



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2023 and 2022

(Canadian dollars)
(Unaudited)

Prepared by management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice to this effect. These unaudited condensed consolidated interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed consolidated interim statements of financial position of Erdene Resource Development Corporation as at September 30, 2023, and December 31, 2022, and the unaudited condensed consolidated interim statements of comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2023, and 2022. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2023, and 2022 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	September 30, 2023	December 31, 2022
Assets			
Cash and cash equivalents		\$ 28,283,697	\$ 7,421,600
Receivables		77,144	76,582
Prepaid expenses		1,781,382	1,361,730
Current assets		30,142,223	8,859,912
Exploration and evaluation assets	4	63,140,652	43,054,156
Right-of-use assets	5	26,924	73,594
Property, plant and equipment	6	933,809	545,704
Non-current assets		64,101,385	43,673,454
Total Assets		\$ 94,243,608	\$ 52,533,366
Liabilities and Equity			
Trade and other payables		\$ 11,771,151	\$ 826,409
Lease liabilities	5	31,295	59,662
Convertible promissory notes	8	33,953,736	-
Current liabilities		45,756,182	886,071
Lease liabilities	5	-	22,940
Non-current liabilities		-	22,940
Total Liabilities		45,756,182	909,011
Shareholders' Equity			
Share capital	9	\$ 157,918,219	\$ 157,880,069
Contributed surplus	9	30,214,274	28,727,197
Accumulated other comprehensive loss		(5,768,524)	(5,952,986)
Deficit		(133,876,543)	(129,029,925)
Total Shareholders' Equity		48,487,426	51,624,355
Total Liabilities and Equity		\$ 94,243,608	\$ 52,533,366

Commitments (Note 7)

Subsequent Event (Note 8)

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

Approved on behalf of the Board:

Signed "John P. Byrne"

Director

Signed "Kenneth W. MacDonald"

Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Loss

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
Operating Expenses					
Exploration and evaluation	10	\$ 689,226	\$ 1,155,249	\$ 2,242,586	\$ 3,148,957
Corporate and administration	11	600,595	870,287	2,572,161	1,791,332
Loss from operating activities		1,289,821	2,025,536	4,814,747	4,940,289
Finance income		(69,283)	(26,588)	(235,547)	(37,858)
Interest expense		(516,848)	2,524	3,478	9,039
Foreign exchange (gain) loss		496,410	(21,034)	263,940	(2,128)
Net Loss		\$ 1,200,100	\$ 1,980,438	\$ 4,846,618	\$ 4,909,342
Other comprehensive (income) loss:					
Foreign currency translation difference arising on translation of foreign subsidiaries		(823,527)	(68,953)	(184,462)	1,682,704
Other comprehensive loss		(823,527)	(68,953)	(184,462)	1,682,704
Total comprehensive loss		\$ 376,573	\$ 1,911,485	\$ 4,662,156	\$ 6,592,046
Basic and diluted loss per share		\$ -	\$ 0.01	\$ 0.01	\$ 0.02
Basic weighted average number of shares outstanding		344,415,884	314,830,239	344,363,111	301,288,696

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2023		344,300,376	\$ 157,880,069	\$ 28,727,197	\$ (5,952,986)	\$ (129,029,925)	\$ 51,624,355
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(4,846,618)	(4,846,618)
Other comprehensive income		-	-	-	184,462	-	184,462
Options exercised	9	100,000	31,400	(11,400)	-	-	20,000
Issue of shares from DSU plan		17,614	6,750	(6,750)	-	-	-
Share-based compensation		-	-	1,505,227	-	-	1,505,227
Total transactions with owners		117,614	38,150	1,487,077	-	-	1,525,227
Balance at September 30, 2023		344,417,990	\$ 157,918,219	\$ 30,214,274	\$ (5,768,524)	\$ (133,876,543)	\$ 48,487,426
Balance at January 1, 2022		294,379,845	\$ 145,153,510	\$ 26,648,556	\$ (3,026,358)	\$ (123,043,688)	\$ 45,732,020
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(4,909,342)	(4,909,342)
Other comprehensive loss		-	-	-	(1,682,704)	-	(1,682,704)
Private placements, net of share issue costs	9	23,933,687	6,551,072	413,713	-	-	6,964,785
Options exercised	9	60,000	23,400	(6,300)	-	-	17,100
Share-based compensation		-	-	921,712	-	-	921,712
Total transactions with owners		23,993,687	6,574,472	1,329,125	-	-	7,903,597
Balance at September 30, 2022		318,373,532	\$ 151,727,982	\$ 27,977,681	\$ (4,709,062)	\$ (127,953,030)	\$ 47,043,571

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Cash flows from (used in) operating activities:					
Net loss		\$ (1,200,100)	\$ (1,980,438)	(4,846,618) \$	(4,909,342)
Items not involving cash:					
Depreciation and amortization		32,484	34,965	110,052	100,557
Share-based compensation		295,002	763,718	1,505,227	921,712
Finance income		(69,283)	(26,588)	(235,547)	(37,858)
Foreign exchange not related to cash		496,410	(21,034)	263,940	(2,128)
Change in non-cash operating working capital		11,218,414	(519,363)	10,529,855	(382,735)
Cash flows used in operating activities		10,772,927	(1,748,740)	7,326,909	(4,309,794)
Cash flows from (used in) financing activities:					
Issue of common shares, net of issue costs	9	-	6,964,785	-	6,964,785
Proceeds on exercise of stock options	9	-	-	20,000	17,100
Proceeds on issuance of convertible promissory notes	8	20,198,340	-	33,727,003	-
Repayment of lease liability		(8,223)	(16,023)	(50,703)	(46,844)
Interest capitalized on convertible promissory notes	8	(517,385)	-	-	-
Cash flows from financing activities		19,672,732	6,948,762	33,696,300	6,935,041
Cash flows from (used in) investing activities:					
Expenditures on exploration and evaluation assets	4	(14,684,602)	(2,612,643)	(20,046,818)	(6,555,922)
Expenditures on property, plant and equipment	6	(109,890)	(69,297)	(447,706)	(185,837)
Interest received		69,283	26,588	235,547	37,858
Cash flows used in investing activities		(14,725,209)	(2,655,352)	(20,258,977)	(6,703,901)
Effect of exchange rate changes on cash balances		308,435	40,414	97,865	(3,854)
Increase (decrease) in cash and cash equivalents		16,028,885	2,585,084	20,862,097	(4,082,508)
Cash and cash equivalents, beginning of period		12,254,812	395,459	7,421,600	7,063,051
Cash and cash equivalents, end of period		\$ 28,283,697	\$ 2,980,543	28,283,697 \$	2,980,543

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

1. Nature of operations:

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

In September 2023, Erdene completed an updated Feasibility Study for its Bayan Khundii Gold Project, titled “Bayan Khundii Gold Project, Feasibility Study Update, NI 43-101 Technical Report”. The continued operation of the Corporation and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of one or more of the properties.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 (the “Interim Financial Statements”) have been prepared in accordance with IAS 34 – Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2022 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements were authorized for issue on behalf of the Board of Directors on November 7, 2023.

3. Changes in accounting policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2023. These changes were made in accordance with applicable transitional provisions.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023, and are to be applied retrospectively, with early adoption permitted. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

4. Exploration and evaluation assets

	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	Total
Balance, January 1, 2023	\$ 36,183,734	\$ 4,257,954	\$ 1,688,477	\$ 923,991	\$ 43,054,156
Additions	18,978,731	69,493	1,495	997,099	20,046,818
Effect of movements in exchange rates	24,873	1,951	775	12,079	39,678
Balance, September 30, 2023	\$ 55,187,338	\$ 4,329,398	\$ 1,690,747	\$ 1,933,169	\$ 63,140,652
Balance, January 1, 2022	\$ 30,910,999	\$ 4,246,301	\$ 1,797,500	\$ 973,653	\$ 37,928,453
Additions	7,628,060	288,818	1,726	53,351	7,971,955
Effect of movements in exchange rates	(2,355,325)	(277,165)	(110,749)	(103,013)	(2,846,252)
Balance, December 31, 2022	\$ 36,183,734	\$ 4,257,954	\$ 1,688,477	\$ 923,991	\$ 43,054,156

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

Bayan Khundii Gold Project

The Bayan Khundii Gold Project is located in Bayankhongor province in Mongolia and is comprised of the 2,309-hectare Khundii mining license, issued in August 2019, from the Mineral Resource and Petroleum Authority of Mongolia. The Khundii mining license includes the Bayan Khundii Resources and Reserves reported in "Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report", dated September 25, 2023. The Corporation is completing construction readiness activities and early construction works on the Bayan Khundii Gold Project in advance of a formal decision to proceed to construction, anticipated by the end of 2023. Additionally, the mining license includes Erdene's highly prospective Greater Dark Horse and Altan Arrow prospects.

Altan Nar Gold Project

The Altan Nar Gold Project is located in Bayankhongor province in Mongolia, approximately 16km north of Erdene's Bayan Khundii Gold Project. Erdene received the 4,669-hectare Altan Nar mining license including the Altan Nar gold, silver, lead and zinc resource, on March 5, 2020, from the Mineral Resource and Petroleum Authority of Mongolia, through the conversion of its legacy Tsenkher Nomin exploration license.

Ulaan

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

Zuun Mod Copper & Molybdenum Resource & Other

The Zuun Mod property is located in Bayankhongor province in Mongolia and is comprised of a 6,041-hectare molybdenum-copper mining license, issued in 2011. The Zuun Mod molybdenum-copper deposit has significant potential for development provided molybdenum prices remain strong. In late 2021, the Corporation completed a strategic and economic review of the property in light of rising commodity prices which confirmed the potential economic viability of the property. Exploration on the license in mid-2023 expanded mineralization at the large porphyry deposit, further supporting the economic potential of the project.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

5. Leases

The Corporation entered a five-year lease for its head office, with an effective date of September 1, 2019. Additionally, the Corporation entered a two-year lease for office space in Mongolia, with an effective date of October 1, 2021. These leases are reflected on the balance sheet as right-of-use assets, with associated lease liabilities. The discount rates applied to the leases are 7% and 15%, respectively. The Mongolian office lease was terminated on June 30, 2023, which resulted in the derecognition of the right-of-use asset and associated lease liability.

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

Balance, January 1, 2023	\$	73,594
Depreciation		(38,175)
Disposals		(7,946)
Effect of movements in exchange rates		(549)
Balance, September 30, 2023	\$	26,924
Balance, January 1, 2022	\$	143,200
Depreciation		(63,645)
Effect of movement in exchange rates		(5,961)
Balance, December 31, 2022	\$	73,594

The maturity analysis of the lease liabilities at September 30, 2023, is as follows:

	Within 1 year	1 - 2 years	Total
Lease payments	\$ 32,117	\$ -	\$ 32,117
Finance charges	(822)	-	(822)
Total lease liabilities	\$ 31,295	\$ -	\$ 31,295

The Corporation also has leases for office space, staff accommodation and storage in Mongolia with initial lease terms of less than 12 months. The Corporation has elected not to apply the requirements of IFRS 16 to these leases and the Corporation expenses lease payments as incurred, totaling \$72,229 for the nine months ended September 30, 2023 (2022 - \$73,502).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

6. Property, plant and equipment

	Vehicles & field equipment	Equipment, furniture & fixtures	Software & computers	Total
Cost				
Balance, January 1, 2023	\$ 115,961	\$ 468,387	\$ 222,271	\$ 806,619
Additions	272,733	193,311	33,036	499,080
Disposals	(69,269)	-	-	(69,269)
Effect of movements in exchange rates	3,123	1,556	130	4,809
Balance, September 30, 2023	\$ 322,548	\$ 663,254	\$ 255,437	\$ 1,241,239
Depreciation & depletion				
Balance, January 1, 2023	\$ (42,192)	\$ (122,854)	\$ (95,869)	\$ (260,915)
Depreciation	(11,136)	(32,440)	(20,282)	(63,858)
Disposals	17,895	-	-	17,895
Effect of movements in exchange rates	(204)	(246)	(102)	(552)
Balance, September 30, 2023	\$ (35,637)	\$ (155,540)	\$ (116,253)	\$ (307,430)
Carrying amounts				
At September 30, 2023	\$ 286,911	\$ 507,714	\$ 139,184	\$ 933,809

	Vehicles & field equipment	Equipment, furniture & fixtures	Software & computers	Total
Cost				
Balance, January 1, 2022	\$ 130,843	\$ 326,322	\$ 125,890	\$ 583,055
Additions	-	185,638	111,109	296,747
Disposals	-	(1,768)	(5,788)	(7,556)
Effect of movements in exchange rates	(14,882)	(41,805)	(8,940)	(65,627)
Balance, December 31, 2022	\$ 115,961	\$ 468,387	\$ 222,271	\$ 806,619
Depreciation & depletion				
Balance, January 1, 2022	\$ (34,523)	\$ (98,484)	\$ (76,669)	\$ (209,676)
Depreciation	(12,234)	(32,222)	(28,484)	(72,940)
Disposals	-	1,615	5,201	6,816
Effect of movements in exchange rates	4,565	6,237	4,083	14,885
Balance, December 31, 2022	\$ (42,192)	\$ (122,854)	\$ (95,869)	\$ (260,915)
Carrying amounts				
At December 31, 2022	\$ 73,769	\$ 345,533	\$ 126,402	\$ 545,704

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

7. Commitments

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

Sandbox Royalties Corp. holds a 1.5% NSR Royalty on Erdene’s Zuun Mod license. Erdene has the option to buy down a portion of the royalty if certain production milestones are achieved.

8. Convertible promissory notes

On January 10, 2023, the Corporation announced the execution of Strategic Alliance and Investment Agreements with Mongolian Mining Corporation (“MMC”) for the development of its Bayan Khundii Gold Project. The key economic terms of these agreements are as follows:

- MMC to invest US\$40 million in return for a 50% equity interest in Erdene’s Mongolian subsidiary, Erdene Mongol LLC (“EM”), holding the Khundii and Altan Nar mining licenses and the Ulaan exploration license through a three-stage transaction.
- Erdene will retain a 50% equity interest in EM and a 5.0% Net Smelter Return (“NSR”) royalty on all production from the Khundii, Altan Nar and Ulaan licenses, as well as any properties acquired within 5 kilometres of these licenses, beyond the first 400,000 ounces of gold recovered.
- The first stage of the transaction, completed in January 2023, saw MMC invest US\$5 million in EM in the form of a convertible promissory note to finance exploration, and an updated Feasibility Study (“FS”) and Life of Mine (“LOM”) Plan for the Bayan Khundii Gold Project.
- The second stage of the transaction, completed in May 2023, saw MMC invest an additional US\$5 million in the form of a convertible note to complete pre-development and exploration work in advance of a Bayan Khundii construction decision.
- The third stage of the transaction will see MMC invest a further US\$30 million, providing equity capital for the Bayan Khundii Project.

On January 16, 2023, EM executed a US\$5 million convertible promissory note agreement with MMC under the terms of the Investment Agreement. Additionally, on May 2, 2023, EM executed a second US\$5 million convertible promissory note. Finally, on August 30, 2023, Erdene and MMC amended the Strategic Alliance and Investment Agreements and MMC advanced US\$15 million of the US\$30 million third stage to continue early works in the form of a third convertible promissory note. The convertible promissory notes are to be converted to a 6.25%, 6.25% and 18.75% equity interest, respectively, in EM upon the closing of the Investment Agreement, anticipated in Q4 2023.

As part of the amendment to the Investment Agreement on August 30, 2023, the convertible promissory notes will bear interest only if the third closing does not occur, at a rate equal to the secured overnight financing rate (“SOFR”) established by the Federal Reserve Bank of New York as at the date amounts were advanced plus 8%. Such interest shall be due and payable on the earlier of June 30, 2024, or 60 days following termination of the Investment Agreement.

For accounting purposes, the convertible promissory notes represent hybrid financial liabilities, consisting of host loan obligations, and conversion options of the promissory notes. The Corporation accounts for the host loan obligations and conversion options at fair value through profit and loss, which will initially be the convertible loan principal amounts. Subsequent to the date of recognition, the fair value is expected to equal the transaction value, as well as any changes in foreign currency rates, due to the relatively short term to maturity of the conversion option.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

8. Convertible promissory notes (continued)

The change in the value of the convertible promissory notes during the nine months ended September 30, 2023, is as follows:

	September 30, 2023
Carrying value, January 1	\$ -
Convertible promissory notes issued	33,727,003
Effect of movement in exchange rates	226,733
Balance at September 30	\$ 33,953,736

Subsequent to period end, on October 12, 2023, Erdene and MMC executed a second amendment to the Strategic Alliance and Investment Agreements, and on October 15, 2023, MMC advanced the final US\$15 million of the US\$30M third stage payment, in the form of a fourth convertible promissory note to allow the parties to progress the Project and to secure customary approvals. This final US\$15 million convertible promissory note is expected to be converted to an 18.75% equity interest in EM.

9. Share capital and contributed surplus

Authorized

An unlimited number of common shares with no par value.

Warrants

The following table summarizes the continuity of the warrants for the nine months ended September 30, 2023, and 2022:

	September 30, 2023		September 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at January 1	25,264,122	\$ 0.42	44,845,052	\$ 0.60
Issued	-	-	12,203,670	0.45
Expired	-	-	(44,845,052)	0.60
Outstanding at September 30	25,264,122	\$ 0.42	12,203,670	\$ 0.45
Exercisable at September 30	25,264,122	\$ 0.42	12,203,670	\$ 0.45

The warrants outstanding at September 30, 2023, expire in July, August and December of 2024.

Omnibus equity incentive plan and Legacy Plans

The Corporation adopted an omnibus equity incentive plan (the "Omnibus Plan") which was approved by the shareholders of the Corporation on June 22, 2023. The Omnibus Plan provides the Corporation with share-related mechanisms, including incentive stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs"), to attract, retain and motivate qualified directors, employees and consultants of the Corporation and its subsidiaries. The Omnibus Plan replaced legacy plans including an incentive stock option plan and a DSU plan (the "Legacy Plans"). Awards granted under these legacy plans remain in place under the terms of their initial issuance.

The Omnibus Plan is a variable plan and the aggregate number of common shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Plan, together with awards outstanding under

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

9. Share capital and contributed surplus (continued)

the Legacy Plans, shall not exceed 10% of the Corporation's total issued and outstanding common shares at any time.

For the nine months ended September 30, 2023, the Corporation charged a total of \$1,505,227 of stock-based compensation expense to the statement of comprehensive loss (2022 – \$921,712), reflecting the fair value of options and DSUs granted under the Omnibus Plan and the Legacy Plans. Details on the outstanding awards under the Omnibus Plan and Legacy Plans are included below:

Stock options

The Corporation's Legacy Plans included a rolling 10% incentive stock option plan (the "Plan") under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. Under the Plan, the terms and conditions of each grant of options are determined by the Board of Directors. If there are no terms specified upon grant, options vest immediately on the grant date. All stock options currently outstanding were granted under the terms of the Plan.

Options granted during the nine months ended September 30, 2023 resulted in a charge of \$1,078,276 to share based compensation included in exploration expenses and in corporate and administration expenses (2022 – \$613,279).

Changes in stock options during the nine months ended September 30, 2023 and 2022 were as follows:

	September 30, 2023		September 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	17,555,000	\$ 0.36	15,855,000	\$ 0.45
Granted	6,325,000	0.36	4,180,000	0.31
Expired	(3,080,000)	0.40	(2,595,000)	0.87
Exercised	(100,000)	0.20	(60,000)	0.29
Outstanding at September 30	20,700,000	\$ 0.35	17,380,000	\$ 0.36
Exercisable at September 30	20,700,000	\$ 0.35	17,380,000	\$ 0.36

Deferred share units

In 2013, the Corporation adopted a DSU plan. Under the Erdene DSU plan, the Corporation may grant DSUs to eligible plan members in such numbers and at such times as is determined by the Board of Directors as a bonus or in respect of services rendered by the plan member or otherwise as compensation. On the grant date, DSUs vest immediately and plan members are credited with the DSUs granted to them. Upon termination or death of the plan member, the Corporation pays the then market value of the plan member's shares either in cash or in shares, at the sole discretion of the Corporation. Since the type of payout is at the discretion of the Corporation, and the Corporation does not intend to cash settle awards under the plan, the plan is accounted for as an equity settled plan. The provisions of DSUs issued under the Omnibus Plan adopted on June 22, 2023, are consistent with those of the DSU plan.

During the nine months ended September 30, 2023, the Corporation granted 1,312,535 DSUs under the Omnibus Plan and Legacy Plan with an average fair value of \$0.33 per DSU (2022 – 958,301 DSUs with fair value of \$0.32 per DSU). The fair value of \$426,951 (2022 – \$308,433) was charged to share based compensation included in exploration expenses and corporate and administration expenses. Also, during the nine months ended September 30, 2023, Erdene issued 17,614 shares from the DSU plan at an average value of \$0.37 per DSU (2022 – 0 shares issued).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

9. Share capital and contributed surplus (continued)

The following table summarizes the continuity and five-day volume weighted average price at grant date of DSUs for the nine months ended September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
	Number of DSUs	Number of DSUs
Outstanding at January 1	7,287,272	6,103,362
Granted	1,312,535	958,301
Issued	(17,614)	-
Outstanding at September 30	8,582,193	7,061,663

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Five day volume weighted average price at grant date	\$ 0.33	\$ 0.32

10. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the three and nine months ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Depreciation & amortization	\$ 12,043	\$ 25,206	\$ 42,984	\$ 71,917
Direct costs	384,206	554,730	1,126,349	2,106,940
Employee compensation costs	140,058	207,482	409,024	562,796
Share-based compensation	152,919	367,831	664,229	407,304
	\$ 689,226	\$ 1,155,249	\$ 2,242,586	\$ 3,148,957

11. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three and nine months ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Administrative services	\$ 188,928	\$ 258,936	\$ 754,268	\$ 552,817
Depreciation and amortization	9,193	9,526	27,787	28,573
Directors fees and expenses	26,250	25,250	89,994	94,504
Investor relations and marketing	79,121	33,576	245,766	100,885
Office and sundry	26,980	26,098	81,045	76,580
Professional fees	100,532	100,211	349,104	266,325
Regulatory compliance	16,894	13,796	108,858	114,353
Share-based compensation	142,083	395,887	840,998	514,408
Travel and accommodations	10,614	7,007	74,341	42,887
	\$ 600,595	\$ 870,287	\$ 2,572,161	\$ 1,791,332

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

12. Financial instruments

Credit risk:

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

	Carrying Amount	
	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 28,283,697	\$ 7,421,600
Receivables	77,144	76,582
	\$ 28,360,841	\$ 7,498,182

The Corporation manages credit risk by holding the majority of its corporate cash and cash equivalents with high quality financial institutions, where management believes the risk of loss to be low.

Liquidity risk:

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

Market risk:

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

a) Interest rate risk

The Corporation invests excess cash in interest bearing savings accounts, which are subject to interest rate risk.

The convertible promissory notes as detailed in Note 8, will bear interest based on the SOFR rate only if the third closing does not occur, for which a 1% increase or decrease would result in an increase or decrease of annual interest expense of approximately \$337,500.

b) Foreign currency risk

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

The Corporation is also exposed to foreign exchange risk on its US dollar denominated convertible promissory notes. If the MMC Strategic Alliance is terminated prior to conversion, the balance outstanding on the convertible promissory notes, plus interest, is due and payable on the earlier of June 30, 2024, or within 60 days of termination of the Investment Agreement. Accordingly, the Corporation is subject to risks associated with fluctuations in the Canadian/US dollar exchange rate that may make the convertible promissory notes more costly to repay.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

12. Financial instruments (continued)

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

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 24,396,683	\$ 311,141
Trade and other payables	(11,517,210)	(215,506)
Convertible promissory notes	(33,953,736)	-
	\$ (21,074,263)	\$ 95,635

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by approximately \$2,107,400 (December 31, 2022 - \$9,600).

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

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 29,444	\$ 35,194
Trade and other receivables	71,321	69,559
Trade and other payables	(16,825)	(61,274)
	\$ 83,940	\$ 43,479

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss and deficit by approximately \$8,400 (December 31, 2022 - \$4,300).

c) Price risk

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

Fair Value:

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

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

12. Financial instruments (continued)

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

	September 30, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:						
Convertible promissory notes	\$ -	\$ -	\$ 33,953,736	\$ -	\$ -	\$ -

13. Related parties

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

	Nine months ended September 30,	
	2023	2022
Directors' fees and other compensation	\$ 122,750	\$ 93,750
Share-based compensation to directors	466,400	255,625
Executive compensation and benefits	1,319,485	1,163,036
Share-based compensation to key management	483,747	311,598
	\$ 2,392,382	\$ 1,824,009



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
Three and nine months ended September 30, 2023

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This Management Discussion and Analysis (“MD&A”), dated November 7, 2023, relates to the operating results and financial condition of Erdene Resource Development Corporation (“Erdene” or the “Company” or the “Corporation”) and should be read in conjunction with the Corporation’s unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022, audited consolidated financial statements for the years ended December 31, 2022, and 2021, and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”).

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

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

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

In preparing this MD&A, the Corporation makes reference to “Exploration and evaluation expenditures”, a non-GAAP financial performance measure. Management believes Exploration and evaluation expenditures, comprised of capitalized and operating expenditures attributable to exploration and evaluation activities, is a valuable indicator of the total investment in the Corporation’s properties for the period of the financial statements. For a detailed reconciliation of this non-GAAP financial performance measure to the most directly comparable measures under IFRS, please see pages 15 and 17 of this MD&A. The non-GAAP financial performance measure set out in this MD&A is intended to provide additional information to investors and does not have any standardized meaning under IFRS, and therefore may not be comparable to other issuers, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Company Overview

Erdene Resource Development Corporation is a Canadian based resource company focused on the acquisition, exploration, and development of large, high-grade, near surface, precious and base metals deposits in underexplored and highly prospective Mongolia. Erdene is listed on the Toronto Stock Exchange (TSX: ERD) and Mongolian Stock Exchange (MSE: ERDN).

The Company holds three mining licenses and an exploration license in southwest Mongolia, where exploration success has led to the discovery of the Khundii Minerals District (“KMD”). The KMD is located within the Trans Altai Terrane of the Central Asian Orogenic Belt (“CAOB”). The CAOB extends 2,500 kilometres from the Ural Mountains to eastern China. The belt hosts several world class porphyry and porphyry related copper and gold deposits, including one of the world’s largest gold deposits, Muruntau, in Uzbekistan, as well as Rio Tinto’s Oyu Tolgoi copper-gold deposit, located approximately 650 kilometres east of the KMD in southeast Mongolia.

The discovery of the KMD is the result of almost 20 years of exploration by Erdene in an underexplored region of southwest Mongolia. Over this period, Erdene has defined the Altan Nar (“AN”), Bayan Khundii (“BK”) and Dark Horse Mane (“DH”) epithermal gold deposits, the Ulaan and Greater Dark Horse gold prospects, the Zuun Mod (“ZM”) molybdenum-copper porphyry deposit, and several prospects and advanced exploration projects. Collectively, these discoveries form the core of the KMD, covering an area approximately 50 by 100 kilometres, elongated northwest.

In January 2023, Erdene entered a Strategic Alliance with Mongolian Mining Corporation (“MMC”), the Country’s largest independent miner. Under the terms of the Strategic Alliance, MMC will invest a total of US\$40 million for a 50% interest in Erdene’s Mongolian subsidiary, Erdene Mongol LLC (“EM”), which holds the Khundii and Altan Nar mining licenses and the Ulaan exploration license through a multi-stage transaction. Erdene will retain a 50% equity interest in EM as well as a 5% Net Smelter Return royalty on all production from the Khundii, Altan Nar and Ulaan licenses, as well as any properties acquired within five kilometres of these licenses, after the first 400,000 ounces of gold recovered. Erdene maintains a 100% interest in the Zuun Mod copper-molybdenum project.

The first stage of the Strategic Alliance was completed in mid-January 2023, with MMC advancing US\$5 million to finance an updated Feasibility Study (“2023 FS”) and Life of Mine (“LOM”) Plan for the BK Gold Project. In early May, MMC advanced the second tranche of US\$5 million to EM to undertake pre-development work. On August 30, 2023, Erdene and MMC amended the Strategic Alliance Agreement and MMC advanced US\$15 million of the US\$30 million third stage to continue early works. On October 12, 2023, Erdene and MMC executed a second amendment, and on October 15, 2023 MMC advanced the final US\$15 million of the US\$30 million third stage payment to allow the parties to continue to progress the Project. The parties are working through the required approvals to close the transaction, which is expected to conclude by the end of 2023.

Results of the 2023 FS were announced in mid-August, and the full report, prepared by the same consortium of consultants as the 2020 Feasibility Study (“2020 FS”), was filed in late September. The 2023 FS incorporates updated reserves from BK as well as recently discovered, near surface, reserves from Dark Horse, resulting in a 25% increase in recovered gold compared to the 2020 FS. Additional design and value engineering work has increased plant throughput to 650,000 tonnes per annum, 8% greater than the previous study. The 2023 FS confirmed the Project’s strong economics, with an after-tax net present value at a 5% discount rate (“NPV_{5%}”) of US\$196 million at a gold price of US\$1,900 an ounce, given modest estimated capital and all-in sustaining costs (“AISC”) of US\$100 million and US\$869/ounce, respectively.

Over the past twelve months, Erdene has received Mongolian regulatory approval for the Project’s detailed design, secured construction permits for all key facilities and placed orders for critical long lead time items. Early site works commenced in early Q3 2023 and are now approximately 80% complete in advance of a formal construction decision. The Company and MMC are working with lenders to finalize the terms of the senior debt component of the BK project finance. Lender due diligence is well progressed on the 2023 FS.

The first phase of the 2023 gold exploration program, including approximately 1,000 metres of drilling and induced polarization (“IP”) gradient array surveys over nine square kilometres of the 20 km² Greater Dark Horse prospect, was completed in early Q3. The program identified several areas of near-surface mineralization, with 16 of 18 holes intersecting anomalous gold (greater than 0.1 g/t Au) and/or indicator elements. Gold, together with antimony, arsenic and molybdenum are characteristic of the Dark Horse deposit and were instrumental in the initial discovery of the high-grade, near-surface Dark Horse Mane gold mineralized trend. In late Q3, a 500-metre trenching program was completed across the Greater Dark Horse and Ulaan prospects, targeting near-surface supergene enriched oxide zones. Anomalous mineralization was encountered in multiple trenches, providing new targets for follow-up drilling.

Concurrently, Erdene is progressing its ZM project, one of Asia's largest undeveloped molybdenum-copper deposits. In May, the Company completed a 4,100-metre drill program at this property. Results from multiple drill holes along the current resource boundary expanded mineralization and intersections within the core of the deposit exceeded the average block grades in the vicinity. Additionally, the discovery of resource-grade mineralization in an exploration hole 1.7 kilometres north of the deposit further demonstrates the upside potential of this large molybdenum-copper complex, which remains open in all directions. Erdene will complete further market, technical and economic studies in the coming months, building upon a conceptual assessment of the project completed by RPMGlobal in late 2021.

Furthermore, Erdene sees the potential to increase resources through the acquisition of licenses in this under-explored portion of the prolific gold and copper producing CAOB. The KMD hosts the full spectrum of arc-related base and precious metal systems, including copper-molybdenum porphyries, intermediate sulphidation/carbonate base metal gold deposits, and low sulphidation epithermal gold and gold-silver systems. As the longest established Company operating in southwest Mongolia, and through its partnership with MMC, Erdene is well positioned to expand its license portfolio in Mongolia.

Highlights and Significant Subsequent Events

Bayan Khundii Gold Project

- Advanced early works, site establishment and procurement for the BK Gold Project
 - Early works and site establishment, including installation of temporary facilities, aggregate production, temporary site roads and process plant civils are approximately 80% complete
 - Headcount ramp up achieved in September with approximately 330 employees and contractors on site – no lost time incidents to date
 - Remaining detailed design and shop fabrication drawings progressing to schedule, with substantial completion forecast in Q1 2024
 - Long lead and critical equipment orders on track with first deliveries scheduled in late Q4 2023
 - Contracts for Engineering, Procurement and Construction and Power Provision agreed in principle, with execution planned in the coming weeks
- Delivered Bayan Khundii NI 43-101 Feasibility Study Update (US\$1,800/oz gold price, unless noted)
 - Base Case after-tax NPV_{5%} of US\$170 million and Internal Rate of Return (“IRR”) of 35.3% increasing to US\$196 million and 38.95%, respectively, at gold price of US\$1,900/oz
 - Life of Mine Earnings Before Interest, Taxes and Depreciation of US\$451 million, increasing to US\$495 million at a US\$1,900/oz gold price
 - Total recovered gold of 476,000 ounces, a 25% increase compared to the 2020 FS with an average gold recovery rate of 93%
 - All-in sustaining cost (“AISC”) of US\$869 per ounce and upfront capital costs of US\$88 million, plus a 12% contingency, and pre-production costs of US\$2 million
 - Measured and Indicated Resources of 674,700 ounces gold at an average grade of 2.6 g/t gold, and 319,000 ounces silver at an average grade of 1.38 g/t silver
 - Proven and Probable Reserves of 513,700 ounces gold at an average grade 4.0 g/t gold, and 220,500 ounces silver at an average grade of 1.7 g/t silver
 - Average annual gold production of 86,900 ounces during years 2 through 5 – Life of Mine annual average production of 74,200 ounces gold
 - Eight-year project, comprising one-year pre-production, six and three quarter-year operating life and one-year mine closure period
 - Adjacent high-grade resources and recent discoveries provide high probability growth options
 - Significant benefits to Mongolia, including Life of Mine royalties and taxes of US\$143 million and approximately 500 new jobs in Bayankhongor Province
 - Updated NI 43-101 2023 FS filed on September 25, 2023

- Delivered on community and stakeholder commitments
 - Repaired and upgraded approximately 30 km of off-site roads
 - Conducted mine equipment operator training for 60 residents of Bayankhongor province, 75% of 2023 target, the majority of who went on to full-time operator employment
 - Completed major community development projects, including potable water supply improvement and public education sanitation facilities
 - Remitted 50% of 2023 annual planned donations to local government development programs, in accordance with the statutory Local Cooperation Agreement

Khundii Minerals District Exploration

- Conducted first phase of 2023 gold exploration program at the Greater Dark Horse prospect
 - Drilled 1,040 metres intersecting anomalous gold and/or indicator elements in 16 of 18 holes
 - Executed IP survey over 9 km² area identifying several targets for follow-up
 - Completed ~500 metre trenching program testing near surface supergene oxide targets similar to those intersected at Dark Horse Mine, returning anomalous mineralization in several areas

Corporate

- Received the final US\$30M investment in EM under the terms of the MMC Strategic Alliance
 - Funds advanced through convertible promissory notes that are planned to be registered as a 50% equity interest in EM by the end of 2023
- Progressed BK Project Finance with international financial institutions
 - Due diligence on 2023 FS is the major outstanding item, and is well underway
- Recorded a net loss of \$1,201,100 for the three months ended September 30, 2023, compared to a net loss of \$1,980,438 for the three months ended September 30, 2022
 - Exploration and evaluation expenditures, including capitalized expenditures, totaled \$15,373,828 for the three months ended September 30, 2023, compared to \$3,767,892 for the comparative prior year quarter primarily due to the commencement of early works for the Bayan Khundii Gold Project
 - Corporate and administrative expenses totaled \$600,595 for the three months ended September 30, 2023, compared to \$870,287 for the three months ended September 30, 2022, with the year-on-year decrease primarily due to the timing of annual performance bonuses, cost-of-living adjustments and annual performance grants

Strategy and Outlook

Erdene is focused on the discovery and development of precious and industrial metal deposits in the KMD. Erdene's two near term strategic priorities are advancing BK to production, and through exploration and acquisition, expanding and subsequently developing other deposits in the KMD.

In January 2023, the Company announced a Strategic Alliance with MMC to develop the gold deposits of the KMD. MMC is the largest private producer and exporter of high-quality washed hard coking coal in Mongolia. MMC owns and operates the Ukhuaa Khudag and the Baruun Naran open pit coking coal mines, both located in Umnugovi Aimag (South Gobi Province), Mongolia. The shares of MMC are listed on the main board of the Hong Kong Stock Exchange (HKEx: 975), and the company has a current market capitalization of approximately US\$500 million.

MMC's largest beneficial shareholder is MCS Group, one of Mongolia's leading conglomerates. MCS has operated in Mongolia for 30 years, and has operations in engineering, energy, communications, property, mining, consumer goods, health, and hospitality. MCS employs approximately 10,000 staff in Mongolia and is one of the Country's largest private taxpayers.

Erdene's exploration and pre-development capabilities, MMC's mining and operational expertise and the ability of MCS Group companies to provide complimentary engineering, infrastructure and energy solutions creates the ideal platform to develop the KMD for the benefit for all stakeholders.

Erdene has received the majority of the permits for the Bayan Khundii Gold Project, including the mining license, the Mongolian detailed environmental impact assessment, land and water use permissions and construction permits. With the close of the second tranche of the MMC Strategic Alliance, the Company

executed an early works contract with MCS Properties, an affiliate of MMC, in late June. The early works contract scope includes final design and engineering works, establishment of temporary construction facilities, including aggregate crushing and concrete batch plant, earth works and civils for the Project's process plant. The Company expects to reach a formal construction decision for Bayan Khundii later in 2023, following the final close of the Strategic Alliance and the finalization of project finance in late 2023. Negotiations are well progressed on the Engineering, Procurement and Construction contract with MCS Properties, and the Project's Power Purchase Agreement has been executed with MCS International, one of Mongolia's leading private energy companies.

Erdene's exploration suggests the greater Khundii-Ulaan alteration zone, including the BK Deposit, Dark Horse prospect and Ulaan, are part of the same, large, gold-bearing hydrothermal system, that shows the potential to host a multimillion-ounce gold deposit. The first phase of the 2023 gold exploration program, focusing on the Greater Dark Horse prospect, provided a number of new targets for follow-up.

In the first half of 2023, Erdene completed a 4,100-metre drill program at its ZM project, one of Asia's largest undeveloped molybdenum-copper deposits, successfully expanding mineralization at this deposit. Along with the exploration work, Erdene will complete further market, technical and economic studies as well as permitting work in the coming months to build upon the conceptual assessment completed by RPMGlobal (formally Minarco-Mine Consult) in late 2021. Beyond the ZM Deposit, the broader license hosts several high-potential copper and molybdenum prospects. The northern portion of the ZM porphyry complex hosts a large area of disseminated copper mineralization within several kilometres of phyllic and potassic altered quartz monzonite and granodiorite intrusives. Multiple copper mineralized zones have been intersected in wide-spaced drilling, including 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (hole ZMD-121). The large ZM porphyry complex remains largely untested and management sees several potential areas for resource expansion and discovery across the license.

Erdene continues to evaluate acquisition opportunities throughout the KMD. Over the past decade Erdene has developed the largest proprietary geologic database of Southwest Mongolia's mineralization that has led to the identification of more than 20 high-priority targets for acquisition. The Company expects that through its partnership with MMC, it will be an active participant in license tenders in the KMD. Additionally, the Company will selectively evaluate precious and industrial metals opportunities in other parts of the country where the Company's historical work has demonstrated prospectivity.

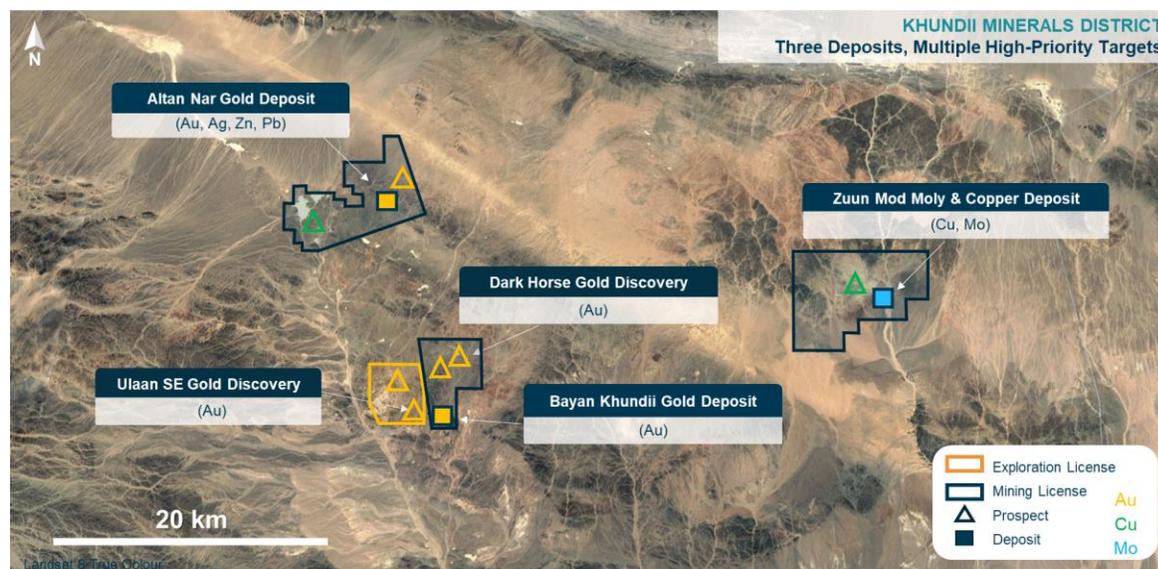
Development and Exploration Projects

NI 43-101 Technical Reports – Resources and Reserves

On September 15, 2018, the Company announced a resource estimate for the Bayan Khundii and Altan Nar deposits. Since this date, the Company has commissioned progressive technical reports, prepared to the standards defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") for its Bayan Khundii Gold Project. Most recently, on September 25, 2023, the Company filed the Technical Report entitled "Bayan Khundii Gold Project, Feasibility Study Update, NI 43-101 Technical Report" with an effective date of August 15, 2023, prepared by a consortium of International and Mongolian firms with significant experience operating in Mongolia and internationally, led by O2 Mining Ltd and Roma Group Ltd.

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

Khundii Minerals District



The Khundii Minerals District includes the Company's high-grade, near-surface Bayan Khundii, Dark Horse Mane and Altan Nar deposits, Ulaan SE and Greater Dark Horse prospects and the Zuun Mod Molybdenum-Copper resource.

The Bayan Khundii Gold Project is located on the 2,309-hectare Khundii mining license held by Erdene's Mongolian subsidiary, Erdene Mongol LLC. The Khundii mining license includes the Bayan Khundii and Dark Horse mineral resources and reserves reported in "Bayan Khundii Gold Project, Feasibility Study Update, NI 43-101 Technical Report".

Bayan Khundii Gold Project

On August 15, 2023, Erdene announced the results of an updated independent Bankable Feasibility Study for the Bayan Khundii Gold Project. The report, titled "Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report", dated September 25, 2023, was prepared by international and Mongolian firms with significant experience operating in Mongolia. The study incorporates detailed mine design and scheduling, front-end engineering and design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation, and an updated economic model.

The 2023 FS envisions a high-grade, open pit mine beginning at surface in the southern portion of the BK deposit (Striker and Gold Hill), expanding northward into adjacent zones at Midfield and North Midfield. The Dark Horse deposit will commence mining concurrently with BK from the third year of operations. The Project incorporates conventional crushing and grinding, leach and a Carbon in Pulp plant with processing capacity of 1,950 tonnes per day. The 2023 FS includes 4.0 million mineable tonnes from the BK resource at an average diluted head grade of 4.0 g/t gold, all of which are Proven and Probable Reserves. The 2023 FS is based on an open-pit mining operation targeting 650,000 tonnes per year of feed material for the processing plant. The total mineable mineralized plant feed is 4.0 million tonnes at an average diluted head grade of 4.0 g/t gold and average strip ratio of 10.9:1 (waste tonne: plant feed tonne). Mineralization starts at surface, with the majority of the deposit contained within the top 100 metres. The deposit structure, grades and depth suggest selective open cut mining will be utilized. Mining will use hydraulic excavators in backhoe configuration. Drilled and blasted material will be loaded into haul trucks, with waste rock deposited in an engineered Integrated Waste Facility ("IWF") adjacent to the pit, and ore hauled to a crusher or run-of-mine ("ROM") pad adjacent to the processing plant.

As part of the 2023 FS, an updated BK Gold Deposit Mineral Resource Estimate ("BK Mineral Resource") was prepared in accordance with NI 43-101 and CIM standards by AGP Mining Consultants Inc. ("AGP") with an effective date of April 20, 2023. The BK Mineral Resource was prepared by Paul Daigle, P.Geo., who is a qualified person ("QP") as defined by NI 43-101.

The Mineral Resource has been constrained to a conceptual pit shell and is reported at a cut-off grade of 0.40 g/t gold. The assumptions and parameters utilized to establish the cut-off grade and pit shell are reported below in notes to the resource table.

BK Gold Deposit – Mineral Resource Estimate Summary, April 2023

Resource Classification	Quantity (Mt)	Gold Grade (Au g/t)	Ounces Gold (Koz)	Silver Grade (Ag g/t)	Ounces Silver (Koz)
Measured	4.0	3.03	394	1.44	187
Indicated	3.3	2.04	219	1.22	131
M&I	7.4	2.58	613	1.34	319
Inferred	0.2	1.08	6	1.32	8

Notes:

1. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
2. Summation errors may occur due to rounding.
3. The effective date of the Mineral Resources is April 20, 2023.
4. Open pit mineral resources are reported within an optimized constraining shell.
5. Open pit cut-off grade is 0.4 g/t Au based on the following parameters:
 - Gold Price of US\$2,000/oz Au
 - Gold recovery of 95%
 - Mining Costs of US\$3.00/t
 - Milling Costs and G&A of US\$22.00/t
 - Capping of gold grades was 200 g/t Au and 50 g/t Ag on 1m composite values.
 - The density varies between 2.58 g/cm³ and 2.66 g/cm³ depending on lithology.

Dark Horse Mane Mineral Resource Estimate

As part of the 2023 FS, the Company reported the maiden mineral resource estimate for the Dark Horse Mane Gold Deposit (“Dark Horse Mineral Resource”) discovered in 2021 and located just two kilometres north of the BK Gold Deposit. The Dark Horse Mineral Resource was prepared in accordance with NI 43-101 and CIM standards by RPM Global (“RPM”) with an effective date of November 1, 2022.

The Dark Horse Mineral Resource is reported above a gold cut-off grade of 0.35 g/t gold for oxide and transition mineralization and 1.02 g/t gold for fresh mineralization. The Mineral Resource has been constrained to a conceptual pit shell. The assumptions and parameters utilized to establish the cut-off grade and pit shell are reported below in notes to the resource table.

Dark Horse Gold Deposit – Mineral Resource Estimate Summary, November 2022

Type	Indicated Mineral Resource			Inferred Mineral Resource		
	Tonnes (Kt)	Gold Grade g/t Au	Ounces Gold (K oz)	Tonnes (Kt)	Gold Grade g/t Au	Ounces Gold (K oz)
Oxide	578	3.0	56.2	75	1.1	2.7
Transitional	99	1.5	4.8	109	1.2	4.1
Fresh	5	4.9	0.7	-	-	-
Total	682	2.8	61.7	184	1.2	6.8

Notes:

1. The Statement of Estimates of Mineral Resources has been compiled under the supervision of Mr. Oyunbat Bat-Ochir who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Bat-Ochir has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
2. All Mineral Resources figures reported in the table above represent estimates at November 1, 2022. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resources are reported on a dry in-situ basis.
4. The Mineral Resource is reported using a 0.35 g/t Au cut-off grade in oxide and transition mineralisation and 1.02 g/t Au cut-off in fresh mineralisation and is constrained above conceptual optimised pit shell. Cut-off parameters were selected based on an RPM internal cut-off calculator, assuming an open cut mining method with 5% ore loss and 10% dilution, a gold price of US \$1,723 per ounce, a mining cost of US \$3 per tonne and a processing cost of US\$16 per tonne milled and processing recovery of 90% for oxide, 87% for transitional and 30% for fresh Au mineralisation. The conceptual optimised pit shell was constructed using a gold price of US\$ 2,000 per ounce, which is 1.4 times the long-term consensus forecast price.
5. Mineral Resources referred to above, have not been subject to detailed economic analysis and therefore, have not been demonstrated to have actual economic viability.

BK and DH Reserve Estimate

The Bayan Khundii and Dark Horse Mineral Reserves reported in the 2023 FS have been estimated by Mr. Julien Lawrence, Director, O2 Mining Limited, a Qualified Person as defined by NI 43-101. The total Mineral Reserves for the Bayan Khundii and Dark Horse Mine deposits are shown in the tables below. Mineral Reserves are based on the BK Mineral Resource and Dark Horse Mineral Resource, reported above. Mineral Reserves estimated for the BK and DH deposits are based on Measured and Indicated Resources and have an effective date of August 1, 2023. Reserves were calculated by O2 Mining using FS level engineering designs for the pit and associated process plant operating parameters.

The cut-off grade for mineral reserve calculations is 0.63 g/t gold for the BK Gold Deposit and 0.68 g/t gold for Dark Horse Gold Deposit, based on a gold price of US\$1,816/oz. The reserves, as defined by the regularized block model, contain modelled mineral losses of 2.5% and average internal dilution of 10%, within the ultimate pit.

A summary of the Mineral Reserves estimated for the BK and Dark Horse deposits with an effective date of August 1, 2023 are as follows.

BK Gold Deposit – Mineral Reserve Summary

Classification	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Koz)	Grade (g/t Ag)	Contained Silver (Koz)
Proven	2.7	4.1	360.2	1.8	159.4
Probable	1.1	3.0	104.7	1.7	61.1
Total	3.8	3.8	464.9	1.8	220.5

Dark Horse Gold Deposit – Mineral Reserve Summary

Classification	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Koz)
Proven	-	-	-
Probable	0.2	7.0	48.8
Total	0.2	7.0	48.8

Notes:

1. The effective date of the Mineral Reserve estimate is August 1, 2023. The QP for the estimate is Mr. Julien Lawrence of O2 Mining Limited;
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines;
3. Reserves estimated assuming open-pit mining method;
4. Waste to ore cut-offs were determined using a NSR for each block in the model. NSR is calculated using prices and process recoveries for each metal accounting for all off-site losses, transportation, smelting and refining charges;
5. Reserves are based on a gold price of US\$1,816/oz; and
6. Mineral Reserves were calculated from a diluted "mining" block model which included average dilution of 10% and losses of 2.5%.

The 2023 FS assumes processing of ROM material via a conventional crush and grind circuit and a carbon in pulp plant. Plant design by 360-Global has been based on testing at Blue Coast Research which has established optimal processing parameters, including grind size of 80% passing 60 microns; design inputs for comminution circuit, low cyanide concentration in leach circuit (0.5 g/litre sodium cyanide), 36-hour retention time, carbon adsorption parameters and detoxification reagent dosages. The process circuit has been designed to maximize water recovery with the most efficient dewatering process (ceramic disc filters) to achieve the targeted 15% moisture in tailings, minimize chemical and reagent usage and minimize environmental impact.

The ore-processing plant will be located adjacent to the Bayan Khundii open pit and throughput will target 650,000 ore-tonnes per year, nominally 1,935 tonnes per day. Total mineralized material from BK processed in the plant over the course of the mine life is 4.0 million tonnes at an average diluted head grade of 4.0 g/t gold. Using an estimated mill recovery of 92.7%, total recovered gold over the life of the Bayan Khundii deposit is 476,001 ounces.

Operating costs are based on the mining and processing scenarios outlined above and assume owner mining. Power for operations will be generated through an on-site hybrid diesel and solar generation solution, provided under a power purchase agreement for the duration of the Project. All other activities are assumed to be owner operated. The AISC for Bayan Khundii is estimated at US\$869/oz.

Operating Costs

	LOM (US\$ millions)	US\$/oz	US\$/tonne
Mine Operating Cost	165	347	41
Processing Cost	166	349	41
G&A	20	43	5
Total Site Operating Costs	352	739	88
Royalty and Charges	51	108	13
Sustaining Capital & Closure Costs	10	22	3
All-In Sustaining Cost	414	869	103

Note: Rounding may cause computational discrepancies

Capital Costs

Construction costs, primarily comprising the process plant and supporting infrastructure, accommodation village, and associated engineering and indirect costs are estimated at US\$88 million. Pre-production costs, including first fills and mobile site equipment total US\$2 million. Additionally, a 12% contingency, or US\$10 million, has been provided in arriving at the total estimated capital cost. Sustaining capital of US\$4 million has been included in the mine plan and net mine closure costs are estimated at US\$5 million, accounting for salvage values. Total life of mine capital expenditures for the Bayan Khundii Gold Project are estimated at US\$109 million. Approximately US\$8 million has been incurred to date on early works and site establishment, representing temporary construction facilities and civil works.

Item	US\$ millions
Process Plant	47
Non-Process Infrastructure	14
Construction Indirects	27
Construction Costs	88
Pre-Production Costs	2
Contingency	10
Subtotal Plant and Infrastructure	100
Sustaining Capital	4
Reclamation and Mine Closure	7
Salvage	(2)
Total	109

Note: Rounding may cause computational discrepancies

Khundii Minerals District Exploration

Erdene has been the leader in exploration in southwest Mongolia over the past decade and is responsible for the discovery of the KMD comprised of multiple high-grade gold and base metal prospects. In addition to the Bayan Khundii Project, the Company has identified several other prospects, particularly within the Khundii-Ulaan Trend, that show the potential to hold gold-copper deposits of scale.

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

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

hosts for gold mineralization. Exploration planning is currently underway to test multiple high-priority geological, geochemical and geophysical targets across the Khundii-Ulaan target area.

Regional drilling has been restricted to shallow targets with average drill depths of about 100 metres with approximately 70% of regional drill holes having intersected anomalous gold mineralization (defined as >0.1 g/t gold). Success has been driven by the abundance of untested, near surface geochemical and geophysical targets in a region that has had no previous modern exploration. Recent exploration successes testing shallow targets, and the definition of three deposits, exposed at surface, are testament to the discovery potential of this new district. During 2022, the Company completed a 278-hole RC drill program to test shallow targets across the Greater Dark Horse area principally on the Khundii License. Results from this work generated multiple new targets, several of which were drill tested over the past year, leading to the confirmation of the new East Mane prospect, approximately 500 metres east of the Dark Horse Mane.

Greater Dark Horse Deposit

The Greater Dark Horse prospect area (approximately 20 square kilometres) is located in the northern portion of the Khundii mining and Ulaan exploration licenses and is characterized by elevated gold in soil anomalism with multiple surface rock-chip, trench and drill core samples assaying greater than 1 g/t gold. Trace element anomalism, geophysical anomalies related to alteration and mineralization, structures interpreted to represent conduits for mineralizing fluids, and alteration signatures supporting an epithermal mineralization model characterize the Greater Dark Horse prospect area. To date, the Company has completed 25,132 metres of drilling in 236 holes ranging in vertical depths from 8 to 318 metres within the Greater Dark Horse prospect, including 18 holes totaling 1,040 metres in 2023.

Most of the drilling to date has been focused on the Dark Horse Mane, discovered in early 2021. Erdene discovered Dark Horse Mane, 2 kilometres north of the Bayan Khundii deposit, when initial drilling returned 6.0 g/t gold over 45 metres, beginning 10 metres downhole, including 8 metres of 27.1 g/t gold (AAD-58). Drilling has since defined a 1.5-kilometre trend of alteration and gold mineralization within the Dark Horse Mane that remains open along strike to the north and south, and at depth. Highlight interceptions at Dark Horse Mane since the initial discovery include:

- AAD-126: 30 metres of 5.6 g/t gold, beginning 10 metres downhole, including 24.1 g/t over six metres, starting 26 metres downhole
- AAD-137: 24.5 metres of 9.4 g/t gold beginning 1.5 metres downhole, including 13.5 metres of 16.1 g/t gold
- AAD-138: 25 metres of 6.1 g/t gold beginning 18 metres downhole, including 8 metres of 17.1 g/t gold
- AAD-177: 23 metres of 11.4 g/t gold beginning 1 metre downhole, including 4 metres of 59.8 g/t gold within 8 metres of 32.2 g/t gold
- AAD-178: 15 metres of 42.8 g/t gold beginning 11 metres downhole, including 3 metres of 160.4 g/t gold within 5 metres of 123.5 g/t gold
- AAD-218: 12 metres of 20.2 g/t gold beginning at surface, including 6 metres 39.6 g/t gold

The Dark Horse Mane is associated with a north-south trending, linear structural corridor which intersects deep seated northeast trending transform faults, believed to be a conduit for primary mineralizing fluids. The N-S structure has been traced over five kilometres, from the southern portion of the Bayan Khundii deposit to the northern extension of Dark Horse Mane. Gold mineralization is hosted within strongly altered tuffaceous and volcanoclastic rocks, crosscut by quartz and quartz-hematite veins and stockwork zones. The Dark Horse Mane shallow oxide zone begins at surface, hosting supergene enriched gold zones with values up to 195 g/t over 1 metre and ranging in thickness from 20 to 60 metres vertical depth with locally deeper oxidation along fractures. The high-grade oxide body exhibits strong continuity along a north-south strike. Mineralization remains open along strike and at depth; however, the core of the near-surface mineralization forms the basis of the Dark Horse Mane Reserve estimate that forms part of the BK Project.

The near surface oxide gold zones discovered at Dark Horse Mane are the result of oxidation of sulfide bearing epithermal veins and hydrothermal breccias within white mica altered host lithologies. Limited deeper drilling has gold bearing epithermal veins and associated white mica and sulfide alteration zones to a depth of up to 230 metres vertically, that remains open at depth. The gold mineralization near surface at Dark Horse Mane is related to broader areas of structurally controlled alteration and mineralization believed to be connected to feeder structures distributing gold bearing fluids over a wide area as these fluids approached the paleo surface. Evidence for these feeder structures includes a series of exposed residual quartz lithocaps, associated locally with increasing copper anomalism at depth interpreted to predate the gold mineralization. These lithocaps are distributed along dominant NE trending structures believed to represent transform faults and potentially feeder conduits from a magmatic porphyry source at depth. The

highest-grade gold bearing oxide zones at the southern end of the Dark Horse Mane are located proximal to the residual quartz lithocaps and hosted within tuffaceous to porphyritic volcanoclastic units.

Scout drilling and IP surveys in Q2 2023 identified several new prospects within the Greater Dark Horse prospect. The program identified multiple areas of near-surface gold and indicator element anomalism, with 10 holes intersecting anomalous gold (greater than 0.1 g/t Au) and indicator elements mineralization, and a further 6 holes returning indicator element anomalies. Gold, together with antimony, arsenic and molybdenum, geochemical anomalies are characteristic of the Dark Horse deposit and were instrumental, in conjunction with other geological data, in the initial discovery of the Dark Horse Mane high-grade, near-surface gold mineralization.

Ulaan Southeast

In June 2021, the Company completed the maiden gold exploration program in the southern portion of the Ulaan license, reporting a significant new gold discovery just 300 metres west of the Bayan Khundii Deposit. Results to date, including follow-up drilling in Q2 2022, have confirmed a significant gold discovery at Ulaan SE. Multiple drill holes have returned hundreds of metres (up to 354 metres) of gold mineralization, often ending in mineralization, over an area 200 metres by 250 metres. Gold mineralization begins approximately 80 metres from surface with anomalous gold intersected as shallow as 4 metres depth (UDH-18) and remains open along strike to the west/northwest and at depth. Gold grades up to 156 g/t are related to intense quartz ± hematite veins and stockwork zones enveloped by the same gold bearing silicified, white mica altered lapilli tuff sequence which hosts Erdene's Bayan Khundii epithermal gold deposit, located just east on the Khundii mining license. Structural controls are also similar with northwest striking, southwest dipping veins hosting the gold and intensifying adjacent to bounding structures and/or feeder conduits typically oriented northeast or north. Gold mineralization, particularly the low-grade envelope, also appears to be partially controlled by lithology with low permeability silicified ash tuffs focusing fluid flow and coarser lapilli tuffs acting as a preferred host to mineralization, stratigraphically dipping to the northwest.

Highlight interceptions at Ulaan SE since the initial discovery include:

- UDH-14: 217 metres of 1.1 g/t gold beginning 188 metres downhole, including 3.5 g/t gold over 53 metres
- UDH-21: 335 metres of 1.1 g/t gold beginning 115 metres downhole, including 8.7 g/t gold over 27 metres within 77 metres of 3.2 g/t gold
- UDH-22: 152 metres of 1.7 g/t gold beginning 85 metres downhole, including 3.1 g/t gold over 65 metres
- UDH-35: 23 metres of 13.7 g/t gold within 41 metres of 8.1 g/t gold, beginning 187 metres downhole
- UDH-36: 179 metres of 1.2 g/t gold, beginning 72 metres downhole, including several one-metre intervals, ranging from 10 to 33 g/t gold, and ending in mineralization at 350 metres
- UDH-53: 2 metres of 24.9 g/t gold within 27 metres of 3.5 g/t gold, beginning 248 metres downhole

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

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

Altan Nar

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

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

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

To date, Indicated Mineral Resources have been established for the Discovery Zone and Union North prospects. The remaining 16 targets at Altan Nar appear very prospective and the Company intends to complete further drilling on the license to increase its understanding of the system. RPMGlobal calculated the mineral resource estimate for Altan Nar in May 2018 at a number of gold cut-offs, however, RPM recommends reporting the Altan Nar mineral resource at cut-off of 0.7 g/t AuEq2 (see definition for AuEq2 in note 8 below) above a pit and 1.4 g/t AuEq2 below the same pit shell. For further details on the Altan Nar mineral resource estimate, please see the Company's Altan Nar Gold-Polymetallic Project NI 43-101 Technical Report dated March 29, 2021.

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

Notes:

- (1) The Mineral Resources have been constrained by topography and a cut-off of 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.
- (2) The Mineral Resource Estimate Summary was compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
- (3) All Mineral Resource figures reported in the table above represent estimates as at May 7, 2018. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
- (4) Mineral Resource grades are reported in accordance with the CIM Standards.
- (5) Mineral Resources reported on a dry in-situ basis.
- (6) No dilution or ore loss factors have been applied to the reported Resource Estimate.
- (7) No allowances have been made for recovery losses that may occur should mining eventually result.
- (8) For the AN resource estimate Gold Equivalent ("AuEq2") calculations assume metal prices of US \$1,310 per ounce gold, US \$18 per ounce silver, and US \$2,400 per tonne lead and US \$3,100 per tonne zinc.

Further details on Altan Nar can be found in "Altan Nar Gold-Polymetallic Project, Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Technical Report" dated March 29, 2021, filed on SEDAR+.

Zuun Mod Molybdenum-Copper Project

The Zuun Mod Molybdenum-Copper Project is a porphyry molybdenum-copper deposit located in southwest Mongolia on the Company's Khuvyn Khar license. This project is approximately 950 kilometres southwest of Ulaanbaatar and 215 kilometres from railhead on the Mongolia-China border at Ceke. The property consists of a mining license totaling 6,041 hectares. The mining license is registered in the name of Anian Resources LLC, a wholly owned subsidiary of the Corporation, and has an initial term of 30 years that can be extended for up to 70 years. This project was acquired from Gallant Minerals Limited in 2005 and is subject to a net smelter returns royalty ("NSR Royalty") of 1.5% held by Sandbox Royalties, subject to a buy-down provision.

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

In Q2 2023, Erdene completed a twelve hole, approximately 4,100 metre drill program at Zuun Mod. Five holes, totaling 2,476 metres, were drilled to confirm continuity of higher-grade mineralization in the central part of the deposit (ZMD-131) and to expand continuity of Indicated Resources at the periphery of the deposit (ZMD-132 to 135). A further seven holes, totaling 1,619 metres (ZMD-136 to 142) tested targets across the greater Zuun Mod porphyry complex.

Hole ZMD-131 intersected a very wide zone of mineralization, returning 374 metres averaging 0.053% Mo and 0.072% Cu, with multiple zones (28 to 74 metres wide) averaging greater than 0.080% Mo, including a 28-metre interval (252 to 280 metres) averaging 0.140% Mo and 0.121% Cu. All four holes on the periphery of Zuun Mod's Indicated Resources (ZMD-132 to 135), intersected resource-grade mineralization (>0.04% Mo) ranging in thickness from 40 to 187 metres. Several of the exploration holes (ZMD-140 to 142) within the northern Zuun Mod porphyry complex returned anomalous copper mineralization (greater than 0.05% Cu). Approximately one kilometre west of the main deposit area, three holes (ZMD-136 to 138) in a 600 metre east-west target area, returned anomalous molybdenum, copper and silver. In addition, an exploration hole, ZMD-139, located 1.7 kilometres north of the main molybdenum orebody (currently defined by ZMD-135), intersected a significant interval of molybdenum mineralization, (12 metres of 0.067% Mo) hosted by porphyritic granodiorite, typical of the Zuun Mod porphyry complex. No drilling has been carried out between the Zuun Mod deposit and hole ZMD-139, opening up a large area of potential expansion.

In addition to the molybdenum-copper porphyry deposit, the license hosts a large copper-silver prospect, approximately 2.2 kilometres north of the Zuun Mod deposit. Exploration work at the copper-silver prospect has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys, and wide spaced drilling. Previous drilling intersected 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (ZMD-121). The prospect has a very large copper mineralized zone trending over 900 metres with multiple zones in three drill holes returning assays in excess of 0.2% copper over significant widths (12 to 42 metres).

Erdene will complete further market, technical and economic studies to build upon a conceptual assessment of the project completed by RPMGlobal in late 2021. Based on the studies, as well as the results from recent exploration, Erdene will develop a strategy to maximize value from this project.

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

Acquisitions

Mongolia's Ministry of Mining and Heavy Industry periodically issues areas for exploration. Erdene has established the largest proprietary geologic database of Southwest Mongolia with a priority list of acquisition targets. The Company will participate in the tendering process as its priority targets are opened for tender. The Company has also been evaluating privately held licenses for acquisition. Through its Strategic Alliance with MMC, Erdene will be an active participant in tenders or license acquisitions in the KMD. Additionally, as the longest tenured foreign explorer operating in Mongolia, the Company will selectively evaluate precious and industrial metal opportunities across the Country.

Discussion of Operations

Three months ended September 30, 2023 and 2022

The tables below detail exploration and evaluation expenditures for the three months ended September 30, 2023 and 2022.

Quarter ended Sept. 30, 2023	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	General & Admin	Total
E&E expenditures						
Camp & field support	\$ 781,007	\$ 3,186	\$ 1,020	\$ 80,448	\$ -	\$ 865,661
Drilling & analysis	25,005	2,293	996	573	-	28,867
Mining studies & pre-development costs	13,664,214	11	-	44,019	-	13,708,244
Mongolian office costs	-	-	-	-	184,862	184,862
Share-based compensation	-	-	-	-	152,919	152,919
Stakeholder relations	277,938	5,783	-	-	-	283,721
Travel & other	149,554	-	-	-	-	149,554
Total exploration expenditures	14,897,718	11,273	2,016	125,040	337,781	15,373,828
Capitalized expenditures	(14,630,606)	(5,490)	-	(48,506)	-	(14,684,602)
Expensed exploration costs 2023	\$ 267,112	\$ 5,783	\$ 2,016	\$ 76,534	\$ 337,781	\$ 689,226

E&E assets, July 1, 2023	\$ 40,143,136	\$ 4,280,507	\$ 1,673,653	\$ 1,855,449	\$ -	\$ 47,952,745
Additions	14,630,606	5,490	-	48,506	-	14,684,602
Effect of movements in exchange rates	413,596	43,401	17,094	29,214	-	503,305
E&E assets, September 30, 2023	\$ 55,187,338	\$ 4,329,398	\$ 1,690,747	\$ 1,933,169	\$ -	\$ 63,140,652

Quarter ended Sept. 30, 2022	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	General & Admin	Total
E&E expenditures						
Camp & field support	\$ 973,815	\$ 56,584	\$ 116,774	\$ (25,094)	\$ -	\$ 1,122,079
Drilling & analysis	518,588	2,453	162,881	613	-	684,535
Mining studies & pre-development costs	1,034,515	17,566	29,842	612	-	1,082,535
Mongolian office costs	-	-	-	-	261,060	261,060
Share-based compensation	-	-	-	-	367,831	367,831
Stakeholder relations	203,240	-	53	-	-	203,293
Travel & other	36,415	-	2,916	7,228	-	46,559
Total exploration expenditures	2,766,573	76,603	312,466	(16,641)	628,891	3,767,892
Capitalized expenditures	(2,536,040)	(76,603)	-	-	-	(2,612,643)
Expensed exploration costs 2022	\$ 230,533	\$ -	\$ 312,466	\$ (16,641)	\$ 628,891	\$ 1,155,249

E&E assets, July 1, 2022	\$ 33,248,250	\$ 4,229,524	\$ 1,726,475	\$ 962,597	\$ -	\$ 40,166,846
Additions	2,536,040	76,603	-	-	-	2,612,643
Effect of movements in exchange rates	39,166	13,929	6,858	4,689	-	64,642
E&E assets, September 30, 2022	\$ 35,823,456	\$ 4,320,056	\$ 1,733,333	\$ 967,286	\$ -	\$ 42,844,131

Exploration and evaluation expenditures, including capitalized expenditures, totaled \$15,373,828 for the three months ended September 30, 2023, compared to \$3,767,892 for the three months ended September 30, 2022, with the significant period over period increase in expenditures due primarily to the commencement of early works for the Bayan Khundii Gold Project.

Camp & field support costs for the three months ended September 30, 2023 were \$256,418 less than those for the three months ended September 30, 2022, due to a reduction in exploration work in the current year quarter as the Company focused on early works, as well as the allocation of fixed camp costs to mining studies and pre-development, as the site facilities were used in support of the Bayan Khundii Gold Project.

Drilling & Analysis costs for the three months ended September 30, 2023 were \$655,668 less than for the three months ended September 30, 2022, as the Company completed minimal exploration work in the current quarter but drilled approximately 4,200 meters in the comparative prior year quarter.

Mining studies & pre-development costs for the three months ended September 30, 2023, were \$12,625,709 greater than for the three months ended September 30, 2022, due to early works activity as well as payments for the purchase of long-lead items in the current year quarter, compared to modest engineering and planning works in the comparative prior year period.

Mongolian office costs for the three months ended September 30, 2023, were \$76,198 less than the prior year quarter primarily due to the timing of annual performance bonuses, which were paid in the second quarter of the current fiscal year, compared to the third quarter of the prior fiscal year.

Similarly, share-based compensation for the three months ended September 30, 2023 was \$214,912 less than the previous year quarter as annual performance stock option grants were also awarded in the second quarter of the current year, compared to the third quarter of the prior year.

Stakeholder relations costs for the three months ended September 30, 2023, were \$70,428 greater than for the three months ended September 30, 2022, due to the timing of payments under the Local Cooperation Agreement with local communities in support of the Bayan Khundii Gold Project.

Travel & other costs for the current year quarter were \$102,995 greater than the prior year quarter due to an increase in international travel in 2023 as a result of the increased activity at site.

Erdene capitalized exploration and evaluation costs for its Bayan Khundii, Altan Nar and Zuun Mod projects for the three months ended September 30, 2023 and 2022; however, exploration and evaluation expenditures associated with its Ulaan property were expensed in 2023 and 2022, consistent with Company's capitalization policy.

The following table summarizes corporate and administration expenses for the three months ended September 30, 2023 and 2022.

	For the three months ended September 30,		
	2023	2022	Change
Administrative services	\$ 188,928	\$ 258,936	\$ (70,008)
Depreciation and amortization	9,193	9,526	(333)
Directors fees and expenses	26,250	25,250	1,000
Investor relations and marketing	79,121	33,576	45,545
Office and sundry	26,980	26,098	882
Professional fees	100,532	100,211	321
Regulatory compliance	16,894	13,796	3,098
Share-based compensation	142,083	395,887	(253,804)
Travel and accommodations	10,614	7,007	3,607
	\$ 600,595	\$ 870,287	\$ (269,692)

Corporate and administrative expenses totaled \$600,595 for the three months ended September 30, 2023, compared to \$870,287 for the three months ended September 30, 2022.

Administrative services expenditures for the three months ended September 30, 2023, were \$70,008 lower than those in the three months ended September 30, 2022, due to the timing of annual performance bonuses, which were paid in the second quarter of the current fiscal year, versus the third quarter of the prior fiscal year.

Investor relations and marketing expenditures for the three months ended September 30, 2023, were \$45,545 greater than in the comparative prior year period due to an increase in investor relations activity following the MMC Strategic Alliance, as well as increased social media marketing compared to the third quarter of 2022.

Share-based compensation for the three months ended September 30, 2023 was \$253,804 less than the previous year quarter as annual performance stock option grants were awarded in the second quarter of the current year, compared to the third quarter of the prior year.

Depreciation and amortization, Directors fees and expenses, Office and sundry, Professional fees, Regulatory compliance and Travel and accommodations expenditures for the three months ended September 30, 2023, were not materially different from those incurred in the prior year comparative period.

Nine months ended September 30, 2023 and 2022

The tables below detail exploration and evaluation expenditures for the nine months ended September 30, 2023 and 2022.

Period ended Sept. 30, 2023	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	General & Admin	Total
E&E expenditures						
Camp & field support	\$ 2,133,624	\$ 22,298	\$ 26,918	\$ 461,319	\$ -	\$ 2,644,159
Drilling & analysis	369,926	6,994	996	667,007	-	1,044,923
Mining studies & pre-development costs	16,168,470	40,201	4,386	111,711	-	16,324,768
Mongolian office costs	-	-	-	-	672,009	672,009
Share-based compensation	-	-	-	-	664,229	664,229
Stakeholder relations	639,048	5,783	-	29,090	-	673,921
Travel & other	265,395	-	-	-	-	265,395
Total exploration expenditures	19,576,463	75,276	32,300	1,269,127	1,336,238	22,289,404
Capitalized expenditures	(18,978,731)	(69,493)	(1,495)	(997,099)	-	(20,046,818)
Expensed exploration costs 2023	\$ 597,732	\$ 5,783	\$ 30,805	\$ 272,028	\$ 1,336,238	\$ 2,242,586

E&E assets, January 1, 2023	\$ 36,183,734	\$ 4,257,954	\$ 1,688,477	\$ 923,991	\$ -	\$ 43,054,156
Additions	18,978,731	69,493	1,495	997,099	-	20,046,818
Effect of movements in exchange rates	24,873	1,951	775	12,079	-	39,678
E&E assets, September 30, 2023	\$ 55,187,338	\$ 4,329,398	\$ 1,690,747	\$ 1,933,169	\$ -	\$ 63,140,652

Period ended Sept. 30, 2022	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	General & Admin	Total
E&E expenditures						
Camp & field support	\$ 2,572,224	\$ 130,661	\$ 426,330	\$ 179,211	\$ -	\$ 3,308,426
Drilling & analysis	729,989	7,652	735,505	1,974	-	1,475,120
Mining studies & pre-development costs	2,760,083	86,716	57,836	56,159	-	2,960,794
Mongolian office costs	-	-	-	-	775,455	775,455
Share-based compensation	-	-	-	-	407,304	407,304
Stakeholder relations	615,793	944	375	12,825	-	629,937
Travel & other	107,282	11,341	10,153	19,067	-	147,843
Total exploration expenditures	6,785,371	237,314	1,230,199	269,236	1,182,759	9,704,879
Capitalized expenditures	(6,264,092)	(236,753)	(1,726)	(53,351)	-	(6,555,922)
Expensed exploration costs 2022	\$ 521,279	\$ 561	\$ 1,228,473	\$ 215,885	\$ 1,182,759	\$ 3,148,957

E&E assets, January 1, 2022	\$ 30,910,999	\$ 4,246,301	\$ 1,797,500	\$ 973,653	\$ -	\$ 37,928,453
Additions	6,264,092	236,753	1,726	53,351	-	6,555,922
Effect of movements in exchange rates	(1,351,635)	(162,998)	(65,893)	(59,718)	-	(1,640,244)
E&E assets, September 30, 2022	\$ 35,823,456	\$ 4,320,056	\$ 1,733,333	\$ 967,286	\$ -	\$ 42,844,131

The following table summarizes corporate and administration expenses for the nine months ended September 30, 2023 and 2022.

For the nine months ended September 30,			
	2023	2022	Change
Administrative services	\$ 754,268	\$ 552,817	\$ 201,451
Depreciation and amortization	27,787	28,573	(786)
Directors fees and expenses	89,994	94,504	(4,510)
Investor relations and marketing	245,766	100,885	144,881
Office and sundry	81,045	76,580	4,465
Professional fees	349,104	266,325	82,779
Regulatory compliance	108,858	114,353	(5,495)
Share-based compensation	840,998	514,408	326,590
Travel and accommodations	74,341	42,887	31,454
	\$ 2,572,161	\$ 1,791,332	\$ 780,829

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2023				Fiscal 2022		Fiscal 2021	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec
Net loss	\$1,200	\$2,508	\$1,139	\$1,077	\$1,980	\$1,698	\$1,231	\$3,635
Basic loss per share	\$0.00	\$0.01	\$0.00	\$0.00	\$0.01	\$0.01	\$0.00	\$0.01
Total assets	\$94,244	\$62,765	\$57,401	\$52,533	\$47,785	\$42,495	\$44,230	\$46,544

For the three months ended September 30, 2023, the Corporation recognized a net loss of \$1,200,100 compared to a net loss of \$1,980,438 for the same period in 2022.

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

Liquidity and Capital Resources

At the date of this MD&A, the Corporation had approximately \$28.3 million of cash and a working capital deficit of \$15.6 million, calculated as current assets less current liabilities, including \$54.2 million of convertible promissory notes related to the MMC Strategic Alliance. Excluding the convertible promissory notes, working capital is \$31.9 million as at the date of this MD&A.

Funds raised have been used to advance the Corporation's projects in Mongolia and to meet administrative costs in support of those programs (see Development and Exploration Projects and Discussion of Operations). The ability of the Corporation to continue with its development and exploration programs is contingent upon securing additional funds through the formation of alliances, including the MMC Strategic Alliance, debt financing, asset sales and option and/or joint venture agreements. The timing and availability of additional financing will be determined largely by the close of the third stage of the MMC Strategic Alliance, the conclusion of project finance due diligence and negotiations, the results of the Corporation's ongoing exploration and development programs and general market conditions.

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

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future other than planned expenditures.

Outstanding Share Data

Authorized

An unlimited number of common shares with no par value.

Issued and Outstanding Share Capital

	November 7, 2023	December 31, 2022
Common shares issued and outstanding	344,567,990	344,300,376
Options outstanding	20,550,000	17,555,000
Warrants outstanding	25,264,122	25,264,122
DSU's outstanding	8,582,193	7,287,272
Total instruments outstanding	398,964,305	394,406,770

Contractual Obligations

The following table summarizes the maturity of the Corporation's contractual obligations at September 30, 2023:

	Total	Less than one year	1 - 2 years
Office leases	\$ 32,117	\$ 32,117	\$ -
Accounts payable and accrued liabilities	11,771,151	11,771,151	-
Convertible promissory note	33,953,736	33,953,736	-
	\$ 45,757,004	\$ 45,757,004	\$ -

Other Financing Arrangements and Commitments

MMC Strategic Alliance

In January 2023, Erdene entered a Strategic Alliance with MMC where MMC agreed to invest a total of US\$40 million for a 50% interest in Erdene's Mongolian subsidiary, Erdene Mongol LLC. This investment has been structured as a series of promissory notes that will be converted into an equity interest in EM following a BK construction decision and certain other conditions.

On January 16, 2023, EM executed a US\$5 million promissory note agreement with MMC under the terms of the Investment Agreement. Additionally, on May 2, 2023, EM executed a second US\$5 million promissory note. On August 30, 2023, Erdene and MMC amended the Strategic Alliance and Investment Agreements and MMC advanced US\$15 million of the US\$30 million third stage in the form of a third promissory note. Finally, on October 12, 2023, Erdene and MMC executed a second amendment to the Strategic Alliance and Investment Agreements, and on October 15, 2023, MMC advanced the final US\$15 million of the US\$30M third stage payment, in the form of a fourth promissory note. The promissory notes are expected to be converted to a 50% equity interest in EM, upon the closing of the Investment Agreement, anticipated in Q4 2023. This conversion is subject to approval of Mongolia regulators, including the Mongolian Taxation Authority. The parties are working through the approvals to close the transaction, which is expected to conclude by the end of 2023.

As part of the amendment to the Investment Agreement on August 30, 2023, the promissory notes will bear interest only if the third closing does not occur, at a rate equal to the secured overnight financing rate ("SOFR") established by the Federal Reserve Bank of New York as at the date the amounts were advanced plus 8%. Such interest shall be due and payable on the earlier of June 30, 2024, or 60 days following termination of the Investment Agreement.

Sandstorm Gold Ltd. Royalty Agreement

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

Other

Sandbox Royalties Corp. holds a 1.5% NSR Royalty on Erdene's Zuun Mod license. Erdene has the option to buy down a portion of the royalty if certain production milestones are achieved.

Off-Balance Sheet Arrangements

As at September 30, 2023, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risks to the Corporation, other than those related to the MMC Strategic Alliance, as detailed above.

Critical Accounting Estimates

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

A detailed summary of the Corporation's significant accounting policies and the key sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next twelve months are included in Note 2 to the consolidated financial statements for the year ended December 31, 2022. While all of the key sources are important to the Corporation's consolidated financial statements, the following key sources have been identified as being critical:

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

Recoverability of exploration and evaluation assets

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

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

Share-based payments

Equity-settled share-based payments issued to employees and directors are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured. The Corporation charged a total of \$1,505,227 of non-cash share-based compensation to the statement of comprehensive loss for the nine months ended September 30, 2023 (2022 – \$921,712).

Adoption of New Accounting Standards and Future Changes in Accounting Policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2023. These changes were made in accordance with applicable transitional provisions.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

Financial Instruments and Other Risks

Financial Instruments

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

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

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

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

Fair Value

During the nine months ended September 30, 2023 and year ended December 31, 2022, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	September 30, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:						
Convertible promissory notes	\$ -	\$ -	\$ 33,953,736	\$ -	\$ -	\$ -

Credit Risk

The Corporation manages credit risk by holding the majority of its corporate cash and cash equivalents with high quality financial institutions, where management believes the risk of loss to be low.

Liquidity Risk

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

Market Risk

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

Interest rate risk

The Corporation has cash balances and interest-bearing convertible debt. The Corporation's current policy is to invest excess cash in interest bearing savings accounts. The convertible promissory notes held by MMC will bear interest based on the SOFR rate only if the third closing does not occur, for which a 1% increase or decrease would result in an increase or decrease of annual interest expense of approximately \$337,500.

Foreign Currency Risk

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

The Corporation is also exposed to foreign exchange risk on its US dollar denominated convertible promissory notes. If the MMC Strategic Alliance is terminated prior to conversion, the balance outstanding on the convertible promissory notes, plus interest, is due and payable on the earlier of June 30, 2024, or within 60 days of termination of the Investment Agreement. Accordingly, the Corporation is subject to risks associated with fluctuations in the Canadian/US dollar exchange rate that may make the convertible promissory notes more costly to repay.

The Corporation's exposure to US dollar currency risk was \$21,074,263 as at September 30, 2023 (December 31, 2022 - \$95,635). A 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$2,107,400 (December 31, 2022 – \$9,600).

The Corporation's exposure to Mongolian Tugrik currency risk was \$83,940 as at September 30, 2023 (December 31, 2022 - \$43,479). A 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$8,400 (December 31, 2022 – \$4,300).

Price Risk

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

Other Risks

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

Disclosure Controls and Internal Controls over Financial Reporting

Erdene has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Erdene's disclosure controls and procedures as of September 30, 2023 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Erdene and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

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

Management evaluated the design and effectiveness of Erdene's internal controls over financial reporting as of September 30, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion.

Based on management's evaluation, the CEO and the CFO have concluded that as of September 30, 2023, Erdene's internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

Qualified Person

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

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

The information in this MD&A that relates to the financial models for the Bayan Khundii Feasibility Study Update is based on information compiled and reviewed by Mark Reynolds, engaged through O2 Mining Limited. The information in this MD&A that relates to the capital and operating cost estimation for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Julien Lawrence, who is a FAusIMM and the Director of O2 Mining Ltd. The information in this MD&A that relates to the process design and recovery methods for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Jeffrey Jardine, who is a FAusIMM, and is engaged through O2 Mining Ltd. The information in this MD&A that relates to the BK Resource Estimate is based on information compiled and reviewed by Paul Daigle, who is a P.Geol., and is an employee of AGP Mining Consultants Inc. The information in this MD&A that relates to the Dark Horse Resource Estimate is based on information compiled and reviewed by Oyunbat Bat-Ochir who is a full-time employee of RPM Global and a Member of the Australian Institute of Geoscientists. The information in this MD&A that relates to the Bayan Khundii reserve estimate is based on information compiled and reviewed by Julien Lawrence. Each of Mr. Reynolds, Mr. Lawrence, Mr. Jardine, Mr. Daigle and Mr. Bat-Ochir has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they have undertaken to qualify as a Qualified Person, as that term is defined by National Instrument 43-101. Each of Mr. Reynolds, Mr. Lawrence, Mr. Jardine, Mr. Daigle and Mr. Bat-Ochir is not aware of any potential for a conflict of interest in relation to this work with Erdene.

Other Information

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