



MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarter ended June 30, 2018

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This Management Discussion and Analysis (“MD&A”), dated August 10, 2018, 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 interim consolidated financial statements for the three and six months ended June 30, 2018 and 2017, audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes thereto. The condensed interim consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”).

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

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under “Risk Factors” in the Corporation’s Annual Information Form for the year ended December 31, 2017, a copy of which is available on the Corporation’s SEDAR document page at www.sedar.com.

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

Second Quarter Highlights

Summary

- The Corporation has discovered multiple high-grade gold and base metal prospects and deposits in a previously unexplored region of southwest Mongolia now identified as the Khundii Gold District.
- The Corporation's Q2 programs continue to focus on defining and expanding gold mineralization on its two, 100%-owned, flagship projects, Bayan Khundii and Altan Nar (16 kilometres apart), while exploring for and testing additional gold and base metal targets in the surrounding District.

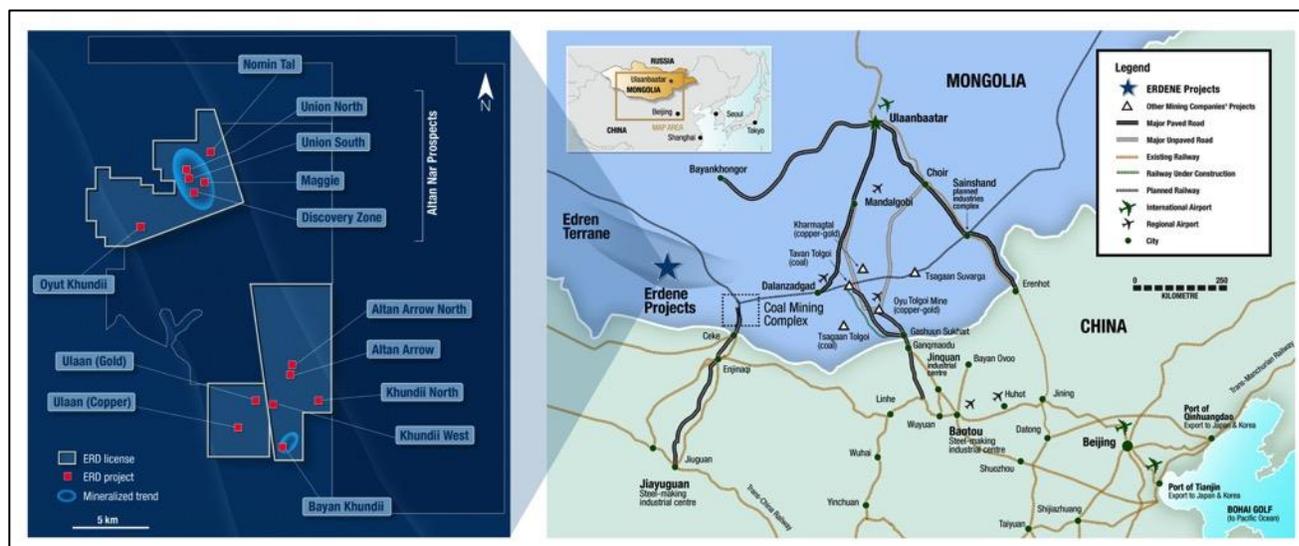
Bayan Khundii Gold Project – 100% Erdene

- The Corporation completed a 4584 metre drill program at Bayan Khundii in Q2 bringing total drilling to 42,656 metres since the project was discovered in 2015. The program was designed to test high priority structural targets and to complete closer-spaced drilling within the main mineralized zones, in advance of a Q3 2018 maiden resource estimate.
- Recent drilling has successfully established continuity of significant gold mineralization over a 1.3 kilometre long trend that is locally up to 450 metres wide and remains open. In Q2 2018 multiple intersections returned very high gold grades, including:
 - 18 metres of 21.6 g/t gold, including 2 metres of 169 g/t gold (BKD-238)
 - 37 metres of 4.4 g/t gold, including 2 metres of 50.5 g/t gold (BKD-241)
 - 10 metres of 16.9 g/t gold, including 2 metres of 17.5 g/t gold and 2 metres of 56.8 g/t gold (BKD-242)
 - 12 metres of 11 g/t gold, including 3 metres of 35.6 g/t gold (BKD-245)
 - 81 metres of 2.6 g/t gold, including 17 metres of 9.2 g/t gold (BKD-254)
- Significantly, the testing of the feeder zone concept at Bayan Khundii at the intersection of a deep-seated northwest-trending fault and the interpreted relay ramp structure in the Midfield Zone, returned an average of 34.4 g/t gold over 7 metres (BKD-244) from the widest zone of gold-bearing quartz-adularia veins intersected to date at Bayan Khundii.
- All Bayan Khundii drill results have now been delivered to RPMGlobal who has commenced work on the maiden Bayan Khundii mineral resource estimate, which is expected to be announced in August 2018.
- Various technical studies have been undertaken and many completed to support the permitting process and economic studies for both the Bayan Khundii and Altan Nar gold projects.

Altan Nar Gold-Polymetallic Project – 100% Erdene

- On May 10, 2018, the Corporation announced results of an updated resource estimate for Altan Nar with significant increases over the maiden resource estimate previously announced in March 2015. Indicated gold equivalent ("AuEq") resource increased by 208% and Inferred AuEq resource increased by 172%, compared to the maiden mineral resource estimate. The Indicated Resource of 452,900 ounces ("oz") AuEq averaged 2.8 g/t AuEq and the Inferred Resource of 277,100 oz AuEq averaged 2.5 g/t AuEq, within a total resource of 5.0 million tonnes ("Mt") Indicated and 3.4 Mt Inferred.
- The Corporation will continue to carry out technical studies in preparation for a Mining license application, anticipated in late 2018. Additional studies will include more metallurgical test work, economic evaluations, geotechnical and hydrogeological evaluations and other technical studies required.

Erdene's Emerging Khundii Gold District in Southwest Mongolia



Regional District Exploration

- The Corporation has completed significant exploration within the 11.4 kilometre long Bayan Khundii license, with a focus on its Altan Arrow and Khundii North target areas.
- Subsequent to the end of Q2 2018, the Corporation has completed reconnaissance drilling at Altan Arrow and Khundii North, with results anticipated in Q3 2018.
- In Q3 2017 the Corporation acquired a 51% interest, with the option to acquire up to 100%, in the Ulaan license, located immediately west of its Bayan Khundii license. The Corporation intends to initiate a maiden drill program at Ulaan before year-end.
- The Corporation continues to be active through its Alliance with Teck Resources Limited (“Teck”), Canada’s largest diversified mining company, in assessing regional base and precious metal opportunities in southwest Mongolia’s prolific Central Asian Orogenic Belt.

Corporate

- In Q2 2018, the Corporation became the first foreign-listed company to cross-list its shares on the Mongolian Stock Exchange, and closed an oversubscribed Mongolian financing of \$1.38 million. Concurrent with the cross-listing, the Corporation completed a private placement for \$4.12 million.
- At the date of this MD&A, the Corporation had approximately \$3.95 million in working capital.

Company Overview

Erdene is a mineral resource exploration and development corporation listed on the Toronto Stock Exchange (TSX: ERD). Over the past several years the Corporation has discovered a new gold district (“The Khundii Gold District”) in southwest Mongolia which includes seven targets, two of which are considered significant prospects for development: Bayan Khundii and Altan Nar. Over the past two years, the Bayan Khundii prospect has advanced from the discovery of very high-grade gold samples collected at surface to the Corporation’s flagship asset. Drilling and surface exploration have also defined multiple targets in the surrounding areas adjacent to and further north on the Bayan Khundii license that have significant potential for additional gold resources (Altan Arrow and Khundii North prospects).

The Corporation’s 100%-owned Bayan Khundii (‘Rich Valley’) gold project was discovered in Q2 2015, with initial drill results reported in Q4 2015; the first hole returned 7 metres of 27.5 g/t gold at 14 metres depth. Bayan Khundii has become the highest priority project for the Corporation based on its high grades,

proximity to surface, and favorable metallurgy. The Corporation has completed 42,656 metres of diamond drilling at Bayan Khundii to date, comprised of 255 diamond drill holes. Drilling to date has identified three main areas of very high-grade gold mineralization with strong continuity, including the Striker Zone, where mineralization starts from surface, and Midfield and North Midfield Zones that extend to the northeast under younger, post-mineralization Cretaceous cover. The high-grade gold zones within these three areas can be very wide, grading in excess of 5 g/t gold and greater than 50 metres in width. Step-out drilling in 2017 indicated that mineralization encountered in the Midfield Zone, located 200 metres northeast from Striker Zone, extends for at least 280 metres further to the northeast under younger cover. The Midfield and North Midfield Zones have returned some of the highest grades and the longest mineralized intervals to date at Bayan Khundii; BKD-98 returned 80 metres of 6.0 g/t gold at 42 metres depth, and BKD-231 returned 14 metres of 158 g/t gold, including one metre of 2200 g/t gold.

The 100%-owned Altan Nar ('Golden Sun') project is located 16 kilometres northwest of Bayan Khundii, and hosts a total of 18 mineralized (gold, silver, lead, zinc) target areas within a 5.6 by 1.5 kilometre mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), are the most advanced targets, hosting wide zones of high-grade, near-surface mineralization, and were the main focus of an updated resource estimate released by Erdene in Q2 2018, as well as detailed metallurgical processing test-work, infill drilling and trenching completed in Q3 2015. In Q4 2016, the Corporation drill tested a structural intersection in DZ (hole TND-101) that returned consistent mineralization from surface to 170 metres depth, with high-grade gold intersections not previously observed at Altan Nar. This was an exploratory hole drilled perpendicular to a cross-cutting feature observed in geophysical surveys. Results from follow-up drilling of this new high-grade zone in Q2-Q4 2017 intersected several mineralized zones, with results including 5 metres of 29.7 g/t gold within a 20 metres of 10.3 g/t gold at 97 metres depth (hole TND-110). Some of the updated mineral resources announced in Q2 2018 were from the remaining 16 targets, however most of these are still considered early-stage and are interpreted by the Corporation as having good potential for hosting additional resources.

Various technical studies have been and continue to be undertaken in support of the future mining license permitting process and related economic studies for both the Bayan Khundii and Altan Nar gold projects.

In addition to work being completed at Bayan Khundii and Altan Nar, the Corporation intends to continue its regional district-scale exploration program to identify additional high-grade precious and base metal projects and intends to seek to further consolidate the district with future acquisitions similar to the one made at the Ulaan property in Q3 2017. Through its Alliance with Teck, Erdene intends to also continue to assess regional opportunities for porphyry and porphyry-related mineralization within the larger Edren Terrane and intends to pursue acquisitions as opportunities arise in the Alliance's area of interest in southwest Mongolia. The Corporation's Bayan Khundii, Altan Nar, Altan Arrow, Ulaan, Khuvyn Khar and Zuun Mod properties are excluded from the Teck Alliance areas of interest.

Sandstorm Gold Ltd. Royalty Agreement

On April 21, 2016 the Corporation closed concurrent transactions with Sandstorm Gold Ltd. ("Sandstorm") for total consideration of \$2,500,000. In the first transaction Sandstorm was granted a 2% net smelter returns royalty ("NSR Royalty") on Erdene's Tsenkher Nomin (Altan Nar) and Khundii (Bayan Khundii) licenses in Exchange for 321,888 shares of Sandstorm, at \$4.66 per share, for a total value of \$1,500,000, the price being based on the 10 day volume weighted average price as at April 14, 2016. The second transaction was the issuance of 5 million Erdene shares from treasury to Sandstorm at \$0.20 per share for \$1,000,000 in cash consideration. The shares issued to Sandstorm were subject to an 18-month hold period which expired October 14, 2017. Erdene has a 3-year option to buy-back 50% of the NSR Royalty for \$1.2 million, to reduce the NSR Royalty to 1.0%. Sandstorm was given a right of first refusal on future stream and/or royalty financings related to the Khundii and/or Tsenkher Nomin licenses.

\$876,972 of the \$1.5 million in royalty consideration was credited against Altan Nar's capitalized Exploration and Evaluation assets, being the balance at the date of close of the transaction. The remaining \$623,028 was recognized as a gain in the statement of loss for the period.

Alliance with Teck Resources Limited

In April 2013, an alliance was formed by the signing of option and private placement agreements (collectively, "Agreements") with Teck Resources Limited ("Teck") to fund and explore the Corporation's mineral tenements in the Trans Altai region of southwest Mongolia. Under the terms of the Agreement, Teck agreed to subscribe to shares of Erdene by way of annual, non-brokered private placements, priced at a 10% premium to Erdene's then 10-day volume weighted average share price, until it invested \$3 million or acquired 19.9% of the outstanding shares of the Corporation, whichever occurred first. Eighty five percent of the proceeds from the private placements are committed to exploration work. In return, the Corporation agreed that once it spent 85% of the proceeds from the Teck financings on the initial program Teck would have the option to acquire up to 75% interest in designated projects through a two-stage option process by funding additional expenditures.

Between Q2 2013 and Q1 2017, Teck invested a total of \$3.0 million through six separate private placements, concluding the initial terms of the Agreement, as outlined above. Teck will continue to have the right, through to Q1 2020, to elect to enter into a joint venture agreement on any designated properties submitted by the Corporation and approved by Teck for acquisition.

Outlook and Strategy

With the Q2 2018 Bayan Khundii drill program complete, the Corporation has delivered all Bayan Khundii drill results to RPMGlobal who has commenced work on the maiden independent NI 43-101 mineral resource estimate to accompany the updated resource estimate for Altan Nar announced in Q2 2018. The Bayan Khundii resource estimate is expected to be complete before the end of Q3 2018. Following the definition of resources and characterization of the deposits based on ore type and amenability to different mining and processing methods, preliminary economic assessments will be carried out for Bayan Khundii and Altan Nar which will progress through a series of increasingly more detailed and rigorous assessments, through 2019. It is anticipated that these assessments will lead to a feasibility decision that will potentially lead into mine and plant development and construction and onto initial commercial production. Regional exploration will continue; however, the Corporation's immediate focus will continue to be the advancement of Bayan Khundii and Altan Nar, and evaluation of prospects in the surrounding Khundii District. The Corporation has sufficient cash on hand to fund budgeted expenditures to the first quarter of 2019.

Selected Annual Financial Information

The following information has been extracted from the Corporation's audited consolidated financial statements.

Expressed in thousands of Canadian dollars except per share amounts.

Fiscal Year Ended December 31	2017	2016	2015
Revenues	\$ Nil	\$ Nil	\$ Nil
Loss for the year	\$ 4,027	\$ 2,500	\$ 12,608
Basic and diluted loss per share	\$ 0.03	\$ 0.02	\$ 0.14
Total assets	\$ 14,946	\$ 4,293	\$ 2,522
Total long-term liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

Discussion of Operations

Three months ended June 30, 2018 and 2017

The tables below show exploration and evaluation costs for the three months ended June 30, 2018 and 2017, including those costs capitalized during the reporting periods. As explained in greater detail under “Project Summaries”, exploration efforts have been focused primarily on the Khundii, Tsenkher Nomin and Ulaan licenses.

Period ended June 30, 2018	Khundii	Tsenkher Nomin	Zuun Mod	Ulaan & Other	Total
Exploration expenditures					
Drilling, trenching, sampling and assaying	899,496	17,755	715	43,894	961,860
License costs	5,223	-	70,074	2,051	77,348
Mining Studies and permitting	30,102	42,074	-	-	72,176
Exploration, camp and field	475,478	79,286	20,132	205,403	780,299
Stakeholder relations	51,135	51,135	-	-	102,270
Travel and other	48,169	18,570	-	9,568	76,307
Share-based compensation	-	-	-	345,844	345,844
Mongolian office costs	-	-	-	46,071	46,071
Total exploration expenditures	1,509,603	208,820	90,921	652,831	2,462,175
Capitalized expenditures	(1,509,603)	(208,820)	(70,074)	(663)	(1,789,160)
Expensed exploration costs 2018	-	-	20,847	652,168	673,015

E&E assets, April 1, 2018	\$ 8,337,490	\$ 2,168,774	\$ 796,575	\$ 958,384	\$ 12,261,223
Additions	1,509,603	208,820	70,074	663	1,789,160
Effect of movements in exchange rates	(48,373)	(16,453)	(5,914)	(9,209)	(79,949)
E&E assets, June 30, 2018	\$ 9,798,720	\$ 2,361,141	\$ 860,735	\$ 949,838	\$ 13,970,434

Period ended June 30, 2017	Khundii	Tsenkher Nomin	Zuun Mod	Ulaan & Other	Total
Exploration expenditures					
Drilling, trenching, sampling and assaying	2,235,743	245,266	658	-	2,481,667
License costs	5,464	-	74,062	375	79,901
Mining studies and permitting	70,454	53,058	-	-	123,512
Exploration, camp and field	601,413	99,100	13,310	148,353	862,176
Stakeholder relations	12,115	10,796	-	8,653	31,564
Travel and other	37,985	14,755	300	271	53,311
Share-based compensation	-	-	-	584,416	584,416
Mongolian office costs	-	-	-	64,474	64,474
Total exploration expenditures	2,963,174	422,975	88,330	806,542	4,281,021
Capitalized expenditures	(2,963,174)	(422,975)	(74,062)	(375)	(3,460,586)
Expensed exploration costs 2017	-	-	14,268	806,167	820,435

E&E assets, April 1, 2017	\$ 2,144,876	\$ 616,186	\$ 753,841	\$ 593	\$ 3,515,496
Additions	2,963,174	422,975	74,062	375	3,460,586
Effect of movements in exchange rates	(23,883)	(8,506)	(9,314)	(8)	(41,711)
E&E assets, June 30, 2017	\$ 5,084,167	\$ 1,030,655	\$ 818,589	\$ 960	\$ 6,934,371

Corporate and administrative expenses were \$791,439 for the three months ended June 30, 2018 compared to \$1,264,294 for the same period in 2017, a \$472,855 decrease (see table below). Administrative services have decreased by \$90,500 mainly due to reduced performance bonuses paid in 2018. Investor relations and marketing has decreased by \$42,200 year over year due to reduced marketing activity and fewer conferences attended in Q2 2018 versus Q2 2017. Non-cash share-based compensation has decreased year over year by \$359,600. The Corporation granted approximately 2.8 million options to certain directors, officers and employees of the Corporation in Q2 2018 (Q2 2017 – 2.6 million options). With the reduction in the share price since the 2017 grant, the calculated fair value of the 2018 options is lower than 2017.

	For the three months ended June 30,		
	2018	2017	Change
Administrative services	\$ 149,359	\$ 239,872	\$ (90,513)
Depreciation and amortization	1,554	1,665	(111)
Directors fees and expenses	51,107	43,729	7,378
Investor relations and marketing	24,978	67,199	(42,221)
Office and sundry	34,783	27,575	7,208
Professional fees	55,676	40,015	15,661
Regulatory compliance	26,481	30,587	(4,106)
Share-based compensation	430,823	790,456	(359,633)
Travel and accommodations	16,678	23,196	(6,518)
	\$ 791,439	\$ 1,264,294	\$ (472,855)

Six months ended June 30, 2018 and 2017

The tables below show exploration and evaluation costs for the six months ended June 30, 2018 and 2017, including those costs capitalized during the reporting periods. As explained in greater detail under “Project Summaries”, exploration efforts have been focused primarily on the Khundii, Tsenkher Nomin and Ulaan licenses.

Period ended June 30, 2018	Khundii	Tsenkher Nomin	Zuun Mod	Ulaan & Other	Total
Exploration expenditures					
Drilling, trenching, sampling and assaying	899,977	18,420	1,380	50,825	970,602
License costs	5,223	-	70,074	2,051	77,348
Mining Studies and permitting	62,362	60,760	-	-	123,122
Exploration, camp and field	760,686	151,604	29,568	301,199	1,243,057
Stakeholder relations	74,871	65,077	-	-	139,948
Travel and other	78,213	31,161	-	18,207	127,581
Share-based compensation	-	-	-	355,037	355,037
Mongolian office costs	-	-	-	143,386	143,386
Total exploration expenditures	1,881,332	327,022	101,022	870,705	3,180,081
Capitalized expenditures	(1,881,332)	(327,022)	(70,074)	(2,051)	(2,280,479)
Expensed exploration costs 2018	-	-	30,948	868,654	899,602
E&E assets, January 1, 2018	\$ 7,715,388	\$ 1,985,444	\$ 765,795	\$ 928,216	\$ 11,394,843
Additions	1,881,332	327,022	70,074	2,051	2,280,479
Effect of movements in exchange rates	202,000	48,675	24,866	19,571	295,112
E&E assets, June 30, 2018	\$ 9,798,720	\$ 2,361,141	\$ 860,735	\$ 949,838	\$ 13,970,434

Period ended June 30, 2017	Khundii	Tsenkher Nomin	Zuun Mod	Ulaan & Other	Total
Exploration expenditures					
Drilling, trenching, sampling and assaying	2,263,520	247,031	1,590	259	2,512,400
License costs	5,464	-	74,062	375	79,901
Mining Studies and permitting	95,250	53,058	-	-	148,308
Exploration, camp and field	841,045	144,269	26,280	220,055	1,231,649
Stakeholder relations	12,382	11,063	-	9,864	33,309
Travel and other	60,847	20,017	300	1,773	82,937
Share-based compensation	-	-	-	589,816	589,816
Mongolian office costs	-	-	-	121,040	121,040
Total exploration expenditures	3,278,508	475,438	102,232	943,182	4,799,360
Capitalized expenditures	(3,278,508)	(475,438)	(74,062)	(375)	(3,828,383)
Expensed exploration costs 2017	-	-	28,170	942,807	970,977

E&E assets, January 1, 2017	\$ 1,786,195	\$ 551,271	\$ 728,164	\$ 581	\$ 3,066,211
Additions	3,278,508	475,438	74,062	375	3,828,383
Effect of movements in exchange rates	19,464	3,946	16,363	4	39,777
E&E assets, June 30, 2017	\$ 5,084,167	\$ 1,030,655	\$ 818,589	\$ 960	\$ 6,934,371

Corporate and administrative expenses were \$1,278,047 for the six months ended June 30, 2018 compared to \$1,725,192 for the same period in 2017, a \$447,145 decrease (see table below). Administrative services have decreased by \$72,600 mainly due to reduced performance bonuses paid in 2018. Investor relations and marketing has decreased by \$100,500 year over year due to reduced marketing activity and fewer conferences attended in 2018 versus 2017. Non-cash share-based compensation has decreased year over year by \$280,644. The Corporation granted approximately 3.1 million options to certain directors, officers and employees of the Corporation in 2018 (2017 – 2.6 million options). With the reduction in the share price since the 2017 grant, the calculated fair value of the 2018 options is lower than 2017.

	For the six months ended June 30,		
	2018	2017	Change
Administrative services	\$ 270,652	\$ 343,274	\$ (72,622)
Depreciation and amortization	3,053	3,364	(311)
Directors fees and expenses	75,142	84,962	(9,820)
Investor relations and marketing	90,149	190,670	(100,521)
Office and sundry	64,166	57,637	6,529
Professional fees	117,978	74,238	43,740
Regulatory compliance	86,803	76,928	9,875
Share-based compensation	536,977	817,621	(280,644)
Travel and accommodations	33,127	76,498	(43,371)
	\$ 1,278,047	\$ 1,725,192	\$ (447,145)

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2018		Fiscal 2017				Fiscal 2016	
	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	\$1,439	\$702	\$649	\$713	\$2,069	\$596	\$492	\$73
Basic and diluted loss per share	\$0.01	\$0.00	\$0.00	\$0.01	\$0.02	\$0.00	\$0.00	\$0.00
Total Assets	\$19,500	\$14,879	\$14,946	\$15,592	\$16,730	\$17,208	\$4,293	\$3,872

For the six months ended June 30, 2018, the Corporation recognized a net loss of \$2,141,134, or \$0.01 per share, compared to a loss of \$2,664,797, or \$0.02 per share for the same period in 2017.

The Corporation's expenditures vary from quarter to quarter largely depending on the timing of its Mongolian exploration 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 \$3.95 million in working capital.

On June 8, 2018, the Corporation closed a non-brokered common share private placement for gross proceeds of \$4.12 million. On June 14, 2018, the Corporation closed a financing in connection with a secondary listing of its common shares on the Mongolian Stock Exchange (MSE) for gross proceeds of \$1.36 million.

On February 23, 2017, the Corporation closed a bought deal common share financing for gross proceeds to the Corporation of \$13.8 million. On March 20, 2017, the Corporation closed a non-brokered private placement with Teck for gross proceeds of \$500,000. (See Outstanding Share Data for complete details on all common share issuances).

Funds raised have been used to advance the Corporation's projects in Mongolia and cover overhead and administrative costs in support of those programs (see Project Summaries and Discussion of Operations).

Current working capital is expected to fund the Corporation's budgeted expenditures to the first quarter of 2019. The ability of the Corporation to continue with its exploration programs beyond this point is contingent upon securing additional funds through asset sales, formation of alliances, option, and/or joint venture agreements, equity financing and/or expenditure reductions. The timing and availability of additional equity financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs.

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

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

Outstanding Share Data

Issued and Outstanding Share Capital

On June 8, 2018, the Corporation closed a non-brokered common share private placement for gross proceeds of \$4.12 million. The Corporation issued an aggregate of 10,834,580 units at a price of \$0.38 per unit. Each unit consisted of one common share of the Corporation and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.60 for 30 months from the closing date. The Corporation paid finder's fees in the aggregate of \$182,400 and issued 480,000 finder's warrants in connection with the private placement. Each finder's warrant is exercisable into one common share of the corporation at \$0.60 per share, for a period of 30 months from the closing date and had a fair value on the grant date of \$1,357,750 (\$0.12 per warrant). All securities issued pursuant to the private placement are subject to a four-month hold period from the closing date.

On June 14, 2018, the Corporation closed a financing in connection with a secondary listing of its common shares on the Mongolian Stock Exchange (MSE) for gross proceeds of \$1.36 million. This makes the Corporation the first cross-listed company on the MSE. In this transaction, the Corporation issued 4,000,000 common shares at a price of \$0.34 per share. The Corporation paid a cash commission of 7% of the gross proceeds to the underwriters of \$95,200. The share issued under the Mongolia offering commenced trading on the MSE on June 19, 2018. Under current Mongolian regulations, the shares listed on the MSE may only be traded through facilities of the MSE until de-listed or until cross-border trades are permitted by Mongolian authorities. In addition, all shares issued pursuant to the Mongolia offering are subject to a four-month hold period in Canada from the closing date of the Mongolia Offering.

On February 23, 2017, the Corporation closed a bought deal common share financing for gross proceeds to the Corporation of \$13.8 million. The offering was led by Paradigm Capital Inc., with a syndicate including Canaccord Genuity Corp. (collectively, the "Underwriters"). The Corporation issued an aggregate of 17,922,077 common shares at a price of \$0.77 per share, including the full exercise of the Underwriters 15% over-allotment option. In consideration for their services, the Underwriters received a cash commission of \$828,000 representing 6% of the gross proceeds and 1,075,324 compensation options representing 6% of the shares issued pursuant to the offering. Each compensation option entitles the holder to purchase one share for \$1.20 per share until February 22, 2019.

On March 20, 2017, the Corporation closed a non-brokered private placement with Teck by issuing 543,478 shares at a price of \$0.92 per share for gross proceeds of \$500,000.

As of the date of this MD&A, the Corporation had 161,775,791 shares issued and outstanding.

Stock Options

For the six months ended June 30, 2018, the Corporation granted 3,060,000 options to certain officers, directors and employees of the Corporation.

During the six months ended June 30, 2018, the Corporation received \$174,250 on the exercise of 978,125 share purchase options at an average price of \$0.18 per share.

As of the date of this MD&A, the Corporation had 11,785,625 outstanding stock options with a weighted average exercise price of \$0.42, all of which are exercisable.

Compensation options

In addition to the Stock Options described above and in conjunction with the Paradigm Capital financing described in more detail under Issued and Outstanding Share Capital, the Corporation issued 1,075,324 compensation options. Each compensation option entitles the holder to purchase one share for \$1.20 per share until February 22, 2019 and had a fair value of \$322,597 (\$0.30 per compensation option).

As of the date of this MD&A, the Corporation had 1,075,324 outstanding compensation options with an exercise price of \$1.20, all of which are exercisable.

Deferred Stock Units

During the six months ended June 30, 2018, the Corporation granted certain officers, directors and employees of the Corporation an aggregate of 218,814 deferred stock units (“DSUs”) at a weighted average price of \$0.40.

As of the date of this MD&A, the Corporation had a balance of 3,629,000 deferred stock units DSUs outstanding which will be settled in shares.

Project Summaries

The Corporation’s gold projects are located in the Edren Terrane, part of the Central Asian Orogenic Belt, which is host to some of the world’s largest gold and copper-gold deposits. Although epithermal gold and porphyry copper-gold deposits are well documented across the border in China and along the westward trend, limited exploration has taken place in southwest Mongolia due to its isolation, both geographically and politically, until the mid-1990’s. Exploration since that time in southeast Mongolia has resulted in the discovery of the world-class Oyu Tolgoi gold-copper deposit containing over 60 million ounces of gold. However, systematic regional exploration in the southwest part of Mongolia has been largely absent with the exception of the work undertaken by Erdene over the past decade. This work has resulted in the discovery of a new gold district (the “Khundii District”) comprised of multiple gold and copper occurrences, including the discoveries at Bayan Khundii, Altan Nar, and Altan Arrow projects, over an approximately 25 kilometre trend. The Khundii District, although still in its infancy in regards to modern exploration, is now known to host the full spectrum of arc-related base and precious metal systems, including copper-gold porphyries, intermediate sulphidation / carbonate base metal gold deposits, and low sulphidation epithermal gold and gold-silver systems.

The following is a summary of the exploration programs carried out on the Corporation’s properties in this region.

Bayan Khundii Gold Project

The Bayan Khundii (“Rich Valley”) gold project is located on Erdene’s 100%-owned, 4,514 hectare, Khundii exploration license in southwest Mongolia, 16 kilometres south of the Corporation’s Altan Nar gold-polymetallic project. The 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.

Discovery and Deposit Style

Bayan Khundii is a low-sulphidation epithermal gold system that was discovered by Erdene in Q2 2015 during a regional reconnaissance program, where 20% of the initial rock chip/grab samples returned values in excess of 3.0 g/t gold (up to 4,380 g/t gold), at areas now known as the Striker Zone and Gold Hill Zone. To date, the Corporation has identified gold mineralization in six separate prospect areas (Striker, Midfield, North Midfield, Gold Hill, West Striker and Northeast zones) over a 1.3 kilometre area that is locally up to 400 metres wide, and remains open to the north, west, and east. In regards to depth potential, the 2200 g/t gold intersection announced by the Corporation in Q1 2018 was the deepest ultra-high grade zone intersected to date and recent drilling in the newly defined Striker West area also provided high grades at previously unseen depths within altered host rock that remains open at depth. Additionally, the areas tested at the furthest northeast extent of the Bayan Khundii system have also displayed intense alteration and mineralization at depths that remain open in the preferred host rock. The deposit is characterized by

structurally-controlled, high-grade gold veins hosted within intensely silicified and illite-altered Devonian volcanic units that contain low to moderate gold grades, locally over very wide intervals that are overlain in part by younger, post-mineralization Cretaceous and Quaternary units.

Bayan Khundii has similarities to other global low-sulphidation deposits including Ishikari (Japan), Kupol (Russia) and Round Mountain (USA).

Drilling Summary

Since drilling the first hole in Q4 2015 to the recently announced results from the Q2 2018 drill program, the Corporation has completed 255 diamond drill holes (45 to 90 degree angles) at Bayan Khundii totaling 42,656 metres, with the majority of holes intersecting anomalous gold mineralization, and close to 20% of these holes intersecting greater than one ounce of gold per tonne over 1 metre intervals.

Striker Zone

The first drill hole at Bayan Khundii was completed at the Striker Zone in Q4 2015 (BKD-01: 7 metres of 27.5 g/t gold at 14 metres depth; northern Striker Zone), and since that time, the Striker Zone has received more than 60 drill holes with approximately 70% intersecting intervals of greater than 10 g/t gold, indicative of the high-grade nature of the Bayan Khundii mineralization. The Corporation has identified very good continuity of multiple, near-surface, high-grade gold zones, including both very high concentrations of gold (e.g. 306 g/t gold over 1 metre; hole BKD-77), wide intervals of high-grade gold (e.g. 5.3 g/t gold over 63 metres; hole BKD-17), and broad, lower grade intervals surrounding the high-grade mineralization (ex. 1.2 g/t gold over 112 metres; hole BKD-51).

West Striker Zone

The Corporation has completed a total of 27 holes in the area west of the Striker Zone at 20 to 80 metres spacing, over a 375 by 250 metre area. The depth of drilling has ranged from 97 to 340 metres vertical depth, with an average of 223 metres. Of the 27 holes, 26 have intersected anomalous gold mineralization, with 13 returning high-grade intervals of greater than 10 g/t gold. In Q4 2017, the Corporation announced results for three holes (BKD-219 to 221), including the highest-grade intersection to date within this zone, with 116 g/t gold over 1-metre within 15 metres averaging 9.2 g/t gold in hole BKD-220, located 250 metres west of the Striker zone. These results further establish the potential that exists at West Striker to identify additional significant high-grade zones.

Striker-Midfield connection

In Q2 2017, the Corporation completed several holes at 40-metre centres along the northern end of Striker to test between the very high-grade Striker and Midfield Zones. Additional drilling in Q3/Q4 2017, including the extension of several previous holes, confirmed the continuity of mineralization between Striker and Midfield zones, including a 128 metre wide zone of mineralization in BKD-194 that averaged 1.1 g/t gold, including a 22 metre wide interval that averaged 3.3 g/t gold. This recent drilling has begun to define a new near-surface, high-grade zone between Striker and Midfield. Hole BKD-222, announced in Q4 2017, intersected 23 metres of 6.7 g/t gold with individual 1 metre samples up to 139 g/t gold within 50 metres of surface. Two earlier holes, north and south of this intersection (BKD-153 and BKD-86), returned individual samples of 94.8 g/t gold and 31.4 g/t gold, respectively, within wider mineralized intervals, again within 50 metres of surface. Prior to the 2017 exploration season, limited drilling had taken place in a 200-metre wide zone separating Striker from Midfield.

Midfield Zone

Recent drilling within the Midfield Zone has extended the area of gold mineralization down dip to the south and strengthened the continuity of the high gold grades reported previously in the central Midfield area. Recent results include: 80 metres of 6.0 g/t gold at 42 metres depth, including 8 metres of 51 g/t gold (hole BKD-98); 56 metres of 6.1 g/t gold (BKD-99); 17 metres of 8.2 g/t gold within 131 metres of 1.8 g/t gold (BKD-150); and 143 metres of 2.6 g/t gold, including 7 metres of 34.4 g/t gold (BKD-244). The results

support the observation that this area contains some of the most intense hydrothermal activity and the most pervasive gold mineralization at Bayan Khundii.

In Q4 2017, the Corporation intersected a new extension to the east of Midfield. While most of the drilling in Midfield has focused on pushing the northern limits of the gold mineralized zone, hole BKD-210, located 80 metres east of Midfield's eastern boundary, returned 43 metres of 1.8 g/t gold and included gold values up to 44.8 g/t, establishing a new eastern extension to the Midfield Zone that justifies further follow-up drilling.

North Midfield Zone

Since 2017 the Corporation has completed a series of 20 to 80 metre spaced holes north of the Midfield Zone. The majority of these holes intersected the gold-bearing host silicified and illite-altered Devonian volcanic units, extending mineralization for up to 280 metres north of Midfield Zone, doubling the length of the known mineralized trend under younger, post-mineralization cover. Results have included: 108 metres of 2.8 g/t gold, including 20 metres of 7.2 g/t gold (BKD-110); 55 metres of 2.9 g/t gold, including 25 metres of 5.3 g/t gold (BKD-111); 60 metres of 1.5 g/t gold including 18 metres of 3.0 g/t gold (BKD-140); and 72 metres of 1.6 g/t gold, including 19 metres of 4.6 g/t gold (BKD-178); 40 metres of 3.3 g/t gold including 9 metres of 12.5 g/t gold (BKD-179); 39 metres of 2.1 g/t gold, including 9 metres of 8.2 g/t gold (BKD-182); and 93 metres of 1.5 g/t gold including 3 metres of 8.2 g/t gold (BKD-228).

In Q1 2018, the Corporation announced results for two holes (BKD-231 and BKD-232) completed in the North Midfield Zone that tested the down-dip extension of previously intersected high-grade gold intervals in this area.

Hole BKD-231 intersected the highest gold grade at Bayan Khundii to date, with one metre of 2,200 g/t gold (including 948 g/t silver) within a 14 metre interval of 158 g/t gold at 140 metres vertical depth. The mineralization was hosted by multi-phase quartz-adularia-chalcedony-specularite veins and hematite breccia with abundant fine-grained visible gold. The 14 metre interval is enveloped by a 112 metre wide interval of gold mineralization starting at 118 metres depth, ranging from 0.1 to 2.8 g/t gold. This high-grade intersection confirms strong continuity down-dip from earlier holes, including BKD-110, 30 metres north, which intersected 1 metre of 115 g/t gold and 1 metre of 108 g/t gold, and BKD-111, 30 metres northwest, which intersected 1 metre of 44 g/t gold and 1 metre of 33 g/t gold. The discovery of this high-grade vein represents an important new structural target area that will require additional, closer-spaced drilling in 2018.

Hole BKD-232 was completed approximately 65 metres north of BKD-231 and 100 metres north of the Midfield Zone, within an area that previously had 80-metre hole spacing and relatively lower grade results. This hole returned 22 metres of 8.3 g/t gold, and included multiple zones grading over 10 g/t gold. The top of the mineralized interval was intersected at 90.5 metres depth (74 metres vertical depth).

2018 Drilling Update for North Midfield Zone

On May 8, 2018 the Corporation announced initial results from its Q2-2018 drill program, which commenced on April 11, 2018. The results were for the first six holes (BKD-235 to BKD-240), totalling 1,423 metres, which were completed at the North Midfield Zone and were designed to test high-priority structural targets and to test continuity and potential extensions of the high-grade mineralization in this area. Hole BKD-236 was also drilled to test the interpreted controlling structure on the western boundary of the gold mineralization and a sub-set of gold-bearing, north-south trending veins, approximately perpendicular to the main trend of mineralization (azimuth of 108 degrees). Holes BKD-239 and BKD-240 were step-out holes, located near previously completed hole BKD-232 (Q1-2018) that returned 36.6 metres of 5.6 g/t gold.

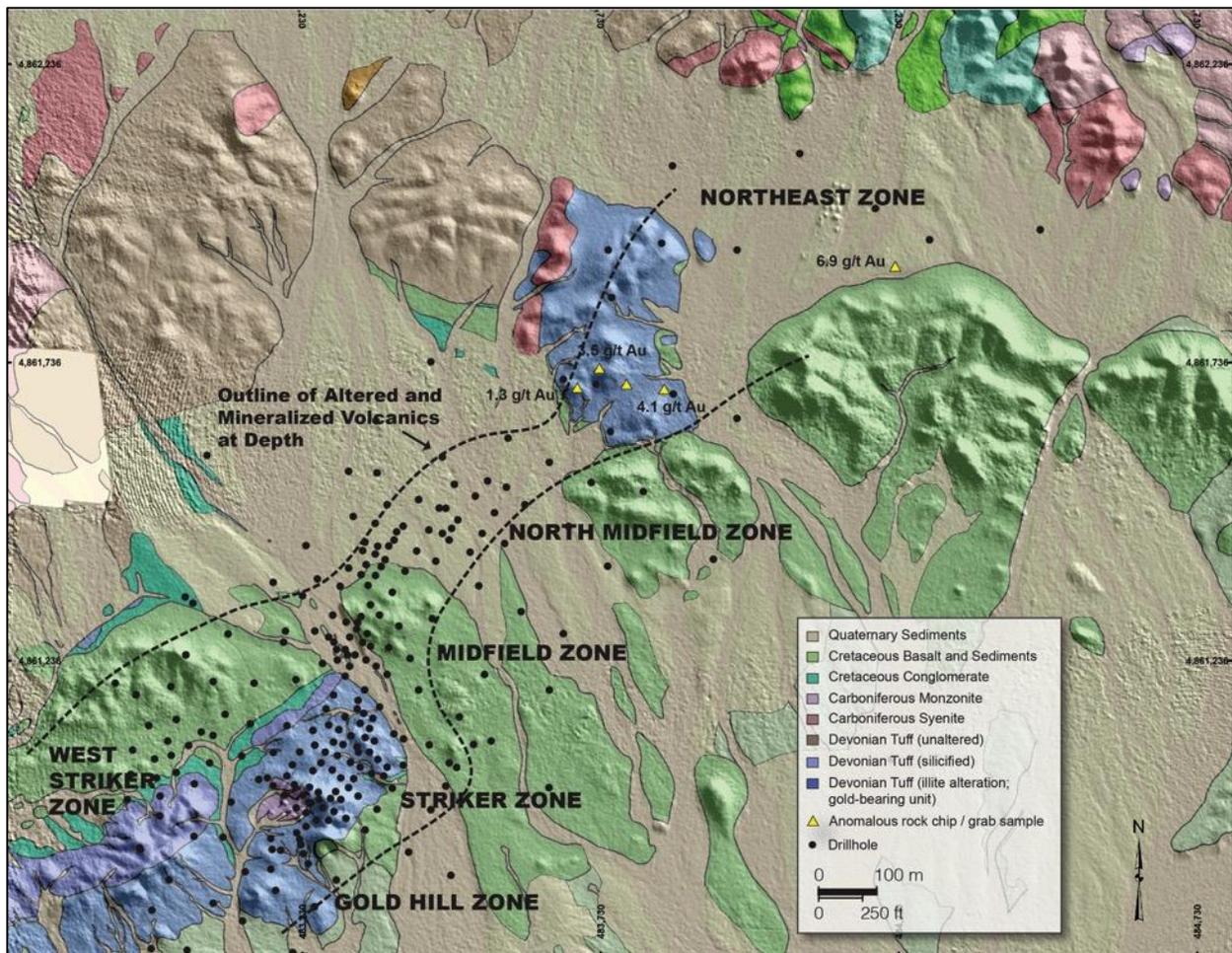
The results from this initial drilling confirmed strong continuity within the North Midfield high-grade zone, with all six holes intersecting visible gold mineralization and assays ranging from 22 to 169 g/t gold. Very high grade assay results were encountered in the core of the North Midfield Zone, with hole BKD-238 returning 18 metres of 21.6 g/t gold, including 2 metres of 169 g/t gold.

All holes intersected broad gold mineralized zones enveloping the high-grade cores, ranging from 16 metres to 102 metres of greater than 1 g/t gold. In addition, drilling provided evidence of gold-bearing feeder zones, with multi-stage quartz-chalcedony veins and breccias being intersected in holes BKD-236 and BKD-237.

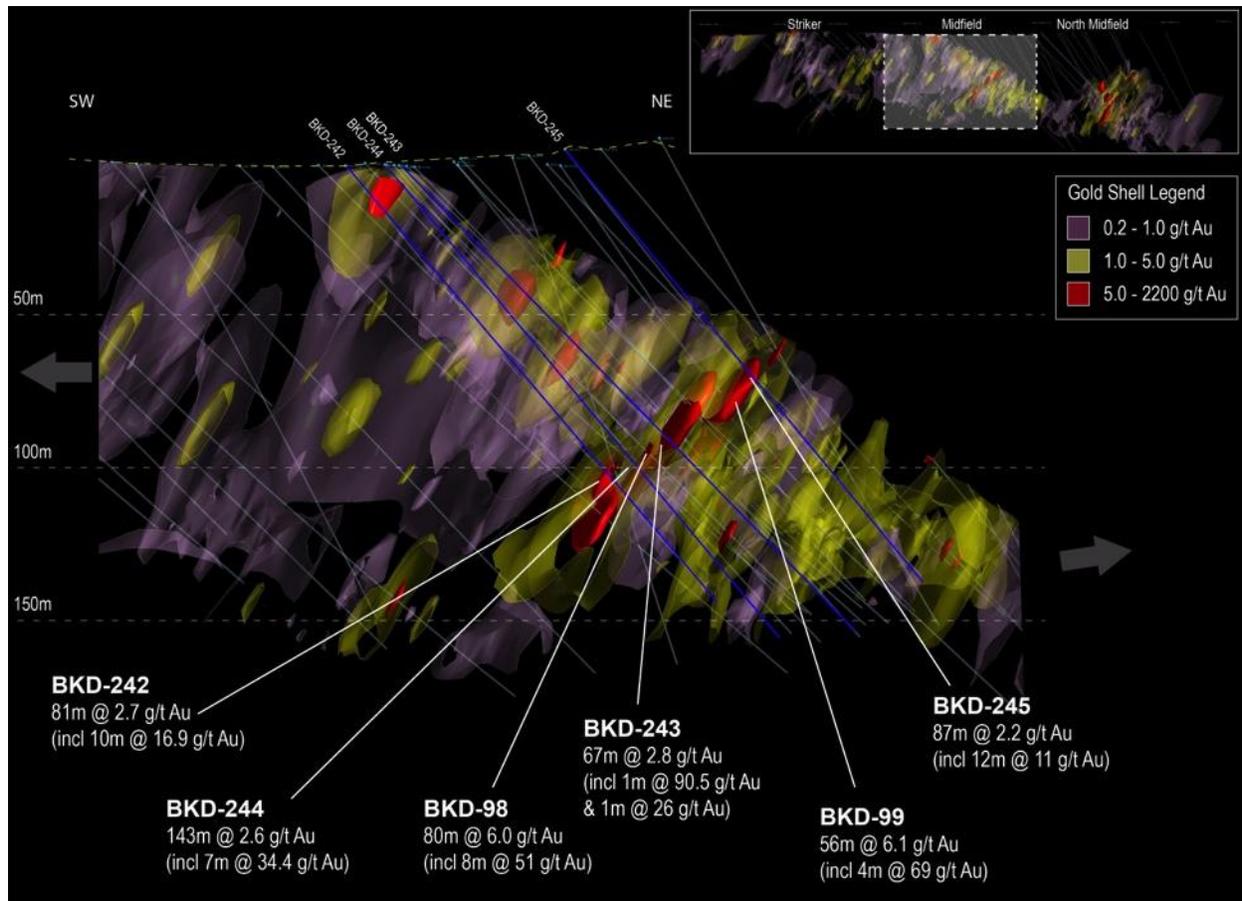
Northeast Zone

The Corporation has completed eight holes in the Northeast Zone over a 600 metre by 400 metre area. Hole BKD-122, on the southern boundary of the Northeast Zone (500 metres northeast of Midfield), returned 14 metres of 0.75 g/t gold from surface, including 2 metres of 4.4 g/t gold, and 21 metres of 0.72 g/t gold at 65 metres depth. Two rock chip samples collected 600 metres northeast of hole BKD-122 returned gold assay values of 6.9 g/t and 0.4 g/t gold.

Bayan Khundii Plan Map and Cross-Section



Bayan Khundii Cross-Section – Looking Northwest Through Midfield Zone



Geology

Bayan Khundii is located in the Edren Terrane of southwest Mongolia, within the Central Asian Orogenic Belt that extends from Uzbekistan in the west through Tajikistan, Kyrgyzstan, into northwestern China and southern Mongolia. The belt is host to numerous world-class deposits, including Rio Tinto's Oyu Tolgoi copper-gold mine in southeast Mongolia, and Centerra Gold's Kumtor gold mine in Kyrgyzstan.

Bayan Khundii is interpreted as a low sulfidation epithermal gold system hosted within a package of Devonian pyroclastic units. The Devonian host rocks are only observed at surface in two erosional windows through the overlying Cretaceous and Quaternary units. These exposed areas, which include the Striker and Gold Hill Zones to the south and an area referred to as the Northeast Zone, comprise approximately 20% of the total target area. The two exposures are approximately 600 metres apart. All of the primary tuffaceous lithologies at Bayan Khundii have been pervasively altered by multi-stage, locally intense, silica and illite alteration. Geological, structural, petrographic, clay spectral and fluid inclusion investigations have been completed and support the low sulphidation epithermal interpretation for the mineralization. The gold mineralization in the host tuffs is associated with quartz ± adularia veins, quartz breccias, within hematite-specularite veins and fractures including along margins (alteration selvages) of quartz veins and disseminated within the altered host rocks, often, but not always, associated with disseminated hematite-specularite mineralization. Visible gold has been identified in several drill holes as irregular-shaped grains and is generally observed to be fine grained. With the exception of very minor finely disseminated pyrite in a few drill holes, and pyrite-rich zones within a few drill holes including BKD-32 located northwest of the Striker Zone, Bayan Khundii is mostly devoid of sulphide minerals.

Independent Consultants

As part of the Corporation's 2017 exploration program, it commissioned several independent studies at Bayan Khundii, including hyperspectral analysis of core and surface samples, evaluation by an expert in epithermal gold systems, geophysical interpretation, structural analysis, development of a 3-D model, and through this combined evaluation, examined the ideal approach to drilling in regards to both explorations targeting and eventual resource categorization. Studies included:

- Dr. Jeffrey Hedenquist, an Ottawa-based, independent consultant and one of the world's leading experts on epithermal gold systems who visited Bayan Khundii in 2016, re-visited the project with the objective of reviewing results from Q3-Q4 2016 and Q2 2017 drilling to assist with on-going geological interpretation and drill targeting efforts;
- Dr. Armelle Kloppenburg, a Netherlands-based independent consultant with structural geological expertise, visited the Bayan Khundii, Altan Nar and Altan Arrow projects in Q3 2017 to complete a comprehensive structural interpretation of the Khundii District and assist in drill targeting of high grade zones. Dr. Kloppenburg's work has provided a greater understanding of controls on gold mineralization at the Corporation's projects, including Bayan Khundii, and improved targeting of ultra high-grade zones and district-scale targets;
- Ms. Khashagerel Bat-Erdene and Mr. Imants Kavalieris of Plus Minerals LLC, who specialize in alteration studies of epithermal and porphyry systems, completed evaluations of drill core from Q3-Q4 2016 and Q2 2017 programs to identify alteration zonation within the hydrothermal systems to assist with future drill targeting;
- Mr. Anthony Coote, of Applied Petrologic Services & Research in New Zealand, completed petrographic analysis on drill core samples from Bayan Khundii to help interpret the hydrothermal environment and controls on the distribution of gold mineralogy and overall deposit paragenesis;
- Terrane Geoscience Inc. completed a 3-D model of the multiple mineralized zones to assist with drill targeting. The model incorporated all geological, drilling, structural, spectral, geochemical and geophysical data;
- Mr. Chet Lide of Zonge International completed data processing and quality control analysis of all magnetic and induced polarization (IP) data; and
- RungePincockMinarco Limited provided an independent review of all results to date to recommend optimal drill hole spacing in advance of resource definition drilling.

Geophysics

Between Q4 2015 and Q3 2017, the Corporation completed extensive geophysical programs over the 1.8 by 2.0 kilometre Bayan Khundii target area, consisting of gradient IP (covering a 2 x 2 kilometre area at 100 metre line spacing), dipole-dipole (29.4 line kilometres at 100 metre line spacing using 50 metre dipole spacing), and ground magnetics (20 metre spaced lines over 2.05 by 1.8 kilometre area). Previous mapping and geophysical surveys support the extension of the zones of intense alteration, and presumably mineralization, both to the south, and to the north, northeast and east from the Striker and Midfield zones under Cretaceous cover.

A strong positive resistivity anomaly (>1,000 ohm metres) in the gradient array data corresponds very closely to the exposed, intensely silicified and illite-altered volcanic rocks and is thought to mostly reflect intense silicification. The observed resistivity high response in the gradient array data extends for several hundred metres to the east, in an area mapped as unaltered basalt, indicating the alteration zone extends beneath the volcanic cover, as also suggested by magnetic data and confirmed by drilling. The dipole-dipole data provide additional insight into the probable extensions of the highly resistive alteration beneath both the younger Cretaceous units to the south and to the north. The combined gradient and dipole-dipole

surveys suggest that the silicified zone is located at the apex of broad IP anomaly that extends to the north and east under younger cover, at relatively shallow depths (<100 metres) and to the south under Cretaceous sediments and volcanics. Drilling in Q2-Q3 2017 revealed that some of the IP resistivity high dipole-dipole responses also correspond to post-mineral syenite intrusions.

The magnetic data also provide insight into the geology of Bayan Khundii. The analytical signal of the total magnetic field provides the magnetic response for near-surface rock units and outlines the distribution of both altered lithologies at the Southwest and Northeast prospects with low magnetic response presumably reflecting magnetite destruction within zones of quartz/illite alteration and unaltered basalt to the north and east. Broad areas of low magnetic response to the north of Midfield-Striker and east of Northeast Zones are interpreted as either areas with intense magnetite destruction, presumably from widespread alteration, or post-mineral syenite intrusions below surface Cretaceous rocks. Recent drilling has confirmed the presence of both rock types with these magnetic low response areas. Areas with moderate magnetic response near Striker and Gold Hill zones, and in the Northeast Zone, are interpreted as reflecting magnetite-bearing post-mineral monzonite intrusions.

Metallurgy

A metallurgical testing program designed to provide an initial scoping level characterization of both gravity and cyanide leach recovery techniques was completed by Blue Coast Research Ltd. ("BCR") of Parksville, British Columbia for two composite samples from the initial drill program (15 holes drilled within 50 metres of surface) at Bayan Khundii (high-grade, 24.9 g/t gold head-grade, and low-grade, 0.7 g/t gold head-grade, samples). The high-grade composite had a high response to gravity separation, with recoveries of 71% for gold, which is considered to be good gravity amenability. The gravity gold response curve indicates a large portion of the gravity-recoverable gold is present in the finer size fractions. The high-grade gravity concentrate represented 1.2% of the original sample mass and contained 1381 g/t gold and 200 g/t silver. The low-grade composite sample displayed a low to average gravity response for gold.

Standard bottle roll tests were completed on the gravity tails of each composite, with very high gold recoveries noted in both the high-grade and low-grade composites (95% and 86% Au recoveries respectively). A combined flowsheet employing both gravity concentration and cyanidation of the gravity tails yields very good overall gold recoveries for both the high-grade (99%) and low-grade (92%) composites.

These results suggest that gold from Bayan Khundii is free milling and amenable to conventional processing techniques.

The Corporation initiated a second phase of metallurgical work in Q2 2017, including variability testing of composites, grindability testing and heap leach amenability. Metallurgical results from two master composites indicate the gold from Bayan Khundii is free milling and amenable to conventional processing techniques. BK-16-03 (4.3 g/t gold): Gold recovery after 48-hours from composite BK-16-03 was 96% whereas the 96-hour gold recovery was 97% with a grind size of 80% passing 60 micron, with 40% solids and 1.0 g/L NaCN. Composite sample BK-16-04, which had a 4.47 g/t gold head grade, received full optimization test work, including variation on grind size, residence time, and sodium cyanide dosage (consumption) as well as assessing the impact on overall recoveries when initial gravity recovery was applied. Gold recoveries, using a target grind size of 80% passing 60 micron, ranged from 91% to 93.4% after 48-hours with overall gold recovery of 95% after 96-hours. A single cyanidation test was completed on sample BK-16-01 as a 96-hour leach test with a grind size of 80% passing 170 micron, 40% solids and 1.0 g/L NaCN. Gold recovery after 48-hours was 94% whereas the 96-hour gold recovery was 95%, indicating a 48-hour period will recover most of the available gold. It is notable that this test was done at a grind coarser grind size than master composite BK-16-03 but had comparable recovery of gold indicating additional tests are required to determine optimal grind size.

Grindability studies reported a Bond Rod Mill Work Index of 17.8 kWh/tonne and a Bond Ball Mill Work Index of 16.1 kWh/tonne. Phase II testing, focused on material in the 1.5 to 3.0 g/t range, will continue through 2018.

De-Risking the Project and Preparing the Path to Development

A series of studies have been undertaken and many completed to support the permitting process and economic studies for both the Bayan Khundii and Altan Nar gold projects.

Baseline Studies

In May 2016, paleontological and archaeological surveys were conducted by the Mongolian Academy of Science and Mongolian National University respectively on both the Tsenkher Nomin (Altan Nar) and Khundii (Bayan Khundii, Altan Arrow) license areas. The surveys examined the area for potential paleontological and archaeological relics. In the official survey reports, no paleontological or archaeological findings were identified by the independent experts, citing the scarcity of surface water and lack of historical grazing in the area as detriments to historical human habitation.

Environmental and social baseline data collection for the Altan Nar and Bayan-Khundii project began in May 2016. EcoTrade LLC, a specialized Mongolian contractor permitted to undertake environmental impact assessments of mining projects, compiled field-based and secondary source information. Baseline data covers the key areas of land use conditions, air quality, flora and fauna, water, cultural heritage, and socio-economic conditions. Based on the initial data collection, the Corporation contracted additional baseline survey work through EcoTrade starting in July 2017 to deepen its understanding around water, biodiversity and land use conditions. The Corporation will work with its contractor to update the baseline survey to fulfill Mongolian regulatory requirements for registering mineral resources at Altan Nar and Bayan Khundii. The current work underway will also result in a complete land condition audit report, required by the Government of Mongolia before mine development. Moving forward, the Corporation plans to initiate a gap analysis of baseline data with a view to working towards compliance with international performance standards for managing the potential environmental and social impacts of future mine development and operation at Altan Nar and Bayan Khundii.

Energy

Mongolia, including the Oyu Tolgoi copper-gold processing operation, is dependent on its neighboring countries for peak and base load electricity supply. The Corporation has initiated an assessment of the viability of procuring electricity from the Central Energy System through a dedicated, new grid connection. The grid viability assessment is designed to inform future mine planning and enable the Corporation to benefit from early integration of optimal energy supply solutions.

Through an initiative of the International Finance Corporation, the Corporation agreed to participate and co-finance the study of renewable energy supply options at Altan Nar and Bayan Khundii projects. The renewable energy study is expected to result in a preliminary, site-specific business case for renewable energy as well as the potential co-benefits of integrating renewables into a future mine in terms of supporting the country's pledges towards the Sustainable Development Goals.

HSEC (Community)

The Corporation's licenses continue to be in good standing for environmental management with the relevant Mongolian authorities.

There have been zero reported fatalities and lost-time injuries this quarter from the Corporation's personnel and contractors.

The Corporation continued to advance its local stakeholder engagement through both formal regulatory channels, such as local environmental inspection, as well as ongoing dialogue with a range of individuals.

In 2017, the Corporation has approved contributions for over ten different initiatives at the county and province levels focused on improving local livelihoods, basic education and public health. In accordance with Mongolian legislative requirements for minerals license holders, the Corporation finalized and executed a cooperation agreement with Bayankhongor province that establishes a framework for community participation and information sharing around the Corporation's exploration activities and voluntary contributions for community development.

Hydrogeology

Regarding future sources of water for mine and process usage, the location of both the Bayan Khundii and Altan Nar projects in the northwest corner of the Gobi Desert and the southwest extent of several large basins draining the Altai mountain system, provides potential for deep aquifers. A water resource capable of supporting a >50,000 tonne per day flotation processing operation was previously identified by the Corporation approximately 70 km to the northeast of Bayan Khundii for the Zuun Mod molybdenum-copper project. In 2017, the Corporation, through a Mongolian hydrogeological consulting company, carried out a water exploration program in two basins in the vicinity of the Bayan Khundii and Altan Nar projects. This work included the collection of geophysical data (VES and TEM) used to identify possible exploration targets as well as a series of widely spaced drill holes. The Corporation was successful in identifying a preliminary (or inferred) water resource approximately 15 km from Altan Nar and 32 km from Bayan Khundii. A potential groundwater source with a 57 liters/second supply potential was approved by Mongolia's Ministry of Environment and Tourism in late December 2017. This newly identified water resource is believed to be sufficient to meet the processing needs of both projects.

Work will be required in 2018-19 to better define the water resource and secure extraction permits and the impact of any surface water on the open pit mining developments. Recognizing the importance of water to the local communities of Mongolia's Gobi, the Corporation has become a signatory to the International Finance Corporation's Voluntary Code of Practice on Water Resource Management and regularly works to support local herder well rehabilitation and improvement in proximity to project sites. In addition, the Corporation carries out research and development of new water sources with local provinces.

Engineering/Geotechnical

Erdene has engaged with several consulting firms in preparation for an anticipated resource estimate and preliminary economic studies, mining license application, and geological modeling and targeting for the Bayan Khundii project.

Conclusion

The Corporation has successfully established a gold mineralized body spread over a 1.4 kilometre long trend that is locally up to 400 metre wide and up to 250 metres deep. This area is characterized by a multitude of gold-bearing veins and shoots of very high gold grades (greater than 30 g/t gold), locally exposed at surface, with good continuity. These high-grade zones are enveloped in a halo of low to moderate gold grades with widths often in the 10's of metres. Management believes these characteristics result in a significant open pit target with comparatively very high grades relative to industry averages for open pit developments. The Corporation's near-term objective at Bayan Khundii is to establish a maiden resource estimate in Q3 2018, to compliment the recently updated resource estimate for its neighboring Altan Nar gold deposit.

Data verification and exploration information for the Bayan Khundii section can be found in the following documents filed by the Corporation on Sedar:

- Technical report dated March 26, 2018, entitled “Bayan Khundii Gold Project (Khundii Exploration License), Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Technical Report”. Note that there is no resource estimate included in the report, which was prepared by the Corporation in support of disclosure to be used within its Annual Information Form.
- Press Release dated September 12, 2017, “Erdene Continues to Define New Zone North of Midfield; Intersects 120 Metres of 1.14 g/t Gold Including 3 Metres of 33 g/t Gold at Bayan Khundii Gold Project”
- Press Release dated September 14, 2017, “Erdene Receives Positive Metallurgical Results for its Bayan Khundii Gold Project”
- Press Release dated October 31, 2017, “Erdene Expands Bayan Khundii Mineralization with 43m of 1.8 g/t Gold East of Midfield, including 1m of 45 g/t Gold, and 20m of 2.8 g/t Gold West of Striker, Including 1m of 51 g/t Gold”
- Press Release dated December 6, 2017, “Erdene Intersects 61 Metres of 4.2 g/t Gold at Striker Zone and 15 Metres of 9.2 g/t Gold in Step-Out Hole, 250 Metres West of Striker at Bayan Khundii Gold Project”
- Press Release dated January 10, 2018, “Erdene Drilling Intersects Multiple High-Grade Gold Zones Including Highest Grade Result to Date With 2,200 g/t Gold Over 1 Metre at Bayan Khundii Gold Project”
- Press release dated May 8, 2018, “Erdene Establishes Strong Continuity of High-Grade Zones, Including 18 Metres of 21.6 g/t Gold at Bayan Khundii Gold Project”
- Press release dated June 14, 2018, “Erdene Intersects Multiple Wide, High-Grade Gold Intervals at Bayan Khundii, Including 143 Metres of 2.6 g/t Gold with 4 metres of 57 g/t Gold”
- Press release dated June 14, 2018, “Erdene Continues to Define Northern Extension at Bayan Khundii Gold Project With 81 Metres of 2.6 g/t Gold Including 17 Metres of 9.2 g/t Gold”

Altan Nar Gold-Polymetallic Project

The Altan Nar (“Golden Sun”) project is located on the Corporation’s Tsenkher Nomin exploration license in southwest Mongolia, 16 kilometres northwest of Bayan Khundii. 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. The 4,669 hectare Tsenkher Nomin license is 100% owned by Erdene.

Summary

Exploration carried out by Erdene over the past six years has established Altan Nar as a significant new epithermal gold-silver-lead-zinc mineralized system. Exploration, specifically the 2013 through 2016 programs, which included geological mapping, geochemical and geophysical survey programs, and a multi-stage scout and resource delineation drilling program, has greatly expanded the areas of known mineralization, with 18 mineralized gold-silver-base metal target areas identified within a 5.6 by 1.5 kilometre mineralized corridor. Two of the early discoveries, the Discovery Zone (“DZ”) and Union North (“UN”), are the most advanced targets, hosting wide zones of high-grade, near-surface mineralization, and were the focus of an initial NI 43-101 resource estimate released by Erdene in Q1 2015 and an updated resource estimate announced on May 10, 2018 (see below for details). The remaining 16 targets are either undrilled or scout-drilled and are considered by Erdene to have good potential for hosting additional high-grade mineralized zones.

The Corporation completed 5,744 metres of drilling at Altan Nar in 2017, and as outlined below, the drill programs were successful in testing and identifying new targets and completing step-out drilling in areas adjacent to the Discovery Zone and Union North deposits, where Erdene previously reported a NI 43-101 mineral resource estimate. Of particular focus was the establishment of continuity in a newly discovered high-grade core in the central Discovery Zone where drilling has recently returned up to 20 metres of 10.3 g/t gold (TND-110), announced in Q4 2017.

Discovery and Deposit Style

Altan Nar was discovered by the Corporation in Q3 2011 during a regional reconnaissance sampling and mapping program. The project is interpreted as an intermediate sulfidation, carbonate base-metal gold system, a style of deposit which has close magmatic relationships, often being base metal rich and locally associated with porphyry deposits. This style of gold mineralization represents one of the most prolific styles of gold mineralization in the southeast Asia region and includes the Kelian mine in Indonesia (now closed but formerly operated by Rio Tinto) and Porgera gold mine Papua New Guinea (operated by Barrick Gold Corporation), and elsewhere in the world, Fruta del Norte in Ecuador, (operated by Lundin Gold), Cripple Creek & Victor Gold Mine in Colorado (operated by AngloGold Ashanti), Rosia Montana in Romania (operated by Rosia Montana Gold Corporation) and in Mexico five of the world's top silver-producing mines including Penasquito (operated by Goldcorp Inc.). This type of deposit is often associated with breccia pipes (diatremes) and can extend vertically for greater than 1 kilometre. The Kelian open pit, for example, was developed to a depth of 500 metres.

Drilling Summary – Discovery Zone

Drilling to date at the Discovery Zone (“DZ”) has identified a minimum strike length of 500 metres. The majority of drilling to date has consisted of shallow drill holes (i.e. <150 metre true vertical depth), on 20 to 100 metre spacing along strike, that has demonstrated vertical and lateral continuity of gold, silver, lead and zinc mineralization. Mineralization is structurally controlled, north-northeast trending, and associated with epithermal breccia zones that are steeply dipping to sub-vertical.

Over the past 10 months the Corporation has identified a previously un-tested high-grade core in the central portion of the DZ that remains open at depth. The new discovery is located at the intersection of major structures and provides strong support for additional drilling at DZ, and throughout the larger 5.6 kilometre long Altan Nar trend. The discovery was made subsequent to the establishment of a NI 43-101 mineral resource for the DZ that was based on pre-2015, near-surface drilling (less than 150 metres depth), which included a low-grade central core. The table below displays results from the most recent drilling, completed in Q4 2016, Q2 2017 and Q3 2017.

Hole No.	Date Reported	Intersection Depth (m)	Interval (m) ⁽¹⁾	Gold (g/t)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)	Gold Equiv. (g/t) ⁽²⁾
TND-90	Oct-15-2015	92 m	5.8 m	5.4	53.1	0.03	0.51	0.97	7.0
TND-101 ⁽³⁾	Dec-19-2016	96 m	15 m	52.3	125	0.69	2.49	2.87	56.9
TND-104	May-20-2017	133 m	8 m	6.21	91.6	0.04	1.15	1.29	8.84
TND-105	May-20-2017	100 m	14 m	7.92	43.7	0.23	0.67	1.16	9.52
TND-110	Oct-10-2017	97 m	20 m	10.3	37.5	0.13	0.79	0.93	11.8

(1) Reported intervals are not true width. At this time, there is insufficient data with respect to the shape of the mineralized zones to calculate true orientations in space.

(2) Gold equivalent (“AuEq”) has been used to express the combined value of gold, silver, lead and zinc as a percentage of gold, and is provided for illustrative purposes only. No allowances have been made for recovery losses that may occur should mining eventually result. Calculations use metal prices of US \$1200/oz gold, \$18/oz silver, and \$0.90/lb for lead and zinc.

(3) Hole TND-101 was an exploratory hole drilled a low, oblique angle to the mineralized Discovery Zone trend, and was oriented perpendicular to a cross-cutting structure observed in geophysical surveys. See Erdene's Dec 19, 2016 news release for additional technical information on TND-101 ([click here](#)).

Outside of the central DZ, exploration work has identified north-northeast trending, sub-vertical zones of mineralization over variable widths (up to 53 metre apparent width) averaging in excess of 1 g/t gold, including intervals up to 19 metres averaging 5.8 g/t gold (7.8 g/t gold equivalent (“AuEq”)) in DZ North. During Q4 2014, drilling at DZ North returned 30 metres of 4.2 g/t gold (5.1 g/t AuEq) including 8 metres of 11.4 g/t gold (13.6 g/t AuEq) (TND-70). In October 2015 the Corporation announced results from infill drilling at DZ; hole TND-92, located in DZ South, returned 9 metres of 7.3 g/t gold (9.2 g/t AuEq) within a 38 metres interval of 2.0 g/t gold (2.8 g/t AuEq), from 43 to 81 metres depth; and hole TND-90, also located in DZ South, returned a 53 metre interval of 2.0 g/t AuEq (1.4 g/t gold, 20 g/t silver and 0.68 combined lead and zinc), from 78 to 131 metres depth. The DZ remains open along strike to the northeast and at depth.

Q2 2017 – DZ Drilling Summary

On May 30, 2017, the Corporation reported results for six holes (total of 1,326 metres) drilled in the central part of the DZ, with the objective of establishing continuity of the high-grade gold-polymetallic zone identified in Q4-2016. The six holes were drilled at 45-degree angles to the southeast, perpendicular to the interpreted trend of the mineralized zone. The results include up to 14 metres of 9.5 g/t AuEq (7.9 g/t gold, 43.7 g/t silver, and 1.83% combined lead-zinc) at 100 metre depth in hole TND-105, and 37 metres of 3.1 g/t AuEq (2.2 g/t gold, 29.7 g/t silver, and 0.76% combined lead-zinc) at 126 metre depth in hole TND-104 (see table below). The results suggest an increase in intensity of the gold-polymetallic mineralization at depth within the central DZ with increased copper content. Mineralization remains open at depth.

Q3 & Q4 2017 – DZ Drilling Summary

On October 12, 2017, the Corporation reported results for recent drilling in the central DZ and extensions of the DZ. Hole TND-110, further increased Erdene’s understanding of the high-grade core to the Discovery Zone and supported the carbonate base metal deposit model given the elevated concentrations of base and precious metals, including copper. In addition to the post-resource high-grade gold intervals reported in the table below, hole TND-110 also intersected elevated base metal veins containing up to 6.2% lead, 3.8% zinc, and up to 0.85% copper. The high-grade precious and base metal intercepts identified at the Discovery Zone remain open at depth and demonstrate exceptional down-dip potential at this new high-grade zone, which will be further defined through detailed drilling.

Eight holes totalling 1,645 metres were completed within and along potential extensions and subsidiary structures at the DZ, and all holes were successful in expanding mineralization and identifying follow-up drill targets.

A new parallel structure was discovered 100 metres northwest of the DZ with two holes (TND-113 and -114) intersecting high-grade gold and base metal mineralization, including individual 1-metre samples with up to 14.6 g/t gold, 2.4% zinc and 3.8% lead, within 20 metres of 1.1 g/t gold at 79 metres depth (TND-113), and up to 17 metres of 1.0 g/t gold at 91 metres depth (TND-114).

Exploration at the northern extension of the DZ had previously identified mineralization as plunging at depth to the north; however, results from recent drilling now also show a bifurcation of the mineralized area to the northeast. Drill holes TND-111, -112, -116 and -117 all intersected zones of gold-polymetallic mineralization, adding approximately 150 metres of additional strike length to the DZ. Multiple high-grade veins were intersected with results from 1-metre samples returning up to 7.6 g/t gold, 37 g/t silver, 3.3% lead and 8.8% zinc in hole TND-111 and 0.6 g/t gold, 126 g/t silver, 0.3% copper, 3.6% lead, and 3.1% zinc in hole TND-117. These high-grade veins were intersected within broad phyllic alteration zones that returned up to 145 metres of 0.41 g/t AuEq (0.2 g/t gold, 3 g/t silver, 0.36% lead-zinc) in hole TND-111 and 80 metres of 0.53 g/t AuEq (0.4 g/t gold, 2 g/t silver, and 0.2% lead-zinc) in hole TND-116. All intersections within this area were within 132 metres vertical depth.

A single deep hole (TND-129) was drilled under the DZ to a depth of 450 metres (390 metres vertical depth). TND-129 intersected multiple mineralized zones including 1-metre intervals up to 2.7 g/t gold, 49 g/t silver,

6.5% lead and 2.2% zinc at 382 metres depth (331 metres vertical). One previous deep hole tested the Discovery Zone at depths similar to TND-129; hole TND-31 was extended from 190 to 450 metres in late 2016 and confirmed that high-grade precious and base metal mineralization extends below the depths previously tested. TND-31 returned 1-metre samples up to 18.3 g/t AuEq at 370 metres depth (320 metres vertical depth) and up to 6.9 g/t AuEq at 401 metres depth (347 metres vertical depth).

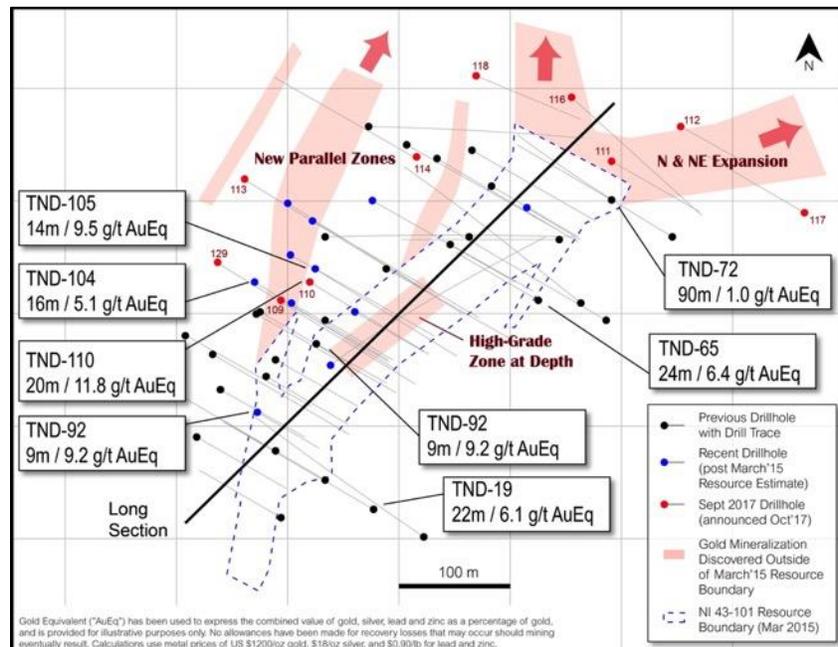
Altan Nar Project - Q2 & Q3 Drill Highlights

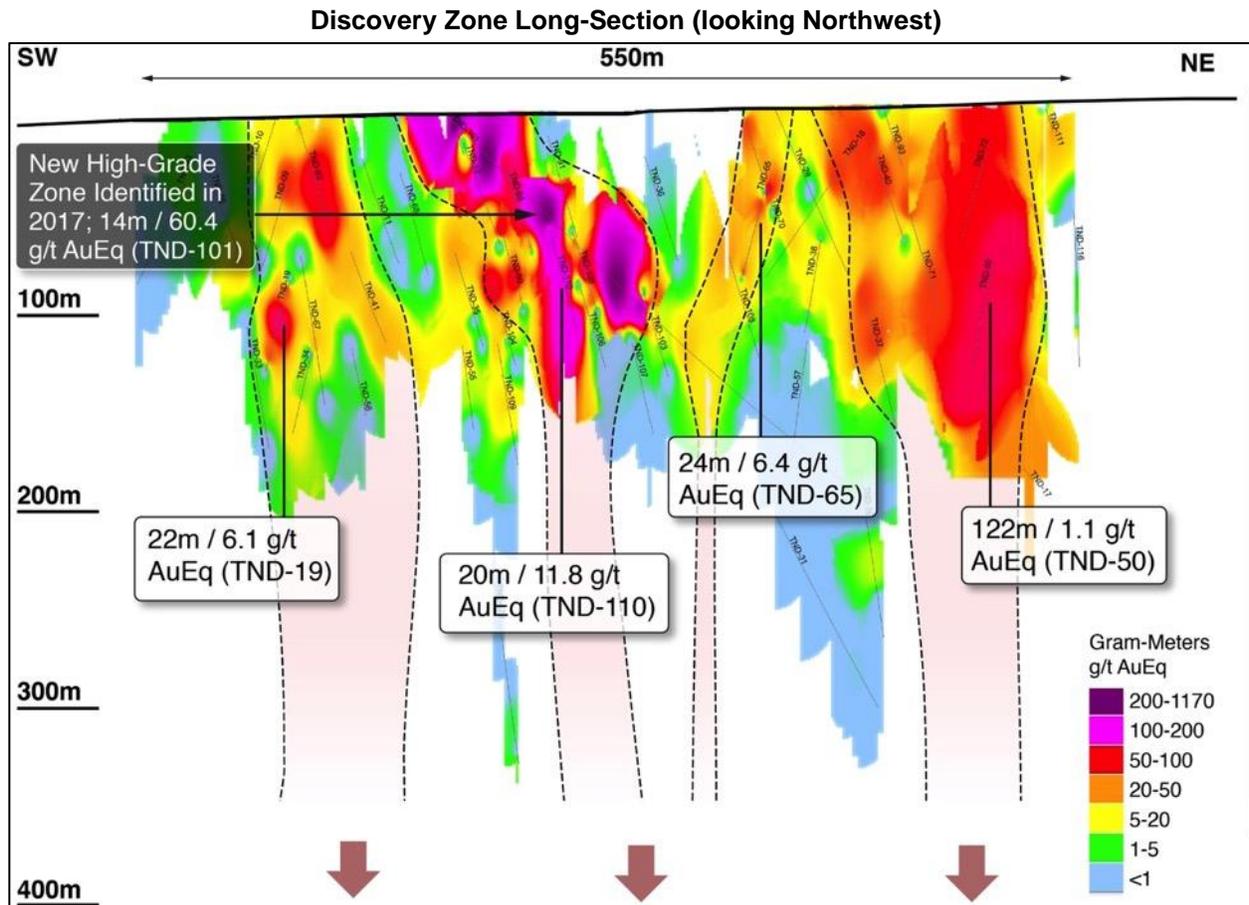
Drill Hole	From (m)	To (m)	Interval (m) ⁽¹⁾	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold Eq. (g/t) ⁽²⁾
TND-103	139	169	30	0.25	3.2	0.26	0.49	0.68
TND-104	126	163	37	2.22	29.7	0.31	0.45	3.05
incl	126	142	16	3.65	50.5	0.63	0.77	5.13
incl	137	140	3	10.1	155	1.32	2.12	14.2
TND-105	100	114	14	7.92	43.7	0.67	1.16	9.52
incl	107	113	6	14.88	65.3	0.68	0.94	16.7
incl	111	112	1	40.0	87	1.72	1.87	43.2
TND-106	132	151	19	1.01	11.9	0.21	0.42	1.51
TND-108	120	145	25	1.29	16.6	0.51	0.76	2.20
incl	135	138	3	5.81	55.0	1.63	1.69	8.34
TND-109	162	170	8	2.71	10.6	0.11	0.32	3.09
TND-110	62	63	1	0.16	16	6.18	3.80	5.54
and	97	117	20	10.3	37.5	0.79	0.93	11.8
incl	106	111	5	29.7	44.6	0.86	1.85	31.8
incl	106	107	1	101.0	84	2.01	3.26	105.0

(1) Reported intervals are not true width. At this time, there is insufficient data with respect to the shape of the mineralized zones to calculate true orientations in space.

(2) Gold Eq. ("gold equivalent") has been used to express the combined value of gold, silver, lead and zinc as a percentage of gold, and is provided for illustrative purposes only. No allowances have been made for recovery losses that may occur should mining eventually result. Calculations use metal prices of US \$1200/oz gold, \$18/oz silver, and \$0.90/lb for lead and zinc.

Discovery Zone Plan Map





Drilling Summary – Union North

In addition to DZ, one of the early discoveries at Altan Nar was Union North (“UN”), 1.3 kilometres north of the DZ. At UN, a series of 8 trenches and 20 drill holes, at 50 to 200 metre spacing, have identified mineralization associated with a structural dilation zone on a large northeast-southwest trending structure, that hosts wide, parallel zones of intensely altered and mineralized breccias. Previous drilling (2012) included a single hole (TND-46) at UN that intersected 47 metres of 1.3 g/t gold, including 9 metres of 5.4 g/t AuEq (4.4 g/t gold, 11.6 g/t silver and 1.7% combined lead and zinc). Infill drilling in Q3 2015 returned multiple, near-surface, high-grade mineralized zones from the central resource area, including hole TND-82 (within 38 metres from surface), which returned 5 metres of 10.9 g/t AuEq (7.2 g/t Au, 29.8 g/t Ag, 2.64% Pb, 3.62% Zn) within a 12 metre interval of 5.3 g/t AuEq (3.6 g/t Au, 14.4 g/t Ag, 1.15% Pb, 1.76% Zn). Trenching in Q3 significantly expanded the deposit’s mineralized zone; trench ANT-41, located approximately 200 metres east of the current UN resource boundary, returned 8 metres of 4.1 g/t AuEq (3.5 g/t Au, 5.0 g/t Ag, 0.70% Pb, 3.26% Zn) within a 28.5 metres interval of 2.5 g/t AuEq (1.9 g/t Au, 4.3 g/t Ag, 0.78% Pb, 0.35% Zn).

Q4 2016 – UN Drilling Summary

The latest Q4-2016 drill program significantly expanded the size potential of the UN mineralized system. Step-out hole TND-97, located 155 metres east of the Corporation’s Q1-2015 UN mineral resource boundary, returned 22 metres of 1.57 g/t AuEq (1.08 g/t Au, 5 g/t Ag and 0.81% combined lead-zinc) starting at 34 metres depth, under trench ANT-41 that had previously returned 28.5 metres of 2.5 g/t AuEq (1.88 g/t Au, 4.3 g/t Ag and 1.13% combined lead-zinc). The total strike length of UN is now 600 metres and remains open to the northeast, east, and south, and at depth, and will require additional drilling by the Corporation in advance of any revised resource estimate for UN.

Q3 2017 – UN Drilling

Three holes were completed along a 400 metre eastern extension target in the most recent drill program (TND-119 to 121) and one hole completed 200 metres southeast of Union North that intersected high-grade base metal veins (TND-122) (see table below). The three, eastern step-out holes clearly demonstrate that Union North mineralization expands significantly to the east and remains open. This area will receive additional drilling in advance of a revised resource estimate for the deposit.

Drill Highlights from Union North

Drill Hole	From (m)	To (m)	Interval (m) ⁽¹⁾	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold Eq. (g/t) ⁽²⁾
TND-119	38.4	42	3.6	0.06	5.3	0.44	0.78	0.76
TND-120	36.9	42	5.1	1.08	29.4	1.05	2.25	3.22
incl	39	40	1	2.43	55	1.70	3.10	5.72
TND-121	89.5	104	14.5	0.93	6.8	0.47	0.42	1.49
TND-122	105	132	27	0.14	3.0	0.19	0.53	0.56
incl	128	129	1	1.36	23.0	2.60	6.98	6.63

(1) (2) See Footnotes under table above.

Drilling Summary – Regional Targets

The combination of detailed surface mapping, geochemical analysis of soil and rock samples, along with IP and magnetic geophysical surveys has resulted in the identification of 18 highly prospective targets within the 5.6 kilometre Altan Nar trend. With the exception of DZ and UN the 16 remaining targets are relatively un-tested. The Corporation has completed limited scout drilling (2011-2012, Q4 2016), trenching (2013, Q3 2014) and target drilling (Q2, Q4 2014, Q3 2015, and Q4 2016) to test a number of high priority targets. With additional drill testing, these target zones have the potential to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar.

Q3 & Q4 2017 – Maggie Prospect Drilling

The Maggie prospect is located 800 metres north of the Discovery Zone and 600 metres southeast of Union North. Drilling targeted the extension of a magnetic low feature that was previously drill-tested approximately 100 metres to the southeast (TND-64). Maggie has only received three drill holes and one trench since discovery in 2013. Hole TND-123 is located at the northeast edge of a large phyllic alteration zone, associated with anomalous rock chip results that include up to 15.4 g/t gold. Results from TND-123 included 5 metres of 5.3 g/t AuEq (4.8 g/t gold, 10.4 g/t silver, and 0.8% lead-zinc) at 31 metres depth, including 1 metre of 23.8 g/t AuEq (22.3 g/t gold). Hole TND-133 was drilled beneath TND-123 to test possible down-dip extension of mineralization. Excluding 25 metres of barren dykes the zone in TND-133 returned an average grade of 0.7 g/t AuEq (0.4 g/t gold, 4.2 g/t silver, and 0.46% combined lead-zinc) with individual gold values up to 4.8 g/t over 1 metre. The initial drill hole at Maggie (TND-64) returned 22 metres of 1.1 g/t gold at 38 metres depth. The nearest drill hole to these three scout holes is located at Union North, 450 metres to the west. A follow-up program for Maggie is being designed.

Q3 2017 - Junction Prospect Drilling

The Junction prospect is located 600 metres east of the Discovery Zone and is characterized by anomalous rock chip samples (up to 11.2 g/t gold) and soil geochemistry within a 350 by 450 metre area overlying a large gradient IP chargeability anomaly. Hole TND-127 is the first drill hole completed at Junction and intersected strongly silicified volcanic breccias cut by chalcopyrite mineralized, sheeted and stockwork quartz veins, returning 12 metres of 0.3% copper, 0.14 g/t gold and 7.5 g/t silver at 150 metres depth. Multiple targets in this prospect remain untested. The increased concentration of copper in this, and the adjacent Southgate target areas (up to 4.4% copper over a 1-metre interval in TND-48), suggests this region

of Altan Nar may represent a higher temperature portion of the broader mineralized zone. This new zone will be a priority for the Corporation in future drill programs.

Geology

The Altan Nar prospect hosts multi-phase epithermal gold-silver-lead-zinc mineralization with abundant carbonate gangue minerals within Late Paleozoic (Devonian-Carboniferous) andesitic volcanic and lapilli tuff host rocks. Mineralization is associated with comb quartz and chalcedony veins, quartz breccias, sulfide matrix breccia and quartz-poor breccia zones with associated white mica alteration zones (quartz-illite±pyrite), and locally potassic altered zones, all within widespread propylitic (epidote-chlorite-montmorillonite/illite) alteration of host trachy-andesite, andesite and andesite tuff units.

2018 Resource Estimate

On May 10, 2018, the Corporation announced the results from an update to a previous resource estimate for Altan Nar that was reported in March 2015. The revised resource estimate was completed by RPMGlobal (“RPM”), based on information provided by Erdene and verified where possible by RPM. This information included the results from an additional 51 diamond drill holes totaling 7,782 metres completed between Q1 2015 and Q4 2017. This drilling focused on expanding existing resource boundaries in the Discovery Zone (“DZ”) and Union North (“UN”) deposits, as well as expanding and exploring for additional mineralization within the remaining 16 target areas throughout the 5.6 kilometre Altan Nar trend. This work resulted in the discovery of a high-grade central core in the DZ area and outlined additional resources in the peripheral targets. The DZ drilling in particular had a significant impact on the overall size and grade of the revised Mineral Resource. All statistical analysis and mineral resource estimations were carried out by RPM.

Table 1-15 below shows the Indicated and Inferred Mineral Resource estimate for Altan Nar as at May 7, 2018. The Mineral Resource was completed by RPM in accordance with the recommended guidelines of the CIM Definition Standards referenced in NI 43-101. RPM calculated the Altan Nar Mineral Resources for a number of AuEq cut-offs, however RPM recommended reporting the Mineral Resource at a 0.7 g/t AuEq cut-off for open pit resources, and 1.4 g/t AuEq below the same pit shell. Table 1-15 shows the variation in tonnage and metals content with variable cut-off grades above the pit shell (0.4 g/t AuEq, 1.0 g/t AuEq and 1.4 g/t AuEq cut-off grades), while keeping the 1.4 g/t AuEq below the pit shell consistent. The Corporation will file a NI 43-101 Mineral Resource Estimate and Technical Report on SEDAR within 45 days of the announcement on May 10, 2018.

Table 1-15 Altan Nar Project – Mineral Resource Estimate Summary, May 7, 2018

Cut-off AuEq g/t	Resource Classification	Quantity (Mt)	Grade					Contained Metal				
			Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	Au Koz	Ag Koz	Zn Kt	Pb Kt	AuEq Koz
0.4	Indicated	5.6	1.8	13.5	0.6	0.5	2.6	323	2,412	33.2	29.9	464
0.4	Inferred	3.7	1.6	7.5	0.7	0.6	2.3	189	901	24.5	22.8	283
0.7	Indicated	5.0	2.0	14.8	0.6	0.6	2.8	318	2,350	31.6	29.0	453
0.7	Inferred	3.4	1.7	7.9	0.7	0.7	2.5	186	866	23.7	22.3	277
1.0	Indicated	4.2	2.3	16.6	0.7	0.7	3.2	306	2,212	28.6	27.4	431
1.0	Inferred	3.2	1.8	8.2	0.7	0.7	2.7	182	837	22.8	21.5	270
1.4	Indicated	3.3	2.7	18.9	0.8	0.8	3.8	285	2,002	24.9	25.2	398
1.4	Inferred	2.9	1.9	8.6	0.8	0.7	2.8	176	795	21.5	20.4	259

Notes:

1. The Mineral Resources have been constrained by topography and a cut-off of 0.7 g/t AuEq above a pit and 1.4 g/t AuEq below the same pit shell.
2. The Mineral Resource Estimate Summary has been compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of

mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.

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.

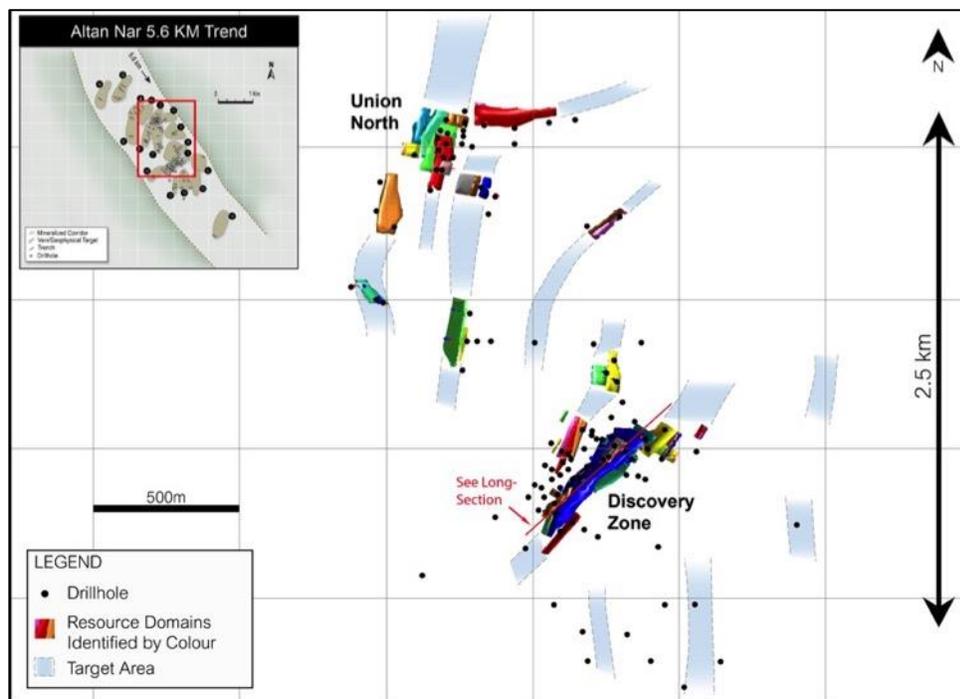
7. No allowances have been made for recovery losses that may occur should mining eventually result.

8. Gold Equivalent ("AuEq") 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 and processing recoveries as per below.

The results from the revised resource estimate identified a 208% increase in the Indicated gold equivalent ("AuEq") resource and an increase of 172% in the Inferred AuEq resource, compared to the Corporation's March 2015 Altan Nar maiden mineral resource estimate. In addition, the Indicated Resource estimate increased to 452,900 ounces ("oz") AuEq, averaging 2.8 g/t AuEq, and the Inferred Resource increased to 277,100 oz AuEq averaging 2.5 g/t AuEq, within a total resource of 5.0 million tonnes ("Mt") Indicated and 3.4 Mt Inferred Resource. The Indicated Resource included 317,700 oz gold (at 2.0 g/t gold), 31,600 tonnes ("t") zinc, 29,000 t lead, and 2.35 million oz silver, while the Inferred Resource contained 185,700 oz gold (at 1.7 g/t gold), 23,700 t zinc, 22,300 t lead, and 865,900 oz silver. The AuEq grade increased by 12% in the Indicated category, and 19% in the Inferred category, whereas the gold grade increased by 18% in the Indicated category, and 13% in the Inferred category.

Approximately 90% of the Mineral Resource is located within 150 metres of surface with all zones open along strike and at depth. Additionally, multiple undrilled and scout-drilled prospects along the 5.6 kilometre Altan Nar trend have the potential for hosting additional gold-polymetallic resources.

Central Altan Nar – May 2018 Resource Estimate with Significant Exploration Upside



For future details on the parameters used by RPM in determination of the reported cut-off grade the reader is referred to the press release issued by the Corporation on May 10, 2018.

Geophysical Surveys

The aerial extent of ground geophysical surveys at Altan Nar was expanded in 2014, with 20 line kilometres of induced polarization (“IP”) dipole-dipole surveys completed along 100 metre spaced lines over an area covering the North Bow, South Bow, Riverside, Union North, Union South and Maggie prospect areas. To date, high chargeability anomalism has been an important guide for successful targeting of the gold mineralized zones. A previous IP gradient-array survey identified a series of high chargeability anomalies, up to 190 metres wide that are interpreted as representing broad zones of sulphide mineralization. Many of these IP anomalies have corresponding surface geochemical anomalies (in both rock and soil). The morphology of these IP anomalies, coupled with the geometry of the lineaments evident on satellite imagery, suggests mineralization may be associated with structural dilation zones. The Q2 2014 survey results show the presence of multiple, locally intense, chargeability high anomalies, extending from near-surface to depth, often continuing below the IP survey detection limit of approximately 150 metres. Anomalies beneath the North Bow/South Bow and Union North, Union South target areas are particularly intense. The majority of these geophysical targets have yet to be drill tested.

A high-resolution ground magnetic orientation study using 10 metre spaced survey lines was completed over a 500 by 500 metre portion of the main Discovery Zone in Q4 2016. The results of this survey successfully outlined the main mineralized zones and associated white-mica alteration zones in the survey area. In Q2 2017 a high-resolution ground magnetic survey was completed over the entire Altan Nar project area, using 10 metre line spacing, with a total of 1,000 survey line kilometres.

In Q2 2017 a six-line induced polarization (IP) dipole-dipole survey was completed with 150-metre dipole spacing. The survey lines were oriented at 135 degrees and were centred over the DZ and were 2,850 metre in length. The objective of this survey was to identify any significant chargeability anomalies that could represent sulphide mineralization.

The results from the Q2 magnetic and IP surveys were used to guide drill targeting for the Q2-Q3 drill program outlined above and the Q4 2017 drill program that tested several of the 16 targets outside of DZ and UN.

Metallurgical Testing

During Q3 2015 the Corporation completed metallurgical test-work on representative drill core composites from DZ North and Union North. The test-work program was completed by Blue Coast Research Ltd. (“BCR”) of Parksville, British Columbia, and was designed to provide a preliminary metallurgical evaluation of Altan Nar and included cyanidation, flotation, gravity separation, and heavy liquid separation.

Metallurgical test-work at DZ North returned 88% gold recovery from direct cyanidation (ground to 80% passing 75 microns), indicating the gold is free milling and does not contain a significant refractory component. The test was conducted as a standard 48-hour bottle roll at 40% solids, with a cyanide concentration maintained at 1.0 g/L NaCN, while the pH was maintained between 10.5 and 11.0. Dissolved oxygen levels were maintained above 5 mg/L. Both cyanide (0.96 kg/t) and lime (1.51 kg/t) consumptions were moderate, indicating relatively low reagent consumable costs.

The flotation results indicated that high-grade gold-lead-silver concentrates (229 g/t gold, 62% lead, 1,029 g/t silver) could be produced with reasonable overall recoveries (75% gold, 74% lead, 64% silver) using conventional lead-zinc differential flotation.

A single cyanidation test and a single cleaner flotation test were both completed on UN drill core composites under similar conditions to those employed for the DZ North test-work. The results of the cyanidation test indicated a gold recovery of 68%. In the flotation test, the gold associated with the UN sample displayed a higher affinity for recovery to the sulphide concentrate (24% gold recovery), and less of an affinity for recovery to the lead concentrate (45% gold recovery) versus the DZ North material. No optimization work was performed on the UN composite.

BCR specializes in flowsheet development, from conceptual through prefeasibility to full feasibility level studies as well as in-plant consulting services supporting the start-up and optimization of production plants. Their metallurgists have significant experience with polymetallic base and precious metal concentrates globally.

Conclusions and Recommendations

Drilling completed subsequent to the Q1 2015 maiden resource estimate has resulted in a significant increase in the updated resource estimate announced in May 2018. In addition, this drilling has increased the Corporation's confidence in the potential to expand the current resource estimates at Altan Nar, including areas of known gold-polymetallic mineralization outside of the current resource boundaries.

The 2017 exploration drill programs focused on establishing continuity of the new high-grade zone in the central DZ, situated at the intersection of major structures, and explored areas where zones of structural dilation, or offset, may have provided a favorable setting for the concentration of metal-rich solutions over wider intervals. The results from a high-resolution magnetic survey completed at Altan Nar in 2017 are being used to evaluate the potential for similar cross-cutting structures, as observed at DZ, at the 17 other target areas within the 5.6 kilometre long mineralized corridor. A structural study was completed for Altan Nar in Q3 2017 and results from this work will also be used for future drill targeting.

The continued drilling success at the new discovery in central DZ provides strong support for additional drilling. Upcoming work at Altan Nar is also expected to include various technical studies in support of a mining license application, including hydrogeological, archaeological, paleontological, and environmental base line studies.

Data verification and exploration information for the Altan Nar section can be found in the following documents filed by the Corporation on Sedar:

- Technical report dated March 2015, "Altan Nar Gold Project, Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Mineral Resource Technical Report" dated March 2015
- Press Release dated Sep 16, 2015, "Metallurgical Testing at Erdene's Altan Nar Project Returns 88% Gold Recovery; Commissions Independent Strategic Options Analysis with RungePincockMinarco"
- Press Release dated Oct 15, 2015, "Erdene Reports Multiple High-Grade Gold-Polymetallic Intersections at Altan Nar Discovery Zone, Including 9 m of 9.2 g/t Gold Equivalent"
- Press Release dated Nov 16, 2015, "Erdene Provides Project Review and Quarterly Financial Results"
- Press Release dated Dec 19, 2016, "Erdene Intersects 110 Metres of 9.3 g/t Gold at Altan Nar Project"
- Press Release dated October 12, 2017, "Erdene Intersects 20 Metres of 10.3 g/t Gold at Altan Nar Project and Expands Bayan Khundii and Altan Nar Drilling Program to 33,000 Metres"
- Press Release dated January 24, 2018, "Erdene Provides Regional Exploration Update; High-Grade Gold Intersected at Altan Arrow, 70 g/t over 2 metres, 3.4 Kilometres North of Bayan Khundii"
- Press release dated May 10, 2018, "Erdene Significantly Increases Resource Estimate at the Altan Nar GoldPolymetallic Project"

Altan Arrow Gold Project (located on the Bayan Khundii license)

During 2017, the Corporation completed significant exploration work north of the Bayan Khundii project, and identified numerous zones of siliceous and vuggy residual quartz, intense argillic and advanced argillic alteration, and anomalous gold within a 3 by 6 kilometre area spanning the central part of the Khundii license. Particular focus was placed on the Altan Arrow gold-silver project and the Khundii North gold prospect, 3.4 and 3.2 kilometres north of the Corporation's Bayan Khundii project, respectively.

Previous exploration by the Corporation at Altan Arrow in 2013 confirmed the presence of high-grade gold within epithermal quartz veins and breccias, and the potential for broader mineralized zones; up to 57 g/t gold in hand samples and 1 metre of 31.4 g/t gold and 6 metres of 4.5 g/t gold in trenching. In H2 2017, the Corporation further defined Altan Arrow as a 0.5 by 1 kilometre target area adjacent to a major northeast-trending extensional fault containing multiple zones of high-grade epithermal quartz veining.

The Corporation's Q4 2017 exploration program at Altan Arrow included one hole testing a new, highly anomalous gold-in-soil anomaly extending over a 200 metre area to the south of the main northeast-trending structure. Follow-up surface sampling and geological mapping of the soil anomaly in Q3-2017 resulted in the discovery of surface quartz vein rubble that returned 27 g/t gold along an east-west trending structure. A single hole, AAD-11, tested this new prospect at depth and intersected multiple, anomalous gold zones spread over the 100 metre length of the hole (45 degree angle), including a shallow gold-bearing epithermal vein at 11 metres vertical depth that returned 1 metre of 39 g/t gold and 8 g/t silver. Anomalous gold (0.1 to 0.3 g/t) was intersected surrounding this high-grade vein over a 14 metre wide zone of quartz-sericite altered Devonian andesite cut by quartz veins.

Prior to the Q4-2017 drill program, the only hole completed along this east-west structure was AAD-03, approximately 300 metres east of AAD-11. AAD-03 intersected 2 metres of 23.5 g/t gold at 50 metres vertical depth. Hole AAD-12 was a 150 metre deep hole drilled to test the continuity of that intersection at depth and returned 2 metres of 70.1 g/t gold and a second intersection of 2 metres of 1.3 g/t gold within 100 metres of surface.

Khundii North Prospect

The Khundii North prospect is located 2.5 kilometres east of Altan Arrow and 3.2 kilometres north of Bayan Khundii. The northeast-trending faults running through Bayan Khundii and Altan Arrow are part of a larger network of regional northeast-trending extensional faults that are present throughout the larger Khundii District. The thoroughgoing structure at Bayan Khundii can be traced northeast to the untested Khundii North prospect where areas of quartz stockwork, chalcedonic quartz with hematite breccia clasts have been traced over 1 kilometre, returning 5 rock samples greater than 0.5 g/t gold and up to 22.7 g/t gold.

Q3 2017 Regional Surveys

A program of detailed geological mapping, prospecting and rock chip sampling, covering the entire Khundii license, was completed in Q3 2017. In addition, an in-fill soil geochemical program was completed in Q3 2017 for the area of the Khundii license extending north from the Bayan Khundii project to the northern edge of the license (approximately 10 kilometres), with samples collected on 100 metre and 200 metre grid spacing. Geophysical surveys were also completed in Q3 over a 22 square kilometre area of the Khundii license, extending from the Bayan Khundii project to north of the Altan Arrow prospect. These included a 900 line kilometre magnetic survey with 25 metre line spacing and a 53 line kilometre induced polarization dipole-dipole survey, with 150 metre dipole spacing. Results from these regional surveys are being used to identify potential drill targets for 2018.

Data verification and exploration information for the Altan Arrow section can be found in the following documents filed by the Corporation on Sedar:

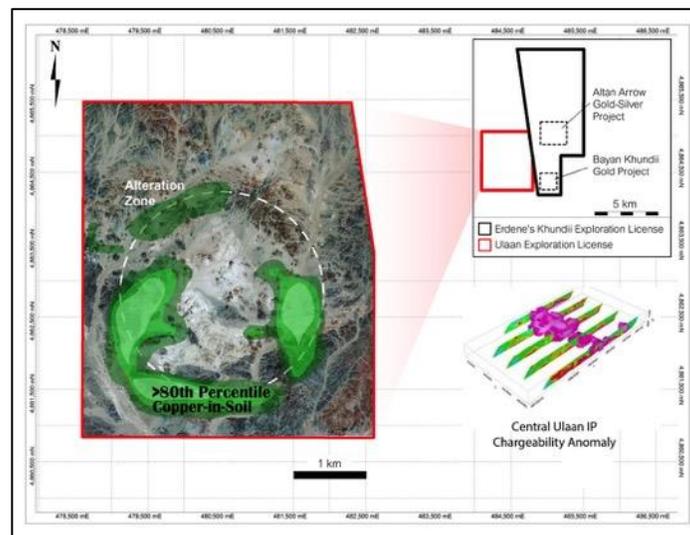
- Press Release dated Dec 19, 2016, "Erdene Intersects 110 Metres of 9.3 g/t Gold at Altan Nar Project".

- Press Release dated January 24, 2018, “Erdene Provides Regional Exploration Update; High-Grade Gold Intersected at Altan Arrow, 70 g/t over 2 metres, 3.4 Kilometres North of Bayan Khundii”

Ulaan Copper-Gold Porphyry Project – Recent Acquisition

On August 30, 2017 the Corporation acquired a 51% interest in the Ulaan exploration license (“Ulaan Property”), situated immediately west of its high-grade Bayan Khundii gold project (see figure below), with the option to acquire up to 100%. The Ulaan Property covers an area of approximately 1,780 hectares, and hosts a very large, 3-kilometre diameter, intense alteration zone with characteristics thought to be related to a porphyry intrusion at depth. The exploration license is in its third 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. Although the Ulaan Property has no history of drilling or trenching, rock chip and stream sediment geochemical sampling has identified anomalous concentrations of gold, copper and molybdenum in the surrounding area, and recently completed geophysical surveys have produced a number of follow-up targets. Under the terms of the Agreement, Erdene has acquired 51% of the outstanding shares of Leader Exploration LLC, a private Mongolian company that currently owns the Ulaan Property, from Erdenechuluun.Z and Erdenekhuyag.Z for US\$750,000. Provided Erdene spends a minimum of US\$600,000 on work expenditures on the Ulaan Property over the next three years, it has the right to acquire the remaining 49% of the shares of Leader from Erdenechuluun.Z or, at Erdene’s option, a portion of the Property, for the then fair market value of the Ulaan Property or the portion to be acquired. Erdene may extend the option beyond three years by spending a minimum of US\$100,000 per annum on work expenditures.

Map of Ulaan License Showing Intense, 3 km Alteration Zone Adjacent to Bayan Khundii License



Exploration programs completed over the entire Ulaan license in Q3 and early Q4 2017 included detailed geological mapping, prospecting and rock chip sampling, a 1,739 sample soil survey with 100 metre grid spacing, and an 89 line kilometer induced polarization pole-dipole survey using 200 metre dipole spacing. Results from this work were used to guide the Q2 2018 exploration work, including a detailed grid soil program over prospective areas, a follow-up IP pole-dipole survey, a license-wide gravity survey, and an initial trenching program over highly prospective areas. The results from this work will be used to guide a drill program anticipated in 2018.

Data verification and exploration information for the Ulaan Project section can be found in the following documents filed by the Corporation on Sedar:

- Press Release dated August 22, 2017, "Erdene to Acquire Majority Interest and Right to Purchase 100% of Exploration License Adjacent to its Bayan Khundii Gold Project Halifax, Nova Scotia
- Press Release dated August 30, 2017, "Erdene Expands Land Position in Bayan Khundii Gold District; Closes Ulaan Project Acquisition
- Press Release dated January 24, 2018, "Erdene Provides Regional Exploration Update; High-Grade Gold Intersected at Altan Arrow, 70 g/t over 2 metres, 3.4 Kilometres North of Bayan Khundii"

Zuun Mod Molybdenum Project (located on the Khuvyn Khar license)

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

In Q2 2011, the Corporation released a National Instrument 43-101 compliant resource estimate for Zuun Mod containing a Measured and Indicated Resource of 218 million tonnes ("Mt") at an average grade of 0.057% molybdenum, and 0.069% copper at a cut-off grade ("cog") of 0.04% molybdenum (40 Mt measured resource at 0.056% molybdenum and 0.064% copper and 178 Mt indicated resource at 0.057% molybdenum and 0.07% copper). This equates to 273.5 million pounds ("M lbs") of contained molybdenum metal and 330.7 M lbs of contained copper metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% molybdenum and 0.065% copper, equating to a further 191.8 M lbs of contained molybdenum metal and 240.5 M lbs of contained copper metal. All of the reported Zuun Mod molybdenum and copper resources lie within the boundaries of the mining license.

Management believes that the Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. Recent market demand for molybdenum has been depressed, with the price of molybdenum oxide at approximately US\$7.25 per pound on December 31, 2017, down significantly from the US\$40 per pound values reached in 2004 and 2005. Improvement in the molybdenum market is an important factor in the advancement of the Zuun-Mod molybdenum-copper deposit. The Corporation will continue to complete evaluations towards optimizing project economics as new information is received regarding technology and/or additional exploration information. Discovery of additional significant copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Data verification and exploration information for the Zuun Mod section can be found in the following documents filed by the Corporation on Sedar:

- "Technical Report Zuun Mod Porphyry Molybdenum-Copper Project, South-Western Mongolia, National Instrument 43-101 Independent Technical Report" dated June 2011

Khuvyn Khar Copper-Silver Project (located on the Khuvyn Khar license)

The Khuvyn Khar copper-silver project is located on the Zuun Mod property, approximately 2.2 kilometres northwest of the Zuun Mod molybdenum-copper porphyry deposit (discussed above). Exploration work at Khuvyn Khar has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys, and wide spaced drilling. Previous drilling completed by the Corporation to test a geophysical target, intersected 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (hole ZMD-121). Additional drilling on the Khuvyn Khar prospect has defined 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).

The previous exploration programs have confirmed the potential for copper porphyry style mineralization within the Khuvyn Khar target area.

The Corporation will continue to complete necessary work on the Zuun Mod molybdenum-copper deposit and Khuvyn Khar copper-silver project, as required to keep the mining license in good standing, including annual license payments, ongoing environmental review requirements and community development work. No exploration is budgeted in 2018 for the Khuvyn Khar Copper-Silver Project.

Data verification and exploration information for the Khuvyn Khar section can be found in the following document filed by the Corporation on Sedar:

- Press Release dated Nov 16, 2015, “Erdene Provides Project Review and Quarterly Financial Results”

Contractual Obligations

The following table summarizes the Corporation’s contractual obligations at June 30, 2018:

Contractual Obligations	Total	Less than one year	1-3 years	4-5 years	More than 5 years
Office leases	\$ 73,425	\$ 62,936	\$10,489	\$ -	\$ -
Accounts payable and accrued liabilities	507,973	507,973	-	-	-
	<u>\$ 581,398</u>	<u>\$570,909</u>	<u>\$10,489</u>	<u>\$ -</u>	<u>\$ -</u>

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

Sandstorm Gold Ltd. is entitled to a 2.0% net smelter return royalty on the Tsenkher Nomin and Khundii licenses. The royalty is subject to a buy-down provision.

In 2017, minimum exploration expenditures of USD\$1.50 per hectare are required on the Corporation’s Tsenkher Nomin and Khundii licenses (USD\$7,004 and USD\$6,771 respectively).

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

Off-Balance Sheet Arrangements

As at June 30, 2018, the Corporation had no off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risks to the Corporation.

Critical Accounting Estimates

Estimate of recoverability for non-financial assets

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

In accordance with the Corporation’s accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized

to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. Impairment testing is also performed annually for goodwill.

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

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

Share-based payments

Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured. The Corporation recognized a total of \$892,014 in non-cash share-based compensation in the six months ended June 30, 2018 (2017 - \$1,407,437).

Taxation

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditures, dividends and other capital management transactions.

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

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

Adoption of New Accounting Standards

The following new standards and amendments to standards and interpretations under IFRS were adopted for the period beginning January 1, 2018.

Amendments to IFRS 9 - Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IAS 12 - Income Taxes

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

IFRS 2 – Share-based Payments

The IASB issued amendments to IFRS 2, Share-based Payments, to clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including; accounting for cash settled share-based payments, classification of share-based payments settled net of tax obligations, and accounting for modifications of share-based payment transactions from cash-settled to equity.

IFRIC 22: Foreign currency transactions and advance consideration

On December 8, 2016 the IASB issued IFRIC Interpretation 22. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

Future Changes in Accounting Policies

The following new standards, and amendments to standards and interpretations under IFRS and have not been applied in preparing the June 30, 2018 consolidated financial statements.

IFRS 16 Leases: IFRS 16 will replace IAS 17 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 23: Uncertainty over income tax treatments

On June 7, 2017 the IASB issued IFRIC Interpretation 23. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning January 1, 2019. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

Financial Instruments and Other Risks

Financial Instruments

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

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

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

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

Fair Value

During the periods ended June 30, 2018 and December 31, 2017, 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.

	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	\$ 5,146,759	\$ -	\$ -	\$ 3,225,202	\$ -	\$ -
Receivables	-	155,343	-	-	148,069	-

Risks

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

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	
	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 5,146,759	\$ 3,225,202
Receivables	155,343	148,069
	\$ 5,302,102	\$ 3,373,271

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with a Canadian Schedule I bank, where management believes the risk of loss to be low. At June 30, 2018, \$29,711 or 1% of the balance of cash and cash equivalents was held in banks outside Canada (December 31, 2017 - \$113,555 or 4%).

Receivables include an amount from Morien. The Corporation has an agreement to provide management services to Morien, invoiced monthly. Morien accounted for 14% of receivables at June 30, 2018 (December 31, 2017 - 18%). Management believes the credit risk on amounts receivable is 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. As of June 30, 2018, the Corporation had a cash and cash equivalents balance of \$5,146,759 (December 31, 2017 - \$3,225,202) to settle current liabilities of \$507,973 (December 31, 2017 - \$191,600).

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

Current working capital of \$3.95 million is expected to fund the Corporation's budgeted expenditures to the first quarter of 2019; which could be extended with the deferral of planned expenditures if deemed necessary. The ability of the Corporation to continue with its exploration programs beyond this point is contingent upon securing additional funds through asset sales, formation of alliances, option, and/or joint venture agreements, equity financing and/or expenditure reductions. The timing and availability of additional equity financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs.

Foreign Currency Risk

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

The Corporation's exposure to US dollar currency risk was \$1,070,151 as at June 30, 2018 (December 31, 2017 - \$205,773). Sensitivity to a plus or minus 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$107,000 (December 31, 2017 - \$20,600).

The Corporation's exposure to Mongolian Tugrik currency risk was \$283,797 as at June 30, 2018 (December 31, 2017 - \$38,526). Sensitivity to a plus or minus 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$28,400 (December 31, 2017 - \$3,900).

Price Risk

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

Disclosure Controls and Internal Controls over Financial Reporting

Erdene has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have evaluated the design and effectiveness of Erdene’s disclosure controls and procedures as of June 30, 2018 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 International Financial Reporting Standards (“IFRS”).

Management evaluated the design and effectiveness of Erdene’s internal controls over financial reporting as of June 30, 2018. 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 June 30, 2018, 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.

Qualified Person

Michael A. MacDonald, 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 Parksdale British Columbia, Canada, or ALS Chemex in Vancouver, Canada. In addition to internal checks by SGS Laboratory, Central Geological Laboratory and ALS Chemex, the Corporation incorporates a QA/QC sample protocol utilizing prepared standards, field and laboratory splits and blanks.

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

Other Information

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