Board.

### **Corporate Cease Trade Orders and Bankruptcies**

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

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

No proposed director of the Corporation:

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

### **Penalties and Sanctions**

No proposed director of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **Appointment of Auditor**

KPMG LLP, Chartered Professional Accountants, has been the auditor of the Corporation since its incorporation. Management recommends the re-appointment of KPMG LLP. At the Meeting, Shareholders will be asked to vote for the appointment of KPMG LLP as auditor of the Corporation until the next annual meeting of the Shareholders, at a remuneration to be fixed by the Board.

**It is intended that all proxies received will be voted in favour of the appointment of KPMG LLP as auditor of the Corporation unless a proxy contains instructions to withhold the same from voting. Greater than 50% of the votes of Shareholders present in person or by proxy are required to approve the appointment of KPMG LLP as auditor of the Corporation.**

### **Approval of Unallocated Options under the Corporation's Incentive Stock Option Plan**

#### **Introduction**

At the annual and special meeting of Shareholders held on May 10, 2007, the Shareholders adopted a 10% "rolling" stock option plan (the "**Plan**"). The Plan replaced the stock option plan approved by Shareholders on November 18, 2003 and re-affirmed on June 24, 2004 and June 25, 2005, as required by the policies of the TSX Venture Exchange, the stock exchange upon which the Common Shares were listed at the time. The Plan was subsequently amended by the Board on December 16, 2010 and May 15, 2019. The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Corporation and its affiliates and to motivate them to advance the interests of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through options. See "*Securities Authorized for Issuance under Equity Compensation Plans – Incentive Stock Option Plan*" for a summary of the Plan.

The rules of the Toronto Stock Exchange (the "**TSX**") provide that all unallocated options issuable under a "rolling" stock option plan must be approved by Shareholders every three years after institution of the stock option plan. The unallocated options were previously approved at the annual and special meetings of shareholders held on May 20, 2010, June 27, 2013, June 14, 2016 and June 20, 2019. The Corporation is seeking approval by the Shareholders of all unallocated options in accordance with the rules and policies of the TSX. Options previously granted pursuant to the Plan will continue unaffected by the result of the Shareholders' vote in respect of unallocated options. Furthermore, all previously granted options will not be available for re-allocation if they are cancelled prior to their respective exercise dates in the event the unallocated options are not approved by the Shareholders at the Meeting.

#### **Unallocated Options Approval Resolution**

Shareholders will be asked to consider, and if deemed advisable, to approve the following resolution approving all unallocated options issuable under the Plan:

WHEREAS the Board adopted on April 9, 2007 the Plan, as amended by the Board on December 16, 2010 and May 15, 2019, which does not have a fixed maximum number of Common Shares issuable;

AND WHEREAS the Shareholders approved the Plan, by a majority of votes cast, on May 10, 2007;

AND WHEREAS the rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security-based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years;

AND WHEREAS the Shareholders on June 20, 2019 approved all unallocated options issuable under the Plan until June 20, 2022;

NOW THEREFORE BE IT RESOLVED as an ordinary resolution of the Shareholders of the Corporation that:

1. all unallocated options issuable under the Plan be and are hereby approved;
2. the Corporation have the ability to continue granting options under the Plan until June 22, 2025, which is the date that is three (3) years from the date of the Meeting; and
3. any officer or director of the Corporation is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

Shareholders will be asked to approve the unallocated options issuable pursuant to the Plan every three years in accordance with the rules and policies of the TSX. Therefore, the Shareholders will be asked for such approval at the annual and special meeting of the shareholders of the Corporation to be held in 2025.

The Board recommends that the Shareholders approve all unallocated options issuable under the Plan until June 22, 2025.

**It is intended that all proxies received will be voted in favour of the resolution to approve the unallocated options under the Plan, unless a proxy contains instructions to vote against the resolution. Greater than 50% of the votes cast by Shareholders present in person or by proxy is required to approve the unallocated options under the Plan.**

## **Approval of Unallocated Deferred Stock Units under the Corporation's Deferred Stock Unit Plan**

### **Introduction**

At the special meeting of Shareholders held on October 26, 2012, the Shareholders adopted a deferred stock unit plan ("**DSU Plan**"). The purpose of the DSU Plan is to assist the Corporation in attracting and retaining talented employees and directors and to promote a greater alignment of interests between the directors, employees and the Shareholders. The deferred stock units ("**DSUs**") issued under the DSU Plan form part of the Corporation's overall director and employee compensation strategy. Since the value of DSUs increase or decrease with the price of Common Shares, DSUs reflect a philosophy of aligning the interests of directors and employees with those of the Shareholders by tying compensation to share price performance. See "*Securities Authorized for Issuance under Equity Compensation Plans – Deferred Stock Unit Plan*" for a summary of the DSU Plan.

At the special meeting of Shareholders held on June 20, 2019, the Shareholders approved a resolution amending the DSU Plan ("**DSU Plan Amendment**"), changing the DSU Plan to an "evergreen" plan, such that any DSUs that are redeemed, surrendered, forfeited, waived or cancelled are added back to the plan limit and will again be available for future grant. As such, unallocated DSUs under the DSU Plan must be approved by Shareholders every three years after adoption of the DSU Plan Amendment in accordance with the rules of the TSX. The Corporation is seeking approval by the Shareholders of all unallocated DSUs in accordance with the rules and policies of the TSX. DSUs previously granted pursuant to the DSU Plan will continue unaffected by the result of the Shareholders' vote in respect of unallocated DSUs.

### **Unallocated Deferred Stock Units Approval Resolution**

Shareholders will be asked to consider, and if deemed advisable, to approve the following resolution approving all unallocated DSUs issuable under the DSU Plan:

WHEREAS the Shareholders adopted the DSU Plan, by a majority of votes cast, on October 26, 2012, and thereafter approved an amendment to the DSU Plan, by a majority of votes cast, on June 20, 2019, changing the DSU Plan to an "evergreen" plan, such that any DSUs that are redeemed, surrendered, forfeited, waived or cancelled are added back to the plan limit and will again be available for future grant;

AND WHEREAS the rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security-based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years;

NOW THEREFORE BE IT RESOLVED as an ordinary resolution of the Shareholders of the Corporation that:

1. all unallocated DSUs issuable under the DSU Plan be and are hereby approved;
2. the Corporation have the ability to continue granting DSUs under the DSU Plan until June 22, 2025, which is the date that is three (3) years from the date of the Meeting; and
3. any officer or director of the Corporation is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

Shareholders will be asked to approve the unallocated DSUs issuable pursuant to the DSU Plan every three years in accordance with the rules and policies of the TSX. Therefore, the Shareholders will be asked for such approval at the annual and special meeting of the shareholders of the Corporation to be held in 2025.

The Board recommends that the Shareholders approve all unallocated DSUs issuable under the DSU Plan until June 22, 2025.

**It is intended that all proxies received will be voted in favour of the resolution to approve the unallocated DSUs under the DSU Plan, unless a proxy contains instructions to vote against the resolution. Greater than 50% of the votes cast by Shareholders present in person or by proxy is required to approve the unallocated DSUs under the DSU Plan.**

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion & Analysis**

#### **Named Executive Officers**

Applicable securities regulations require that the Corporation give details of the compensation paid to the Corporation's "named executive officers" who are defined as follows:

- (a) the chief executive officer;
- (b) the chief financial officer;
- (c) each of the three most highly compensated executive officers (or individuals acting in a similar capacity) other than the CEO and CFO, at the end of the most recently completed financial year whose compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

As at December 31, 2021, the end of the most recently completed financial year of the Corporation, the named executive officers of the Corporation were the four most highly compensated individuals, namely, the President and

Chief Executive Officer ("CEO"), the Vice-President and Chief Financial Officer ("CFO"), as well as the Vice-President Exploration, and the Vice-President Projects (collectively, the "Named Management").

### **Role of Compensation Committee**

The compensation committee of the Corporation ("Compensation Committee") has been assigned the responsibility of reviewing the remuneration package for the CEO and for senior executives and to recommend changes, if any, to the Board. In making its recommendations, the Compensation Committee considers each individual's performance and remuneration and incentives paid to senior executives of comparable companies. The Compensation Committee also seeks the views of the CEO when reviewing compensation for other executive officers because of his day-to-day involvement with these officers. It is also the responsibility of the Compensation Committee to review any proposals concerning the Corporation's incentive stock option plan (the "Plan") or any other equity compensation plans including grant proposals for approval by the Board.

The Compensation Committee currently consists of Layton Croft (Chair), Kenneth MacDonald and David Mosher, all of whom are independent within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*. All members of the Compensation Committee have more than 25 years of experience in their respective field, and, during that time, each has been closely involved with implementing and reviewing compensation policies at their respective organizations. Each of the Compensation Committee members have held senior roles with public and/or private companies directly related to the mining industry.

### **Comparative Market Data**

When making compensation recommendations in relation to the remuneration of the Named Management, the Compensation Committee looks at the compensation of the Named Management relative to the compensation paid to similarly situated executives at companies that the Compensation Committee considers to be peers of the Corporation. A benchmark group (the "Peer Group") is determined by screening and selecting publicly-traded companies in the same general industry (exploration and development companies) and on the basis of comparable size of operations and market capitalization.

In 2019, the Corporation's Peer Group was comprised of Almaden Minerals Ltd., Filo Mining Corp., Goldquest Corp., Liberty Gold Corp., Midas Gold Corp., Nighthawk Gold Corp., Orca Gold Inc., Orezone Gold Corp., and Pure Gold Mining Inc. The 2020 Peer Group consisted of Ascot Resources Ltd., Bluestones Resources Inc., Filo Mining Corp., Gold Standard Ventures Corp., Kincora Copper Ltd., Liberty Gold Corp., Marathon Gold Corp., Midas Gold Corp., Nighthawk Gold Corp., Orezone Gold Corp., Pure Gold Mining Inc., Steppe Gold Ltd., Wallbridge Mining Company Ltd and Xanadu Mines Ltd. The 2021 Peer Group consisted of Ascot Resources Ltd., Bluestones Resources Inc., Entrée Resources Ltd., Gold Standard Ventures Corp., Kincora Copper Ltd., Liberty Gold Corp., Marathon Gold Corp., Orezone Gold Corp., Pure Gold Mining Inc., Sabina Gold & Silver Corp., Steppe Gold Ltd., Wallbridge Mining Company Ltd and Xanadu Mines Ltd.

Although backward-looking peer benchmarking is, and will continue to be, a determining factor in total compensation, other factors such as market conditions and availability of financing are also taken into consideration.

### **Currency**

All references to "\$" or "dollars" set forth in this Circular are in Canadian dollars, except where otherwise indicated.

### **Objectives of the Compensation Program**

Erdene's executive compensation program is designed to attract, retain and motivate top executive talent to achieve the Corporation's business goals and objectives with appropriate risk-taking while acting ethically. The primary goals of the Corporation's compensation program are to:

- (i) provide total compensation that is competitive in the context of Erdene's peers and the mineral exploration industry in general;
- (ii) attract, retain and motivate executives who are critical to the success and financial performance of the Corporation;

- (iii) reward achievements with a variable pay component, based on the attainment of individual and the Corporation's operational and financial objectives;
- (iv) align management's interests with the long-term interests of Shareholders;
- (v) ensure that the total compensation package takes into account the Corporation's present stage of development and its available financial resources.

**Elements of Executive Compensation Program**

The Corporation's executive compensation program is structured with a clear focus on pay-for-performance, aligned with the interests of Shareholders. Erdene's compensation is comprised of six components: (i) base salary; (ii) annual cash bonuses; (iii) a stock option plan; (iv) a deferred stock unit plan; (v) benefits; and (vi) perquisites. The elements of compensation are described in more detail below.

Components	Element	Form	Period	Program Objectives and Details
<b>FIXED</b>	Base Salary	Cash	Annual	Reflects the executive's level of responsibility, experience, market competitiveness, and the executive's overall performance.
	Short-term Incentive	Cash	Annual	Linked to the achievement of predetermined financial and operational performance objectives.
	Long-term Incentive	Stock Options	Longer-term	Encourages and rewards executives for increasing total shareholder value.
<b>VARIABLE</b>	Long-term Incentive	Deferred Stock Units	Longer-term	Encourages and rewards executives for increasing total shareholder value.
	Benefits	Corporate benefits plan	Annual or Longer-Term	Provide health, dental, disability and insurance coverage.
	Perquisites	Cash	Annual	A limited number of personal benefits, including professional fees and hardship allowances.

The Board, on the recommendation of the Compensation Committee, considers each of these components of compensation when assessing the total compensation package for Named Management. The Board relies heavily on the recommendations of the Compensation Committee and any independent consultants that it may retain from time to time for setting salary, bonus and option levels, to ensure the Corporation's compensation levels and practices continue to remain competitive and appropriate.

**Base Salary**

Salaries of the Named Management are based on a comparison with competitive positions, taking into account the size and sector, as well as the level of activity, of the group. Individual circumstances, including the scope and geographic location of the Named Management's position, the Named Management's relevant competencies or experience and retention risk, are also considered. The financial performance of the Corporation is also a factor as is the individual performance of the Named Management. The base salary for each of the Named Management is reviewed by the Compensation Committee each year in consultation with the CEO. Base salaries may be adjusted based on any change in their role within the Corporation, performance of the individual, performance of the Corporation or general changes in market salary levels. Until the Corporation issues the maximum number of DSUs available under its DSU Plan, Named Management can elect to receive all or a portion of their salary in the form of deferred stock units (see the discussion below under "*Share-based Awards (Deferred Stock Units)*"). Named Management who elect to receive DSUs in lieu of salary receive a share-based award of additional DSUs equal to 20% of such elected amount.

**Performance Bonus**

In 2017, the Board adopted a bonus plan, effective for the 2016 financial year, for the CEO, CFO and any executive officer whose contract of employment specifies that their compensation will be reviewed by the Board (each, a "**Senior Executive**"). Currently, there are two Senior Executives, the CEO and the CFO covered by this plan. Under the plan, each Senior Executive is responsible for the preparation and submission of their individual objectives to the CEO early in the first quarter of the financial year. The CEO initially reviews the goals of each Senior Executive other than the CEO and the Chair of the Compensation Committee reviews the goals of the CEO. The Senior Executives' goals are to be submitted to the Compensation Committee during the first quarter for review and, if appropriate, a recommendation is submitted to the Board for final approval.

Individual performance in relation to these goals is used to calculate each Senior Executive's bonus amount under the Corporation's bonus plan, with 75% of the Senior Executive's calculated bonus amount based on success in achieving these goals. The remaining 25% of each Senior Executive's performance bonus amount is tied to the Common Share price performance relative to the S&P/TSX Global Gold Index. The maximum bonus amounts, weighting of the performance objectives, and goal categories for the Senior Executives are set out below.

**Erdene Senior Executive Bonus Plan Annual Performance Evaluation Criteria**

Name and Position	General Performance Objectives			Individual Performance Weighting							% Totals
	Maximum Bonus Percentage of Annual Salary	Share Price Weighting	Individual Performance Weighting	Team Development	Finance, acquisition or M&A Deal Development and Execution	Operations, Permitting, Regulatory, Government Affairs	Exploration successes and Resource/Reserve	Budgets, Timelines, Regulatory Compliance and financial Control	Internal Communications	Health, Safety, Environment and Community	
<b>Chief Executive Officer</b>	60%	25%	75%	20%	20%	15%	20%	5%	15%	5%	100%
<b>VP and CFO</b>	40%	25%	75%	20%	30%	10%	0%	20%	15%	5%	100%

The CEO will review the performance goals and assess each Senior Executive's performance (other than his own performance). Based upon the results of these reviews, the CEO will recommend to the Compensation Committee performance ratings as well as performance bonus payments for the Senior Executives, other than himself. The Chair of the Compensation Committee will assess the performance of the CEO and will make a recommendation on performance rating and bonus payment for the CEO to the Compensation Committee.

In calculating Senior Executives' bonus entitlement under the Common Share price performance component, the percentage change in the daily average market capitalization of the Corporation from the previous year will be compared to the percentage change in the daily average balance of the S&P/TSX Global Gold Index from the previous year. If they are equal to each other, the Senior Executive will receive one-half of the 25%. This amount will increase by 1% for each five percentage points that the percentage change in the daily average market capitalization of the Corporation exceeds the percentage change in the daily average balance of the S&P/TSX Global Gold Index until the maximum of 25% is reached. The S&P/TSX Global Gold Index was chosen as a benchmark performance measure as it consists of a broad based representation of the performance of mining companies with diversified assets.

Ultimately, any payment under the bonus plan is at the Board's discretion. Before approving the payment of a bonus, the Board will consider general market and industry conditions, including the recommendations and independent compensation analyses performed from time to time by independent consultants, as well as the Corporation's financial position.

In addition to the Senior Executive bonus plan, the Compensation Committee will continue to consider and, where appropriate, recommend the payment of discretionary cash bonuses to Named Management from time to time.

In 2019, discretionary cash bonuses were paid to all employees, including Named Management for their extraordinary efforts in 2018. In 2020, the CEO and the CFO received bonus entitlements of approximately 42% and 27% of their annual base salary, respectively, reflecting the attainment of the majority of the individual performance goals. In 2021, the CEO and the CFO received bonus entitlements of approximately 52% and 24% of their annual base salary, respectively, reflecting the attainment of the majority of the individual performance goals. See the notes to the table under the heading "*Executive Compensation – Summary Compensation Table*".

### **Option-based Awards**

The strategic use of incentive stock options is a cornerstone of the Corporation's compensation plan. The purpose of the Plan is to advance the interests of the Corporation by encouraging directors, officers, employees, and consultants of the Corporation to acquire Common Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation, rewarding significant performance achievements and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of their affairs. The Plan continues to be an important tool for attracting, motivating and retaining qualified employees, which is critical to the Corporation's success. For more information on the Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans – Incentive Stock Option Plan*".

All grants of stock options to the Named Management are reviewed and approved by the Compensation Committee and the Board of Directors. In evaluating option grants to the Named Management, the Compensation Committee and the Board of Directors evaluate a number of factors including, but not limited to: (i) the number of options already held by such Named Management; (ii) a fair balance between the number of options held by the Named Management concerned and the other executives of the Corporation, in light of their responsibilities and objectives; and (iii) the value of the options as a component in the Named Management's overall compensation package.

### **Share-based Awards (Deferred Stock Units)**

In 2012, the Corporation implemented a deferred stock unit plan ("**DSU Plan**"), as subsequently amended, which permits directors and employees to elect to receive all or a portion of their base salary in deferred stock units ("**DSUs**").

In addition, the Compensation Committee has the authority to make discretionary awards of DSUs pursuant to the DSU Plan. Discretionary awards will be made on a basis consistent with the process for grants of stock options under the Plan, as described above under "*Option-based Awards*".

For more information on the DSU Plan, see "*Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan*".

### **Benefits**

The CEO, CFO and other Named Management participate in a corporate benefits program. The benefits program includes medical, dental and life insurance, in line with organizations of a similar size, and are not a material portion of the overall compensation of the Named Management.

### **Perquisites**

The Corporation provides a limited number of perquisites to its Named Management which vary by title but do not account for a material portion of the overall compensation of the Named Management, with the exception of Mr. Jon Lyons, Vice-President Projects, who receives benefits related to his residency in Mongolia. For example, the Corporation offers paid parking and memberships in industry-related organizations. The Corporation awards these perquisites as tools for attraction, retention and motivation.

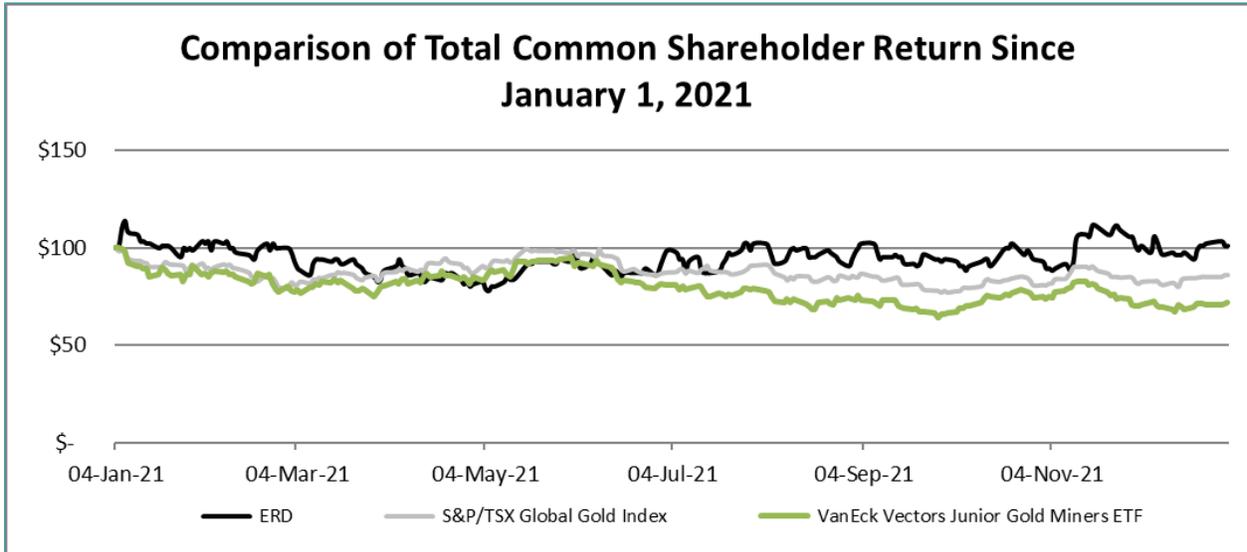
### **Other Factors for Understanding Compensation**

The Corporation does not currently have a policy prohibiting Named Management or directors of the Corporation from purchasing financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Management or director. However, none of the Named Management or directors of the Corporation has purchased such financial instruments.

**Performance Graphs**

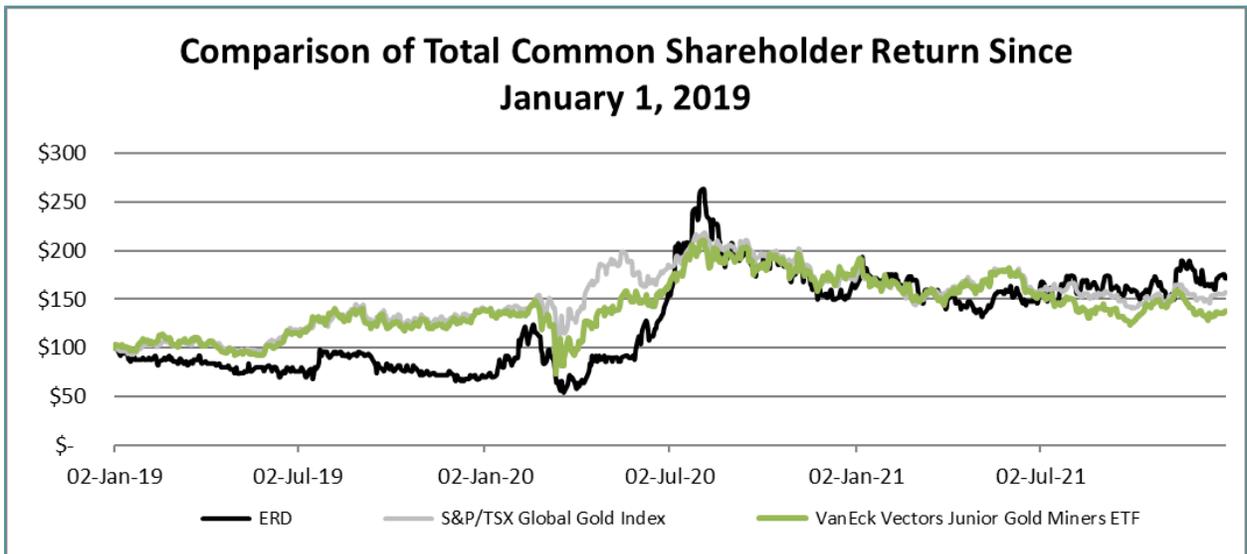
The following graphs present the Corporation’s cumulative total Shareholder returns for the past one-, three- and five-year periods, in comparison to the cumulative total Shareholders returns generated by the same investment in the most comparable indices – the S&P/TSX Global Gold Index and the VanEck Vectors Junior Gold Miners ETF.

The following graph depicts the Corporation's cumulative total Shareholder return from January 1, 2021, assuming a \$100 investment in the Common Shares on such date, to December 31, 2021, compared to the return on an equal investment amount in the S&P/TSX Global Gold Index and the VanEck Vectors Junior Gold Miners ETF.



The Common Shares appreciated 1% from January 1, 2021 to December 31, 2021. In comparison, the value of the S&P/TSX Global Gold Index decreased by 14% and the VanEck Vectors Junior Gold Miners ETF decreased by 28% over the same period.

The following graph depicts the Corporation's cumulative total Shareholder return from January 1, 2019, assuming a \$100 investment in the Common Shares on such date, to December 31, 2021, compared to the return on an equal investment amount in the S&P/TSX Global Gold Index and the VanEck Vectors Junior Gold Miners ETF.



On average, the Common Shares appreciated 24% per year from January 1, 2019 to December 31, 2021, for total appreciation of 72%. In comparison, the value of the S&P/TSX Global Gold Index increased by 19% per year over the same period, for a total increase of 57%. The VanEck Vectors Junior Gold Miners ETF increased by 13% per year over the same period, for a total increase of 38%.

The following graph depicts the Corporation's cumulative total Shareholder return by quarter from January 1, 2017, assuming a \$100 investment in the Common Shares on such date, to December 31, 2021, compared to the return on an equal investment amount in the S&P/TSX Global Gold Index and the VanEck Vectors Junior Gold Miners ETF.



On average, the Common Shares depreciated 8% per year from January 1, 2017 to December 31, 2021, for total depreciation of 39%. In comparison, the value of the S&P/TSX Global Gold Index increased by 9% per year over the same period, for a total increase of 45%. The VanEck Vectors Junior Gold Miners ETF increased by 5% per year over the same period, for a total increase of 25%.

As noted above, a number of factors and performance elements are taken into account when determining compensation for the Named Management. Although total cumulative Shareholder return is one performance measure that is reviewed in determining compensation, and Common Share price performance as compared to the S&P/TSX Global Gold Index accounts for 25% of each Senior Executive's calculated bonus amount, there are many other factors taken into account in executive compensation deliberations and bonus calculations. As a result, a direct correlation between total cumulative Shareholder return over a given period and executive compensation levels is not anticipated.

**Assessment of Risks Associated with the Corporation's Compensation Policies and Practices**

The Compensation Committee has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The Compensation Committee has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The Compensation Committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs which have generally been implemented by or at the direction of the Compensation Committee.

Summary Compensation Table

The following table details Named Management compensation for the years ended December 31, 2019, 2020 and 2021.

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Option-based awards <sup>(2)</sup> (\$)	Share-based awards <sup>(3)</sup> (\$)	Annual incentive plans <sup>(4)</sup> (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation (\$)
Peter C. Akerley, President & CEO <sup>(7)</sup>	2021	331,301	78,000	6,626	175,000	Nil	590,927
	2020	308,013	124,200	5,033	132,520	Nil	569,766
	2019	296,124	34,200	95,922	40,000	Nil	466,246
Robert L. Jenkins, Vice-President & CFO	2021	198,725	48,750	27,003	50,000	Nil	324,478
	2020	184,757	69,750	4,033	50,290	Nil	308,830
	2019	169,291	17,100	19,272	10,000	Nil	215,663
Michael X. Gillis, Vice-President Exploration	2021	188,168	29,000	25,000	25,000	Nil	267,168
	2020	179,207	39,000	25,000	25,000	Nil	268,207
	2019	172,290	9,750	25,000	20,000	Nil	227,040
Jon M.L. Lyons <sup>(6)</sup> , Vice-President Projects	2021	208,275	36,250	35,000	35,000	84,803	399,328
	2020	175,826	48,750	25,000	30,000	81,477	361,053
	2019	166,130	6,500	25,000	20,000	94,401	312,031

Notes:

- (1) Salary includes the value of DSUs received at the election of the Named Management in lieu of cash compensation. DSUs are valued at the five-day volume weighted average price ("VWAP") of the common shares at the grant date. In 2019, Mr. Akerley and Mr. Jenkins elected to receive DSUs in lieu of cash compensation with a value of \$29,612 and \$33,858, respectively. In 2020, Mr. Akerley and Mr. Jenkins elected to receive DSUs in lieu of cash compensation with a value of \$25,167 and \$20,166, respectively. In 2021, Mr. Akerley and Mr. Jenkins elected to receive DSUs in lieu of cash compensation with a value of \$33,130 and \$35,014, respectively.
- (2) This column shows the total compensation value of stock options granted to the Named Management in 2019, 2020 and 2021. Option based awards are valued using the Black-Scholes method in accordance with the Corporation's accounting policies and using the following key assumptions: For 2019: No dividends are to be paid, risk-free interest rate of 1.4%, expected volatility of 63%, and an expected life of 3.8 years. For 2020: No dividends are to be paid, risk-free interest rate of 0.3%, expected volatility of 70%, and an expected life of 3.7 years. For 2021: No dividends are to be paid, risk-free interest rate of 0.7%, expected volatility of 63%, and an expected life of 3.6 years. The fair value of the options issued, on the date granted, was \$0.09 per option in 2019, \$0.21 per option in 2020 and \$0.17 per option in 2021. 650,000 options were exercised by Named Management in 2019, 470,000 options were exercised in 2020 and 100,000 options were exercised in 2021.
- (3) Excludes salary earned by Named Management who elect to take DSUs in lieu of cash but includes the share-based award issued for making such an election. In 2019, 2020 and 2021, the Compensation Committee made discretionary awards of DSUs pursuant to the DSU Plan.
- (4) Cash bonuses were paid to Mr. Akerley and Mr. Jenkins in accordance with the Corporation's Senior Executive Bonus Plan in 2020 and 2021. See "Executive Compensation – Compensation Discussion & Analysis – Performance Bonus". In November 2019, discretionary cash bonuses were paid to Mr. Akerley, Mr. Jenkins, Mr. Gillis and Mr. Lyons.
- (5) Includes perquisites and benefits for Named Management that exceed 10% of base salary or \$50,000. Mr. Lyons receives hardship benefits from the Corporation to offset costs associated with residency in Mongolia. All other perquisites and benefits received by Named Management are not a material component of total compensation.
- (6) Mr. Lyons was appointed Vice-President Projects in 2021. Prior to this date, Mr. Lyons served as Vice-President Regulatory and Strategy of the Corporation.
- (7) Mr. Akerley does not receive any compensation for his role as a director of the Corporation.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table details outstanding option-based and share-based awards to Named Management as at December 31, 2021.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(2)</sup>
Peter C. Akerley President & CEO	400,000	0.37	June 23, 2026				
	400,000	0.49	August 27, 2025				
	100,000	0.22	May 13, 2025	144,000	N/A	N/A	739,133
	300,000	0.20	June 20, 2024				
	1,000,000	0.40	June 14, 2023				
	400,000	0.87	March 31, 2022				
Robert L. Jenkins, Vice-President & CFO	250,000	0.37	June 23, 2026				
	250,000	0.49	August 27, 2025	73,500	N/A	N/A	254,225
	150,000	0.20	June 20, 2024				
	150,000	0.27	October 15, 2023				
Michael X. Gillis Vice-President Exploration	200,000	0.37	June 23, 2026				
	200,000	0.49	August 27, 2025				
	150,000	0.20	June 20, 2024	51,000	N/A	N/A	193,778
	150,000	0.40	June 14, 2023				
	175,000	0.87	March 31, 2022				
Jon M. L. Lyons Vice- President Projects	250,000	0.37	June 23, 2026				
	250,000	0.49	August 27, 2025				
	100,000	0.20	June 20, 2024	41,000	N/A	N/A	113,644
	100,000	0.40	June 14, 2023				
	150,000	0.89	July 18, 2022				

Notes:

- (1) The value of unexercised in-the-money options is the difference between the 2021 year-end closing price on the TSX for Common Shares, which was \$0.430, and the exercise price of the options.
- (2) The market value of vested DSUs is determined by multiplying the number of outstanding DSUs as at December 31, 2021 by the 2021 year-end closing price on the TSX for Common Shares, which was \$0.430.
- (3) During the financial year ended December 31, 2019, 650,000 options were exercised by Named Management, 470,000 in 2020 and 100,000 in 2021.
- (4) All options and share-based awards vested upon grant.

Incentive Plan Awards - Value Vested or Earned During 2021

Name	Option-Based Awards – Value Vested during 2021 (\$)	Share-Based Awards – Value Vested during 2021 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2021 (\$)
Peter C. Akerley President & CEO	Nil <sup>(1)</sup>	39,756 <sup>(2)</sup>	Nil
Robert L. Jenkins, Vice-President & CFO	Nil <sup>(1)</sup>	62,016 <sup>(2)</sup>	Nil
Michael X. Gillis Vice-President Exploration	Nil <sup>(1)</sup>	25,000 <sup>(2)</sup>	Nil
Jon M. L. Lyons Vice-President Projects	Nil <sup>(1)</sup>	35,000 <sup>(2)</sup>	Nil

Notes:

- (1) On June 23, 2021, an aggregate of 1,100,000 options were granted to the Named Management and vested immediately, having an exercise price of \$0.37. The market price of the Common Shares on June 23, 2021 was \$0.37, based on a 5-day volume weighted average price.
- (2) The value vested is based on the market price of the Common Shares on the vesting date (the date of grant). In 2021, an aggregate of 417,041 DSUs were granted to Mr. Akerley, Mr. Jenkins, Mr. Gillis and Mr. Lyons and vested immediately. The 5-day volume weighted average market price of the Common Shares on the grant date was \$0.39.

### Termination and Change of Control Benefits

The Corporation has not entered into any compensatory plan, contract or arrangement where a Named Management is entitled to receive compensation in the event of resignation, retirement or any other termination, a change of control of the Corporation or a change in the Named Management's responsibilities following a change of control, except as disclosed below.

Under the terms of the employment agreements with Mr. Jenkins, Mr. Gillis and Mr. Lyons, on termination of their employment by the Corporation without cause, they are entitled to one month's notice for every year of employment with the Corporation or, in lieu of notice, the greater of three (3) month's base salary and one (1) month's base salary for every year of employment with the Corporation. If Mr. Akerley's employment is terminated by the Corporation without cause, he will receive an amount equal to the amount of the salary and bonuses paid to him in the 12-month period preceding the termination and the Corporation shall continue his group insurance benefits, if any, for 6 months after the date of termination.

In addition, under the terms of the employment agreements with Mr. Akerley and Mr. Jenkins, in the event of a change of control of the Corporation, each may terminate their respective agreements with the Corporation. If they do so, the Corporation is required to pay a lump sum severance payment equal to the amount of the salary and bonuses paid in the 24-month period preceding the termination in the case of Mr. Akerley and in the 18 months preceding the termination in the case of Mr. Jenkins.

If Mr. Akerley's employment is terminated by the Corporation as a result of death or disability, he shall receive an amount equal to the salary and bonuses paid to him in the 12-month period preceding the termination.

If the employment of any of the Named Management is terminated for cause, the Corporation is required to pay each of them their then current salary accrued pursuant to their respective employment agreements.

If the Named Management's employment had been terminated effective December 31, 2021, it is the Corporation's interpretation that the following amounts would have been payable as of the effective date of the termination, in addition to the salary accrued to the termination date:

Name	Type of Termination									
	Resignation		Termination without Cause		Termination with Cause		Death/Disability		Change of Control	
	Cash	DSU <sup>(3)</sup>	Cash	DSU <sup>(3)</sup>	Cash	DSU <sup>(3)</sup>	Cash	DSU <sup>(3)</sup>	Cash	DSU <sup>(3)</sup>
Peter C. Akerley <sup>(1)</sup>	Nil	739,133	506,301	739,133	Accrued Current Annual Salary	739,133	506,301	739,133	946,834	739,133
Robert L. Jenkins	Nil	254,225	69,396	254,225	Accrued Current Annual Salary	254,225	Nil	254,225	366,249	254,225
Michael X. Gillis	Nil	193,778	278,810	193,778	Accrued Current Annual Salary	193,778	Nil	193,778	Nil	193,778
Jon M.L. Lyons <sup>(2)</sup>	Nil	113,644	108,832	113,644	Accrued Current Annual Salary	113,644	Nil	113,644	Nil	113,644

Notes:

- (1) In the event of termination without cause or upon a change of control, the Corporation shall continue Mr. Akerley's group insurance benefits, if any, for 6 months after the date of termination; provided that if the Corporation is unable to continue any such benefits by reason of their termination of employment, the Corporation is not required to pay Mr. Akerley amounts in lieu thereof.
- (2) Mr. Lyons' employment contract had an initial term running through to April 30, 2022. This contract contains automatic renewal terms and Mr. Lyons remains an employee of the Corporation as at the date of this Circular. Mr. Lyons is also entitled to a moving allowance on termination of the contract.
- (3) At the option of the Corporation, DSUs may be redeemed for Common Shares in lieu of cash.

## Director Compensation

The following table sets forth amounts of compensation provided to members of the Board of Directors other than Named Management for the financial year ended December 31, 2021:

Name	Fees earned <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup>		Option-based awards <sup>(3)</sup> (\$)	All other compensation (\$)	Total (\$)
		Value of DSUs (\$)	# of DSUs			
Dr. Anna G. Biolik	22,000	14,400	36,682	19,500	Nil	<b>55,900</b>
John P. Byrne	24,000	12,000	30,534	19,500	Nil	<b>55,500</b>
T. Layton Croft	33,000	16,000	40,080	19,500	Nil	<b>68,500</b>
Kenneth MacDonald <sup>(4)</sup>	22,000	11,000	27,990	19,500	Nil	<b>52,500</b>
Cameron McRae	17,000	10,000	25,446	19,500	Nil	<b>46,500</b>
David V. Mosher	18,000	13,600	34,660	19,500	Nil	<b>51,100</b>
Hedley Widdup	17,000	10,000	25,446	19,500	Nil	<b>46,500</b>

Notes:

- (1) Fees earned are comprised of board retainers and meeting honoraria. Fees earned includes the value of DSUs received at the election of a director in lieu of cash compensation. DSUs are valued at the five-day volume weighted average price ("VWAP") of the common shares at the grant date. Dr. Biolik elected to receive DSUs in lieu of cash compensation with a value of \$22,000. Mr. Byrne elected to receive DSUs in lieu of cash compensation with a value of \$10,000. Mr. Croft elected to receive DSUs in lieu of cash compensation with a value of \$5,000. Mr. MacDonald elected to receive DSUs in lieu of cash compensation with a value of \$5,000. Mr. Mosher elected to receive DSUs in lieu of cash compensation with a value of \$18,000.
- (2) Excludes "fees earned" by a director that the director has elected to take as DSUs but includes the share-based award for making such an election. DSUs vest immediately at the date of grant and the value of the DSUs is calculated based on the 5-day VWAP on the grant date. DSUs shall be redeemed by the Corporation, in Common Shares or cash, at the option of the Corporation, when the holder resigns or retires or otherwise leaves the Corporation. The total value and number of DSUs granted to a Director is disclosed in the Incentive Plan Awards – Value Vested or Earned During 2021 table on page 29.
- (3) All options had a 5-year term and were fully vested at the date of grant. The Corporation values stock-based incentives using the Black-Scholes method using the following assumptions: no dividend yield, risk-free interest of 0.97%, expected volatility of 62.4% and an expected life of 5 years. Options to acquire Common Shares are issued with an exercise price equal to the market price at the date the options are granted. The fair value of the options was \$0.195 per option for options granted in 2021. 115,000 options were exercised by directors in 2021.
- (4) Fees earned includes honoraria of \$4,000 for attendance and observership at meetings of Committees of the Board.

From January 1, 2021 to December 31, 2021, non-management directors who are not executive officers were entitled to an honorarium of \$10,000 of DSUs per annum (\$2,500 of DSUs per quarter) and a \$10,000 cash retainer per annum (\$2,500 cash retainer per quarter), as well as \$1,000 per meeting of the Board of Directors or any committee of the Board of Directors. Beginning on July 1, 2021, the Chairman of the Board is entitled to an honorarium of \$20,000 of DSUs per annum (\$5,000 of DSUs per quarter) and a \$20,000 cash retainer per annum (\$5,000 cash retainer per quarter), as well as \$2,000 per meeting of the Board of Directors or any committee of the Board of Directors. Also beginning July 1, Committee chairs are entitled to receive \$2,000 per meeting. Directors have the option of receiving all or a portion of the cash retainer and meeting fees in DSUs. Board members who are approved by the Board to observe meetings of Committees of which they are not a member may be paid an honorarium commensurate with Committee members for their attendance at such meetings. The aggregate amount of cash paid to directors in 2021 based upon their meeting attendance was \$93,000. Directors are also reimbursed for travel and other out-of-pocket expenses incurred for attendance at directors' meetings. Directors who elect to receive DSUs in lieu of fees receive a share-based award of additional DSUs equal to 20% of such elected amount.

From time to time the Compensation Committee of the Board completes a peer comparison of board compensation and makes a recommendation to the Board. The Board makes a decision as to the compensation to be paid to non-management directors, who are not executive officers, based on the recommendation of the Compensation Committee.

**Outstanding Share-Based Awards and Option-Based Awards**

The following table presents details of all outstanding option-based awards and outstanding share-based awards to members of the Board of Directors other than Named Management as at December 31, 2021.

Name	Option-based Awards <sup>(3)</sup>			Share-based Awards <sup>(3)</sup>			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(2)</sup>
Dr. Anna G. Biolik	100,000	0.37	June 23,2026	32,000	N/A	N/A	139,759
	100,000	0.49	August 27, 2025				
	100,000	0.20	June 20, 2024				
	100,000	0.40	June 14, 2023				
John P. Byrne	100,000	0.87	March 31, 2022	53,000	N/A	N/A	253,865
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	100,000	0.22	May 13, 2025				
	100,000	0.20	June 20, 2024				
	100,000	0.40	June 14, 2023				
T. Layton Croft	100,000	0.87	March 31, 2022	43,500	N/A	N/A	169,841
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	150,000	0.20	June 20, 2024				
Kenneth MacDonald	100,000	0.40	June 14, 2023	32,000	N/A	N/A	93,503
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	100,000	0.20	June 20, 2024				
	150,000	0.87	March 31, 2022				
Cameron McRae	100,000	0.40	June 14, 2023	46,500	N/A	N/A	74,406
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	150,000	0.20	June 20, 2024				
	100,000	0.40	June 14, 2023				
David V. Mosher	100,000	0.40	June 14, 2023	53,000	N/A	N/A	162,687
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	100,000	0.22	May 13, 2025				
	100,000	0.20	June 20, 2024				
Hedley Widdup	100,000	0.87	March 31, 2022	73,000	N/A	N/A	52,285
	100,000	0.37	June 23,2026				
	100,000	0.49	August 27, 2025				
	200,000	0.22	May 13, 2025				
	100,000	0.18	November 29, 2024				

Notes:

- (1) The value of unexercised in-the-money options is the difference between the 2021 year-end closing price on the TSX for Common Shares, which was \$0.430, and the exercise price of the options.
- (2) The market value of vested DSUs is determined by multiplying the number of outstanding DSUs as at December 31, 2021 by the 2021 year-end closing price on the TSX for Common Shares, which was \$0.430.
- (3) All options and DSUs fully vested on grant.
- (4) At December 31, 2021, an aggregate of 325,021 DSUs were held by Dr. Biolik, an aggregate of 590,383 DSUs were held by Mr. Byrne, an aggregate of 394,979 DSUs were held by Mr. Croft, an aggregate of 217,449 DSUs were held by Mr. MacDonald, an aggregate of 173,037 DSUs were held by Mr. McRae, an aggregate of 378,343 DSUs were held by Mr. Mosher and an aggregate of 121,594 DSUs were held by Mr. Widdup.

Incentive Plan Awards - Value Vested or Earned During 2021

Name	Option-Based Awards – Value Vested during 2021 (\$)	Share-Based Awards – Value Vested during 2021 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2021 (\$)
Dr. Anna G. Biolik	Nil <sup>(1)</sup>	36,400 <sup>(2)</sup>	Nil
John P. Byrne	Nil <sup>(1)</sup>	22,000 <sup>(2)</sup>	Nil
T. Layton Croft	Nil <sup>(1)</sup>	21,000 <sup>(2)</sup>	Nil
Kenneth MacDonald	Nil <sup>(1)</sup>	16,000 <sup>(2)</sup>	Nil
Cameron McRae	Nil <sup>(1)</sup>	10,000 <sup>(2)</sup>	Nil
David V. Mosher	Nil <sup>(1)</sup>	31,600 <sup>(2)</sup>	Nil
Hedley Widdup	Nil <sup>(1)</sup>	10,000 <sup>(2)</sup>	Nil

Notes:

- On June 23, 2021, an aggregate of 700,000 options were granted to directors and vested immediately, having an exercise price of \$0.37. The market price of the Common Shares on June 23, 2021, based on a 5-day volume weighted average price, was \$0.37.
- The value vested is based on the market price of the Common Shares on the vesting date (the date of grant). In 2021, 92,864 DSUs were granted to Dr. Biolik, 55,980 DSUs were granted to Mr. Byrne, 53,594 DSUs were granted to Mr. Croft, 40,713 DSUs were granted to Mr. MacDonald, 25,446 DSUs were granted to Mr. McRae and Mr. Widdup and 80,651 DSUs were granted to Mr. Mosher, and all vested immediately. The 5-day volume weighted average market price of the Common Shares on the grant date was \$0.39.

During the year ended December 31, 2021, 115,000 options were exercised by members of the Board of Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plans

The following table sets out information as of December 31, 2021, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding DSUs.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Incentive stock option plan approved by securityholders <sup>(5)</sup>	15,855,000 <sup>(1)</sup>	\$0.45	13,582,984 <sup>(3)</sup>
DSU plan approved by securityholders	6,103,362 <sup>(2)(4)</sup>	N/A	1,396,638 <sup>(6)</sup>
Total	21,958,362	N/A	14,979,622

Notes:

- This number reflects options outstanding under the Plan and represents 5.4% of the issued and outstanding Common Shares as of December 31, 2021.
- This number reflects DSUs outstanding under the DSU Plan and represents 2.1% of the issued and outstanding Common Shares as of December 31, 2021.
- This number equals 10% of the total issued and outstanding Common Shares of the Corporation on December 31, 2021, which was 294,379,845, less the number of Common Shares reported under column (a) above and represents 4.6% of the issued and outstanding Common Shares as of December 31, 2021.
- As of December 31, 2021, up to 7,500,000 DSUs may be outstanding from time to time under the DSU Plan, which represents 2.5% of the issued and outstanding Common Shares as of December 31, 2021. See "Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan".
- The number of Common Shares reserved for issuance pursuant to the Plan is a rolling maximum number equal to 10% of the outstanding Common Shares at any point in time.
- This number equals 7,500,000 less the number of securities reported under column (a) above and represents 0.5% of the issued and outstanding Common Shares as of December 31, 2021.

## Incentive Stock Option Plan

### Introduction

At the annual and special meeting of Shareholders held on May 10, 2007, the Shareholders adopted a 10% "rolling" stock option plan (the "**Plan**"). The Plan replaced the stock option plan approved by Shareholders on November 18, 2003, and re-affirmed on June 24, 2004 and June 25, 2005, as required by the policies of the TSX Venture Exchange, the stock exchange upon which the Common Shares were listed at the time. The Plan was amended by the Board on December 16, 2010, to deal with employer tax withholding and remittance requirements for stock option benefits. The Board further amended the Plan on May 15, 2019 to update the definition of insider for the purposes of the Plan for consistency with the TSX Company Manual. Pursuant to the Plan, the Board is authorized to make such amendments without obtaining Shareholder approval as noted in the summary below. Shareholders approved all unallocated options issuable under the Plan at the annual and special meetings held on May 20, 2010, June 27, 2013, June 14, 2016, and June 20, 2019, as required by the rules of the TSX. The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Corporation and its affiliates and to motivate them to advance the interests of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through options.

The following information is intended as a summary of the Plan and is qualified in its entirety by reference to the Plan in the form attached as Appendix A to the Corporation's management information circular dated April 9, 2007, as subsequently amended by the Board as described above.

### "Rolling" Maximum Reserve

The Plan provides that the number of Common Shares reserved for issuance upon the exercise of options is a rolling maximum number that shall not be greater than 10% of the outstanding Common Shares at any point in time.

### Other Terms

The Plan authorizes the Board (or a Committee of the Board, if so authorized by the Board) to grant options to acquire Common Shares in favour of "**Eligible Persons**". Eligible Persons are directors, officers, employees, consultants, management company employees or any other service providers of the Corporation or its affiliates.

The aggregate number of Common Shares issued to insiders of the Corporation, as defined by the TSX, within any one-year period under the Plan, together with any other security-based compensation arrangement cannot exceed 10% of the outstanding Common Shares. In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Plan together with any other security-based compensation arrangement cannot exceed 10% of the outstanding Common Shares.

The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of options granted pursuant to the Plan are determined by the Board, subject to the express provisions of the Plan.

Unless otherwise specified by the Board at the time an option is granted under the Plan:

- (a) the exercise price of the option will be the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of the grant;
- (b) the term of the option will be 10 years from the date of the grant (which is the maximum allowable term under the Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Corporation imposed on certain persons including the optionee pursuant to any policies of the Corporation, and where such black-out applies, the expiry of the term of the option shall automatically be extended to 10 business days following the end of the black-out;
- (c) the option will vest immediately upon grant; and
- (d) if before the expiry of the option, the optionee ceases to be an Eligible Person for any reason other than termination by the Corporation for cause, the option will terminate within ninety days of the

date the optionee ceases to be an Eligible Person; provided however, in the event of the death of the optionee, the option continues to be exercisable for a period up to twelve months from the date of such event. If the optionee ceases to be an Eligible Person by reason of termination by the Corporation for cause, the option will terminate immediately upon the optionee ceasing to be an Eligible Person.

In the event an offer is made for the Common Shares which would result in the offeror exercising control of the Corporation within the meaning of applicable securities laws, any options then outstanding may be exercised so as to allow the optionee to tender the Common Shares received upon such an exercise to the offer; provided however, if the offer is not completed or the Common Shares tendered to the offeror are not taken up and paid for by the offeror, then such Common Shares must be returned to the Corporation by the optionee and the terms of the option applicable prior to the offer will again apply to the options.

The options are non-assignable and non-transferable and there is no ability under the Plan to transform an option granted under the Plan into a stock appreciation right.

The Board may, in its discretion, but subject to applicable law, authorize the Corporation to make loans to Eligible Persons to assist them in exercising their options. The terms and conditions of such loans are determined by the Board, and must include interest at prevailing market rates, a term not in excess of one year, and security in favour of the Corporation represented by that number of Common Shares received on exercise which equals the loaned amount divided by the market price of the Common Shares on the date of such exercise, or equivalent security, which security may be granted on a non-recourse basis.

The Plan contains a formal amendment procedure which sets forth a list of amendments that can be made to the Plan by the Board without requiring the approval of Shareholders unless specifically required by the TSX. These amendments include, without limitation:

- (a) altering, extending or accelerating option vesting terms and conditions;
- (b) amending the termination provisions of an option;
- (c) accelerating the expiry date of an option;
- (d) determining adjustments pursuant to the provisions of the Plan concerning corporate changes;
- (e) amending the definitions contained in the Plan;
- (f) amending or modifying the mechanics of exercising options;
- (g) adding, amending or removing any provisions for financial assistance provided by the Corporation to purchase Common Shares under the Plan;
- (h) amending provisions relating to the administration of the Plan;
- (i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Plan;
- (j) effecting amendments necessary to comply with the provisions of applicable laws; and
- (k) suspending or terminating the Plan.

The Plan specifically provides that the following amendments, among others, require shareholder approval:

- (a) increasing the number of Common Shares issuable under the Plan, except by operation of the "rolling" maximum reserve;

- (b) amending the Plan, which amendment could result in the aggregate number of Common Shares issued to insiders within any one-year period or issuable to insiders at any time under the Plan, together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Common Shares;
- (c) extending the period of time during which options may be exercised;
- (d) reducing the option price;
- (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Plan by insiders;
- (f) amending the formal amendment procedures; and
- (g) making any amendments required to be approved by the Shareholders under applicable law.

The Corporation's DSU Plan impacts the number of options that the Corporation may issue pursuant to the Plan. For example, the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the DSU Plan, together with any Common Shares issuable pursuant to any other security-based compensation arrangement of the Corporation, may not exceed 10% of the total issued and outstanding Common Shares at any time. See "*Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan – Maximum Number of DSUs and Shares Issuable*".

### Deferred Stock Unit Plan

At the special meeting of Shareholders held on October 26, 2012, the Shareholders adopted the DSU Plan, which was subsequently amended at the annual and special meetings of the Shareholders on June 4, 2015, June 20, 2019 and June 25, 2020. At the special meeting of Shareholders held on June 20, 2019, the Shareholders approved a resolution amending the DSU Plan so that the maximum number of DSUs that may be outstanding under the DSU Plan from time to time was fixed at 5,000,000, the effect of which was to change the DSU Plan into an "evergreen" plan such that any DSUs redeemed, surrendered, forfeited or cancelled again became available for future grant. An increase in the maximum number of DSUs that may be outstanding under the DSU Plan to 7,500,000 was approved by the Shareholders at the annual and special meeting held on June 25, 2020. The Board also amended the DSU Plan on May 15, 2019 to remove the requirement for participants to elect to receive compensation in the form of DSUs in 10% increments and other housekeeping amendments, which amendments the Board has authority under the DSU Plan to make without obtaining Shareholder approval as noted in the summary below. The purpose of the DSU Plan is to assist the Corporation in attracting and retaining talented employees and directors and to promote a greater alignment of interests between the directors, employees and the Shareholders. The DSUs issued under the DSU Plan form part of the Corporation's overall director and employee compensation strategy. Since the value of DSUs increase or decrease with the price of Common Shares, DSUs reflect a philosophy of aligning the interests of directors and employees with those of the Shareholders by tying compensation to share price performance. Additionally, the Corporation may utilize DSUs to minimize cash compensation expenditures.

#### Summary

The following information is intended as a summary of the DSU Plan and is qualified in its entirety by reference to the DSU Plan which is available on SEDAR at [www.sedar.com](http://www.sedar.com), as subsequently amended as described above.

#### Administration of Plan

The DSU Plan provides that directors and employees of the Corporation may elect to receive all or a portion of their annual compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the Common Shares on the TSX for the 5 trading days immediately prior to the payment date ("**Market Value**"). DSUs awarded under the DSU Plan in lieu of annual compensation will vest immediately.

In addition, the Compensation Committee has the authority to make discretionary awards of DSUs to directors and employees under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Compensation Committee. Unless otherwise determined by the Board, DSUs will vest equally over 3 years, with 25% of the awarded DSUs vesting on the date of the award and an additional 25% vesting on each anniversary until fully vested. The Compensation Committee may at any time shorten the vesting period of any or all DSUs, including upon a change of control.

In the event that a dividend is paid on the Common Shares while DSUs are outstanding, each director or employee who has received DSUs will be allocated additional DSUs equal to the total amount of dividends paid on the number of shares which is equal to the number of DSUs received by such director or employee, as the case may be, divided by the Market Value of a Common Share as at the dividend payment date.

Each DSU represents the right of the director or employee to receive, after his or her death, resignation, retirement or other termination, at the option of the Corporation, either (a) a cash payment equal to the Market Value of a Common Share on the date of such termination event, multiplied by the number of DSUs then held, or (b) that number of Common Shares representing the DSUs then held by such director or employee. Under the DSU Plan, the Corporation is authorized to withhold any amounts required to be withheld or deducted under applicable taxation or other laws. If applicable, DSUs will cease vesting on the date of the termination event.

Each participant in the DSU Plan will have a DSU account to record all awards of DSUs and, if applicable, the vesting of DSUs.

#### **Maximum Number of DSUs and Shares Issuable**

As of the date of this Circular, the maximum number of DSUs outstanding under the DSU Plan from time to time, and the maximum number of Common Shares underlying the outstanding DSUs, is 7,500,000.

The DSU Plan provides that the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the DSU Plan, together with any Common Shares issuable pursuant to any other security-based compensation arrangement of the Corporation, will not exceed 10% of the total issued and outstanding Common Shares at any time. In addition, the maximum number of Common Shares issued to insiders under the DSU Plan, together with any Common Shares issued to insiders pursuant to any other security-based compensation arrangement of the Corporation, within any one-year period, will not exceed 10% of the total number of outstanding Common Shares.

#### **Transferability**

Neither the DSUs nor any other rights or interests under the DSU Plan may be assigned or transferred by a participant under the DSU Plan except by a legal will or other testamentary dispositions, or according to applicable laws respecting the devolution of estates.

#### **Amendments to the DSU Plan**

The DSU Plan provides that the Board of Directors may at any time, and from time to time, and without Shareholder approval, amend any provision of the DSU Plan, subject to any regulatory or TSX requirement at the time of such amendment, including, without limitation:

- (a) for the purpose of making minor or technical modifications to any of the provisions of the DSU Plan including amendments of a "clerical" or "housekeeping" in nature;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the DSU Plan;
- (c) amendments to the termination provisions;
- (d) amendments necessary or advisable because of any change in applicable securities laws;
- (e) amendments regarding the administration of this DSU Plan; and

- (f) any other amendment, fundamental or otherwise, not requiring Shareholder approval under applicable laws or the rules of the TSX;

provided however, that:

- (g) no such amendment of the DSU Plan may be made without the consent of each affected participant in the DSU Plan if such amendment would adversely affect the rights of such affected participant(s) under the DSU Plan;
- (h) no amendment shall be made unless it is such that the DSU Plan continuously meets the requirements of paragraph 6801(d) of the Regulations to the *Income Tax Act* (Canada) or any successor provision thereto; and
- (i) Shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment:
  - a. to increase the maximum number of DSUs that may be issued under the DSU Plan; or
  - b. to the amendment provision of the DSU Plan.

In the event of the suspension of the DSU Plan, no further DSUs shall be awarded or credited under the DSU Plan. Any DSUs that remain outstanding in a participant's account at that time shall continue to be dealt with in accordance with the terms of the DSU Plan. The DSU Plan shall terminate when all payments owing pursuant to the DSU Plan have been made and all DSUs have been cancelled in all participants' account.

**Annual Burn Rate**

The following table sets out the annual burn rate of options granted under the Plan and DSUs granted under the DSU Plan for the last three fiscal years. The annual burn rate is the number of securities granted under the applicable plan during the applicable fiscal year divided by the weighted average number of securities outstanding for the applicable fiscal year.

Plans	Burn Rate		
	2019	2020	2021
Plan	1.5%	1.8%	1.4%
DSU Plan	1.3%	0.5%	0.4%

**INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the current or former directors, executive officers or employees of the Corporation, proposed nominee for director, or associates or affiliates of a director or executive officer of the Corporation or proposed nominee for director, have been indebted to the Corporation or its subsidiaries at any time since the beginning of the last completed financial year of the Corporation, other than "routine indebtedness" as that term is defined in applicable securities legislation.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

None of the current or proposed directors or executive officers of the Corporation, or any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Corporation, or associates or affiliates of any of these persons, had any material interest, direct or indirect, in any transaction since January 1, 2021, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries.

## CORPORATE GOVERNANCE

The Corporation is required to include disclosure of its corporate governance practices in this Circular in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("**Instrument**"). The Instrument has been adopted by the securities commissions or similar regulatory authorities across Canada ("**Canadian Securities Administrators**").

The Board of Directors endorses the efforts of the Canadian Securities Administrators in continuing the evolution of good corporate governance practices. The Board is committed to adhering to the highest standards in all aspects of its activities.

The corporate governance practices described below are subject to change as the Corporation evolves. The Board shall remain sensitive to corporate governance issues and shall continuously seek to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional overhead costs and reducing the return on Shareholders' equity.

### Board of Directors

The Board of Directors is currently comprised of eight directors and is proposed to be comprised of eight directors, a majority of whom are "independent" within the meaning of applicable securities legislation. An independent director is defined to be a director who has no direct or indirect relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

The independent directors nominated for re-election at the Meeting are John P. Byrne, Dr. Anna G. Biolik, T. Layton Croft, Kenneth W. MacDonald, Cameron McRae, David V. Mosher and Hedley Widdup. Peter C. Akerley is the President and Chief Executive Officer of the Corporation and is therefore not considered independent.

The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of management. The current Chair of the Board, Layton Croft, is an independent director. The primary responsibility of the Chair of the Board is to provide leadership to the Board to enhance Board effectiveness. The Board has ultimate accountability for supervising management. Critical to satisfying this objective is fostering effective relationships between the Board, management, Shareholders and other stakeholders. The Chair of the Board, as the presiding member, is responsible for overseeing and ensuring that these relationships continue to be effective, efficient and in furtherance of the best interests of the Corporation.

The Board of Directors meets at least once each calendar quarter and following the annual meeting of Shareholders. Between the scheduled meetings, the Board of Directors meets as required. The frequency of the meetings and the nature of the meeting agendas are dependent on the nature of the business and affairs which the Corporation faces from time to time. The independent directors are given the opportunity to meet separately at the end of each meeting of the Board of Directors, but do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Having considered the current size of the Board of Directors, the majority of independent directors on the Board of Directors and the experience of the independent directors with other reporting issuers, the Board of Directors believes that separate meetings of the independent directors provide sufficient leadership for the independent directors.

Management also communicates informally with the directors on a regular basis and solicits advice from members or advisors on matters falling within their special knowledge, experience or expertise. In addition, each of the Audit and Risk Management Committee, the Compensation Committee and the Corporate Governance and Disclosure Policy Committee are comprised only of independent directors.

# ERDENE RESOURCE DEVELOPMENT CORPORATION

TSX:ERD | MSE:ERDN

The following directors of the Corporation are also directors of other reporting issuers:

Director	Name of Other Reporting Issuer
John P. Byrne	Morien Resources Corp. (TSX-V)
T. Layton Croft	Pancontinental (Pancon) Resources Corporation (TSX-V) Voltage Metals Corp. (CSE)
Cameron McRae	Kincora Copper Limited (TSX-V)
David V. Mosher	Pancontinental (Pancon) Resources Corporation (TSX-V) Pelangio Exploration Inc. (TSX-V)

There were eight formal Board meetings in 2021. The attendance record of each of the directors at such meetings is as follows:

Director	Number of Meetings Attended/Number of Board Meetings in the Year When the Individual Was a Director
Peter C. Akerley	8/8
Dr. Anna G. Biolik	8/8
John P. Byrne	8/8
T. Layton Croft	8/8
Kenneth MacDonald	8/8
Cameron McRae	8/8
David V. Mosher	8/8
Hedley Widdup	8/8

In addition, certain of the decisions of the Board of Directors since January 1, 2021, were passed by way of written consent following discussions among the directors and management.

## Board Mandate

The Board of Directors is responsible for the stewardship of the Corporation through the supervision of the business and management of the Corporation. This mandate is accomplished directly and through five committees:

- (a) the Audit and Risk Management Committee
- (b) the Compensation Committee;
- (c) the Pre-Clearance Committee;
- (d) the Corporate Governance and Disclosure Policy Committee; and
- (e) the Technical Committee.

The Board of Directors remains committed to ensuring the long-term viability and profitability of the Corporation, as well as the well-being of its employees and of the communities in which it operates. The strategic planning and business objectives developed by management are submitted to and reviewed by the full Board of Directors, both on a formal annual basis and on an on-going basis through regular interim reports from management. The Board of Directors also works with management to identify principal risks, to select and assess senior management and to review significant operational and financial matters. The Board of Directors reviews and approves the annual audited financial statements, the annual report, the annual budget and changes thereto, management proxy information circulars, material press releases, annual management discussion and analysis, decisions as to material acquisitions not within the budget and the grant of stock options. The Board of Directors does not have a written mandate.

## Position Descriptions

The Board of Directors has five committees as noted above. The position descriptions for the chairs of each Board committee are contained in the charters for the committee. The chair of each of the Audit and Risk Management Committee, Compensation Committee and Corporate Governance and Disclosure Policy Committee is required to ensure that the committee meets regularly and performs its duties as set forth in the charter, and reports to the Board of Directors on the activities of the committee. The Pre-Clearance Committee and the Technical Committee meet as required.

Given the relatively small size of the Corporation, the Board of Directors does not believe that it is necessary at this time to formalize a position description for the chair of the Board of Directors. Given the relatively small size of the Corporation, the Board believes that to date, the role and responsibilities have been appropriately communicated through Board meetings and in the form of communications between the Board and Layton Croft, the Chair of the Board.

The Board has not developed a written position description for the CEO. However, the CEO is primarily responsible for the overall management of the business and affairs of the Corporation. The CEO recommends to the Board the strategic and operational priorities of the Corporation and provides leadership to the management team. The CEO is directly responsible to the Board for all of the Corporation's activities.

## Orientation and Continuing Education

Given the size and relative stability of the Board of Directors, there is no formal program for the orientation and education of new recruits to the Board of Directors. The Corporation does, however, ensure that all new directors receive a complete package with background as to the Corporation's business and outlining the securities law obligations and restrictions on members of the Board of Directors and the Corporation, as well as a copy of all of the Corporation's policies.

Continuing education helps Directors keep up to date on changing governance issues and requirements and legislation or regulations in their field of experience. The Board of Directors recognizes the importance of ongoing education for the Board of Directors and the need for each director to take personal responsibility for this process. To facilitate ongoing education, the Board of Directors may from time to time, as required:

- request that directors determine their training and education needs;
- arrange visits to the Corporation's projects or operations;
- arrange funding for the attendance by directors at seminars or conferences of interest and relevant to their position; and
- encourage participation or facilitate presentations by members of management or outside experts on matters of particular importance or emerging significance.

In 2008 and 2009, John P. Byrne (a member of the Audit and Risk Management Committee), with the sponsorship of the Corporation, participated in the Institute of Corporate Directors course at the Rotman School of Business at the University of Toronto and received the ICD.D designation. In December 2012, Mr. Akerley participated in the Institute of Corporate Directors Audit Committee Effectiveness course. In September 2016, Dr. Biolik participated in an orientation training course for newly appointed corporate directors offered by Simon Fraser University and the TSX. In March 2018, Layton Croft participated in the Board Oversight of Strategy course offered by the Institute of Corporate Directors.

## Ethical Business Conduct

In March 2007, the Board of Directors adopted a formal Code of Business Conduct and Ethics ("**Code**") and expects each of its directors, officers and employees to adhere to the standards set forth in the Code, which was designed to deter wrongdoing and to promote (i) honest and ethical conduct, (ii) confidentiality of corporate information, (iii) avoidance of conflicts of interest, (iv) protection and proper use of corporate assets, (v) compliance with applicable governmental laws, rules and regulations, (vi) prompt internal reporting to appropriate persons of violations of the Code, (vii) accountability for adherence to the Code, and (viii) the Corporation's culture of honesty and accountability.

The Board of Directors does not intend to monitor compliance with the Code; however, a copy of the Code is provided to each director, officer and employee and such person is required to sign an acknowledgement form under which they agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Code specifically addresses, among other things, conflicts of interest, confidentiality, compliance with laws, the reporting of unethical behaviour and the reporting of accounting irregularities. Any submission received by the Audit and Risk Management Committee pursuant to the provisions of the Code must be reviewed by the Audit and Risk Management Committee. The Audit and Risk Management Committee will then determine whether an investigation is appropriate. The Committee and/or management will promptly investigate such submission and record the results in writing. All submissions must be treated confidentially to every extent possible, and the Audit and Risk Management Committee and any outside counsel must not reveal the identity of any person who makes the submission and asks that his or her identity remain confidential. The Code specifically provides that any submission may be made without fear of dismissal, disciplinary action or retaliation of any kind.

The Board of Directors believes that the Corporation's size also facilitates informal review of and discussions with its officers and employees to promote ethical business conduct and to monitor compliance with the Code.

In addition, the Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

Certain of the Corporation's directors serve as directors or officers of other reporting issuers or have significant shareholdings in other companies. To the extent that such other companies may participate in business ventures in which the Corporation may participate, the directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. In addition, any director or officer who may have an interest in a transaction or agreement with the Corporation is required to disclose such interest and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law.

### **Nomination of Directors**

The Board does not have a standalone nomination committee. Instead, Board nominees are identified by the Board from time to time and on an as-needed basis. In accordance with its mandate, the Corporate Governance and Disclosure Policy Committee reviews the qualifications of candidates for the Board of Directors and makes its recommendation to the Board of Directors regarding the slate of candidates for directors to be nominated for election by Shareholders at the annual general meeting of Shareholders. As noted above, the Corporate Governance and Disclosure Policy Committee is comprised of three independent directors, namely, Dr. Anna Biolik, John P. Byrne, and T. Layton Croft.

### **Diversity Policy for the Board and Executive Officers**

The Board adopted a diversity policy in 2015 (the "**Diversity Policy**") which sets forth the Corporation's approach to achieving and maintaining diversity on the Board and in executive officer positions. While the Corporation believes that nominations to the Board of Directors and appointments to executive officer positions should be based on merit, the objectives of the Diversity Policy are to recognize that diversity will support balanced debate which, in turn, will enhance decision making. The Corporation recognizes "diversity" as any dimension that can be used to differentiate groups and people from one another including gender, ethnicity, disability and geographical backgrounds.

In accordance with the Diversity Policy, the Corporate Governance and Disclosure Policy Committee will strive for inclusion of diverse groups, knowledge and viewpoints on the Board and in executive officer positions, including the representation of individuals who self-identify as women, Indigenous peoples, persons with disabilities and members of visible minorities (the "**Designated Groups**"). In conjunction with its consideration of the qualifications and experience of potential directors and executive officers, the Corporate Governance and Disclosure Policy Committee will consider the level of diversity on the Board when reviewing and recommending candidates for election or re-election to the Board and will consider the level of diversity in executive officer positions when the Board makes executive officer appointments. The Corporate Governance and Disclosure Policy Committee will be responsible for

overseeing the preparation and adoption of criteria regarding composition of the Board and to develop recruitment protocols for directors to achieve the objectives of the Diversity Policy.

Board succession has been an area of focus since 2015 and is an area of continued evolution to ensure that the Board represents the breadth of experience, expertise and diversity necessary to oversee the Corporation's activities. The Corporation's goal of operational excellence, as a Board, is to strike a balance between fresh perspectives and institutional continuity to effectively meet the evolving needs of the Corporation from both a strategic and risk oversight perspective. Since 2015, the Corporation added six new directors as it planned for retirements. While only one of the six is a member of the Designated Group, the new Board members have years of mining experience as well as strong financial backgrounds. In addition, in December 2020, the Board established an advisory committee which has a mandate to, among other things, support the Corporation in achieving its vision of becoming a leader in the Mongolian mining industry. Dr. Undraa Agvaanluvsan, a resident of Mongolia who is a world-renowned scientist familiar with the mining industry, was appointed as the founding member of the advisory committee. One of her responsibilities is to assist the Corporation in identifying and recruiting two additional qualified people to serve on the committee.

The Corporate Governance and Disclosure Policy Committee periodically assesses the effectiveness of the nomination and appointment process and the effectiveness and implementation of the Diversity Policy by discussion of these items at committee meetings on an as-needed basis using information provided by management. The Corporate Governance and Disclosure Policy Committee reports updates regarding these items to the Board as appropriate.

The Board has not adopted targets regarding members of Designated Groups on the Board or in executive officer positions at this time. Due to the small size of the Board and the management team, and the early stage of the Corporation's operations, the Board believes that the qualifications and experience of proposed new directors or executive officers should remain the primary consideration in the selection process.

As of the date hereof, the Corporation has eight (8) directors, all of whom are nominated for re-election, and five (5) members of senior management. One of the Corporation's eight directors is a woman (12%), and one of five members of senior management (20%) is a woman. None of the Corporation's directors (0%) and one member of senior management (20%) identify as being a member of any other Designated Group.

### **Director Term Limits**

The Board does not have in place term limits for directors and has not adopted any other mechanisms for Board renewal at this time. Due to the small size of the Board and the stage of the Corporation's operations, the Board believes that the annual assessment conducted by the Corporate Governance and Disclosure Policy Committee is an effective framework for ensuring appropriate Board composition. Periodically, but at least once every 5 years, the Board shall consider the need for a renewal program intended to achieve what the Board believes to be a then desirable distribution of skills, age, gender and other distinctions and, if deemed necessary or desirable, embark upon a program to effect concomitant changes in Board composition.

In 2019, the Corporate Governance and Disclosure Policy Committee reviewed the Board's composition and pending retirements and recommended that one additional member be nominated for election to the Board at the Meeting. Six of the eight Board nominees are relatively new to the Board, having joined the Board in 2015 or later. The Corporate Governance and Disclosure Policy Committee and the Board will continue to evaluate the Board's composition and tenure of its members as further renewal is considered.

### **Compensation Committee**

The mandate of the Compensation Committee is to review the performance, compensation and succession planning of the executive officers of the Corporation and to ensure the proper administration of the Plan. The Compensation Committee, in conjunction with the CEO, recommends to the Board of Directors the level of compensation to Board members based on a review of comparable public company businesses. This committee is also responsible to review and recommend all executive benefits plans and executive prerequisites for approval by the Board of Directors. The Compensation Committee generally meets twice a year.

The Compensation Committee presently consists of three directors, Messrs. Croft, MacDonald and Mosher, all of whom are independent as that term is defined in National Instrument 52-110 - *Audit Committees* ("NI 52-110").

### **Audit and Risk Management Committee**

Information concerning the Corporation's Audit and Risk Management Committee is provided in the Corporation's annual information form ("AIF") for the year ended December 31, 2021, under the section entitled "Audit & Risk Management Committee". A copy of the AIF may be obtained from the Corporation's public disclosure documents found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Audit and Risk Management Committee generally meets four times a year. The Audit and Risk Management Committee presently consists of three directors, Messrs. Byrne and Croft, and Dr. Biolik, all of whom are independent as that term is defined in NI 52-110.

### **Pre-Clearance Committee**

The Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

The Pre-Clearance Committee responds to requests for approval to trade. The Pre-Clearance Committee is presently comprised of Messrs. Akerley and Jenkins.

### **Corporate Governance and Disclosure Policy Committee**

The Corporate Governance and Disclosure Policy Committee oversees all regulatory disclosure requirements and the Corporation's disclosure practices, including its Insider Trading Policy. This Committee is responsible to ensure that appropriate systems, processes and controls for disclosure are in place and to review all news releases and core disclosure documents before their release or filing.

The Corporate Governance and Disclosure Policy Committee generally meets once a year. The Corporate Governance and Disclosure Policy Committee presently consists of three directors, being Messrs. Byrne and Croft and Dr. Biolik, all of whom are independent as that term is defined in NI 52-110.

### **Technical Committee**

The Technical Committee assists management in reviewing technical matters relating to exploration, development, permitting, resources and reserves on mineral properties, as well as other technical and operational aspects of mining activities before they are submitted to the Board of Directors. The Technical Committee presently consists of three directors, Peter Akerley, Cameron McRae and Hedley Widdup, who individually have extensive experience in mining and minerals exploration. This committee meets as required.

### **Other Board Committees**

The Board of Directors may, from time to time, create new committees or establish ad hoc committees to address special business issues.

### **Assessments**

The Corporate Governance and Disclosure Policy Committee is responsible to oversee the development and implementation of a process for assessing the effectiveness of the Board, its size and composition and its committees. The assessment process is initiated annually by the Corporate Governance and Disclosure Policy Committee, which reports to the full Board, which then deals with any issues raised. In addition, without convening a special meeting for this purpose, the Board and each of the committees of the Board periodically performs an assessment exercise addressing its effectiveness, with input from Management. Also, every director is entitled to bring any matter to the Corporate Governance and Disclosure Policy Committee or to the Board of Directors.

## **PROPOSALS BY SHAREHOLDERS**

Pursuant to the *Canada Business Corporations Act*, resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the *Canada Business Corporations Act* and be deposited at the Corporation's head office not later than Tuesday, February 21, 2023 in order to be included in the management information circular relating to the next annual meeting.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's comparative annual financial statements and management discussion & analysis ("MD&A") for its most recently completed financial year. To request copies of the Corporation's financial statements and MD&A, Shareholders should contact Darryn Broderick at Erdene Resource Development Corporation, Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4S5, Telephone (902) 423-6419, Email: [info@erdene.com](mailto:info@erdene.com). The financial statements and MD&A are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPROVAL OF CIRCULAR**

The contents and the sending of this Circular have been approved by the Board of Directors.

Dated at Halifax, Nova Scotia, this 19<sup>th</sup> day of May, 2022.

*(signed) Peter C. Akerley*

\_\_\_\_\_  
President and Chief Executive Officer